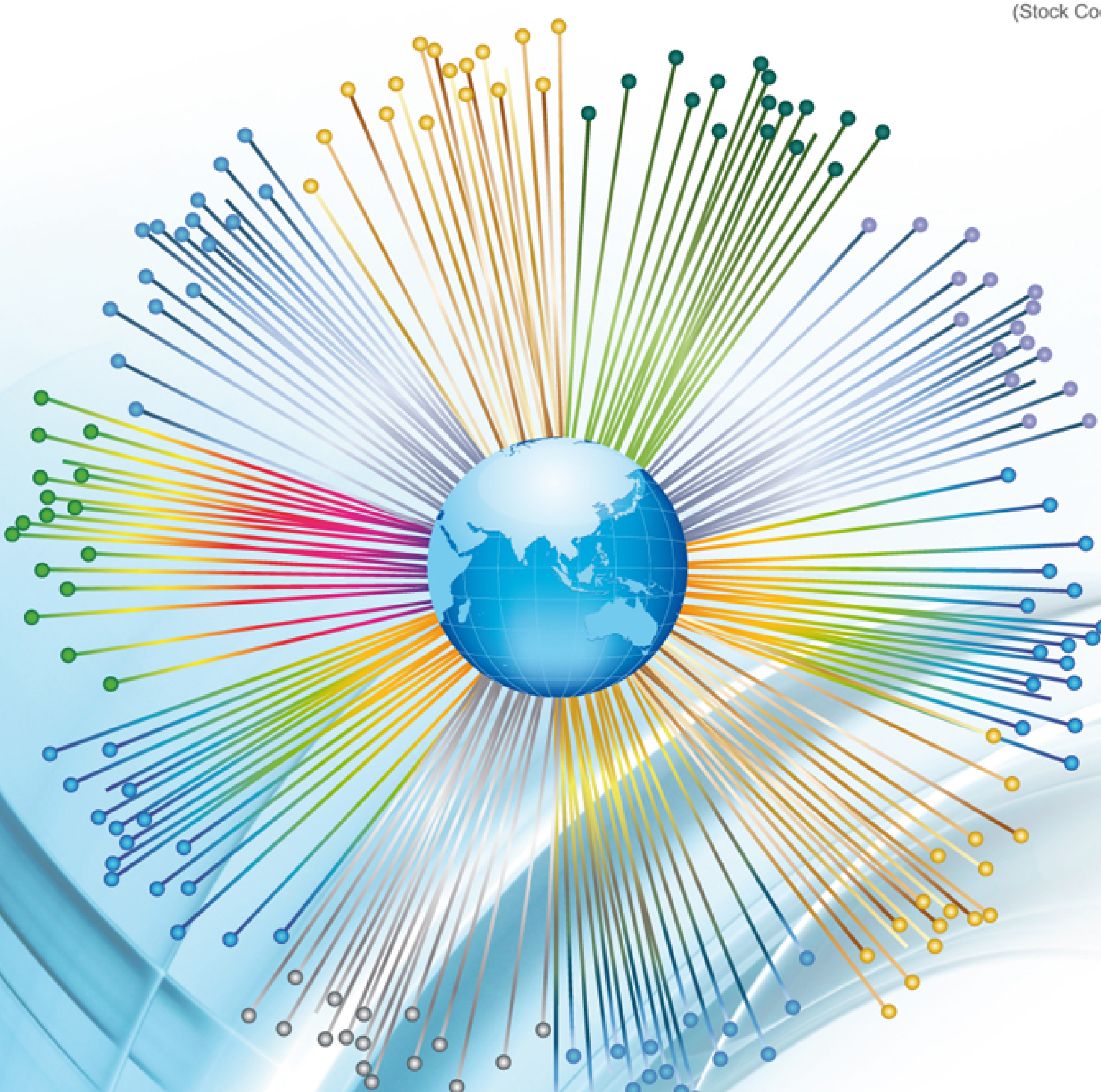
Potevio
中国普天

Chengdu PUTIAN Telecommunications Cable Company Limited

(Stock Code: 1202)



Annual Report 2008

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", a wholly owned subsidiary of China PUTIAN Corporation ("Potevio Group")) is the controlling shareholder of the Company.

