Potevio
中国普天

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

(Stock Code: 1202)

annual report 2007

Corporate Profile

Chengdu PUTIAN Telecommunications Cable Company Limited (the "Company") is one of the largest telecommunications cable manufacturers in the People's Republic of China (the "PRC").

The Company was incorporated in the PRC on 1 October 1994 after its restructuring and was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 December 1994 through the placing and public offer of 160,000,000 H shares ("H Shares"). China Potevio Company Limited ("China Potevio"), the wholly owned subsidiary of China PUTIAN Corporation ("Potevio Group"), is the controlling shareholder of the Company.

The scope of operation of the Company: research and technological development, manufacturing, sales and services of wires and cables, optical fibres and optical cables, specialized materials used by cables, irradiation processing, cable accessories, specialized facilities and equipment and the equipment and facilities for various information industry products (excluding products restricted and prohibited by the State); import and export, wholesaling and retailing and commission agency (excluding auction) of commodities with respect to the aforesaid products; wholesaling and retailing and commission agency (excluding auction) of domestically procured commodities (excluding specialized commodities), technical consultancy and provision of technological services.

Address of the Company: No. 18, Xinhang Road, West Hi-tech Zone, Chengdu, Sichuan Province, the People's Republic of China

Postal Code: 611731

CONTENTS

Financial Highlights

SUMMARY OF OPERATIONS

	2007	2006
	RMB'000	*RMB'000*
Turnover	**627,936**	550,714
Loss from operations	**(49,077)**	(17,682)
Share of results of associates	**3,411**	3,190
Profit before taxation	**194,592**	150,627
Profit attributable to equity holders of the Company	**187,942**	139,294
Basic earnings per share	**RMB0.47**	RMB0.35

SUMMARY OF NET ASSETS

	31 December 2007	31 December 2006
	RMB'000	*RMB'000*
Total assets	**1,280,449**	1,125,517
Total liabilities	**278,742**	311,387
Net assets	**908,243**	720,116
Net assets per share*	**RMB2.27**	RMB1.80

* *On 31 December 2007, net assets per share is calculated on the basis of net assets of RMB908,243,000 (2006: RMB720,116,000) and the total number of issued shares of 400,000,000 shares (2006: 400,000,000 shares).*

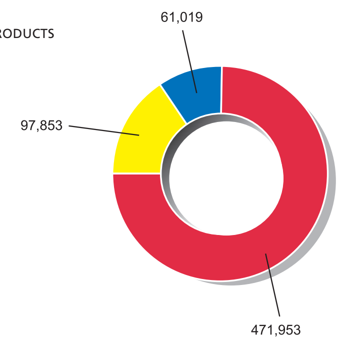
TURNOVER (by major products) (RMB'000)

2007

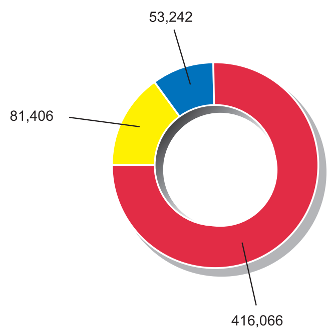
Copper Cables and Related Products 416,066

Cable Joining Sleeves and Related Products 53,242

Optical Fibres and Related Products 81,406



2006

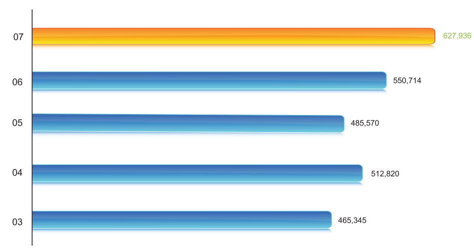


Copper Cables and Related Products 357,645

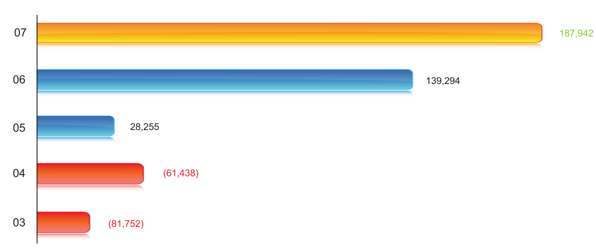
Cable Joining Sleeves and Related Products 79,558

Optical Fibres and Related Products 48,367

TURNOVER (RMB'000)



PROFIT / (LOSS) ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY (RMB'000)



CHAIRMAN'S STATEMENT

To Shareholders:

I am pleased to present the annual report of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2007 (the "Year") and would like to express our kind regards to all shareholders of the Company (the "Shareholders") on behalf of the board of directors of the Company (the "Board") and all staff members of the Company.

During the year, profit before tax was approximately RMB194,592,000 and profit attributable to shareholders amounted to RMB187,942,000, representing an increase of 35% compared with the same period last year. Earnings per share were RMB0.47.

Thanks to supports from the entities and the staff's efforts, the Group accomplished the construction of new factory area and the overall relocation of all businesses in 2007, in light of the strategy of "With priority, in batches and out-of-base production" and on the "Efficient, economical, safe and practical" basis. Despite the adverse impacts from outside and inside on its production and operation in the year, the Group implemented specialized management on its arms including procurement, production and sales to effective control operating risks. This contributed to the significant increase in its comprehensive cost competitiveness, the effectively expanded niche for its existing business and the continuous growth in operating results. Meanwhile, the Group took efforts in promoting reform to perfect the modern enterprise system and deepen the systematic and mechanism reform, taking market economic benchmarks to assess its work and accelerate the access to market economy. Addressing the intensifying market competition, the Group kept improving its self-innovation capability and optimising resource allocation to speed up development of new products, while promoting business restructure to position itself in line with the overall industry planning, so as to lay a cornerstone for its new industrial platform.

Year 2008 will still be with complicated situation, both internally and externally. With the faster substitution of optical cable for copper cable by telecommunication operators, telecommunication customers will substantially cut down the procurement of local cable. Feeder cable, faced by critical challenge as well, has witnessed declining gross profit despite the surging sales revenue. Optical fiber cable, though with promising prospect, is yet to achieve a paralleled growth in scale and merit due to the limitation of industry chain. To cater for such changes and secure its market position with sound performance, the Company has to devote hard and patient efforts for well-planning and implementation. It poses to us a new topic, mission and challenge in a brand new field, as to how to meet customer demand and to identify opportunities, capture market share and gain profit in aligning ourselves with the coming substitution of optical cable for copper cable. In the promising year 2008, we will leverage the opportunities to cope with challenges, dedicating our efforts and wisdom aggressively as a whole for a leap forward growth. We are committed to devoting our passion and unremitting work to live up to a better future.

I would like to take this opportunity to express my gratitude on behalf of the Board to the Shareholders and the staff of the Group for their support and trust to the Company throughout the year.

Zhang Xiaocheng
Chairman

17 April 2008

Managment's Discussion and Analysis

(1) TURNOVER

For the Year, the turnover of the Group amounted to approximately RMB627,936,000, an increase of 14.02% as compared to approximately RMB550,714,000 for the year ended 31 December 2006 (the "Previous Year.")

During the Year, the turnover of copper cables was approximately RMB471,953,000, an increase of 12% as compared with the Previous Year, of which plastic urban telephone cables accounted for approximately RMB111,010,000, a decrease of 21.54% as compared with the Previous Year; program-controlled cables accounted for approximately RMB33,661,000, a decrease of 21.29% as compared with the Previous Year.

Chengdu SEI Optical Fibre Co., Ltd ("CDSEI"), a company in which the Company owns a 60% equity interest, recorded a turnover of approximately RMB97,853,000; and Chengdu Cable Plant of the Ministry of Posts and Telecommunications Shuangliu Heat Shrinkable Products Sub-Plant ("Shuangliu Heat Shrinkable"), a company in which the Company owns a 66.7% equity interest, recorded a turnover of approximately RMB61,019,000.

(2) PROFITS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net profits attributable to the equity holders of the Company for the Year amounted to approximately RMB187,942,000. The net profits attributable to equity holders of the Company for the year ended 31 December 2006 amounted to approximately RMB139,294,000. Profits attributable to equity holders of the Company showed an increase of 35% as compared with the Previous Year.

(3) RESULTS ANALYSIS

During the Year, the main products of the Group are: plastic urban telephone cables, program controlled cables, cable-joining sleeves, optical fibres and mobile telecommunications cables.

During the Year, the Company received approximately RMB310,060,000 for the third stage land payment of the disposal of the Land where the Company's headquarters were located (second stage land payment received: RMB218,340,000). The profit after deducting the related cost was approximately RMB243,757,000 (2006: RMB171,642,000).

MAIN REASONS FOR THE LOSS IN THE PRINCIPAL BUSINESS

1. The replacement of copper cable by optical fibre in the telecommunication market led to a more considerable decrease in the sales of the Company's plastic urban telephone cables in the Year than that of the Previous Year. Such a decrease resulted in a rise in the fixed expenses borne by the product unit as well as a slight increase in the production cost. Meanwhile, given that the purchase price of copper rod maintained at a high level, the cost of materials for copper cables stayed high as well, which had an adverse impact on the operating profits of copper cables;

2. During the Year, overall relocation of the headquarters of the Company and Chengdu MCIL were completed which, to a certain extent, affected the sales of the relevant products of the Company's headquarter and Chengdu MCIL, resulting in an overall adverse impact on the Group's operating profit.

MANAGMENT'S DISCUSSION AND ANALYSIS

(4) REVIEW OF PRINCIPAL BUSINSESS

1. FUNDAMENTAL COMPLETION OF RELOCATION

During the Year, three phrases of relocation and demolition of the three zones in the old site of the headquarter were implemented. In January, 22 mu of land where the Chengdu MCIL and power plant（動力廠）were situated was relocated and demolished; in March to May, 54.5 mu of land with copper factory, program-controlled factory, plastic urban telephone factory and composite band factory（複合帶廠）was relocated and demolished; whilst in September to December, 60 mu of land with office building and telecommunication cable factory was relocated and demolished. As CDSEI need to timely deliver supplies pursuant to numerous contracts, the completion of relocation is estimated to be postponed to June 2008.

Since the commencement of the new site construction to the completion of relocation, different departments of the Company have cooperated with one another to accomplish each of the tasks. The Construction management team completed the industrial base construction project（工業基地建設項目）and fulfilled the KPI (key performance appraisal indication) appraisal indicators. The Corporate relocation team（公司搬遷組）carried out price inquiry, comparison and analysis and sub-contracting to execute the removal of the old site materials, and appointed professional removers to demolish the premises and buildings on the old site by ways of calling for tender and sub-contracting. The Material and asset clearing team（物資資產清理組）, on the other hand, decided on the successful bidder to carry out disposal by price comparison and price negotiation.

2. FACILITATING CORPORATE REFORM

The Company championed the principles of simplicity along with high efficiency and carried out a series of reforms. Liquidation of coiling reel plants（盤具廠）and rescission of electronic cable factory effectively reduced the burden of the Company. With the new market trend of telecommunication cable, the Company capitalized on the relocation to implement the industrial base planning, consolidate existing resources, and transform and reorganize the original program-controlled and plastic cable factories into telecommunication factory to enhance efficiency and reduce cost. As for the construction of electric equipment cable factory)（電氣裝備電纜廠）, the Company has completed the preliminary preparation work. Such project is currently at the stage of installation and testing and will commence operation soon.

MANAGMENT'S DISCUSSION AND ANALYSIS *(CONTINUED)*

3. IMPROVING INTERNAL CONTROL

The Company continues to improve into internal control system and establish a project accountability mechanism as well as a framework for corporate logistics centre. As regard to the marketing, the sales company（銷售公司）made good use of the receivables and the rise in copper price to increase the sales of products in the stock and mitigate the impact on sales arisen from high raw material prices and the overall corporate relocation. The Company will commit to take further steps to consolidate its existing sales network. Meanwhile, to counter the strategy of replacing copper cable with optical fibre of the telecommunication operators, the Company has established a market development department, mainly responsible for exploring new markets so as to enhance the market share of the Company's products.

In the respect of financial management, the Company continued its comprehensive budget management which ensured the budget target can be reached. The improvement made on policies related to centralized financial management, strengthened the cost calculation, analysis and control. The Company reinforced receivables management, established a logistics management team to enhance its control of the inventories. Based on the amount for guaranteed normal production and construction, the Company made full use of idle capital to invest in bank products which generated satisfactory returns.

Regarding investment management, the Company has completed the equity transfer of Dongguan CDC Cable Factory, basically completed the clearing of Chengdu Cable Plant Panjiu Sub-Plant and Chengdu PUTIAN Display Technology Ltd., and probed into the standardization of management system of joint ventures.

As for technological innovation, large-scale extraction（擠出）and irradiation test for locomotive cables were completed. The trial production of a series of environmental-friendly, broadband and flame-retardant products of program-controlled cables was completed.

In relation to management of quality, the Company took a further step to optimize the quality management system which guaranteed the effectiveness of the mechanism.

4. GROWTH IN EFFICIENCY

Concerning optical fibre business, the original production line no. 2 and 3 of CDSEI maintained production during the Year which secured market demand and recorded the best return since 2001. The production line no.4 in the new zone has been relocated and continued to speed up its installation and adjustment of production line no.5.

In the case of the copper cable business, influenced by the relocation and the industry trend of the replacement of copper cable with optical fibre, the Company optimized its product structure such as plastic cables and program-controlled cables. While actively implementing the new proposal of copper cable innovation, feeder cable is also facing a fierce market environment, and yet it has completed relocation, production resumption and expansion, achieving favourable sales income and results.

Heat shrinkable products also faced the challenge of the replacement of copper cable with optical fibre in which resulted in a decrease in the market demand for communication heat shrinkable products. Shuangliu Heat Shrinkable Products Sub-Plant enthusiastically opened up markets to raise the ratio of non-communication heat shrinkable products; while on the other hand made efforts to technological innovation, paving the way for the development of new products.

(5) FINANCIAL ANALYSIS

RESULTS ANALYSIS

As at 31 December 2007, the Group's total assets were approximately RMB1,280,449,000, representing an increase of 14% over the end of Previous Year's approximately RMB1,125,517,000. Current assets amounted to approximately RMB782,456,000, accounting for 61% of the total assets and representing an increase of 10% over the end of Previous Year's approximately RMB684,877,000. The increase was mainly due to proceeds from the disposal of a land use right. Property, plant and equipment amounted to approximately RMB268,335,000, accounting for 21% of the total assets and representing an increase of 68% over the end of Previous Year's approximately RMB159,454,000. The increase was mainly because of fixed assets such as newly built premises and facilities in the new site construction.

As at 31 December 2007, the Group's liabilities totaled approximately RMB278,742,000; the liability-to-asset ratio was 21%; short-term bank and other loans were approximately RMB20,395,000, representing a decrease of 63% over the end of Previous Year's approximately RMB54,493,000. During the Year, the Group did not arrange for other capital raising activities.

As at 31 December 2007, the Group's bank deposits and cash totaled approximately RMB196,834,000, representing a decrease of 46% over the end of Previous Year's approximately RMB361,802,000.

During the Year, the Group's distribution costs, administrative and other operating expenses, and finance costs amounted to approximately RMB42,747,000, RMB88,247,000 and RMB3,499,000 respectively, representing an increase of 6%, 3% as well as a decrease of 46% respectively, over the Previous Year's figures of approximately RMB40,943,000, RMB85,678,000 and RMB6,523,000 respectively. Distribution costs were less than the figures last year due to a decrease of packaging expenses of products.

Administrative and other operating expenses decreased because the Company strengthened the control of expenditure. Finance costs decreased as the amounts of loans decreased. As at 31 December 2007, the Group's trade and bills receivables and inventories amounted to approximately RMB162,251,000 and RMB171,078,000 respectively, representing an increase of 18% and 9% respectively, over the end of Previous Year's figures of RMB137,601,000 and RMB156,754,000 respectively.

ANALYSIS OF CAPITAL LIQUIDITY

As at 31 December 2007, the Group's current assets amounted to approximately RMB782,456,000 (2006: RMB684,877,000), current liabilities were approximately RMB263,724,000 (2006: RMB266,159,000), the annual receivables turnover period was 94 days and the annual inventory turnover period was 108 days. The above data indicates that the Group's capital flow was reasonable but there is still room for improvement. Liquidity and repayment ability was satisfactory. (Note: Deposits and trade and bills receivables are indicated in net value)

ANALYSIS OF FINANCIAL RESOURCES

As at 31 December 2007, the Group's short-term bank and others loans were approximately RMB20,395,000. As the Group's bank balances and cash were comparatively sufficient with a total amount of approximately RMB196,834,000, the Group does not have short-term repayment risk.

MANAGMENT'S DISCUSSION AND ANALYSIS *(CONTINUED)*

NON-CURRENT LIABILITIES OR LOAN

As at 31 December 2007, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was approximately RMB12,913,000 (approximately EUR1,211,000), of which bank credit facility amounted to approximately RMB1,388,000 (approximately EUR130,000) at an interest rate of 7.35% per annum, and French government guaranteed bank loan amounted to approximately RMB11,525,000 (approximately EUR1,081,000) at an interest rate of 0.5% per annum. The said loans in Euros terms are subject to exchange rate risks resulting from fluctuations of the exchange rate in the international foreign exchange market. These two loans are installment loans in respect of which the maximum repayment period is 36 years. As the outstanding amount of the long-term loan is not substantial, there is no adverse impact on the operations of the Group.

CAPITAL STRUCTURE OF THE GROUP

The Group's capital is derived from bank and other loans, proceeds from the issuance of shares in the Company, corporate profit and proceeds from the disposal of the land use rights of the Company. The use of proceeds strictly complied with legal requirements. In order to ensure the proper utilization of capital, the Group has enhanced its stringent financial management system. The Group also paid attention to avoiding risks and to improving its return on investments. During the Year, due loans and obligations were repaid and performed in accordance with the relevant contractual terms.

CASH AND SOURCE OF FUNDS

The Group's net cash outflow from operating activities amounted to approximately RMB81,758,000 during the Year (2006 net cash inflow: RMB47,202,000).

During the Year, the Group spent approximately RMB5,565,000 (2006:RMB3,622,000) and RMB88,412,000 (2006: RMB63,731,000) respectively on purchases of property, plant and equipment and on construction-in-progress.

As at 31 December 2007, the Group's liabilities and minority interests amounted to approximately RMB372,206,000 (2006: RMB405,401,000).The Group's interest expenses were approximately RMB3,499,000 (2006: RMB6,523,000) for the Year.

CONTINGENT LIABILITIES

As at 31 December 2007, the Group did not have any contingent liabilities (2006: Nil).

(6) BUSINESS OUTLOOK

1. FACE UP TO MARKET CHALLENGES

As the process of "replacement of copper cable by optical fibre" accelerates, the Company will rely on the technical preparation made for electrical equipment cable（電氣裝備電纜）(locomotive cable) and new types of copper cable so as to set out and deploy sophisticated sales and development plans for a firm market foothold and boost effectiveness. In-depth researches into the communication market and conformation to the change amidst copper cable fade-out and optical fibre succession will find the Company a suitable position, discover business opportunities, acquire market share and attain effectiveness. According to the optimization adjustment made by PUTIAN headquarters to the organization structure and departmental duties, the Company was incorporated as one of the four newly established departments to be directly engaged in the management of communication business headquarters which will perform regulatory management of the Company's operation and review of its results. The Company will look for new development and breakthrough under its leadership.

2. INTENT UPON TECHNOLOGICAL INNOVATION

Traditional copper cable industry has severely shrunk, forcing the Company's way out of copper cable products with an urge of flexible strategies. First, the Company will undergo structural reform on the profit plan, such as mobile data cable. Industrialization of sound technical reserve plans such as intensive development of locomotive cables is to be implemented. Production expansion of data cables is also one of the product development projects under the spotlight. There will be upgrading, refining, professionalisation and deviation of program-controlled cables, data cables and other cables for better profitability. The technical department of the Company has prepared the investment proposals for communication equipment cables for 3GHz and symmetrical cables in the secondary category, new fine coaxial cables, extremely fine coaxial cable projects, which emphasize more on professional standard and preliminary technical preparation. There are, however, specific problems to approach before adding to capacity, such as market exploration and investment of resources respectively.

3. PROMOTING CORPORATE REFORM

We will introduce pragmatic financial management by perfecting systems related to centralized financial management. We will supervise commission of finance and capital accounts of subsidiaries. Pending bank accounts will be cleared up. Implementation of all-rounded budget management will be continued to ensure that the budget targets and KPI indicators are achievable.

Foster human resources management. We will strictly comply with the newly promulgated "Employment Contract Law". Organisational adjustment will also be carried out to formulate strategies in line with the Company's development while assessment of personnel will be improved. We will step up the training of staff for better on-job training.

Strengthen investment management. We will undergo standardization of the management system of joint-ventures to enhance the supervision and assessment of the management system, formulate reasonable budgets and indicators and oversee its implementation. Endeavors will be made to the supervision of senior management stationed in all joint ventures. We will press ahead to enhance capital investment and management and centralize resources for allocation.

Promote market sales. We will launch market research proactively for better market forecast. We will formulate out strategies for entering, dominating and expanding the market. We value the accuracy and timeliness of market information, which provides ground to the Company's decisions. We will continue to fortify the existing sales network, step up the opening up of new market and aspire to search for new customer groups. We will enhance the all-in-one before-sales, selling and after-sales services, as to enhance the management of loans receivable.

Perfect fundamental management. We will improve standard systems covering the quality standard, management standard and job standard. We will implement the quality accountability and facilitate the investigation of quality indicators. We will consolidate the quality management system, environmental management system and job safety management system. We will optimize on-site management and boost the supervision of safe production. We will standardize various management systems of the Company, refine the scientific decision-making mechanism and innovation system, so as to improve the corporate management standard from time to time.

Kuo Aiching
Deputy Managing Director
General Manager

17 April 2008

Report of The Directors

The Board is pleased to present its report and the audited financial statements of the Group for the Year.

ACCOUNTS

1. The results of the Group are set out in the consolidated income statement on page 42 of this annual report.

2. The financial position of the Group as at 31 December 2007 are set out in the consolidated balance sheets on page 43 of this annual report.

3. The changes in equity of the Group are set out in the consolidated statement of changes in equity on pages 45 and 46 of this annual report.

4. The cash flows of the Group are set out in the consolidated cash flow statement on page 47 of this annual report.

FINANCIAL SUMMARY

The following is a summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2007 which have been prepared in accordance with Accounting Principles Generally Accepted in Hong Kong ("HKGAAP").

	2007	2006	2005	2004	2003
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				**(restated)*	**(restated)*
Turnover	**627,936**	550,714	485,570	512,820	465,345
Profit (Loss) before taxation	**194,592**	150,627	20,239	(64,555)	(75,304)
Taxation	**5,532**	(9,118)	(5,073)	3,222	(6,213)
Net Profit (Loss) for the year	**189,060**	141,509	15,166	(61,333)	(81,517)
Attributable to:					
Profit (Loss) attributable to equity holders of the Company	**187,942**	139,294	28,255	(61,438)	(81,752)
Minority interests	**1,118**	2,215	(13,089)	105	235
	189,060	141,509	15,166	(61,333)	(81,517)
Total assets	**1,280,449**	1,125,517	935,685	1,019,244	1,113,523
Total liabilities	**(278,742)**	(311,387)	(271,808)	(355,392)	(386,023)
Minority interests	**(93,464)**	(94,014)	(82,938)	(112,638)	(114,913)
Net assets	**908,243**	720,116	580,939	551,214	612,587

* *Prior periods have been adjusted to reflect the change in accounting policy adopted for the year ended 31 December 2005 which prepared under the Hong Kong Financial Reporting Standards.*

PRINCIPAL ACTIVITIES

The principal activities of the Group are 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 production of cables, etc.

The Group's turnover and contribution to results from operations for the Year are analyzed in segments according to the Group's principal activities and geographical markets as set out in note 6 to the consolidated financial statements on pages 61 to 64 of this annual report.

MAJOR SUPPLIERS AND CUSTOMERS

The analysis of the Group's single largest supplier, the top five largest suppliers, the single largest customer and the top five largest customers for the Year are as follows:

	Percentage (%)	
	2007	2006
Purchases		
Single largest supplier	**19**	26
Five largest suppliers combined	**41**	47
Sales		
Single largest customer	**15**	20
Five largest customers combined	**27**	36

As far as the directors of the Company (the "Directors") are aware, none of the Directors or supervisors of the Company (the "Supervisors") or their respective associates or any Shareholders holding 5% or more of the Company's share capital owned any direct or indirect interests in the share capital of any of the five largest suppliers or customers of the Group for the Year.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the Year.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2007 are set out in note 35 to the consolidated financial statements on page 84 of this annual report.

PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS

Details of the changes in the property, plant and equipment and construction-in-progress of the Group during the Year are set out in notes 16 and 18 respectively to the consolidated financial statements on pages 71 to 72 and 73 of this annual report.

Report of The Directors *(Continued)*

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the consolidated financial statements on page 80 of this annual report.

The Company did not issue any bonus shares, place any shares or issue any new shares during the Year and there was no change in the share capital of the Company during the Year and from 31 December 2007 up to the date of this annual report.

USE OF PROCEEDS

The Company raised approximately HK$424,000,000 through the issue of 160,000,000 H shares in December 1994. From the date of listing to 31 December 2007, as stated in the section headed "Use of Proceeds and Working Capital" in the Company's prospectus and "Plan for Change in the Use of Proceeds" passed at the annual general meetings of the Company ("AGM") in 1998 and 2001 respectively, the Company had used an aggregate amount of HK$373,429,000, of which HK$84,360,000 was used in investment projects and HK$289,069,000 was used for repaying debts and used as working capital.

The balance of the unutilized proceeds amounted to HK$50,571,000 which is deposited with banks in the PRC in HK dollars, US dollars and Renminbi.

OVERDUE TIME DEPOSITS

As at 31 December 2007, the Group does not have any deposit or trust deposit with non-bank financial institutions nor time deposits that cannot be recovered on maturity.

Although the Company decided at the 2000 AGM to write off the principal of the deposit of RMB30,000,000 in China Leasing Company Limited ("China Leasing") as bad debt, the Company has not given up on recovering this amount.

During the Year, the Company continued to claim repayment against China Leasing.

UNIFIED INCOME TAX AND CANCELLATION OF LOCAL GOVERNMENT'S TAX REBATE

The Company is a high-tech enterprise registered in the Hi-Tech Development Zone in Chengdu, Sichuan Province, the PRC. According to the approval of the State Tax Bureau, the Company enjoys and pays income tax at a preferential rate of 18% for high-tech enterprises 2006: 18%). The Company is not entitled to any income tax rebate.

During the fifth session of the 10th National People's Congress held on 16 March 2007, PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes including but not limited to the unification of income tax rate from domestic and foreign invested enterprises at 25%.

MARKET RISKS

The Group is exposed to various types of market risks, including fluctuation in copper prices and changes in interest rates, foreign exchange rates and inflation.

REPORT OF THE DIRECTORS *(CONTINUED)*

COPPER PRICES AND OTHER COMMODITIES PRICES RISK

The Group's revenue and profit are sensitive to fluctuations in copper prices and prices of other commodities. This is due to the fact that the Group generates all of its revenue and profit from the PRC. The Group does not enter into commodity derivative instruments or futures to hedge any potential price fluctuations of copper and other commodities or for trading purposes. Therefore, fluctuations in the prices of copper and other commodities may have a material effect on the Group's revenue and profit.

INTEREST RATE RISK

The Group's exposure to interest rate risk relates primarily to the Group's cash holdings and interest bearing bank loans. The Group manages its interest rate exposure from certain cash holdings through placing them into a fixed rate time deposit and manages the exposure from all of its interest bearing loans through the use of fixed rates.

FOREIGN EXCHANGE RISK

All of the Group's transactions are carried out in RMB. The fluctuation of the RMB/USD exchange rate may affect the international and local copper price, which may therefore affect the Group's operating results. In the past few years, the exchange rate of RMB was comparatively stable. RMB is not a freely convertible currency. On 21 July 2005, PBOC increased the exchange rate of RMB against U.S. dollar by 2.1%, and the exchange rate of RMB against a basket of currencies may fluctuate. In view of the above circumstances, the PRC government might take further actions and measures on the free trade of RMB. Therefore, fluctuations in exchange rates may have an adverse effect on our net assets, earnings and any dividend declared, which shall be converted or translated into Hong Kong dollars.

The Group has been monitoring the exchange rate between RMB and Hong Kong dollar closely as the proceeds raised by the Group from the initial public offering are denominated in Hong Kong dollars. Meanwhile, appropriate measures aiming at reducing the risk of fluctuation in exchange rates have been taken to minimize such risks.

NUMBER OF SHAREHOLDERS

The details of the number of Shareholders as recorded in the register of members of the Company as at 31 December 2007 are as follows:

Classification	Number of shareholders
State-owned legal person shares	1
Overseas listed foreign invested shares – H Shares	92
Total number of Shareholders	93

REPORT OF THE DIRECTORS *(CONTINUED)*

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2007, the largest Shareholder was CPCL, holding as beneficial owner 240,000,000 issued legal person shares, representing 60% of the total issued share capital of the Company. CPCL is wholly owned by Potevio Group, a state-owned enterprise established in the PRC. At the beginning of the Year, HKSCC Nominees Limited ("HKSCC", holding shares of the Company on behalf of various customers) held 156,992,998 H shares of the Company, representing 39.25% of the total issued share capital. At the end of the Year, HKSCC held 158,850,998 H shares of the Company, representing 39.71% of the total issued share capital of the Company.

As at 31 December 2007, save as stated in this section, there are no interests or short positions in the shares or underlying shares of the Company recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (the "SFO"). Saved as stated in this section, at any time during the Year, the Board was not aware of any person holding any interests or short positions in the shares or underlying shares of the Company which are required to be disclosed pursuant to the SFO.

As shown in the register of substantial shareholders maintained under Section 336 of the SFO, the Company has been notified by Shareholders holding 5% or more of the Company's issued H Shares. These are interests other than those held by Directors, Supervisors and Chief Executive Officers of the Company which have already been disclosed below.

As indicated by HKSCC, as at 31 December 2007, the following Central Clearing and Settlement System ("CCASS") participants held 5% or more of the total issued H Shares:

CCASS participant	Number of H Shares held at the end of the Year	Percentage of H Shares	Percentage of total issued share capital
The Hongkong & Shanghai Banking Corporation Ltd.	30,063,000	18.79%	7.52%
Bank of China (Hong Kong) Limited	16,414,000	10.26%	4.10%

Save as disclosed above, as at 31 December 2007, the Company was not aware of any shareholding interests which are required to be disclosed pursuant to the SFO. The Board was not aware of any person holding, directly or indirectly, 5% or more of the interests in the total issued H Shares.

SUFFICIENT PUBLIC FLOAT

According to public information available to the Company and to the knowledge of each director, the Company confirmed that the public held sufficient shares during the Reporting Period and as at the latest practicable date prior to the publishing of this Annual Report.

REPORT OF THE DIRECTORS *(CONTINUED)*

DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

1. DIRECTORS

Mr. Zhang Xiaocheng, aged 50, received postgraduate education and is a senior economist. He is currently the vice president of CPCL and the executive director and the chairman of the fifth Board of the Company. He is also the general manager of the human resources department of CPCL, a director of Eastern Communications Co.,Ltd. and a director of Shenzhen PUTIAN Lingyun Electronic Co., Ltd.. He was previously the head of the economic research division of Da Lian College of Economics and Management, the office secretary of PTIC and the secretary to the general manager of PTIC, assistant to the factory manager and assistant factory manager of Xian Microwave Hardware Factory of the Posts and Telecommunications Ministry, the deputy head of office and the head of the research centre of PTIC, a general manager of the corporate management department and the capital operation department of China Potevio, the director of the second Board of the Company and the chairman of the third and fourth Supervisory Committee of the Company. Mr. Zhang joined the Company in October 1997 and has extensive experience in corporate investment and operation management. He was elected as the executive director of the fifth Board in August 2006.

Mr. Kuo Aiching, aged 52, received tertiary education and is a senior engineer. He is currently the executive director of the fifth Board, the deputy managing director and the general manager of the Company. He was previously the assistant to the factory manager and standing deputy factory manager, the factory manager of Houma Cable Plant of the Posts and Telecommunications Ministry and an executive director of the second, third and fourth Boards, the standing deputy managing director and general manager of the Company. Mr. Kuo joined the Company in April 1999. He has extensive experience in the production of telecommunication cables and corporate management. He was elected as the executive director of the fifth Board on 17 August 2006.

Mr. Zheng Jianhua, aged 36, received a university education and has a bachelor's degree and is a senior economist. He is currently the deputy general manager of the industrial electrics business department（行業電子事業部）of CPCL, an executive director of the fifth Board of the Company and a director of Nanjing PUTIAN Telecommunications Co., Ltd and a director of Guiyang Putian Logistics Technology Company Limited（貴陽普天物流技術股份有限公司）etc. He previously worked for the finance department and the general office of PTIC as deputy head of the office of PTIC, and has been the deputy head and head of the chairman office of Potevio Group as well as the general manager of multi business department in CPCL. Mr. Zheng joined the Company and elected as the executive director of the fifth Board of the Company in August 2006 and has extensive experience in corporate integrated management.

Mr. Li Tong, aged 37, received a university education and has a bachelor's degree and is a senior economist. He is currently the general manager of Nanjing PUTIAN Communications Technology Business Company Limited（南京普天通信科技產業園有限公司）, the executive director of the fifth Board of the Company, the director of PUTIAN Eastern Communications Co., Ltd., the director of Nanjing PUTIAN Telecommunications Co., Ltd, China Potevio Houman Communications Cable Co., Ltd.（侯馬普天通信電纜有限公司）, Hangzhou Hongyan Electric Appliance Company Limited（杭州鴻雁電器有限公司）and Chong Qing PUTIAN Communication Equipment Co., Ltd. He was previously the head of corporate management and deputy general manager, the deputy head of corporate restructuring office, the deputy general manager of enterprise development department, the manager of division 1 of corporate operation of Potevio Group as well as the deputy general manager of the corporate development department and the manager of division 1 of corporate operation of CPCL. Mr. Li joined the Company and elected as the executive director of the fifth Board of the Company in August 2006 and has extensive experience in production, operations and management.

REPORT OF THE DIRECTORS *(CONTINUED)*

Mr. Jiang Kun, aged 39, received postgraduate education and is a senior economist. He is currently the deputy general manager of the capital operation department of CPCL, an executive director of the fifth Board of the Company, a deputy general manager of Beijing PUTIAN Investment Management Company Limited (北京普天聯創投資管理有限公司), directors of Wuhan PUTIAN Telecom Equipment Groups Co., Ltd. (武漢普天電源有限公司), Chong Qing PUTIAN Communication Equipment Co., Ltd., 北京首信股份有限公司, China Potevio Houman Communications Cable Co., Ltd. 侯馬普天通信電纜有限公司, Hangzhou Hongyan Electric Appliance Company Limited (杭州鴻雁電器有限公司), Guiyang PUTIAN Logistics Technology Company Limited (貴陽普天物流技術股份有限公司) and Beijing PUTIAN Investment Management Company Limited (北京普天聯創投資管理有限公司) as well as a supervisor of Great Dragon Information Co., Ltd. Furthermore, he has already been recommended several posts including the executive directors of Xian PUTIAN Hongyan Electric Appliance Factory Company Limited and the executive director of Nanjing PUTIAN Hongyan Electric Appliance Company Limited (南京普天鴻雁電器有限公司) He was previously Deputy Head of the operational finance department, deputy general manager of the capital operation department of Potevio Group and deputy general manager of Chong Qing PUTIAN Communication Equipment Co., Ltd. Mr. Jiang joined the Company and elected as the executive director of the fifth Board of the Company in August 2006 and has extensive experience in capital operation and investment management.