The scope of operation of the Company: technological research and development, product manufacturing, sales and services of wires and cables, optical fibres and optical cables, specialized materials used for 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.

Registered office and office address of the Company in the PRC: No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC

Postal Code: 611731

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Financial Highlights

SUMMARY OF OPERATIONS

	2008	2007
	RMB'000	*RMB'000*
Turnover	**649,162**	627,936
Profit/(Loss) from operations	**26,243**	(48,704)
Share of profit of associates	**2,586**	3,411
Profit before income tax	**115,494**	194,592
Profit attributable to equity holders of the Company	**117,496**	187,942
Basic earnings per share	**RMB0.29**	RMB0.47

SUMMARY OF NET ASSETS

	31 December 2008	31 December 2007
	RMB'000	*RMB'000* (Restated)
Total assets	**1,448,341**	1,331,039
Total liabilities	**264,986**	278,742
Net assets	**1,183,355**	1,052,297
Net assets per share*	**RMB2.70**	RMB2.40

* *Net assets per share as at 31 December 2008 is calculated on the basis of net assets of RMB1,080,526,000 (2007: RMB958,833,000) and the total issued shares of 400,000,000 shares (2007: 400,000,000 shares).*

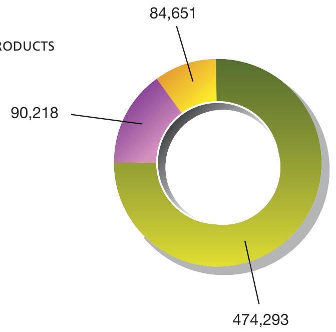
TURNOVER (by major products) (RMB'000)

2008

Copper Cables and Related Products 474,293

Cable Joining Sleeves and Related Products 84,651

Optical Fibres and Related Products 90,218

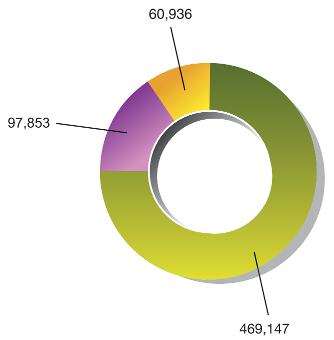


2007

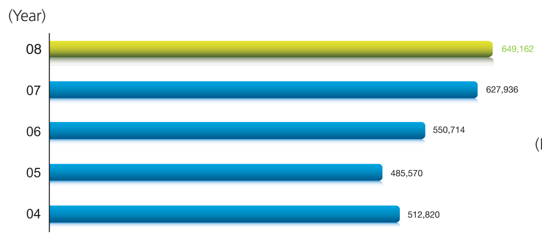
Copper Cables and Related Products 469,147

Cable Joining Sleeves and Related Products 60,936

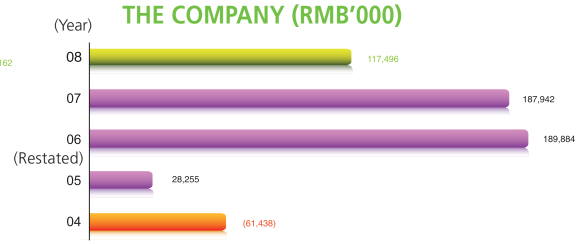
Optical Fibres and Related Products 97,853



TURNOVER (RMB'000)



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



Chairman's Statement

Dear 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 2008 (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 RMB115,494,000 and profit attributable to Shareholders amounted to RMB117,496,000, representing a decrease of 37.48% compared with the last year. Earnings per share of the Company were RMB0.29.

The Year was destined to leave its mark in history, as we witnessed our 50th anniversary, as well as unpredicted and unprecedented challenges. The replacement of copper cable by optical fibre by major telecommunication operators led to an all-round shrink of plastic urban telephone cables, the Company's main product. In the first half of the year, raw material prices remained high. In the second half, the plunge of copper prices triggered by the global financial crisis, hammered our production and operation. The earthquake in Wenchuan, Sichuan Province also affected the Company's production and operation to a certain extent. Internally, production and operation were less smooth because it was under a compressed profit margin due to ongoing product and management restructuring. In the face of emergency and challenge, we adapted our mindset and work approach to the new environment as appropriate. Guided by our ideology and annual operating target, we achieved satisfactory results with concerted efforts, as well as a counter-strike to the market downturn, with unremitting innovation and reform.