Mr. Xiong Siyun, aged 44, received postgraduate education and is a senior accountant. He is currently the deputy general manager of the finance department of CPCL, an executive director of the fifth Board of the Company, a supervisor of Beijing Runway Technology Co., Ltd., the chairman of the supervisory committee of Beijing PUTIAN-SmartComm Information Technology Co., Ltd. and supervisor of China Potevio Houman Communications Cable Co., Ltd. (侯馬普天通信電纜有限公司), directors of Chengdu PUTIAN Telecommunications Cable Company Limited, Founder Communications Inc., Shenzhen PUTIAN Lingyun Electrics Company Limited (紳耒市普天淩雲電子有限公司), Wuhan PUTIAN Communications Equipment Group Company Limited (武漢普天通信設備集團有限公司), Wuhan Telecom Electricity Company Limited (武漢通信電源有限公司), Shanghai Marconi Network Technology Company Limited (上海馬可尼網絡技術有限公司) and the chairman of the supervisory committee of Beijing Capital Co., Ltd. He was previously the deputy head of the treasury department and treasurer of the business division 1 of China Electronics Import and Export Corporation, the treasurer and officer of the audit division of International Economic Cooperation Corporate, treasury head of Shanghai Baode Trading Company Limited (上海寶達貿易有限公司), the chief financial controller of Potevio Group Institute of Technology, the deputy secretary of the Party Committee (part-time), the secretary of Disciplinary Commission (part-time) and the chairman of Labour Union (part-time). Mr. Xiong joined the Company and elected as the executive director of the fifth Board of the Company in August 2006 and has extensive experience in corporate financial management and risk control.

Mr. Choy Sze Chung, Jojo, aged 49, is currently the vice chairman of National Resources Securities Limited and an independent non-executive director of the fifth Board. Mr. Choy has extensive experience in the securities industry and business management. Mr. Choy obtained his Master of Business Administration Degree from University of Wales, Newport and his Master of Business Law Degree from Monash University. Mr. Choy is also the Vice Chairman of the Institute of Securities Dealers Limited, a Committee Member of Society of Registered Financial Planner Ltd., a Fellow Member of Institute of Financial Accountants, a Fellow Certified Financial Strategist of Hong Kong Institute of Investors, a Fellow Member of the Institute of Compliance Officer, a Member of CPPCC Shantou, a Honorary President of Shantou Overseas Friendship Association and the Honorary Secretary of Rotary Club Kowloon West. Mr. Choy was appointed as the independent non-executive director of the Company on 16 February 2006.

Mr. Wu Zhengde, aged 63, is a doctorate postgraduate and currently a member of the Standing Committee of the Chineses People's Political Consultative Conference, the deputy chairman of the Central Committee of Democratic Alliance, the deputy chairman of the Sichuan Provincial People's Political Consultative Conference, the vice-chancellor of the University of Electronic Science and Technology of China and tutor for doctorate students in the discipline of "electromagnetic field and microwave technology". He is a national-grade expert with remarkable contribution and was appointed as a fellow of the US New York Academy of Science in 1993. He was appointed as the independent non-executive director of the Company on 25 September 2003.

Mr. Li Yuanpeng, aged 68, received university education and has a bachelor's degree. He is currently a senior consultant of the Fifth Research Institute of Telecom Science and Technology R&D Institute, a professor-grade senior engineer, a tutor for postgraduate students, a member of the distribution expert advisory group of Telecom Science and Technology Committee of the Ministry of Information Industry, a member of the council and a member of the committee of the China Institute of Communications, a member of the Communication Lines Committee (通訊線路委員會), a member of the Cable and Optical Fibre and Optical Cable Expert Committee of the China Electrical Equipment Industrial Association. Mr. Li was previously the supervisor of the Research Department of the Fifth Research Institute of Posts and Telecommunications Science Research Institute (郵電科學研究院), the deputy head of the Research Institute, the supervisor of the Academic Committee of the Research Institute, the head of the Senior Technology Position Appraisal Committee, the head of the Cable Distribution Products Quality Control and the Testing Centre of the Posts and Telecommunications Ministry, a member of the Wire and Cable Sub-commission of China Electrotechnical Commission, a member of the Standing Committee of the Optical Cable and Wire Sub-committee of China Electronic Components Association, a member of the council and a member of the committee of the China Institute of Communication and, a chief member of the Communication Lines Committee. Mr. Li has extensive experience in cable distribution and communications. Mr. Li joined the Company in 2006 and was elected an independent non-executive director of the fifth Board of the Company in August 2006.

The Company confirms that the annual confirmation letter issued in relation to the independence from each individual Independent Non-executive Director in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") has been received. The Company considered all Independent Non-executive Directors to be independent.

Service Contracts of Directors

Each of the Directors appointed or re-elected on 17 August 2006 has entered into a service contract with the Company, with a term of three years commencing from 17 August 2006 up to 16 August 2009. The Directors' remuneration include salary, bonus, allowance and other benefits including pension.

Save as disclosed above, no Directors has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

2. SUPERVISORS

Mr. Wang Zhiqi, aged 60, received a tertiary education and is a senior accountant. He is currently the auditing department of CPCL, the chairman of the Fifth Supervisory Committee ("Supervisory Committee") of the Company, the supervisor of CPCL, a supervisor of CPCL, the chairman of the Supervisory Committee of Nanjing PUTIAN Telecommunications Co.,Ltd. and the director of Beijing Hongna Postal Articles Co., Ltd. etc. He was previously the deputy division head of the Operation and Planning Division, the deputy chief economist and division head of the Planning and Financial Division (part-time) of the Beijing Posts and Telecommunications Equipment Factory, the deputy head of Auditing and Control Office of PTIC, the deputy general manager and chief accountant of Wuhan Zhouji Telecom Power Supply Group Co., Ltd. (武漢洲際通信電源集團有限責任公司), the deputy general manager (part-time) and the assistant general manager and general manager of the auditing department of China Potevio. Mr. Wang has extensive experience in financial risk control and corporate finance supervision. He joined the Company in August 2006.

Mr. Xiong Ting, aged 45, received university education and is currently a Supervisor of the Fifth Supervisory Committee, the deputy secretary of the party committee and a Chairman of the labour union of the Company. Mr. Xiong joined the Company in 1982 and was the secretary of the League Committee, the factory manager of the branch factory, the Supervisor of the company office of Chengdu Cable and assistant to general manager and manager of the supplier company. Mr. Xiong has extensive experience in corporate management. He joined the Company in 1982 and was elected as a Supervisor of the fourth Supervisory Committee on 25 September 2003.

REPORT OF THE DIRECTORS *(CONTINUED)*

Ms. Hong Xiurong, aged 55, received tertiary education in specialization and is a senior engineer. She is currently a Supervisor of the fifth Supervisory Committee and Vice-Chairman of the labour union of the Company. Ms. Hong joined the Company in 1970 and has been the Director of the Technology Department of the Company. She has extensive experience in the design, production and technological management of communication cables. She was a Supervisor of the fourth Supervisory Committee democratically elected by the staff of the Company. Ms. Hong was democratically elected by the staff of the Company as a Supervisor of the Fifth Supervisory Committee.

Service Contracts of Supervisors

Each of the existing Supervisors appointed on 17 August 2006 has entered into a service contract with the Company. The term of office is three years commencing from 17 August 2006 until 16 August 2009. Terms of office of all Supervisors are renewable for re-election or reappointment upon expiration.

Save as disclosed above, none of the Supervisors have entered into any service agreement with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

3. COMPANY SECRETARY

Mr. Ngai Wai Fung, age 46, joined the Company and appointed as the new company secretary on 20 April 2007. Mr. Ngai is a director and head of listing services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Mr. Ngai is currently vice president of The Hong Kong Institute of Chartered Secretaries (HKICS) and the Chairmen of its China Affairs Committee and Membership Committee. He is also a fellow of HKICS and the Institute of Chartered Secretaries and Administrators in United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Association of Chartered Certified Accountants in the United Kingdom, a member of Hong Kong Institute of Directors and a member of Hong Kong Securities Institute. Mr. Ngai holds a Master of Corporate Finance from The Hong Kong Polytechnic University, a Master of Business Administration from Andrews University of the United States and a Bachelor of Laws (with Honours) degree from the University of Wolverhampton, the United Kingdom. He is also a PhD (thesis stage) in Finance at Shanghai University of Finance and Economics.

4. SENIOR MANAGEMENT

Mr. Fan Xianda, aged 55, received tertiary education and is an engineer and currently the Manufacturing Deputy General Manager（製造副總經理）of the Company. Joining the Company in 1971, he has served as the factory manager of the branch factory of the Company, assistant to general manager and executive director of the fourth Board. Mr. Fan has extensive experience in cable production and management.

Mr. Dai Kang, aged 41, received university education and is a senior engineer and currently the Technology Deputy General Manager（技術副總經理）of the Company. Joining the Company in 1987, he has served as the deputy head of the technology department（技術處副處長）of the Company, deputy chief engineer（副總工程師）and acting chief engineer（代總工程師）. Mr. Dai has extensive experience in cable technology and crafts.

Mr. Wang Dehong, aged 57, received university education and is a senior economist and currently the Sales Deputy General Manager (銷售副總經理) of the Company. Joining the Company in 1977, he has served as the head of the supply department and sales department (供應處處長、銷售處處長) of the Company, chairman and general manager of Chengdu Hongxun Communications Equipment Co., Ltd. (成都鴻訊通信設備有限公司) and chairman of 成都易得通信設備有限公司. Mr. Wang has extensive experience in marketing communication and market exploration.

Mr. Xu Biao, aged 45, received university education and is a senior accountant and currently the chief financial supervisor of the Company. Joining the Company in 2007, he has served as the chief accountant (總會計師) of Potevio Group Houma Communications Co., Ltd (侯馬普天通信電纜有限公司). Mr. Xu has extensive experience in financial supervision of telecommunication industry.

STAFF AND REMUNERATION POLICY

As at 31 December 2007, the Group had 1,369 staff members.

The Group remunerates its employees based on their performance, experience and prevailing industry practices. Other benefits offered to the employees include retirement benefits plans, medical benefits plans and housing fund plans. The Group also provides training to its employees.

SALE OF STAFF QUARTERS

1. Deferred expenses on staff quarters prior to 1998 have been dealt with in the financial report for the year 2000.

2. The Company approved a new program for raising funds from its employees to construct staff quarters during the year 2006. As at 31 December 2007, a total of prepaid deposits of approximately RMB23,565,000 was received from the employees. As the raising of funds is completed, the Group will sell all its property rights in the staff quarters to its staff.

BASIC MEDICAL INSURANCE SCHEME FOR EMPLOYEES

The Company has participated in the basic medical insurance scheme for employees in Chengdu since October 2002 and has made a total payment amounting to approximately RMB1,311,000 in the Year (2006: RMB1,436,000). Expenses for basic medical insurance for employees as compared with the Previous Year decreased because the number of employees reduced. The Company calculated the basic medical insurance using the new standard, thus resulting in a slight decrease in the payment for the basic medical insurance of employees over that of the Previous Year. The Board considered that the implementation of the basic medical insurance scheme for employees has no material impact on the financial status of the Company.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

There were no contracts of significance relating to the Company's business (to which the Company, any of its subsidiaries was a party) in which any Director or Supervisor had significant interests, whether directly or indirectly at any time during the Year and at the end of the Year.

COMPETING BUSINESS INTERESTS OF DIRECTORS AND SUPERVISORS

During the year, none of the Directors nor Supervisors of the Company have any interests in a business which directly and indirectly competes or may compete with the business of the Company (excluding the Company's business) and is discloseable under the Listing Rules.

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 31 December 2007, none of the Directors, Supervisors and Senior Management of the Company had any interests and short positions in any shares, underlying shares and debentures of the Company or any of or its associated corporations (within the meaning of the SFO) which were required to be entered in the register referred to under section 352 or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (For such purposes, the relevant provisions were interpreted as applicable to the above Supervisors).

REPORT OF THE DIRECTORS *(CONTINUED)*

SHAREHOLDING OF DIRECTORS AND SUPERVISORS

At no time during the Year did any of the Directors or Supervisors hold any shares of the Company. None of the Directors or Supervisors had any interests in the share capital or debentures of the Company or any of its associated corporations (as defined in the SFO). None of the Directors and Supervisors, their spouses and children under 18 years old were granted rights to purchase shares or debentures of the Company or any of its associated corporations and there was no exercise of such rights by any of the said persons.

PURCHASE AND SALE OF SHARES OR DEBENTURES BY DIRECTORS AND SUPERVISORS

At no time during the Year was the Company or any of its subsidiaries, holding companies or any fellow subsidiaries a party to any arrangement which enables the Directors and Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other legal entities.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details about the remuneration of Directors and Supervisors are set out in note 14 to the consolidated financial statements on pages 69 and 70 of this annual report.

FIVE HIGHEST PAID PERSONNEL

The five highest paid individuals in the Group during the Year include one Director. The details of the remuneration of the five highest paid individuals are set out in note 15 to the consolidated financial statements page 71 of this annual report.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

As at the year ended 31 December 2007, none of the Company's listed securities were purchased, sold, redeemed or cancelled by the Company or any of its subsidiaries.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Group are set out in note 27 to the consolidated financial statements pages 78 and 79 of this annual report.

PLEDGE OF ASSETS

In the Year, owing to sufficient capital of production operations, the Group did not secure any loan facility to banks. (2006: bank deposits amounted to approximately RMB7,769,000; a portion of buildings valued at approximately RMB844,000 and assets classified as held for sale valued at approximately RMB23,531,000.)

PRE-EMPTIVE RIGHTS

Pursuant to the articles of association of the Company (the "Articles of Association") and the PRC laws, there are no pre-emptive rights which require the Company to offer new shares of the Company to the existing Shareholders in proportion to their respective shareholdings.

RETIREMENT SCHEME ARRANGEMENTS

Information on the retirement benefits scheme of the Group is set out in note 30 to the consolidated financial statements on page 81 of this annual report.

SIGNIFICANT EVENTS

1. CHANGE OF OFFICE ADDRESS AND CONTACT DETAILS

The office address of the Company in the PRC has been changed to East No. 18, Xinhang Road, West Hi-tech Zone, Chengdu, Sichuan Province, the PRC (Zip code: 611731), with effect from 10 December 2007. The new contact details are: Tel: (86) 28 8787 7000, (86) 28 8787 7008 and fax: (86) 28 8787 7001, (86) 28 8787 7010. The Company further released an announcement on 7 December 2007 in relation to the change of office address in the PRC and the contact details.

2. CHANGE OF QUALIFIED ACCOUNTANT

According to Rule 3.24 of the Listing Rules, the Company must ensure that, at all times, it employs a full time employee who is responsible for overseeing the Company and its subsidiaries in connection with their financial reporting procedures and internal controls and compliance with requirements under the Listing Rules with regard to financial reporting and other accounting issues. This individual must be a member of the senior management of the Company, a qualified accountant and a fellow or associate member of the Hong Kong Society of Accountants or a similar body of accountants recognized by the HKICPA for the purpose of granting exemptions from the examination requirement for membership of the HKICPA (the "HKICPA Qualifications").

On 16 August 2007, the board of directors of the Company (the "Board") approved the application of Mr. An ("Mr. An") for retirement from the Company, the original Chief Accountant of the Company. The Company appointed Mr. Xu Biao ("Mr. Xu") as the chief financial officer and qualified accountant of the Company in place of Mr. An effective from 16 August 2007. His duties covers the oversight of the Company and its subsidiaries in connection with its financial reporting procedures and internal controls and compliance with the requirements under the Listing Rules with regard to financial reporting and other issues in connection with accounting.

Mr. Xu is able to meet all the requirements of qualified accountant of the Company as set out in Rule 3.24 of the Listing Rules, except that he does not possess the HKICPA qualifications. In view of this, the Company has engaged Mr. Hung, Anckes Yau Keung（洪有強先生）("Mr. Hung"), a fellow of HKICPA and a practising certified public accountant in Hong Kong, to assist Mr. Xu in overseeing the Company's financial reporting procedures and internal control as set out in Rule 3.24. Mr. Hung meets all the qualification requirements of Rule 3.24 of the Listing Rules. Before the retirement of Mr. An and the appointment of Mr. Xu, the Company has duly informed the Hong Kong Stock Exchange of the proposed change of the qualified accountant and successfully applied to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 3.24 of the Listing Rules. The waiver will cease on (i) 14 August 2010, or (ii) when Mr. Hung can no longer assist Mr. Xu, whichever is earlier. In the event of any of the above circumstance, the Company is required to immediately inform the Hong Kong Stock Exchange and take remedial steps to comply with Rule 3.24 of the Listing Rules. The Company further released an announcement on 16 August 2007 in respect of the change of qualified accountant.

REPORT OF THE DIRECTORS (CONTINUED)

3. CHANGE OF AUDITORS FOR THE PAST THREE YEARS

SHINEWING (HK) CPA LIMITED

The financial statements for the year have been audited by SHINEWING (HK) CPA Limited ("SHINEWING (HK)"). A resolution will be submitted in the forthcoming annual general meeting to re-appoint the auditors, SHINEWING (HK) CPA Limited as the auditors of the Group.

SICHUAN HUAXIN (GROUP) CPA FIRM ("SICHUAN HUAXIN")

The Company was notified by Potevio Group, the controlling shareholder of the Company, on 18 November 2005 that, under the latest requirements as stated in Guo Zi Fa Ping Jia 2004 Document No. 173 in respect of appointment of auditors, the Company was required to remove Sichuan Huaxin as the Domestic Auditors of the Company and appoint another auditors to assume such position.

The Company had respectively approved the removal of Sichuan Huaxin and the appointment of ShineWing as the Company's domestic auditors at the EGM on 16 February 2006.

MATERIAL LITIGATION

To the knowledge of the Board, none of the Company or other members of the Group was involved in any material litigation or arbitration during the Year.

EXTRAORDINARY GENERAL MEETING

No extraordinary general meeting of the Company were held during the Year.

THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Board considers that the Company has complied with the provisions of the Code on Corporate Governance Practice set out in Appendix 14 of the Listing Rules during the Year. None of the Directors is aware of any information that would reasonably indicate that the Company is not or was not for any time during the Year in compliance with the provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. After specific enquiries to the Directors, the Board is pleased to confirm that all Directors had fully complied with the codes as required in the Model Code for Securities Transactions by the Directors of Listed Companies in Appendix 10 of the Listing Rules during the Year.

AUDIT COMMITTEE OF THE BOARD

Being responsible for conducting reviews of internal control and financial reports, the Audit Committee had reviewed the Company's audited financial statements for the year 2007.

The Audit Committee considered that the audited financial statements for the year 2007 had complied with the requirements of applicable accounting standard and law and appropriate disclosure was made.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board confirms that it has received from each of the Independent Non-executive Directors a confirmation letter in regard to his independence pursuant to Rule 3.13 of the Listing Rules in February 2008. The Board considers the existing Independent Non-executive Directors to be independent persons and to be in compliance with the relevant provisions as set out in Rule 3.13 of the Listing Rules.

AUDITORS

The financial statements of the Group prepared in accordance with Generally Accepted Accounting Principles in Hong Kong have been audited by SHINEWING (HK), the Company's Hong Kong Auditor.

SHINEWING (HK) is a CPA firm established upon the reorganisation of ShineWing (PRC) Certified Public Accountants with the Company's original auditors, Ho and Ho & Company. The Company convened an annual general meeting at 20 June 2007 for the re-appointment of SHINEWING (HK) as the auditors of the Company.

At the AGM for the year 2007, the Company will propose a resolution for the appointment of the auditor.

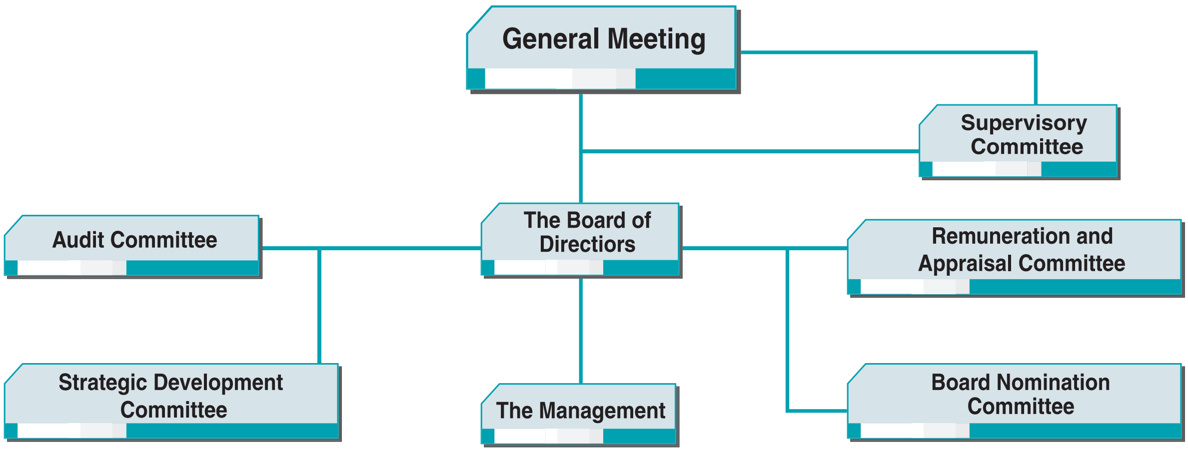
By order of the Board
Zhang Xiaocheng
Chairman

17 April 2008

Report Of Corporate Governance

The Board of Directors hereby reports to the shareholders in respect of the Company's undertakings on corporate governance and its performance for the year ended 31 December 2007. The Company has always been dedicated to the establishment of high level corporate governance and believed that sound corporate governance would enable the Company to further enhance the reliability and effectiveness of management and played an important role in maximizing the values of shareholders.

The Company's corporate governance structure is set out as follows:



(A) CODE OF GOVERNANCE PRACTICE

As a listed company, we always endeavour to achieve the best corporate governance practices. The Board and the management of the Company believe that the Company should improve accountability and transparency and strike a balance within the various interested groups (including but not limited to Shareholders, government, clients, creditors and staff). The Company must uphold a high standard of corporate governance. The Directors understand that they are responsible to ensure good corporate governance practices and procedures set by the Board, according to the Code of Corporate Governance Practices.

Therefore, our Board, Supervisory Committee and senior management always endeavour to keep improving and implementing effective corporate governance policies so as to ensure that all decisions adhere to the principles of sincerity, consistency, openness, impartiality and fairness, thereby imposing a system of checks and balance. The Company will continue to improve its corporate governance structure, promote the quality of supervision and management and fulfill the Shareholders' and the public's expectation of the Company. The Company always monitors its internal operations in accordance with the Articles of Association while providing all market participants and supervisory authorities with timely, accurate and complete information about the Company. The following is a general description of the measures adopted by the Company during the Year :

- While compiling the financial report for the year ended 31 December 2007, the Company has adopted Hong Kong Financial Reporting Standard and Interpretations promulgated by Hong Kong Institute of Certified Public Accountants for compliance with International Financial Reporting Standard.

- None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not in compliance with the code provisions of Code of Corporate Governance Practices.

(B) SECURITIES TRANSACTION OF DIRECTORS AND SUPERVISORS

The Company had followed all rules in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. As of 31 December 2007, none of the Directors nor Supervisors held interests in any other securities of the Company. Special enquiries were made to all Directors, and they all confirmed that they had fully complied with the Model Code from 1 January 2007 to 31 December 2007.

GOVERNANCE STRUCTURE

(C) THE BOARD

Being the fifth Board since its establishment which was elected at the extraordinary general meeting held on 17 August 2006, the current Board comprises nine Directors, three of whom are Independent Non-executive Directors. The term of office for all members of the Board (including all Independent Non-executive Directors) is from 17 August 2006 to 16 August 2009. Members of the Board are from different industry backgrounds and have extensive experience in science and technology, securities and finance, wire and cable industry, corporate management and accounting, etc. The Independent Non-executive Directors appointed by the Company are in compliance with Rules 3.10 (1) and (2) of the Listing Rules. The biographies of Directors are set out in page 15 to page 17 of this annual report.

The main duties of the Board are to exercise management decisions with authority delegated by general meetings in respects of the Company's strategic development, governance structure, investment and financing, financial supervision and human resources. The Board is responsible for deciding overall strategies and approving annual business plans and budgets of the Company so as to ensure that production and operation are properly planned, authorized, implemented and supervised. All substantial transactions or transactions of the Company with conflicts of interests are to be decided by the Board.

Management staff of the Company is responsible for carrying out decisions made by the Board and to make decisions within their authority delegated by Directors in respect of the Company's operation.

Directors are elected in or replaced by way of general meetings. Shareholders, the Board or the Supervisory Committee are entitled to nominate a candidate for directorship by written notice. Directors have a term of office of three years and are eligible to offer themselves for re-appointment upon expiry of the term.

The Company has one Director responsible for concrete management duties, representing 11% of the directorship. This helps the Board closely review and monitor the Company's management procedure.

Each Director has fulfilled his duties in a conscientious, diligent and honest manner. During the Year, the Board had held four meetings to discuss the Company's operating results, overall strategies, investment schemes as well as operation and financial performance. Directors could attend meetings in person or through other electronic communication devices.

The Company has three independent non-executive Directors, representing 33% of the Directorship, which complies with the requirement of Rules 3.10 (1) of the Listing Rules. Independent nonexecutive Directors were assumed by the persons who are independent of any Directors, Supervisors, chief executives and substantial shareholders (as defined in the Listing Rules) or such individuals without any connection thereto (the independent third party), which complies with the requirement of independence of Listing Rules. According to the Listing Rules, each Independent Non-Executive Director shall confirm his independence to the Hong Kong Stock Exchange prior to his appointment. As of 14 February 2008, the Company has received written confirmation of independence from each of the Independent Non-Executive Director Directors in respect of confirming his independent status to the Company.

All the Company's Independent Non-Executive Director Directors have extensive experience in mining, cable, economics, management and accounting, which complies with the requirements of Rule 3.10(2) of the Listing Rules which requires that at least one of its Independent Non-Executive Director Directors have appropriate professional qualifications, accounting or related financial management expertise.

The Independent Non-executive Directors expressed their analysis and opinions in respect of various issues as far as the shareholders and the Company are concerned. The attendance of Independent Non-executive in Board meeting was 100% (including attendance of alternate Directors), details of which are set out in the relevant form herein on page 32.

Report Of Corporate Governance *(Continued)*

The Board is responsible for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that year and in compliance with relevant laws and disclosure provisions of the Listing Rules.

The Directors confirms that they have responsibility to compile company accounts making it a true and fair reflection of the Group's business position, results and cash flow performance during the period. When compiling the accounts for the year ended 31 December 2007, the Directors have:

- chosen the appropriate accounting policy which was applied consistenly;
- approved early adoption of all of the provisions of Hong Kong Financial Reporting Standard in compliance with the International Financing Reporting Standard;
- made cautious and reasonable judgment and estimation and compiled the accounts in accordance with the continual operational basis.

The Board held meetings on a regular basis. A minimum of two meetings with directors' personal attendance are held each year (2006: two meetings), and extraordinary meetings will be held if needed. The company secretary is responsible for helping the Chairman of the Board to compile agendas. Each Director can request to have discussion topics be included in the agenda.

Agendas containing documents of analysis and background data are usually dispatched to Directors or special committee members 14 days prior to regular Board meetings or special committee meetings.

Directors are free to express their views in the meetings. Important decisions will only be made after detailed discussion in the board meetings. Directors confirm that they have the responsibility to act in the interests of the public and the Company particularly in the interests of minority Shareholders. In the event of a conflict of interests, Shareholder's interests shall prevail.

The Company's General Manager and Deputy General Manager are invited to attend Board meetings. Senior management staff is also invited to attend Board meetings from time to time for explanation and response to enquiries from the Board.

Detailed minutes of meetings are compiled for Board meetings or special committee meetings. Draft minutes are tabled in the next meeting for circulation among Directors or special committee members for perusal and comments before being endorsed by the Board or the special committees.

All Directors are free to communicate with the Company Secretary who is responsible for ensuring and advising on compliance with all procedures in connection with the Board and all applicable rules and regulations.

Minutes of Board meetings or special committee meetings must record in detail issues considered by the Directors during the meeting as well as the resolutions made including any worries or objections put forward by the Directors.

Minutes of Board meetings or special committee meetings are to be kept by the Company Secretary to which the Directors have free access.

The management shall on their own accord or upon enquiries provide appropriate and sufficient information to the Directors and special committee members and/or respond as soon as possible so as to keep them informed of the Company's latest development to facilitate their performance of duties.

Each Director is provided with a Director's Handbook containing guidance on practice. Provisions of legislations or Listing Rules are quoted in the Director's Handbook to remind Directors of the need to discharge their responsibilities including disclosure to the supervisory bodies of their interest, potential conflict of interests and details about changes of personal data.

The Board and the special committees are provided with sufficient resources for performance of duties including but not limited to hiring consultants as and when necessary with fees borne by the Company. Individual Directors can also hire consultants for advice on any specific issues with fees borne by the Company.

REPORT OF CORPORATE GOVERNANCE *(CONTINUED)*

All Directors can obtain from the Company Secretary timely information and latest development about rules and regulations and other continual responsibilities which directors of listed companies must observe so as to ensure that each Director is informed of his own duties and that the Company implements Board procedures consistently and complies with the legislations.

(D) CHAIRMAN OF THE BOARD AND GENERAL MANAGER

The Company's Chairman of the Board and General Manager are appointed by the Board. The post are respectively taken up by Mr. Zhang Xiaocheng and Mr. Kuo Aiching with clearly defined duties.

The Chairman of the Board is responsible for leading the Board in such a way that it operates efficiently, ensuring that the Board studies all major and relevant issues in a timely and constructive manner and examining implementation of Board resolutions. The General Manager is responsible for managing the Group's operation and for co-ordinating the Group's, with a similar term of reference as that of chief executive officers. business, implementing strategies formulated by the board of directors and rendering decisions on production and operation.

Clearly defined duties of the Company's Chairman of Board and General Manager are stated in writing.

(E) INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three Independent Non-executive Directors, representing one-third of the directorship. They are assumed by persons totally independent of Directors, Supervisors, major administrative personnel and substantial shareholders (as defined in the Listing Rules) or any person or company without any relationship with Directors, Supervisors, major administrative personnel and substantial shareholders (independent third persons). Independent Non-executive Directors have a term of office for three years, commencing from 17 August 2006 to 16 August 2009. Mr. Choy Sze Chung, Jojo, Mr. Wu Zhengde and Mr. Li Yuanpeng, our Independent Non-executive Directors, strictly comply with the independence requirement of the Listing Rules. The three Independent Non-executive Directors assumed duties in the Audit Committee, Board Nomination Committee, Remuneration and Appraisal Committee and Strategic Development Committee under the Board.

(F) REMUNERATION AND APPRAISAL COMMITTEE

Since August 2006, the Board of directors set up the Remuneration and Appraisal Committee with five members, including three independent Non-executive Directors, Mr. Choy Sze Chung, Jojo, Mr. Wu Zhengde and Mr. Li Yuanpeng and two Executive Directors, Mr. Li Tong and Mr. Xiong Siyun. The Committee is chaired by Mr. Wu Zhengde.

Main duties of the Remuneration and Appraisal Committee include:

- To advise the Board on remuneration policies and framework of the Directors and senior management of the Company and to formulate such remuneration policies in accordance with formal and transparent procedure;

- To discharge the following duties as delegated by the Board including: to determine specific remuneration of all Executive Directors and senior management including non-monetary profits, rights to pension and quantum (including compensation for loss or termination of employment or appointment) as well as to advise the Board on remuneration of Independent Non-executive Directors;

- Factors the Remuneration and Appraisal Committee should take into consideration including salaries paid by similar companies, time contributed by Directors and Directors' duties, terms of employment of other positions within the Group and whether to adjust salaries according to their performance;

- To review and approve salaries based on the performance with reference to corporate targets and approach endorsed by the Board from time to time;

REPORT OF CORPORATE GOVERNANCE *(CONTINUED)*

- To review and approve payment of compensation in relation to loss or termination of employment or appointment of Executive Directors and senior management so as to ensure that such compensation is determined according to the contract terms;

- To review and approve compensation arrangements in relation to dismissal or removal of Directors due to their misconducts so as to ensure that such compensation is determined according to contract terms. Its primary targets are to formulate remuneration policy and determine remuneration according to formal and transparent procedures, to ensure that the Company absorbs, retains and motivates its competent staff which are very important to the Company's continuous development; and

- To ensure that no Director or any of his / her associates is involved in deciding his / her own remuneration.

The terms of reference of the Remuneration and Appraisal Committee shall be made available for inspection on request, details of which is also published at the website of the Company.

Operation procedure of the Remuneration and Appraisal Committee includes:

- Chairperson of the Remuneration and Appraisal Committee shall report the conclusion of discussion to the Board after each meeting and give advice;

- The Remuneration and Appraisal Committee can seek professional views as and when necessary;

- Details about remuneration of Directors and Supervisors as at the year ended 31 December 2007 are provided on page 69; and

- Work of the Remuneration and Appraisal Committee during the Year including implementations of Directors' remuneration policy, performance assessment of Executive Directors and approval of contract terms of Executive Directors.

In evaluating the performance of the Directors and senior management, the Company used budget targets and audited financial reports as benchmarks. At the same time, sales revenue, net profits, and key performances were used as business indices. The Company's remuneration policy is that remuneration is linked with Company's performance. Directors' remuneration is determined upon appraisal by the Remuneration and Appraisal Committee. By adopting such initiatives, the Company aims to attract, retain and encourage talents and provide supports for the achievement of operating targets of the Group. Total income of senior management during the Year comprises of a basic annual salary and a performance-based annual bonus. Remuneration of Directors and Supervisors are determined in general meetings according to related policies or regulations of PRC and the actual position of the Company. The remuneration of the Directors and Supervisors working for the Company are paid according to the management duties they undertake in the Company.

The Remuneration and Appraisal Committee was established in April 2005. According to the rules of implementation of the committee, the Committee hold at least one meeting each year. As there had been no adjustment to the remuneration of the Directors and the senior management during the Year, the Remuneration and Appraisal Committee did not convene any meeting during the Year.

During the Year, all our Independent Non-executive Directors were paid director fee while the remaining Directors and supervisors (including Directors and Supervisors working for the Company) were not paid any director or supervisor fee by the Company.

(G) BOARD NOMINATION COMMITTEE

Since August 2006, the Board set up a Board Nomination Committee composed of five members, including three Independent Non-executive Directors, Mr. Choy Sze Chung, Jojo, Mr. Wu Zhengde and Mr. Li Yuanpeng and two Executive Directors, Mr. Kuo Aiching and Mr. Zheng Jianhua. The committee is chaired by Mr. Li Yuanpeng and should hold at least two meetings each year.

REPORT OF CORPORATE GOVERNANCE *(CONTINUED)*

The role and main duties of the Board Nomination Committee include:

- To advise the Board on framework, membership and composition of the Board in light of the Company's business activities, asset scale and equity structure;
- To evaluate the skills of candidates who is capable for the operations and duties of the Company. To select the candidates for Director based on experience, to study criteria and procedure for selection of Directors and General Manager and advise the Board on the same;
- To extensively search for suitable candidates for Director and General Manager, to examine candidates for Director and General Managers and give advice on the same;
- To examine other senior management staff pending referral to the Board for decision on their employment and to give advice on the same;
- To assess independency of Independent Non-executive Directors; and
- To advise the Board on issues regarding appointment or re-appointment of Directors and succession of Directors (in particular the Chairman and Chief Executive Officer).