It is clear that 2009 will hold even grimmer challenges. As negative impact from the global financial crisis on China's economy looms, accompanied by the volatility of cable raw material price and shrinking copper cable market demand, the operational risk of the cable industry is mounting on the already thin spread profit. For the Company specifically, four years of land income were credited. Under stricter management and quality requests from SASAC, Shareholders' demands for improvement in business performance are intensifying. All these factors indicate that the Company is facing product shift and critical operating difficulties. But much to our relief, after years of exploration and scouting, we have identified good prospects for the Company's growth and have formed a definite development plan for new products. Opportunity comes with challenge. By overcoming difficulty and creating opportunity, we will overcome the pressure of the crisis with a motivated spirit as well as a placid mind.

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 in the Company throughout the Year.

Zhang Xiaocheng
Chairman

17 April 2009

RESULTS ANALYSIS

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

During the Year, the Company received approximately RMB104,661,000 for the last stage of land payment from the disposal of the Land (third stage land payment received:RMB310,060,000). The profit after deducting the related cost was approximately RMB88,521,000 (2007: RMB243,757,000).

During the Year, the Company cleared up all receivables and inventories in a comprehensive manner, reversal of impairment allowance for the Year totaled RMB64,634,000 which was included in other revenue of the Company.

If the effects of the above two factors are charged, a loss would be recorded in the Company's principal business for the Year.

MAIN REASONS FOR THE LOSS IN THE PRINCIPAL BUSINESS

1. The significant strategic replacement of copper cable by the use of optical fibre by major telecommunication operators led to a further decrease in sales of the Company's main product — plastic urban telephone copper cables, resulting in an adverse impact on the operating profits generated by copper cables; and

2. In the second half of the year when the international financial crisis struck, the plunge of copper prices had hammered the market price of copper cable products. As the existing stocks of copper cables incurred higher costs to products, a rather significant decrease in gross profit was recorded, which in turn brought significant adverse effects on the Group's production, operation and profit as a whole.

REVIEW OF PRINCIPAL BUSINESS

1. CONFRONTING MARKET CHALLENGES, DEPLOYMENT OF INDUSTRY STRUCTURE

The communication copper cable industry faced tremendous challenges during the Year, as major telecommunication operators stepped up the replacement of copper cable by optical fibre, and significantly cut down the purchase of urban telephone cables. To tackle these challenges, the Company has established a dedicated marketing department for the coordination and development of cable reinstallation, to stabilize our market share through cable reinstallation agreements with the Company's traditional core customers in Sichuan, Chongqing, Hunan and Xinjiang. The Company undertook 50% of all reinstallation for Sichuan Telecom and all reinstallation for its Tibet Telecom for the Year. The Company set up a complex factory specializing in disposal of old cables and started decomposition and disposal of replaced old cables in September 2008.

2. COMMITTED TO TECHNOLOGICAL INNOVATION AND NEW PRODUCT DEVELOPMENT

The Company increased research and development to develop new products during the Year. Firstly, locomotive cable was put into production. In July 2008, tests were completed on locomotive cable equipment and 3 types of products were produced on a trial basis. In August 2008, samples were tested by Shanghai Cable Research Institute and passed the inspection. In September 2008, market research commenced. Locomotive cable is a whole new sector with higher entry threshold, for which our marketing had commenced in December 2008. Secondly, the extremely fine coaxial cable and components project entered the implementation phase, with a project leadership team and a construction team in place.

3. CONTINUED PRODUCTION AND DISASTER RELIEF SUPPORT

In May 2008, an earthquake wreaked havoc in Sichuan Province and damaged certain buildings and equipment of the Company. Fortunately there were no casualties for our staff. After the disaster, the management of the Company swung into action to inspect the damages to housing and facilities. Having ensured that the buildings were safe and without inherent danger, the management strived to stabilize employee's emotion by fixing damaged buildings and equipment, restoring production quickly and contacting local operators to supply emergency cables so as to resume normal operation.

4. IMPROVED CORPORATE MANAGEMENT AND IMPLEMENTATION MEASURES

Financial Management The Company perfected its central financial management system, and centralized capital management, commission of finance and capital accounts of subsidiaries. Idle bank accounts were closed gradually. Implementation of all-rounded budget management was continued to ensure that the budget targets and KPI (Key Performance Indicators) were achievable.