Work procedures of Nomination Committee include:

- To communicate with the related departments of the Company and review the Company's demand for new Directors and Managers and form written materials;
- To extensively search for suitable candidates for Directors and Managers internally at the Company and controlling (invested) company and also the talent market;
- To collect information of the candidates in relation to the employment, education background, position, detailed working experience and all positions assumed in other companies and form written materials;
- To seek consent from the nominees for the nomination before they are appointed as Directors and Managers;
- To hold meetings of the Nomination Committee to examine the qualifications on the candidates according to the requirements for Directors and Managers;
- To propose the candidates for directors and new managers and provide relevant information to the Board one or two months before the election of new directors and managers;
- To undertake other follow-up work pursuant to resolutions of and feedback from the Board;

The terms of reference of the Board Nomination Committee shall be made available for inspection on request, details of which is also published at the website of the Company.

The committee chairman shall report the conclusion of discussion and recommendations of the committee to the Board directors after each meeting.

The Nomination Committee held 2 metings in the year, all of which were chaired by Mr. Li Yuanpeng, the Chairman of the committee. Please refer to relevant table in this section for details of attendance. The attendance rate of both meetings were 100%. The Nomination Committee mainly conducted the following tasks in the meetings:

- Considered the proposed appointment of senior management such as the General Manager and Deputy General Manager of the Company and proposed to submit the proposals to the Board for consideration and approval;
- Considered the proposed appointment of Chief Financial Officer of the Company and proposed to submit the proposal to the Board for consideration and approval;

REPORT OF CORPORATE GOVERNANCE *(CONTINUED)*

(H) AUDITORS REMUNERATION

The domestic and offshore auditors hired by the Company is nominated by the Board and endorsed in the general meeting, its remuneration was determined by Board as authorized by the general meeting. During the Year, the remuneration respectively paid to domestic and offshore auditors for auditing services were RMB150,000 and RMB750,000.

(I) AUDIT COMMITTEE

To materialize the best management practice, the Company set up an Audit Committee in August 1999. Jurisdiction of the committee is formulated in accordance with recommendations of "A guide for Effective Audit Committee promulgated" by Hong Kong Institute of Certified Public Accountants. Its major duties include : to report to the Board, examine quality and procedure of the Group's annual and interim reports, study connected transactions, supervise the financial reporting procedure, revise soundness and effectiveness of internal supervisory system of the Company, endorse appointment of independent auditors, co-ordinate and review its efficiency and work quality, study written reports of in-house auditing staff and revise feedback from the management level to such reports.

Apart from that, the Audit Committee shall also undertake the following duties:

- To advise the board of directors on appointment, re-appointment and removal of hired external auditors, approve remuneration and terms of appointment of external auditors and to handle any problems in relation to the auditors' resignation or dismissal;

- To revise and supervise the work of the external auditors;

- To formulate and implement policies on non-auditing services provided by auditors and to advise the Board on related issues;

- To examine the Company's financial information and other related information;

- To monitor the Company's financial reporting system and internal supervisory procedures as well as related issues;

- To advise on the Board as to whether the internal supervisory system is effective;

- In case of unclear incidents or circumstances which may seriously affect the Group's sustainable operation, such unclear factors should be reported; and

- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with Appendix 14C.3.3 of the Code of Corporate Governance Practices.

The terms of reference of the Audit Committee shall be made available for inspection on request, details of which is also published at the website of the Company.

The incumbent members of the Audit Committee are our three Independent Non-executive Directors: Mr. Choy Sze Chung, Jojo (committee chairperson), Mr. Wu Zhengde and Mr. Li Yuanpeng. All of these Independent Non-executive Directors comply with the requirements of the related Listing Rules. Members of the Audit Committee have a term of three years.

During the Year, the Audit Committee had convened two meetings, all of which were chaired by Mr. Choy Sze Chung, Jojo, the committee chairperson. For details about the attendance, please refer to the related form in this section. Both meetings had 100% attendance rate. All matters passed during the meetings were duly recorded in accordance with related rules, and the records were filed upon perusal by all members of the Audit Committee with amendments. After each meeting, the chairperson submitted reports on the significant matters discussed to the Board.

Major work finished by the Audit Committee during the Year included:

- to review the Group's report of the directors, financial reports and results announcement for the year ended 31 December 2006 and provide recommendation to the Board ;
- to review the Group's interim report, unaudited financial reports and interim results announcement for the six months ended 30 June 2007;
- to review recommendations on management put forward by auditors and responses from the Company's management;
- to revise matters related to accounting policies and accounting practices adopted by the Group;
- to ensure that the Company's connected transactions adhere to the principle of impartiality, fairness and openness and fully protect interests of minority shareholders are fully protected;
- to assist the Board in making independent assessment of effectiveness of the Group's financial reporting procedures and internal supervisory system;
- to supervise internal audit of the Company; and
- to advise on significant events of the Company and remind the management to pay attention to related risks.

(J) STRATEGIC DEVELOPMENT COMMITTEE

In August 2006, the Board set up a Strategic Development Committee composed of five members, including two Independent Non-executive Directors, Mr. Wu Zhengde and Mr. Li Yuanpeng and three Executive Directors, Mr. Zhang Xiaocheng (Chairman), Mr. Guo Aiqing and Mr. Jiang Kun. The committee is chaired by Mr. Zhang Xiaocheng.

The role and main duties of the Strategic Development Committee include:

- To consider and advise the Company's mid to long-term strategic development and planning;
- To consider and advise material investment, finacing policy, significant use of capital and project of asset operation which are subject to approval of the Board according to the articles of association;
- To consider and advise any material events which have influence on the development of the Company;
- To check the implementation of the above matters; and
- To be responsible for any matters authorized by the Board.

Work procedures of the Strategic Development Committee include:

- Any intentions of material investment, use of capital and project of operating assets; preliminary assessment on feasibility and basic information of cooperating parties reported by relevant functional department of the Company or the responsible person of controlling (invested) company;
- To keep record in Strategic Development Committee of intended investment projects assessed initially by the management of the Company after a letter of advice thereof is signed by the General Manager;
- To report to the management of the Company about the progress of any agreement, contract, articles and feasibility report entered by relevant functional department of the Company or the responsible person of controlling (invested) company with external parties based on the management's opinion on preliminary assessment; and
- Submit formal proposals to the Strategic Development Committee upon a review by the management of the Company and a letter of advice signed by the General Manager of the Company.

Report Of Corporate Governance *(Continued)*

The Board Strategic Development Committee convened meetings and held discussion in accordance with the proposal of management of the Company and submitted results of which for consideration of the Board and meanwhile, reported the results to the management of the Company.

Attendance at Board meetings, Audit Committee and Nomination Committee meetings

	Board			Audit Committee			Nomination Committee		
	Number of meetings during the year	Attendance in person	Attendance by way of electronic communication	Number of meetings during the year	Attendance in person	Attendance by way of electronic communication	Number of meetings during the year	Attendance in person	Attendance by proxies
Executive Directors									
Zhang Xiaocheng (Chairman)	4	2	2	—	—	—	—	—	—
Kuo Aiching	4	2	2	—	—	—	2	2	0
Zheng Jianhua	4	1	2	—	—	—	2	1	1
Li Tong	4	1	2	—	—	—	—	—	—
Jiang Kun	4	1	2	—	—	—	—	—	—
Xiong Siyun	4	2	2	—	—	—	—	—	—
Independent Non-Executive Directors									
Choi Sze Chung, Jojo	4	2	2	2	2	0	2	2	0
Wu Zhengde	4	2	2	2	2	0	2	2	0
Li Yuanpeng	4	2	2	2	2	0	2	2	0

MONITORING MECHANISM

SUPERVISORY COMMITTEE

The Supervisory Committee was established in accordance with the PRC law. It independently performs its supervisory duty under the law to protect the infringement of lawful rights of Shareholders, the Company and its staff. Also, it reviews the financial position and the financial information of the Company pursuant to the Articles of Association, monitors the decisions made by the Board and senior management for operation and management of the Company as to whether they are in accordance with relevant requirements of the laws and regulations. In August 2006, an EGM was held to elect or confirm the fifth Supervisory Committee, which comprised three members (including a Supervisor from the staff) with a term of office up to 16 August 2009. Mr. Wang Zhiqi is the Chairman of the Supervisory Committee, and the members include Mr. Xiong Ting and Ms. Hong Xiurong. The number of members and composition of the Supervisory Committee are in accordance with the law and regulations. Biographies of Supervisors are set out in page 17 to 18 of this annual report.

During the Year, the fifth Supervisory Committee convened two meetings each with 100% attendance.

All Supervisors have attended all the Board meetings and performed their monitoring obligations on behalf of Shareholders as to whether the financial activities of the Company, the performance of duties of Directors and senior management and the decision making procedures of the Board are in compliance with the laws and regulations, as well. The Supervisors had performed their statutory duties impartially.

INTERNAL CONTROL AND INTERNAL REVIEW

The Board is responsible for the establishment and maintenance of the Company's internal control system for reviewing relevant financial, operating and supervisory control procedures to protect Shareholders' interests and the Group's assets. The management is authorized by the Board to promote such internal control system, effectiveness of which is reviewed by the Audit Committee.

The internal control system includes a management framework with clearly defined duties for the purposes of:

1. assisting the Company in reaching various business targets and ensuring that corporate assets will not be defalcated or disposed of;

2. ensuring that the Company's accounting record provides reliable financial data for internal use or public disclosure; and

3. ensuring compliance with related legislations and requirements.

Aiming at more effective review on the effectiveness of the internal control system, the Company set up an internal audit department in October 2003 to inspect, monitor and assess the disclosure of financial information, operations and internal control activities of the Company and its associates on a regular basis and when necessary, based on different potential risks and the importance of internal control systems for different businesses and workflows, so as to ensure the transparency of information disclosure, operating efficiency and effectiveness of the corporate monitoring mechanism. The independent and objective evaluation and recommendation are provided in the form of an audit report. The external auditors are entitled to have access to all information of the Company and to make enquiries to relevant persons in performing their duties. The manager of the audit department directly reports the relevant outcomes and its opinions to the Audit Committee for consideration. Based on it, the Audit Committee puts forward its recommendation to the management of the Company and regularly reports to the Board.

Attaching much importance to internal control, the Company had set up relevant internal management systems and procedures for corporate governance, operation, construction, finance, administrative personnel. In December 2004, the Board approved the Internal Control System which summarizes and clarifies the objectives, content, methods and obligations of the internal control system. This will facilitate the Company's continuing inspection and assessment on implementation of the existing systems and the effectiveness of internal controls.

The Board conducted a review to examine whether the internal supervisory systems of the Company and its subsidiaries are effective. Subjects of review included the supervision of the Company's finance, operation, compliance and risk management. To implement internal supervision more efficiently, the Board had confirmed the following procedure:

The Company has a framework with well defined authority and duties with a hierarchical chain of supervision. The heads of all the departments participate in the formulation of strategic plans. Entrepreneurial strategies for the coming three years were formuated for achievement of annual operation plan and annual business and financial targets. Strategic plans and business plans for the year are the bases for annual budgets, and according to the budgets the Company had confirmed and allocated resources in view of the priorities of different business opportunities. The three year strategic plans are approved by the board (subject to yearly review), annual business plans and annual budgets are also to be approved by the board of directors each year.

The Company has a comprehensive account management system providing the management with an index for assessing financial and business performance as well as notifiable and discloseable financial information. In case discrepancy occurs in budgets, analysis and explanation will be made and appropriate action will be taken to rectify the problems as and when necessary.

The Company has set up systems and procedures for confirmation, assessment, handling and controlling of risks including risks in respect of law, credit, market, centralization, operation, environment, acts and risks which may affect the Company's development.

The internal audit department will carry out independent revision of confirmed risks and supervision so as to reasonably guarantee the management and Audit Committee that the risks are satisfactorily handled and control is fully effected.

CHIEF FINANCIAL OFFICER

The Chief Financial Officer is in charge of the Company's financial operation and is responsible for supervising the financial and internal supervisory reporting issue of the Company and its subsidiary so as to confirm the Company is in compliance with the Listing Rules in relation to the financial reports and other relevant accounting regulations and reports to the General Manager. On 16 August 2007, the Board appointed Mr. Xu Biao as the chief financial officer and the certified accountant of the Company effective from 16 August 2007.

The Chief Financial Officer is responsible for preparing financial statements in accordance with GAAP of the PRC and Hong Kong and to ensure compliance with disclosure requirements as stipulated by the China Securities Regulatory Commission and SEHK.

Report Of Corporate Governance *(Continued)*

The Chief Financial Officer is also responsible for arranging and preparing the Company's annual budget scheme and the budget implementation proposal, as well as monitoring the implementation of the Company's annual financial and operating plans. In addition, the Chief Accountant shall work with and give recommendation to the Board in establishing relevant internal control systems.

RELATIONS WITH SHAREHOLDERS, INVESTORS AND OTHER CONCERNED PARTIES

The Company is committed to ensuring that all Shareholders, especially the minority Shareholders, can enjoy equal status and fully exercise their rights.

GENERAL MEETING

As the highest authority of the Company, the general meeting exercises its rights under the law to make decisions on significant events of the Company. The Company establishes and maintains various communication channels by way of publication of annual reports, interim reports and press announcements. To promote effective communication, Shareholders can choose to receive messages to Shareholders from the Company in electronic format. The messages are also published in the Company's website. The AGM or EGM (if applicable) serves as a direct communication channel between the Board and the Shareholders. All Directors understand that general meetings provide a major venue for direct communication between Directors, Supervisors and other senior management and Shareholders, where they shall report to Shareholders with regard to the Group's operations to secure effective communications with Shareholders. Accordingly, the Company had attached much importance to general meetings. In addition to a 45-day notice before the holding of a general meeting, the Company requires that all Directors and senior management shall use their best endeavors to attend the general meetings. Also, all Shareholders are encouraged to attend general meetings, at which they can make enquiries about the Company's operation status or financial data, Shareholders are welcome to express their views therein.

Details about the polling process and Shareholders' rights to request for decisions by way of a poll are included in notices or circulars to Shareholders sent together with annual reports. Results of polls are published in newspapers and the Company's website.

In 2007, the Company had convened an AGM. The shareholding held by Shareholders who attended the AGM represented 60.32% 241,278,000 shares) of all issued shares of the Company.

	Number of meetings during the Year	General Meeting Attendance in person
Executive Directors		
Zhang Xiaocheng (Chairman)	1	0
Kuo Aiching	1	1
Zheng Jianhua	1	0
Li Tong	1	0
Jiang Kun	1	0
Xiong Siyun	1	0
Independent Non-executive Directors		
Choi Sze Chung, Jojo	1	0
Wu Zhengde	1	0
Li Yuanpeng	1	1

Report Of Corporate Governance *(Continued)*

CONTROLLING SHAREHOLDER

During the Year, CPCL is the controlling shareholder of the Company (shareholding: 60%).

As the controlling shareholder of the Company, CPCL has never overridden the general meeting to directly or indirectly intervene the Company's decision-making and operation. In 2003, in order to further improve the management of investor relations, the Company has always kept independent from its controlling shareholder in terms of staff, assets, finance, organisation and business.

INFORMATION DISCLOSURE AND INVESTOR RELATION MANAGEMENT

The Company strictly complies with the requirements on information disclosure under the Listing Rules and discloses to the Shareholders and related parties all discloseable information to the best knowledge of the Company on a timely and fair basis.

The Company Secretary is responsible for information disclosure of the Company and reception of visits of its Shareholders and investors. In 2003, for further enhancement in investor relations management, the Company had formulated Information Disclosure Management System and Information Management System to ensure information disclosure on an open, fair and impartial basis and to improve the Company's transparency.

In 2007, the Company's management maintained close contact and good communication with visiting investors by meeting them. The Company provides its announcements, interim and annual reports with detailed financial information and results to Shareholders through the Investor Relations section on its website (http://putian.wsfg.hk).

OTHER CONCERNED PARTIES

Also, the Company is committed to providing satisfactory services to customers and room for development to employees. The Company takes efforts to improve its profitability under the principle of honesty and faithfulness with a high sense of responsibility toward its Shareholders, investors, employees, customers, suppliers and the society. At the same time, the Company oversees and develops its businesses in compliance with local rules and environmental protection regulations to improve its corporate governance, and actively participates in social services and environmental protection.

CONTINUOUS ENHANCEMENT OF CORPORATE GOVERNANCE

The Company will follow the model of corporate governance developed by the world's leading corporations as what it has done previously so as to comply with the requirements of the regulatory authorities. The Company will regularly review and enhance its corporate governance procedures and implementations to ensure the sustainable development of the Company.

Report Of The Supervisory Committee

To Shareholders:

During the Year, all members of the Supervisory Committee had seriously carried out duties of the Supervisory Committee in accordance with relevant provisions of various legal documents and regulations like Company Law, Listing Rules and Articles of Association. With supervisory functions of the Supervisory Committee fully utilized and supervisory work implemented with diligence and responsibility, members of the Supervisory Committee attended all Board meetings and general meetings, General Manager's meetings and decision-making meetings of the Company so as to strengthen supervision over legality and compliance of work of the Board and operational decisions of the management as well as execution of resolutions approved by general meetings by the Board. With effective surveillance over the Company's operation and implementation of internal compliance system as well as the duty performance of the Company's Directors and senior management, the Supervisory Committee provided opinions and recommendations, listened carefully to financial manager's reporting with regard to the financial position and operating results of the Company and carried out diligent reviews and analysis.

The Supervisory Committee would like to render its independent opinion as follows:

1. OPERATION OF THE COMPANY IN COMPLIANCE WITH THE LAW

The Supervisory Committee was of the opinion that during 2007, the Company's operations had strictly complied with the Company Law, the Listing Rules, the Articles of Association and other applicable law and regulations, as well as established and continuously improved the relevant internal control systems. The Company's decision-making procedure is legitimate and all the resolutions passed at the general meetings are strictly implemented.

2. DISCHARGE OF DUTIES BY DIRECTORS, MANAGERS AND OTHER SENIOR MANAGEMENT

The Supervisory Committee was of the opinion that the Directors, managers and other senior management of the Company had performed their duties diligently, pragmatically and faithfully. No abuse of rights, violation of law or regulations or Articles of Association nor acts detrimental to the interests of Shareholders, the Company and the Company's staff members were found.

3. REPORT OF BOARD OF DIRECTORS

The Supervisory Committee had a detailed review of the report of the Board of Directors submitted by the Board for consideration at the AGM for the Year and considered that the report had objectively and thoroughly reflected various work done by the Company during the Year.

The Supervisory Committee is concerned with the continued loss in the principal business although the Company realized a gain in 2007. It wishes that the Company will realize a gain in major business by adopting effective measures and grasping opportunities.

4. FINANCIAL REPORT

After detailed examination of the financial system and financial report of the Company, the Supervisory Committee considers that the financial report truly and fairly reflected the financial and assets position and operation of the Company. No violation of discipline, regulations and financial system of the Company has been found. The financial report, which had been audited by the auditors, has objectively and truthfully reflected the financial position of the Company.

5. CONNECTED TRANSACTIONS

The Supervisory Committee considers the connected transactions of the Company to be ordinary and general ones and are fair and reasonable so far as Shareholders are concerned and are not detrimental to the interests of the Company and minority Shareholders.

6. OPINIONS ON MANAGEMENT OF THE AUDITOR'S REPORT

The Supervisory Committee considers that the Company should make formal study on the opinions on management of the Auditor's Report, and establish practical and feasible measures on organization and practice as soon as possible.

7. LITIGATIONS

During the Year, the Company had no other material litigations.

The Supervisory Committee considers that the Company has achieved a profit for 2007 but the major business incurred a loss. The Supervisory Committee suggests that the Board should pay extra attention to the issue and should realize a gain in major business as an assessment and goal to the operation of the Company. It also proposed to the Company that the Board should adopt the Code on Corporate Governance Practices in chapter 14 of the Listing Rules of the Stock Exchange, exchange opinions of independent directors regularly, strengthen the communications between management and pay attention to the business management of the Company. The Supervisory Committee suggested improving the Company's mid to long-term development and planning by ascertaining its operation target and enhancing corporate management and governance, and by increasing the Company's profitability, it guarantees an organic growth of the Company.

In the Year 2008, the Supervisory Committee will further extending its visions on work, fully and seriously utilize its function in supervising the decision-making, finance and Directors and senior management of the Company and use its best efforts in realizing the development and improving the operating efficiency of the Company for the interest of all shareholders.

Wang Zhiqi
Chairman of Supervisory Committee

17 April 2008

NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting (the "AGM") of Chengdu PUTIAN Telecommunications Cable Company Limited (the "Company") for the year 2007 will be held at the Conference Room of the Company at No. 18, Xinhang Road, West Hi-tech Zone, Chengdu, Sichuan Province, the People's Republic of China (the "PRC"), at 10:00 a.m. on Friday, 20 June 2008 for the following purposes:

(1) To consider and approve as ordinary resolutions:

a. the report of the board of directors (the "Board") of the Company for the year 2007;

b. the report of the supervisory committee of the Company for the year 2007;

c. the audited financial report of the Company for the year 2007;

d. the distribution plan of profits attributable to Company Shareholders for the year 2007; and

e. the appointment of auditors of the Company (the "Auditors") and to authorise the Board to fix the remuneration for the Auditors.

(2) To consider and approve as special resolution:

the amendment to the Articles of Association of the Company.

(3) To consider other proposals of the Shareholders (if any).

By order of the Board
Zhang Xiaocheng
Chairman

Chengdu, the PRC, 30 April 2008

Notes:

1. *The register of members of the Company will be closed from 21 May 2008 to 20 June 2008 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai Hong Kong for H Share shareholders; or the office address in the PRC of the Company for domestic shares shareholders for registration by 4:30 p.m. at the close of business on 20 May 2008.*

2. *Shareholders of the Company whose names appear on the register of members of the Company on 20 May 2008 are entitled to attend and vote at the AGM (or any adjourned meetings).*

3. *Each shareholder of the Company who has the right to attend and vote at the AGM is entitled to appoint one or more proxy(ies) to attend and vote on his/her behalf. A proxy needs not be a Shareholder of the Company. When a Shareholder of the Company appoints more than one proxy, each proxy should be appointed in writing and each proxy can only vote in accordance with the authorized number of shares specified on the proxy form. The proxy may only vote in poll. Any shareholder who may appoint one or more proxy(ies) should first read the 2007 Annual Report of the Company.*

NOTICE OF ANNUAL GENERAL MEETING *(CONTINUED)*

4. *If a proxy is appointed to attend the AGM on behalf of the shareholder, such proxy should present his identity card and the proxy form with the date of issue stated thereon or documents of authorization duly signed by his statutory personal representative. If the Company representative of a corporate shareholder attends the AGM, he should present his identity card and a valid document that proved his capacity of the Company representative. If a corporate shareholder appointed his attorney other than the Company representative to attend the AGM, then the attorney should present his identity card and the instrument signed under the official seal of the corporate shareholder or other documents of authorization duly signed by the Company representative.*

5. *If a proxy form of holders of Shares is signed by a person authorized by the appointor, the power of attorney or the copy of other authorizing document must be notarially certified by lawyers. To be valid, the power of attorney or the copy of other documents of authorization and the proxy form must be delivered to the Company's H Share Registrar, Hong Kong Registrars Limited at Rooms 1806-1807, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai Hong Kong not less than 24 hours before the AGM is held; or the holders of domestic shares must deliver the same to the office address in the PRC at No.18. Xinhang Road, West Hi-tech Zone, Chengdu, Sichuan Province, the PRC (postal code: 611731) of the Company not less than 24 hours before the AGM is held.*

6. *Shareholders of the Company who intend to attend the AGM are required to send the reply slip in person, by post, cable or fax to the Company's office address in the PRC before 30 May 2008. Completion and return of the reply slip will not preclude a shareholder from attending the AGM.*

7. *The AGM is expected to last for half a day. Shareholders of the Company and their proxies who attend the meeting shall be responsible for their own traveling and accommodation expenses.*

8. *Details of the amendment to the Articles of Association of the Company are set out in the circular to be despatched to the shareholders of the Company.*

The board of directors of the Company as at the date of this announcement comprises of:

Executive Directors:	Zhang Xiaocheng, Kuo Aiching, Zheng Jianhua, Li Tong, Jiang Kun and Xiong Siyun
Independent Non-executive Directors:	Choy Sze Chung, Jojo, Wu Zhengde and Li Yuanpeng

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF
CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED
(a sino-foreign joint stock limited company established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Chengdu PUTIAN Telecommunications Cable Company Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 42 to 85, which comprise the consolidated balance sheet as at 31 December 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants

Lo Wa Kei
Practising Certificate Number : P03427

Hong Kong
17 April 2008

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTES	**2007** **RMB'000**	2006 RMB'000
Turnover	6	**627,936**	550,714
Cost of sales		**(555,468)**	(450,480)
Gross profit		**72,468**	100,234
Other operating income	7	**9,449**	8,705
Distribution costs		**(42,747)**	(40,943)
Administrative expenses		**(64,352)**	(74,671)
Other operating expenses		**(23,895)**	(11,007)
Finance costs	8	**(3,499)**	(6,523)
Gain on disposal of prepaid lease payments of land use right	9	**243,757**	171,642
Share of results of associates		**3,411**	3,190
Profit before taxation		**194,592**	150,627
Income tax expense	10	**(5,532)**	(9,118)
Profit for the year	11	**189,060**	141,509
Attributable to :			
Equity holders of the Company		**187,942**	139,294
Minority interests		**1,118**	2,215
		189,060	141,509
Dividend	12	**—**	—
Basic earnings per share	13	**RMB0.47**	RMB0.35

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

	NOTES	**2007** **RMB'000**	2006 RMB'000
Non-current assets			
Property, plant and equipment	16	**268,335**	159,454
Prepaid lease payments on land use rights	17	**42,862**	20,332
Construction-in-progress	18	**32,460**	69,125
Interests in associates	19	**145,657**	142,649
Available-for-sale investments	20	**2,728**	2,728
Long-term prepayments	21	**—**	22,821
		492,042	417,109
Current assets			
Inventories	22	**171,078**	156,754
Trade and bills receivables	23	**162,251**	137,601
Prepaid lease payments on land use rights	17	**1,193**	708
Prepayments, deposits and other receivables		**28,082**	20,155
Available-for-sale investments	20	**201,400**	—
Long-term prepayments — current portion	21	**5,760**	—
Amounts due from associates	34	**12,187**	5,417
Amounts due from related companies	34	**2,258**	2,440
Tax recoverable		**1,413**	—
Bank deposits, balances and cash	24	**196,834**	361,802
		782,456	684,877
Assets classified as held for sale	25	**5,951**	23,531
		788,407	708,408
Current liabilities			
Trade and bills payables	26	**77,400**	62,011
Other payables and accrued charges		**126,043**	97,589
Deposits for staff quarters	18	**23,565**	19,368
Amounts due to associates	34	**16,321**	23,889
Tax liabilities		**—**	8,809
Bank and other borrowings — amount due within one year	27	**20,395**	54,493
		263,724	266,159
Net current assets		**524,683**	442,249
Total assets less current liabilities		**1,016,725**	859,358

CONSOLIDATED BALANCE SHEET *(CONTINUED)*

AT 31 DECEMBER 2007

	NOTES	**2007** **RMB'000**	2006 RMB'000
Capital and reserves			
Share capital	28	**400,000**	400,000
Reserves		**508,243**	320,116
Equity attributable to equity holders of the Company		**908,243**	720,116
Minority interests		**93,464**	94,014
Total equity		**1,001,707**	814,130
Non-current liabilities			
Bank and other borrowings - amount due after one year	27	**15,018**	45,228
		1,016,725	859,358

The consolidated financial statements on pages 42 to 85 were approved and authorised for issue by the Board of Directors on 17 April 2008 and are signed on its behalf by :

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note a)	Other reserve RMB'000 (Note b)	Statutory surplus reserve fund RMB'000 (Note c)	Statutory public welfare fund RMB'000	Accumulated losses RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1 January 2006	400,000	303,272	288,855	10,828	31,779	19,111	(472,906)	580,939	82,938	663,877
Profit for the year	—	—	—	—	—	—	139,294	139,294	2,215	141,509
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	(2,300)	(2,300)
Capital contribution by minority shareholders of a subsidiary	—	—	—	—	—	—	—	—	11,161	11,161
Share of reserves of associates	—	—	—	—	129	—	—	129	—	129
Realised on disposal of an associate	—	—	—	(246)	—	—	—	(246)	—	(246)
Transfer *(Note d)*	—	—	—	—	19,111	(19,111)	—	—	—	—
At 31 December 2006 and 1 January 2007	400,000	303,272	288,855	10,582	51,019	—	(333,612)	720,116	94,014	814,130
Profit for the year	—	—	—	—	—	—	187,942	187,942	1,118	189,060
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	(1,600)	(1,600)
Share of reserves of associates	—	—	—	—	185	—	—	185	—	185
Realised on deregistration of a subsidiary *(Note 29)*	—	—	—	—	—	—	—	—	(68)	(68)
Transfer	—	—	—	—	327	—	(327)	—	—	—
At 31 December 2007	400,000	303,272	288,855	10,582	51,531	—	(145,997)	908,243	93,464	1,001,707

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 People's Republic of China (the "PRC") accounting standard and the amount calculated according to the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the profit after taxation is required to be distributed in the following orders:

(i) to offset accumulated losses brought forward;

(ii) to allocate 10% of the profit after taxation calculated in accordance with the PRC accounting standards to the statutory surplus reserve fund;

(iii) prior to 1 January 2006, to allocate 10% of the profit after taxation calculated in accordance with the PRC accounting standards to the statutory public welfare fund, and since then it is not required to transfer any profit after taxation 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 2006 and 2007.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

Notes:

a. 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.

b. Other reserve

The amount represents share of other reserve of an associate arising from waiver of amount due to a shareholder of such associate.

c. Statutory surplus reserve fund

In accordance with the relevant laws and financial regulations, the Company and its subsidiaries are required to transfer 10% of the profit after taxation prepared in accordance with the 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.

d. Statutory public welfare fund

Prior to 1 January 2006, in accordance with the relevant laws and regulations, the Company and its subsidiaries are required to transfer between 5% and 10% of their profits after taxation prepared in accordance with the 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 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.

Starting from 1 January 2006, the Group is not required to transfer any profit after taxation to statutory public welfare reserve in accordance with the amendment on Section 167 of Chapter One in the PRC Companies Ordinance. Therefore, the Group transferred the balances of the statutory public welfare reserve as at 1 January 2006 to the statutory surplus reserve in 2006.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before taxation	**194,592**	150,627
Adjustments for:		
Impairment loss on trade and bills receivables	**6,770**	3,398
Bank interest income	**(1,766)**	(2,046)
Bad debts written off	**—**	2,221
Depreciation and amortisation	**23,449**	20,919
Loss on disposal of property, plant and equipment	**3,304**	83
Gain on disposal of interest in an associate	**—**	(500)
Gain on disposal of prepaid lease payments of land use right	**(243,757)**	(171,642)
Interest expenses	**3,499**	6,523
Share of results of associates	**(3,411)**	(3,190)
Write-down of inventories	**1,837**	12,310
Loss on deregistration of a subsidiary	**4**	—
Operating cash flows before movements in working capital	**(15,479)**	18,703
Increase in inventories	**(16,161)**	(26,981)
(Increase) decrease in trade and bills receivables	**(31,420)**	5,602
(Increase) decrease in prepayments, deposits and other receivables	**(6,226)**	38,724
Increase in amounts due from associates	**(6,770)**	(1,869)
Decrease (increase) in amounts due from related companies	**182**	(1,356)
Increase in trade and bills payables	**15,389**	2,883
Decrease in other payables and accrued charges	**(2,148)**	(5,079)
Increase in deposits for staff quarters	**4,197**	10,639
(Increase) decrease in amounts due to associates	**(7,568)**	8,385
Cash (used in) generated from operations	**(66,004)**	49,651
PRC income tax paid	**(15,754)**	(2,449)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(81,758)**	47,202

CONSOLIDATED CASH FLOW STATEMENT *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007	2006
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Net proceeds from disposal of land use rights	**299,613**	249,127
Purchase of land use rights	**(24,207)**	—
Decrease in pledged bank deposits	**1,657**	47,148
Increase in designated deposits	**(18,603)**	(3,229)
Increase in restricted deposits	**(66,000)**	—
Purchase of available for sale investments	**(201,400)**	—
Proceeds from disposals of property, plant and equipment	**5,698**	2,150
Bank interest received	**1,766**	2,046
Proceeds from disposal of an associate	**—**	1,548
Dividends received from associate	**588**	—
Additions to construction-in-progress	**(88,412)**	(63,731)
Purchase of property, plant and equipment	**(5,565)**	(3,622)
Deregistration of a subsidiary (Note 29)	**(1,884)**	—
NET CASH (USE IN) FROM INVESTING ACTIVITIES	**(96,749)**	231,437
FINANCING ACTIVITIES		
Repayments of bank borrowings	**(67,608)**	(124,469)
Interest paid	**(3,499)**	(6,523)
Dividends paid to minority shareholders	**(1,600)**	(2,300)
New bank borrowings raised	**—**	92,447
Capital contribution by minority shareholders of a subsidiary	**—**	11,161
New other borrowings raised	**3,300**	6,400
NET CASH USED IN FINANCING ACTIVITIES	**(69,407)**	(23,284)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(247,914)**	255,355
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**344,758**	89,403
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash *(Note 24)*	**96,844**	344,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

1. GENERAL

The Company is a sino-foreign joint stock limited company established in the People's Republic of China (the "PRC"). The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors of the Company regards China PUTIAN Corporation ("China PUTIAN"), a state-owned enterprise established in the PRC, as the ultimate holding company of the Company and China PUTIAN Company Limited ("CPCL"), a joint stock limited company established in the PRC with limited liability and is a wholly-owned subsidiary of China PUTIAN as the immediate holding company of the Company.

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

The addresses of the registered office and principal place of business of the Company are East No. 18, Xinhang Road, West Hi-tech Zone, Chengdu, Sichuan Province, the PRC.

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 ("HKFRSS")

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are either effective for accounting periods beginning on 1 January 2007. The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs and interpretations ("HK(IFRIC)-INTs") that have been issued but are not yet effective for accounting period beginning on 1 January 2007. The directors of the Company anticipate that the application of these HKASs, HKFRSs and HK(IFRIC)-INTs will have no material impact on the results and the financial position of the Group are prepared and presented.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [2]
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combination[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)- INT 11	HKFRS 2 — Group and Treasury Share Transactions[3]
HK(IFRIC)- INT 12	Service Concession Arrangements[4]
HK(IFRIC)- INT 13	Customer Loyalty Programmes[5]
HK(IFRIC)- INT 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 *Effective for annual periods beginning on or after 1 January 2009.*
2 *Effective for annual periods beginning on or after 1 July 2009.*
3 *Effective for annual periods beginning on or after 1 March 2007.*
4 *Effective for annual periods beginning on or after 1 January 2008.*
5 *Effective for annual periods beginning on or after 1 July 2008.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

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 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.

BASIS OF CONSOLIDATION

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

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

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

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 the 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.

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated 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 net assets of the associates, 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 recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after assessment, is recognised immediately in profit or loss.

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)*

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent 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 of their estimated residual value, using the straight-line method.

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

LAND USE RIGHTS

Payment for obtaining land use right is considered as operating lease payment. Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses, amortisation is charged to consolidated income statement over the period of the rights or the term of the respective enterprise to which the land use rights are granted, whichever is the shorter, using the straight-line method.

CONSTRUCTION-IN-PROGRESS

Construction-in-progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction-in-progress is carried at cost less any recognised impairment loss. Construction-in-progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, deposits and other receivables, amounts due from associates and related companies and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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

Income is recognised as on effective interest basis for the debt instruments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price 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, they are measured as cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment loss of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as available-for-sale investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Impairment loss of financial assets *(Continued)*

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

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bills receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 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 payables, other payables, deposits for staff quarters, amounts due to associates, bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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

INVENTORIES

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

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.