Human Resources Management Organisational and manager reforms were carried out, and a reasonable performance assessment system was established to initiate human cost control.

Investment Management The Company applied KPI (Key Performance Indicators) test on major joint ventures and associated companies, guided the equity transfer of Dongguan CDC Cable Factory, completed liquidation of coiling reel plant and proceeded with the liquidation of Sichuan Provincial Telecommunications Cable Plant Company Limited.

Fundamental Management The Company provided quality, environmental and professional health safety management system training course for internal inspectors on a regular basis; enhanced employee safety training, emergency planning and rehearsal; promoted energy saving and emission reduction; started informatization with an established internet management team and plan for OA (Office Automation) system.

FINANCIAL ANALYSIS

TURNOVER

For the Year, the turnover of the Group amounted to approximately RMB649,162,000, an increase of 3.38% as compared to approximately RMB627,936,000 for the year ended 31December 2007 (the "Previous Year").

During the Year, the turnover of copper cables was approximately RMB474,293,000, an increase of 1.10% as compared to the Previous Year, during which plastic urban telephone cables accounted for RMB117,953,000, an increase of 6.26% as compared to the Previous Year; program-controlled cables amounted to RMB46,375,000, an increase of 37.98% as compared to the Previous Year.

Chengdu SEI Optical Fiber Co., Ltd. ("CDSEI"), a company in which the Company owns a 60% equity interest, recorded a turnover of approximately RMB90,218,000; and Ministry of Posts and Factory Telecommunications Cable Chengdu Shuangliu Shrinkable Products Factory ("Shuangliu Heat Shrinkable"), a company in which the Company owns a 66.7% equity interest, recorded a turnover of approximately RMB84,651,000.

PROFITS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net profit attributable to equity holders of the Company for the Year amounted to approximately RMB117,496,000, representing a decrease of 37.48% as compared with approximately RMB187,942,000 for the Previous Year.

RESULTS ANALYSIS

As at 31 December 2008, the Group's total assets were approximately RMB1,448,341,000, representing an increase of 8.81% over the end of Previous Year's approximately RMB1,331,039,000. Current assets amounted to approximately RMB878,242,000, accounting for 60.64% of the total assets and representing an increase of 11.56% over the end of Previous Year, approximately RMB787,214,000 of which was mainly attributable to the increase in financial assets at fair value through profit or loss of RMB100,000,000 in 2008. Property, plant and equipment amounted to approximately RMB275,483,000, accounting for 19.02% of the total assets and representing an increase of 2.66% over the end of Previous Year's total of approximately RMB268,335,000, mainly attributable to the construction of additional fixed assets including properties and equipments at the new site.

As at 31 December 2008, the Group's liabilities totaled approximately RMB264,986,000; the liability-to-asset ratio was 18.30%; short-term bank and other loans were approximately RMB19,200,000, representing a decrease of 5.86% over the end of Previous Year's approximately RMB20,395,000. During the Year, the Group did not arrange for other capital raising activities.

As at 31 December 2008, the Group's bank deposits and cash totaled approximately RMB274,986,000, representing an increase of 39.70% over the end of Previous Year's approximately RMB196,834,000.

During the Year, the Group's distribution costs, administrative expenses and finance costs amounted to approximately RMB47,468,000, RMB67,750,000 and RMB1,856,000 respectively, representing an increase of 11.04%, a decrease of 21.25% as well as a decrease of 52.07% respectively, over the Previous Year's figures of approximately RMB42,747,000, RMB86,037,000 and RMB3,872,000 respectively. The increase in distribution costs over the Previous Year was mainly attributable to the additional distribution costs of new products. Administrative expenses decreased because the Company reversed over provision of impairment loss on inventory and doubtful debts provision. Finance costs decreased because the amounts of loans decreased.

As at 31 December 2008, the Group's trade and bills receivables and inventories amounted to approximately RMB205,192,000 and RMB200,880,000 respectively, representing an increase of 26.47% and 17.42% respectively, over the end of Previous Year's figures of approximately RMB162,251,000 and RMB171,078,000 respectively.