IMPAIRMENT LOSSES

At each balance sheet date, the Group reviews the carrying amounts of its 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 recognised as an expense immediately.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION

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

Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the 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.

Operating lease rental income is recognised on a straight-line basis over the period of the relevant lease terms.

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

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

RESEARCH AND DEVELOPMENT EXPENDITURE

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

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 consolidated 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 recognised 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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At 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 recognised 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 recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

RETIREMENT BENEFIT SCHEMES CONTRIBUTIONS

Payments to defined contribution retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

LEASING

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

BORROWING COSTS

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

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 recognised in the consolidated financial statements are discussed below:

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS

The impairment loss for property, plant and equipment and construction-in-progress are recognised for the amounts by which the carrying amount exceeds its recoverable amount, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment and construction-in-progress have been determined based on value-in-use calculations.

These calculations require the use of estimates such as the future revenue and discount rates. No impairment was provided during the year.

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 values. 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.

LAND VALUE ADDED TAX

As stated in Note 9, the directors of the Company are of the opinion that the disposal of prepaid lease payments on land use right by the Group is not subject to (「土地增值稅」) Land Value Added Tax and consequently, provision has not been made in the consolidated financial statements.

ALLOWANCE FOR INVENTORIES

The management of the Group reviews an aging analysis at each balance sheet date, and makes impairment for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such raw materials, work-in-progress and finished goods 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 impairment for obsolete items.

ALLOWANCE FOR BAD AND DOUBTFUL DEBTS

The Group performs ongoing credit evaluations of its customers and adjust credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated impairment for credit loss based upon its historical experience and any specific customer collection issues that it has been identified. Impairment for trade and bills receivables have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity and available for sale investments, trade and bills receivables, deposits and other receivables, amounts due from associates and related companies and bank deposits, trade and bills payables, other payables, deposits for staff quarters, amounts due to associates, bank and other borrowings. 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.

FOREIGN CURRENCY RISK

Foreign currency exchange risk arises from future commercial transactions, recognised assets and liabilities. Certain borrowings of the Group are denominated in Euro. Such Euro -denominated borrowings are exposed to fluctuations in the value of RMB against Euro in which these borrowings are denominated. Any significant appreciation/ depreciation of RMB against these foreign currency may result in significant exchange gain/ loss which would be recorded in the consolidated income statement.

SENSITIVITY ANALYSIS

As of 31 December 2007, if RMB had strengthened/weakened 5% against Euro, with all other variables held constant, profit for the year would have been approximately RMB646,000 (2006: RMB689,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of Euro denominated borrowings equivalents.

INTEREST RATE RISK

The Group's fair value interest-rate risk mainly arises from bank deposits and bank and other borrowings. Bank and other borrowings were issued at fixed rates expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates.

Sensitivity analysis

At 31 December 2007, it is estimated that a general increase or decrease of one percentage in interest rates, with all other variables held constant, would decrease or increase the Group's profit for the year and retained profits by approximately RMB2,124,000 (2006: RMB1,314,000).

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2006.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings.

The following table details the contractual maturities at the balance sheet date of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

As at 31 December 2007

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than one year less than two years	More than two years less than five years	More than five years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	77,400	77,400	77,400	—	—	—
Other payables and accrued charges	126,043	126,043	126,043	—	—	—
Amounts due to associates	16,321	16,321	16,321	—	—	—
Bank and other borrowings	35,413	43,843	22,410	—	4,643	16,790
	255,177	263,607	242,174	—	4,643	16,790

As at 31 December 2006

	Carrying amount	Total contractual undiscounted cash flow	Within one year or on demand	More than one year less than two years	More than two years less than five years	More than five years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	62,011	62,011	62,011	—	—	—
Other payables and accrued charges	97,589	97,589	97,589	—	—	—
Amounts due to associates	23,889	23,889	23,889	—	—	—
Bank and other borrowings	99,721	106,245	58,058	1,431	34,946	11,810
	283,210	289,734	241,547	1,431	34,946	11,810

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

CREDIT RISK

The Group's principal financial assets are trade and other receivables and bank balances, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2007 in relation to each class of recognised 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 regularly reviews the recoverable amount of each individual trade receivable 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.

The credit risk on liquid funds is limited because the majority of the counterparties are state-owned banks with good reputation.

FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The directors consider the fair values of equity, trade and bills receivables, deposits and other receivables, amounts due from associates and related companies and bank deposits and balances, trade and bills payables, other payables, deposits for staff quarters and amounts due to associates reported in the consolidated balance sheet approximate their carrying amounts due to their immediate or short-term maturities.

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank and other borrowings, bank deposits, balances and cash and equity of the Company, comprising issued share capital, reserves and accumulated losses as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as raise of new borrowings or repayment of existing borrowings. The Group's approach to capital management remains unchanged throughout the year.

6. BUSINESS SEGMENT

For management purposes, the Group is currently organised 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 two years ended 31 December 2007 and 2006 is presented below:

	For the year ended 31 December 2007					
	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	469,147	97,853	60,936	—	—	627,936
Inter-segment turnover	2,806	—	83	—	(2,889)	—
Total turnover	471,953	97,853	61,019	—	(2,889)	627,936
SEGMENT RESULTS	(61,237)	11,771	(5,547)	—	—	(55,013)
Unallocated other operating income						5,936
Finance costs						(3,499)
Gain on disposal of prepaid lease payments of land use right						243,757
Share of results of associates						3,411
Profit before taxation						194,592
Income tax expense						(5,532)
Profit for the year						189,060

* *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.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

6. BUSINESS SEGMENT *(Continued)*

	At 31 December 2007				
	Manufacture and sale of copper cable and related products	Manufacture and sale of optical fibres and related products	Manufacture and sale of cable joining sleeves and related products	Other operations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Segment assets	920,960	106,483	107,349	—	1,134,792
Interests in associates	9,520	128,831	—	7,306	145,657
Consolidated total assets	930,480	235,314	107,349	7,306	1,280,449
LIABILITIES					
Segment liabilities	196,645	30,314	16,370	—	243,329
Unallocated corporate liabilities					35,413
Consolidated total liabilities					278,742

	For the year ended 31 December 2007				
	Manufacture and sale of copper cable and related products	Manufacture and sale of optical fibres and related products	Manufacture and sale of cable joining sleeves and related products	Other operations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital additions	131,056	11,854	940	—	143,850
Depreciation and amortisation	17,918	3,601	1,930	—	23,449
Loss on disposal of property, plant and equipment	3,304	—	—	—	3,304
Impairment loss on trade and bills receivables	—	289	6,481	—	6,770
(Reversal of) write-down of inventories	(681)	—	2,518	—	1,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

6. BUSINESS SEGMENT *(Continued)*

	For the year ended 31 December 2006					
	Manufacture and sale of copper cable and related products	Manufacture and sale of optical fibres and related products	Manufacture and sale of cable joining sleeves and related products	Other operations	Elimination*	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
SEGMENT TURNOVER						
External turnover	416,066	81,406	53,242	—	—	550,714
Inter-segment turnover	4,438	—	90	—	(4,528)	—
Total turnover	420,504	81,406	53,332	—	(4,528)	550,714
SEGMENT RESULTS	(35,868)	9,454	419	—	—	(25,995)
Unallocated other operating income						8,313
Finance costs	(6,107)	(416)	—	—	—	(6,523)
Gain on disposal of prepaid lease payments of land use right	171,642	—	—	—	—	171,642
Share of results of associates	(596)	3,260	—	526	—	3,190
Profit before taxation						150,627
Income tax expense						(9,118)
Profit for the year						141,509

* *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.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

6. BUSINESS SEGMENT *(Continued)*

	At 31 December 2006				
	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	761,538	107,562	113,768	—	982,868
Interests in associates	9,520	126,246	—	6,883	142,649
Consolidated total assets	771,058	233,808	113,768	6,883	1,125,517
LIABILITIES					
Segment liabilities	156,489	30,522	15,846	—	202,857
Unallocated corporate liabilities					108,530
Consolidated total liabilities					311,387

	For the year ended 31 December 2006				
	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	64,351	1,034	1,968	—	67,353
Depreciation and amortisation	14,333	3,999	2,587	—	20,919
Loss (gain) on disposal of property, plant and equipment	91	(8)	—	—	83
Gain on disposal of interest in an associate	—	(500)	—	—	(500)
Impairment loss on trade and bills receivables	—	1,468	1,930	—	3,398
Write-down of inventories	12,130	—	180	—	12,310

For the two years ended 31 December 2007, all activities and assets of the Group were based in the PRC and all of the Group's turnover and results from operations were derived from the PRC. Accordingly, no analysis of geographical segment is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

7. OTHER OPERATING INCOME

	2007	2006
	RMB'000	*RMB'000*
Included in other operating income are the followings:		
Bank interest income	**1,766**	2,046
Technology transfer fee	**895**	610
Management fee from an associate in respect of providing market information	**—**	1,562
Rental income	**1,979**	1,208
Gain on disposal of interest in an associate	**—**	500
Sales of scrap materials	**2,594**	2,401
Others	**2,215**	378
	9,449	8,705

8. FINANCE COSTS

	2007	2006
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	**3,461**	6,024
Bank borrowings not wholly repayable within five years	**38**	499
	3,499	6,523

9. GAIN ON DISPOSAL OF 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, had successfully bid in 2005, a piece of land (approximately 244.77 mu) 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 on or before 30 June 2008. As at 31 December 2007, the Group has delivered approximately 95.70 mu (2006: 66.76 mu) of the Land and recognised approximately RMB243,757,000 (2006: RMB171,642,000) as gain on disposal of prepaid lease payments on land use right accordingly. Details of this transaction had been set out in the Company's circular dated 23 December 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

9. GAIN ON DISPOSAL OF PREPAID LEASE PAYMENTS OF LAND USE RIGHT *(Continued)*

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 according to the requirements of Section (II) in Clause 8. Accordingly, no provision was made for 土地增值税 in the calculation of the gain on disposal of prepaid lease payment of land use right during the year. The Group is now in the process of applying for exemption of 土地增值税, 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 as a whole and the gain on disposal of prepaid lease payments of land use right for the year ended 31 December 2007 will be decreased by approximately RMB123,037,000 (2006: RMB86,641,000).

10. INCOME TAX EXPENSE

	2007	2006
	RMB'000	*RMB'000*
The tax charge comprises :		
PRC enterprise income tax		
— current	**7,431**	10,730
— over-provision in prior years	**(1,899)**	(1,612)
	5,532	9,118

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 for the two years ended 31 December 2007.

The Company had been recognised 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 18% (2006: 18%).

PRC enterprise income tax is calculated at 13% to 33% (2006: 13% to 33%) of the estimated assessable profit for the year.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the enterprise unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. The Company and certain subsidiaries which are enjoying the tax holiday will continue until expiry while the preferential tax rates disclosed above will continue after the New Corporate Income Tax Law.

10. INCOME TAX EXPENSE *(Continued)*

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

	2007	2006
	RMB'000	*RMB'000*
Profit before taxation	**194,592**	150,627
Tax at applicable tax rate of 18% (2006: 18%)	**35,026**	27,112
Tax effect of share of results of associates	**(614)**	(574)
Tax effect of income not taxable for tax purpose	**(44,085)**	(1,050)
Tax effect of expenses not deductible for tax purpose	**17,947**	4,718
Utilisation of tax losses previously not recognised	**(1,465)**	(19,180)
Tax effect of tax losses not recognised	**526**	1,089
Over-provision in prior years	**(1,899)**	(1,612)
Effect of different tax rates of subsidiaries operating under other statutory income tax rates	**96**	(1,385)
Tax charge for the year	**5,532**	9,118

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

At 31 December 2007, the Group has estimated unused tax losses and other deductible temporary differences of approximately RMB48,644,000 (2006: RMB56,991,000) and RMB94,200,000 (2006: RMB83,772,000), respectively. No deferred tax asset has been recognised in the consolidated 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 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

11. PROFIT FOR THE YEAR

	2007	2006
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging :		
Impairment loss on trade and bills receivables	**6,770**	3,398
Auditors' remuneration	**750**	900
Amortisation of prepaid lease payments on land use rights	**1,192**	708
Bad debts written off	**—**	2,221
Depreciation on property, plant and equipment	**22,257**	20,211
Exchange loss	**1,614**	1,069
Loss on disposal of property, plant and equipment (included in other operating expenses)	**3,304**	83
Loss on deregistration of a subsidiary	**4**	—
Research and development costs	**1,043**	1,576
Staff costs (including retirement benefits schemes contributions and directors' emoluments *(Note 14)*	**36,411**	39,682
Write-down of inventories	**1,837**	12,310
Share of tax of associates (included in share of results of associates)	**216**	165

12. DIVIDEND

No dividend was paid or proposed during the two years ended 31 December 2007, nor has any dividend been proposed since the balance sheet date.

13. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of RMB187,942,000 (2006: RMB139,294,000) and based on 400,000,000 (2006: 400,000,000) shares in issue during the year.

There was no dilution effect on the basic earnings per share for the two years ended 31 December 2007 as there were no dilutive shares outstanding during the two years ended 31 December 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

14. EMOLUMENTS OF THE DIRECTORS AND SUPERVISORS

The emoluments paid or payable to each of the twelve (2006: twenty) directors and supervisors were as follows:

For the year ended 31 December 2007

		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 :					
Zhang Xiaocheng	—	—	—	—	—
Kuo Aiching	—	122	190	11	323
Zheng Jianhua	—	—	—	—	—
Li Tong	—	—	—	—	—
Jiang Kun	—	—	—	—	—
Xiong Siyun	—	—	—	—	—
Independent non-executive directors :					
Choy Sze Chung, Jojo	30	—	—	—	30
Wu Zhengde	30	—	—	—	30
Li Yuanpeng	30	—	—	—	30
Supervisors :					
Wang Zhiqi	—	—	—	—	—
Xiong Ting	—	62	81	11	154
Hong Xiurong	—	25	19	8	52
Total	90	209	290	30	619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

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

For the year ended 31 December 2006

			Other emoluments			
	Notes	**Fees** *RMB'000*	**Salaries and allowances** *RMB'000*	**Performance related incentive payments** *RMB'000*	**Retirement benefits schemes contributions** *RMB'000*	**Total** *RMB'000*
Executive directors :						
Zhang Xiaocheng	d	—	—	—	—	—
Xu Mingwen	b	—	—	—	—	—
Kuo Aiching		—	122	31	16	169
Wang Zhongfu	b	—	—	—	—	—
Bao Yuhong	b	—	—	—	—	—
Zhang Zhongqi	b	—	—	—	—	—
Fan Xianda	b	—	44	14	11	69
Zheng Jianhua	a	—	—	—	—	—
Li Tong	a	—	—	—	—	—
Jiang Kun	a	—	—	—	—	—
Xiong Siyun	a	—	—	—	—	—
Independent non-executive directors :						
Choy Sze Chung, Jojo	c	25	—	—	—	25
Sun Jiayuan	b	20	—	—	—	20
Wu Zhengde		30	—	—	—	30
Li Yuanpeng	a	10	—	—	—	10
Chen Bo Sum	e	5	—	—	—	5
Supervisors :						
Zhang Xiaocheng	d	—	—	—	—	—
Wang Zhiqi	a	—	—	—	—	—
Xiong Ting		—	66	20	16	102
Hong Xiurong		—	32	5	14	51
Total		90	264	70	57	481

Notes :

a. *Appointed on 17 August 2006.*
b. *Resigned on 17 August 2006.*
c. *Appointed on 16 February 2006.*
d. *Resigned as supervisor and appointed as executive director of the Company on 17 August 2006.*
e. *Resigned on 16 February 2006.*

No directors and supervisors waived any emoluments for the two years ended 31 December 2007. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

15. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one (2006: one) was director, whose emoluments are set out in Note 14 above. The emoluments of the remaining four (2006: four) highest paid individual was as follows:

	2007	2006
	RMB'000	*RMB'000*
Salaries and allowances	**1,141**	633
Performance related incentive payments	**237**	123
Retirement benefit scheme contributions	**28**	44
	1,406	800

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Plant, machinery and equipment**	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January 2006	127,034	438,543	11,202	576,779
Additions	11	3,218	393	3,622
Transfer from construction-in-progress *(Note 18)*	5,662	2,761	204	8,627
Disposals / written off	(12,770)	(1,468)	(1,050)	(15,288)
At 31 December 2006 and 1 January 2007	119,937	443,054	10,749	573,740
Additions	—	4,983	582	5,565
Transfer from construction-in-progress *(Note 18)*	147,376	3,367	—	150,743
Disposal of a subsidiary *(Note 29)*	—	(29)	—	(29)
Disposals / written off	(63,782)	(52,331)	(649)	(116,762)
At 31 December 2007	203,531	399,044	10,682	613,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings	Plant, machinery and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2006	46,797	339,029	9,106	394,932
Provided for the year	3,961	15,632	618	20,211
Impairment loss recognised in the consolidated income statement *(Note a)*	8,936	—	—	8,936
Eliminated on disposals / written off	(7,536)	(1,306)	(951)	(9,793)
At 31 December 2006 and 1 January 2007	52,158	353,355	8,773	414,286
Provided for the year	8,301	13,397	559	22,257
Disposal of a subsidiary *(Note 29)*	—	(20)	—	(20)
Eliminated on disposals / written off	(42,028)	(48,989)	(584)	(91,601)
At 31 December 2007	18,431	317,743	8,748	344,922
NET CARRYING VALUES				
At 31 December 2007	185,100	81,301	1,934	268,335
At 31 December 2006	67,779	89,699	1,976	159,454

All the buildings of the Group are located 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%

Note:

a. During the year ended 31 December 2006, the directors of the Company conducted a review of the Group's property, plant and equipment in connection with the disposal of prepaid lease payments on land use right as set out in Note 9, impairment loss of approximately RMB8,936,000 has been recognised and included as part of the cost of disposal of prepaid lease payments on land use right.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

17. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2007	2006
	RMB'000	*RMB'000*
The Group's prepaid lease payments on land use rights comprises :		
Leasehold land in the PRC:		
Medium-term lease	**44,055**	21,040
Analysed for reporting purposes as :		
Current assets	**1,193**	708
Non-current assets	**42,862**	20,332
	44,055	21,040

18. CONSTRUCTION-IN-PROGRESS

	2007	2006
	RMB'000	*RMB'000*
COST		
At 1 January	**69,125**	14,021
Additions	**114,078**	63,731
Transfer to property, plant and equipment *(Note 16)*	**(150,743)**	(8,627)
At 31 December	**32,460**	69,125

Note : Included in the construction-in-progress is expenditure on the development of staff quarters amounting to approximately RMB15,723,000 (2006: RMB10,525,000).