ANALYSIS OF CAPITAL LIQUIDITY

As at 31 December 2008, the Group's current assets amounted to approximately RMB878,242,000 (2007: RMB787,214,000), current liabilities were approximately RMB254,557,000 (2007: RMB263,724,000), the annual receivables turnover period was 115 days and the annual inventory turnover period was 124 days. The above data indicates that the Group's capital flow was reasonable but there is still room for improvement. Liquidity and repayment ability were satisfactory. (Note: Trade and bills receivables are expressed in net value)

ANALYSIS OF FINANCIAL RESOURCES

As at 31 December 2008, the Group's bank and other short-term loans were approximately RMB19,200,000. As the Group's bank deposits and cash were comparatively sufficient with a total amount of approximately RMB274,986,000, the Group does not have short term repayment risk.

NON-CURRENT LIABILITIES AND LOANS

As at 31 December 2008, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was approximately RMB10,429,000 (equivalent to approximately EUR1,078,000), a loan from French government guaranteed bank loan 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. The long-term loan is a loan in respect of which the maximum repayment period is thirty six years. As the outstanding amount of the long-term loan is not substantial, there is no material 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 of the Company, corporate profit and proceeds from the disposal of the land use rights of the old site of the Company. The use of proceeds strictly complied with legal requirements. In addition, in order to ensure the proper utilization of capital, the Group has strengthened its existing 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 RMB86,525,000 during the Year (2007: net cash outflow of approximately RMB83,574,000).

During the Year, the Group spent approximately RMB7,583,000 (2007: RMB5,565,000) and approximately RMB59,293,000 (2007: RMB88,412,000) respectively on purchases of property, plant and equipment and on construction which are still in progress.

As at 31 December 2008, the Group's liabilities and minority interests amounted to approximately RMB367,815,000 (2007: RMB372,206,000). The Group's interest expenses were approximately RMB1,589,000 (2007: RMB3,499,000) for the Year.

CONTINGENT LIABILITIES

As at 31 December 2008, the Group did not have any contingent liabilities (2007: Nil).

BUSINESS OUTLOOK

1. ENHANCEMENT OF INTERNAL CONTROL TO IMPROVE INHERENT STRENGTH AND OVERCOME OPERATING DIFFICULTY.

Promote all-round risk management

The Company is to improve internal control of all aspects, regulate contract management and investment management with all strength, optimizing existing management system and regulations as well as to strengthen risk supervision and risk responsibility awareness.

Expand overall gross profit margin of existing products

Aspiring for "revenue gains" and "financial savings" to enhance competitiveness of the Company.

On "revenue gains": Efforts are to be made in developing products with wider margins, such as locomotive cable, while putting data cables and program-controlled cables into scale production.

On "financial savings": First, cost management and control over all employees and the entire production process are to be applied. Cost indicators will be dissembled to every department and every step of production. Second, cost evaluation and cost veto are to be strictly implemented to establish the authority of cost. Third, we are to reform production technique and operation protocol to improve output and productivity. Fourth, material ration will be applied to save consumption. Finally, we are to uplift one-off pass rate, reduce production loss and ignite initiatives of our employees.

Tighten budget control

The Company is to further tighten budget control, apply effective supervision and management over the entire process. We are to continue centralized capital management, strengthen control on major financial evens and risks, and prudently arrange capital collection and expenditure. Financial supervision and financial manager commission system of subsidiaries are to be strengthened. With financial management as the core function, centralized management is to discover, avoid and resolve problems in production and operation.

Promote marketing

We are to consolidate existing sales network, and increase investment in market development of program-controlled cable and data cable. We will assist market survey of locomotive cable and extremely fine coaxial cable. A new marketing personnel evaluation mode which links the ability of sales and receivables collection with the results of marketing personnel will be established.

Enhance investment management

We are to enhance trimming and consolidation of investments. From industry development point of view, ownership transfer of Dongguan Factory, liquidation of Wenjiang Factory, receivables collection, integration of Peak, transfer and reorganisation of New Dragon Network and expansion of MCIL are to be completed in the forthcoming year. The Company is to upgrade guiding capacity and standard for joint ventures and associated companies, enhance control on their material matters, follow up analysis of their operations and provide timely guidance, apply all-round KPI assessment on their business, facilitate communication between the Company and its subsidiaries through an efficient communication platform, and get through the report, review and approval procedures for projects of investment, modification and integration in time.

Accelerate informatization construction

The Company is to step up informatization construction and application, formulate informatization construction planning, and take operation upgrading and management innovation as the base and essence of informatization work. We are to upgrade information system safety, initialise information management system, and maintain an efficient information system to increase operation management efficiency.

Polish procurement management

We are to promote centralized bulk procurement between the headquarters, each of the subsidiaries and joint ventures or associated companies for resources such as raw materials of cables. We will keep close watch on raw material market price. With accurate judgement based on information collection and analysis, we will redirect procurement policy to reduce risk of surging raw material prices.

Consolidate the quality, environmental and job safety management

During production and provision of services, we have complied with relevant laws and regulations to ensure product quality, effectively control significant environmental factors and major risk sources. We will ensure limited discharge of major pollutants according to requirement, tighten solid waste processing, save energy and avoid occupational disease and industrial accidents. Meanwhile, the Company will step up 3C certification for electrical equipment cable products. The Company is committed to improving management quality with an aim at outstanding performance.

Deepen human resources management

The human resources management system of the Company will be consummated. We will enhance reservation of technical worker and other talents. Professional expert teams for technology development, production management, marketing and other functions will be consolidated, as well as enhancing professional level and skills of employees. A dynamic assessment system will be applied with definite rewards and punishments.

2. ADJUST CORPORATE DEVELOPMENT STRATEGY TO REALIZE PROFIT OF NEW PRODUCTS.

On traditional markets of telecommunication, for optical fibre and optical cable, we will strengthen control and consolidation to expand scale and profitability. For traditional copper cable, we will increase market investment and development for program-controlled cable and data cable. For ancillary products, we will consolidate mature products and explore new markets.

On power transmission market, we will strive to enlist high-end electrical equipment cable to the purchases of our major customers as a new growth point to expand our sales market.

On electronic application market, we will initiate the extremely fine coaxial cable and component project. With project leadership team and construction team in place, we will draft the national standard and industrial standard for two major product categories. We strive to complete construction of the production line in 2009 and commence pilot production thereafter.

Guo Aiqing
Deputy Managing Director
General Manager

17 April 2009

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 43 of this annual report.

2. The financial position of the Group as at 31 December 2008 are set out in the consolidated balance sheets on pages 44 and 45 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 46 and 47 of this annual report.

4. The cash flows of the Group are set out in the consolidated cash flow statement on pages 48 and 49 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 2008 which were extracted from a consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

	2008	2007	2006	2005	2004
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(restated)	*(restated)*	*(restated)*
Turnover	**649,162**	627,936	550,714	485,570	512,820
Profit/(oss) before income tax	**115,494**	194,592	201,217	20,239	(64,555)
Income tax credit/(expense)	**12,367**	(5,532)	(9,118)	(5,073)	3,222
Profit/(loss) for the year	**127,861**	189,060	192,099	15,166	(61,333)
Attributable to:					
Profit/(loss) attributable to equity holders of the Company	**117,496**	187,942	189,884	28,255	(61,438)
Minority interests	**10,365**	1,118	2,215	(13,089)	105
	127,861	189,060	192,099	15,166	(61,333)
Total assets	**1,448,341**	1,331,039	1,176,107	935,685	1,019,244
Total liabilities	**(264,986)**	(278,742)	(311,387)	(271,808)	(355,392)
Minority interests	**(102,829)**	(93,464)	(94,014)	(82,938)	(112,638)
Total net assets	**1,080,526**	958,833	770,706	580,939	551,214

PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and sale of various types of telecommunications cables, optical fibres and cable joining sleeves.

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 64 to 69 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 (%)	
	2008	2007
Purchases		
Single largest supplier	**26**	19
Five largest suppliers combined	**52**	41
Sales		
Single largest customer	**20**	15
Five largest customers combined	**44**	27

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 connected persons or any Shareholders holding more than 5% of the Company's share capital owned any direct or indirect interests in the share capital of any of the five largest suppliers and the five largest customers of the Group for the Year.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2008 (2007: Nil).