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 24(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 2007, the total amount of contributions received from the employees amounted to approximately RMB23,565,000 (2006: RMB19,368,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

19. INTERESTS IN ASSOCIATES

	2007	2006
	RMB'000	*RMB'000*
Cost of investment in associates, unlisted	**186,922**	186,922
Share of post-acquisition losses and reserves	**(41,265)**	(44,273)
	145,657	142,649

Details of the Group's principal associates as at 31 December 2007, all of which were established and operated in the PRC, are as follows:

Name of associate	**Form of business structure**	**Class of shares held**	**Percentage of equity attributable to the Group** %	**Principal activities**
成都皮克電源有限公司 Chengdu Peak Power Sources Co., Ltd. (Limited company)	Incorporated	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)	Incorporated	Contributed capital	49	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)	Incorporated	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.

19. INTERESTS IN ASSOCIATES *((Continued)*

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

	2007	2006
	RMB'000	*RMB'000*
Total assets	**525,942**	517,924
Total liabilities	**(243,214)**	(236,010)
Net assets	**282,728**	281,914
Group's share of net assets of associates	**145,657**	142,649
Turnover	**425,957**	353,663
Profit for the year	**7,348**	6,026
Group's share of results of associates for the year	**3,411**	3,190

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprises:

	2007	2006
	RMB'000	*RMB'000*
Unlisted long-term equity securities, at cost *(Note a)*	**7,878**	7,878
Less : impairment loss recognised	**(5,150)**	(5,150)
	2,728	2,728
Unlisted funds established in the PRC, at fair value shown under current assets *(Note b)*	**201,400**	—

Notes:

(a) *The above unlisted investments represent investments in unlisted equity securities issued by private entities established 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 wide that the directors of the Company are of the opinion that their fair values cannot be measured reliably.*

(b) *The unlisted funds established in the PRC is measured at fair value at the balance sheet date. Its fair value is determined based on the prices from financial institutions quoted for similar instruments at the balance sheet date.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

21. 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.

22. INVENTORIES

	2007	2006
	RMB'000	*RMB'000*
Raw materials	**47,143**	22,256
Work in progress	**24,530**	17,595
Finished goods	**95,913**	113,987
Spare parts and consumables	**3,492**	2,916
	171,078	156,754

During the year ended 31 December 2007, the Group recognised impairment charge amounting to RMB1,837,000 (2006: RMB12,310,000) including a reversal of impairment of approximately RMB681,000, which was recognised based on the increase in estimated net realisable value as compared to net carrying value of inventories. The amount has been included in administrative expenses in the consolidated income statement.

23. TRADE AND BILLS RECEIVABLES

	2007	2006
	RMB'000	*RMB'000*
Trade and bills receivables	**264,355**	232,935
Less : Allowance for bad and doubtful debts	**(102,104)**	(95,334)
	162,251	137,601

There were no specific credit terms granted to the Group's customers. The following is an aged analysis of trade and bills receivables net of allowances at the balance sheet date.

	2007	2006
	RMB'000	*RMB'000*
Within 90 days	**142,519**	97,409
91 - 180 days	**12,417**	21,201
181 - 365 days	**7,315**	18,991
	162,251	137,601

23. TRADE AND BILLS RECEIVABLES *(Continued)*

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly. The movement in the allowance for bad and doubtful debts is as follows:

	2007	2006
	RMB'000	*RMB'000*
Balance at beginning of the year	**95,334**	91,936
Impairment loss recognised in profit or loss	**6,770**	3,398
Balance at end of the year	**102,104**	95,334

At each of the balance sheet dates, the Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these balances.

Trade and bills receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not held any collateral over these balances.

24. BANK DEPOSITS, BALANCES AND CASH

	2007	2006
	RMB'000	*RMB'000*
Bank deposits :		
Pledged deposits *(Note a)*	**6,112**	7,769
Designated deposits *(Note b)*	**27,878**	9,275
Restricted deposits *(Note c)*	**66,000**	—
	99,990	17,044
Bank balances and cash *(Note d)*	**96,844**	344,758
	196,834	361,802

Notes:

a. *The amounts represent deposits pledged to banks to secure bills facilities and undrawn banking facilities granted to the Group. The deposits carry fixed interest rate of 3.33% per annum (2006: 1.44%). The pledged bank deposits will be released upon the settlement of relevant bills payable.*

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.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

24. BANK DEPOSITS, BALANCES AND CASH *(Continued)*

c. *Restricted deposits represent the cash deposits placed at designated bank accounts in a bank in the PRC. According to the agreement between the Company and the bank, the Group instructed the bank to grant a loan to an independent third party in the name of the bank by using the restricted deposits, the bank shall act at its discretion and bear the exclusive risk with the loan. The directors of the Company are in the view that the restricted deposits will be released within one year.*

d. *Bank balances and cash comprises bank balances and cash held by the Group and short-term bank deposits with maturity of three months or less which are interest-bearing at prevailing market rates. The short-term bank deposits of approximately RMB8,300,000 (2006: RMB63,652,000) carry fixed interest rates ranged from 5.38% to 6.48% per annum (2006: 1.80% to 2.25% per annum).*

25. 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 recognised.

26. TRADE AND BILLS PAYABLES

	2007	2006
	RMB'000	*RMB'000*
An aged analysis of trade and bills payables is as follows :		
Within 90 days	**61,228**	40,134
91 - 180 days	**9,119**	13,954
181 - 365 days	**3,680**	5,208
Over 365 days	**3,373**	2,715
	77,400	62,011

27. BANK AND OTHER BORROWINGS

	2007	2006
	RMB'000	*RMB'000*
Bank loans	**27,913**	93,321
Other loans	**7,500**	6,400
	35,413	99,721
Analysed as:		
Secured	**—**	30,550
Unsecured *(Note)*	**35,413**	69,171
	35,413	99,721

Note: *The bank and other loans are guaranteed by its related parties. Details of which are set out in note 34(b).*

27. BANK AND OTHER BORROWINGS *(Continued)*

The above bank and other borrowings are repayable as follow:

	2007	2006
	RMB'000	*RMB'000*
Bank loans:		
On demand or within one year	**16,395**	50,893
More than one year but not exceeding two years	**—**	1,343
More than two years but not more than five years	**—**	30,000
More than five years	**11,518**	11,085
	27,913	93,321
Other loans:		
On demand or within one year	**4,000**	3,600
More than one year but not exceeding two years	**—**	—
More than two years but not more than five years	**3,500**	2,800
	7,500	6,400
Total bank and other borrowings	**35,413**	99,721
Less: Amount due within one year shown under current liabilities	**(20,395)**	(54,493)
Amount due after one year	**15,018**	45,228

At 31 December 2007, all the bank and other borrowings are fixed-rate borrowings which carry interest ranging from 0.5% to 9.96% (2006: 0.5% to 9.96%) 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 Euro1,211,000 (2006: Euro 1,341,000). All other bank and other borrowings are denominated in RMB.

During the year ended 31 December 2007, the Group obtained new bank and other loans in the amount of approximately RMB3,300,000. The loans drawn bear interest ranging from 0.5% to 9.96% per annum and will be repayable varying from 2007 to 2009. The proceeds were used to finance the general working capital purpose of the Group (2006: RMB98,847,000). The loans as at 31 December 2006 were early repaid during the year ended 31 December 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE YEAR ENDED 31 DECEMBER 2007

28. SHARE CAPITAL

	2007 & 2006	
	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

29. DEREGISTRATION OF A SUBSIDIARY

On 30 September 2007, the subsidiary of the Group, Chengdu PUTIAN Display Technology Ltd. was de-registered. On the date of de-registration, the Group had 96.2% equity interest in Chengdu PUTIAN Display Technology Ltd.

The net assets of Chengdu PUTIAN Display Technology Ltd. as the date of de-registration were as follows:

	RMB'000
Property, plant and equipment	9
Bank balances and cash	1,884
Other payables	(120)
Minority interests	(68)
Loss on deregistration	(4)
Assets receivable by the Group included in other receivables	1,701
Net outflow of cash and cash equivalents	
Bank balances and cash disposed of	(1,884)

The subsidiary de-registered during the year ended 31 December 2007 had no significant impact on the turnover and results of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

30. 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 approximately RMB6,791,000 (2006: RMB8,853,000) 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 2007, the total contribution made by the Group was approximately RMB466,000 (2006: RMB557,000). Upon retirement, employees will receive a lump sum payment based on the contributions made by the individual employee and the Group plus interest.

31. MAJOR NON-CASH TRANSACTIONS

The net proceeds of approximately RMB299,613,000 (2006: RMB249,127,000) from disposal of land use right received by the Group during the year ended 31 December 2007 represent the consideration of approximately RMB310,060,000 (2006: RMB218,340,000) for the disposal of 95.70 mu (2006: 66.76 mu) land use right during the year ended 31 December 2007 as set out in Note 9, approximately RMB5,056,000 (2006: RMB33,000,000) sales proceeds receipt in advance are included in other payables as at 31 December 2007 and respective business tax of approximately RMB15,503,000 has been settled during the year (2006: RMB2,213,000). There are nil (2006: RMB8,704,000) unpaid business taxes in relation to the disposal of land use right and included in other payables as at 31 December 2007.

The consideration for additions in construction-in-progress of approximately RMB114,078,000 as set out in Note 18, was partly settled by the Group in cash during the year. The unpaid consideration of approximately RMB25,666,000 was included in other payables as at 31 December 2007.

During the year ended 31 December 2007, the Group deregistered a subsidiary as set out in Note 29, the amount receivable amounting to approximately RMB1,701,000 is included in other receivables as of 31 December 2007.

32. CAPITAL COMMITMENTS

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

	2007	2006
	RMB'000	*RMB'000*
Contracted but not provided for :		
Acquisition of machinery and equipment	**6,388**	3,283
Relocation of the Group's headquarters, purchase of land and the constructions of the site of the new plant	**44,721**	80,693
Authorised but not contracted for :		
Acquisition of machinery and equipment	**—**	21,811
Relocation of the Group's headquarters, purchase of land and the constructions of the site of the new plant	**—**	60,648
	51,109	166,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

33. 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:

	2007	2006
	RMB'000	*RMB'000*
Bank deposits	**6,112**	7,769
Buildings	**—**	844
Assets classified as held for sale	**5,951**	23,531
	12,063	32,144

34. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2007	2006
	RMB'000	*RMB'000*
China PUTIAN and its subsidiaries :		
— Sales of finished goods	**3,725**	2,553
— Rental income	**—**	149
— Management fee income	**—**	18
Associates :		
— Sales of finished goods	**18,772**	27,943
— Purchase of raw materials	**43,892**	24,555
— Management fee income in respect of providing marketing information	**—**	1,562
— Technology transfer fee income	**895**	610
— Technology transfer fee expense	**982**	2,461
— Rental income	**35**	141

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "State-owned Enterprises"). During the year ended 31 December 2007, the Group had transactions with State-owned Enterprises including, but not limited to, sales of telecommunication cables, optical fibres, cable joining sleeves and related products. The directors of the Company consider that transactions with other State-owned Enterprises are activities in the ordinary course of business, and that dealings of the Group have not been significantly controlled or owned by the PRC government. The Group has also established pricing policies for products and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions is a material related party transaction that requires separate disclosure.

(b) At 31 December 2007, China PUTIAN does not provide guarantees for banking facilities granted to the Group (2006: RMB60,000,000) and did not charge the Group during the year (2006: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

34. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

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

(d) The Company provides guarantees for banking facilities granted to non-wholly owned subsidiaries. The guarantees amount utilised as follow:

	2007	2006
	RMB'000	*RMB'000*
Chengdu SEI Optical Fiber Co., Ltd.	**3,300**	5,595
Chengdu MCIL Radio Communication Cable Co., Ltd.	**15,000**	16,235

(e) During the year ended 31 December 2005, the Group entered into an agreement with Corning International Corporation ("Corning"), a minority shareholder of CCS, for the transfer of 1% equity interest in CCS to Corning at a consideration of RMB1,548,000. The translation was completed in March 2006.

(f) Compensation of key management personnel

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

	2007	2006
	RMB'000	*RMB'000*
Short-term benefits	**1,424**	1,055
Post-employment benefits	**116**	216
	1,540	1,271

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2007

35. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2007, 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$13,750,000	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

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

36. POST BALANCE SHEET EVENT

On 13 January 2008, the Company entered into an agreement to transfer all of its equity interest in a subsidiary, Dongguan CDC, for an aggregate consideration of approximately RMB176,713,000, which comprises the cash consideration in the amount of RMB124,000,000 and the assumption by the purchaser, Dongguan Huiyuan Industrial Group Company Limited, of a debt in the amount of approximately RMB52,713,000 owned by the Company to Dongguan CDC.

The transaction has not been completed as of 17 April 2008.

Details of which are set out in the Company's circular dated 2 February 2008.

37. SUMMARISED BALANCE SHEET OF THE COMPANY

	2007	2006
	RMB'000	*RMB'000*
Interests in subsidiaries	**313,573**	298,093
Amounts due from subsidiaries	**53,034**	21,968
Other assets	**898,952**	780,897
Amounts due to subsidiaries	**(114,678)**	(99,405)
Other liabilities	**(164,622)**	(203,951)
	986,259	797,602
Share capital	**400,000**	400,000
Share premium	**303,272**	303,272
Capital reserve	**287,391**	287,391
Statutory surplus reserve fund	**9,295**	9,295
Accumulated losses	**(13,699)**	(202,356)
	986,259	797,602

Corporate Information

REGISTERED NAME OF THE COMPANY

成都普天電纜股份有限公司

ENGLISH NAME OF THE COMPANY

Chengdu PUTIAN Telecommunications Cable Company Limited

LEGAL REPRESENTATIVE

Zhang Xiaocheng

EXECUTIVE DIRECTORS

Zhang Xiaocheng
Kuo Aiching
Zheng Jianhua
Li Tong
Jiang Kun
Xiong Siyun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy Sze Chung, Jojo
Wu Zhengde
Li Yuanpeng

SUPERVISORS

Wang Zhiqi
Xiong Ting
Hong Xiurong

COMPANY SECRETARY

Ngai Wai Fung

QUALIFIED ACCOUNTANT

Xu Biao

AUTHORIZED REPRESENTATIVES

Kuo Aiching
Ngai Wai Fung

BOARD COMMITTEES

AUDIT COMMITTEE

Choy Sze Chung, Jojo *(Chairman)*
Wu Zhengde
Li Yuanpeng

REMUNERATION AND APPRAISAL COMMITTEE

Wu Zhengde *(Chairman)*
Choy Sze Chung, Jojo
Li Yuanpeng
Li Tong
Xiong Siyun

NOMINATION COMMITTEE

Li Yuanpeng *(Chairman)*
Choy Sze Chung, Jojo
Wu Zhengde
Kuo Aiching
Zheng Jianhua

STRATEGIC DEVELOPMENT COMMITTEE

Zhang Xiaocheng *(Chairman)*
Kuo Aiching
Jiang Kun
Wu Zhengde
Li Yuanpeng

Corporate Information *(Continued)*

REGISTERED ADDRESS OF THE COMPANY

No. 2 Zijing West Road
Hi-Tech Development Zone
Chengdu, Sichuan Province
The People's Republic of China

OFFICE ADDRESS IN THE PRC OF THE COMPANY

No. 18, Xinhang Road,
West Hi-tech Zone,
Chengdu, Sichuan Province,
the People's Republic of China
Tel : (028) 8787 7008
Fax : (028) 8787 7010
Postal Code : 611731

PLACE OF BUSINESS IN HONG KONG

8th Floor, Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

BUSINESS REGISTRATION NUMBER

No. 1972 of Qi He Chuan Rong Zong Zi

TAXATION REGISTRATION NUMBER

51010920193968x

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited
Stock Code: 1202

AUDITORS

HONG KONG

SHINEWING (HK) CPA Limited
16/F, United Centre
95 Queensway
Hong Kong

PRC

ShineWing Certified Public Accountants
9/F., Block A, Fu Hua Mansion
8 Chaoyangmen Beidajie
Dongcheng District, Beijing
The People's Republic of China
Post Code: 100027

LEGAL ADVISERS

PRC

Hui Gao Law Firm
10th Floor Western Tower
No.19, Section 4 Renminnan Avenue
Chengdu, Sichuan Province
The People's Republic of China
Postal Code: 610041

HONG KONG

DLA Piper Hong Kong
40th Floor, Bank of China Tower
1 Garden Tower
Central, Hong Kong

CORPORATE INFORMATION *(CONTINUED)*

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Hi-Tech Development Zone Branch
Hi-Tech Development Zone
Wai Nan Shen Xian Shu
Chengdu, Sichuan Province
The People's Republic of China

People's Construction Bank of China
2nd Sub-Branch, Chengdu Branch
No. 2 Tong Zi Street
Chengdu, Sichuan Province
The People's Republic of China

H SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Rooms 1806-1807, 18/F, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

ACCESS TO CORPORATE INFORMATION

The Office of the Board
Chengdu PUTIAN Telecommunications Cable Company Limited
No. 18, Xinhang Road,
West Hi-tech Zone,
Chengdu, Sichuan Province,
the People's Republic of China

KCS Hong Kong Limited
8th Floor, Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

TIME OPEN FOR SHAREHOLDERS RECEPTION

On 8th and 18th every month (or the following day in case of holiday in the PRC)
9:00 am to 12:00 pm
2:00 pm to 5:00 pm
Tel : (028) 8787 7008
Fax : (028) 8787 7010