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2008 are set out in note 33 to the consolidated financial statements on page 89 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 15 and 17 respectively to the consolidated financial statements on pages 75 to 76 and 78 of this annual report respectively.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the consolidated financial statements on page 86 of this annual report.

The Company did not issue any bonus shares, place any shares and 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 2008 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 2008, 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 in 1998 and 2001 respectively, the Company had used an aggregate amount of approximately 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 US dollars and Renminbi.

OVERDUE TIME DEPOSITS

As at 31 December 2008, the Group does not have any deposit and trust deposit with non-bank financial institutions nor time deposits that cannot be recovered on maturity.

INCOME TAX

On 6 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. With the passing of the New Tax Law, applicable statutory corporate income tax rate of the companies under the Group was amended from 33% to 25% commencing from 1 January 2008.

With the exception of Chengdu Gaoxin Cable Company Limited ("Gaoxin Cable"), a non-wholly owned subsidiary, the Group has been recognised as a technologically advanced enterprise by relevant authorities. The State Tax Authority in Chengdu has approved the Group to be entitled to the preferential tax rate of 15% until 2007. In 2008, the Group was again recognised as a technologically advanced enterprise and was entitled to the preferential tax rate for three years until 2010.

Gaoxin Cable had no assessable profit in the Year and was not entitled to the preferential tax rate.

CORPORATE SOCIAL RESPONSIBILITY

Donations of RMB619,800 from the Group, RMB228,789 from the staff, and RMB26,705 from CPC members as special party fees were made to support post-disaster reconstruction in hit areas after the earthquake in Wenchuan, Sichuan in May 2008. In addition, RMB32,480 was donated for the construction of Hope Schools in the stricken area. Besides, various donations amounting to RMB907,774 had been donated to Chengdu Charity Foundation.

NUMBER OF SHAREHOLDERS

The details of the number of Shareholders as recorded in the register of members of the Company as at 31 December 2008 are as follows:

Classification	Number of Shareholders
State-owned legal person shares	1
Overseas listed foreign invested shares — H Shares	116
Total number of Shareholders	117

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the largest Shareholder was China Potevio, holding as beneficial owner 240,000,000 issued state-owned legal person shares, representing 60% of the total issued share capital of the Company. At the beginning of the Year, HKSCC Nominees Limited ("HKSCC", holding shares of the Company on behalf of various customers) held 158,850,998 H shares of the Company, representing 39.71% of the total issued share capital. At the end of the Year, HKSCC held 154,890,998 H shares of the Company, representing 38.72% of the total issued share capital of the Company.

As at 31 December 2008, 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 executives of the Company ("Chief Executives") which have already been disclosed below.

As indicated by HKSCC, as at 31 December 2008, 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.	29,919,000	18.69%	7.48%
Bank of China (Hong Kong) Limited	15,702,000	9.81%	3.93%

Save as disclosed above, as at 31 December 2008, 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 Year and up to the date of this report.

DIRECTORS AND SUPERVISORS

During the Year and as at the date of this report, the Directors and Supervisors are as follows:-

EXECUTIVE DIRECTORS

Zhang Xiaocheng
Guo Aiqing
Zheng Jianhua
Li Tong
Chen Ruowei (appointed on 20 August 2008)
Xiong Siyun
Jiang Kun (resigned on 20 August 2008)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy Sze Chung, Jojo
Wu Zhengde
Li Yuanpeng

SUPERVISORS

Yang Zhihe (appointed on 20 August 2008)
Xiong Ting
Hong Xiurong
Wang Zhiqi (resigned on 20 August 2008)

PROFILE OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

1. DIRECTORS

Executive Directors

Mr. Zhang Xiaocheng, aged 51, received postgraduate education and is a senior economist. He is currently a director and vice president of China Potevio and an executive director and Chairman of the fifth session of the Board of the Company. He is also the general manager of the human resources department of China Potevio, chairman of China Putian Houma Communications Co.,Ltd. and a director of Eastern Communications 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 Potevio Group, an assistant to president and general manager of general administration department in 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.

Mr. Guo Aiqing, aged 53, received tertiary education and is a senior engineer. He is currently the executive director of the fifth session of the 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. Guo joined the Company in April 1999. He has extensive experience in the production of telecommunication cables and corporate management.

Mr. Zheng Jianhua, aged 37, 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 of China Potevio, the general manager of Putian Logistics Technology Co., Ltd. and an executive director of the fifth session of the Board of the Company and a director of Nanjing PUTIAN Telecommunications Co., Ltd and a director of Guiyang Putian Logistics Technology Company Limited, Putian Logistics Technology Co., Ltd. and Shanghai Putian Post and Telecommunications Technology Co., Ltd.. He previously worked for the finance department and the general office of PTIC as deputy head of the office of PTIC, and had been the deputy head and head of the chairman office of Potevio Group as well as the general manager of multi business department in China Potevio. Mr. Zheng joined the Company in August 2006 and has extensive experience in corporate integrated management.

Mr. Li Tong, aged 38, 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 session of the Board of the Company, the director of Putian Eastern Communications Co., Ltd., the director of Nanjing PUTIAN Telecommunications Co., Ltd, China Putian Houma Communications Co.,Ltd., Hangzhou Swangoose Electrical Co., Ltd. and Chongqing 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 China Potevio. Mr. Li joined the Company in August 2006 and has extensive experience in production, operations and management.

Mr. Chen Ruowei, aged 47, is a senior engineer with a mater's degree. He holds bachelor's degree in Engineering of Tsinghua University, master's degree in Engineering of Beijing University of Posts and Telecommunications and master's degree in Business Administration of Norwegian School of Management. He is the deputy general manager of the communication business headquarters and general manager of marketing department II of China Potevio, and an executive director of the fifth session of the board of the Company. Mr. Chen also holds directorships in Wuhan PUTIAN Power Co., Ltd. and Wuhan PUTIAN Telecom Equipment Groups Co., Ltd. concurrently. Mr. Chen had served as a teaching assistant of Wireless Communications department of Tianjin Institute of Technology, a senior engineer of technology department of China PTIC Information Industry Corporation, the general manager of Beijing Optel Telecommunication Technology Limited, a director and general manager of Hutchison Optel Telecommunication Technology Limited and deputy general manager of Systems Headquarters of China Potevio. Mr. Chen joined the Company in August 2008 and has extensive experience in optical communication, information technology and business management.

Mr. Xiong Siyun, aged 45, received postgraduate education and is a senior accountant. He is currently the general manager of the finance department of Beijing Capitel Co., Ltd, an executive director of the fifth session of the 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 Putian Houma Communications Co.,Ltd., directors of Founder Communications Inc., Shenzhen PUTIAN Lingyun Electrics Company Limited (深圳市普天凌雲電子有限公司), 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) and the chairman of the supervisory committee of Putian Logistics Technology 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), vice general manager of financial department in China Potevio. Mr. Xiong joined the Company in August 2006 and has extensive experience in corporate financial management and risk control.

Independent Non-executive Directors

Mr. Choy Sze Chung, Jojo, aged 50, is currently the vice chairman of National Resources Securities Limited and an independent non-executive director of the fifth session of the 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 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 64, is a doctorate postgraduate and currently a member of the Standing Committee of the Chinese 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 as well as an independent non-executive director of the fifth session of the Board of the Company. He was appointed as the independent non-executive director of the Company on 1 October 2003.

Mr. Li Yuanpeng, aged 69, 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 Subcommission of China Electrotechnical Commission, a member of the Standing Committee of the Optical Cable and Wire Subcommittee 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 as an independent non-executive director of the fifth session of the Board of the Company in August 2006.

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. Mr. Chen Ruowei entered into a service contract with the Company on 20 August 2008 for a term of a year commencing from 20 August 2008 to 16 August 2009. The Directors' remuneration includes 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. Yang Zhihe, aged 57, holds a bachelor's degree. He is the General Manager of Audit Compliance department of China Potevio, the chairman of the fifth session of the supervisory committee ("Supervisory Committee") of the Company. Mr. Yang also acts as a supervisor of China Potevio and the Chairman of the Supervisory Committee of Hangzhou Swangoose Electrical Co., Limited. Mr. Yang had served as vice director of production division and industry development division of the Ministry of Machine and Electronics, director of economy operation division of the Ministry of Electronics Industry, director of economy operation division of the Ministry of Information Industry, the general manager of corporate management department of Potevio Group, secretary to party committee and deputy head of Guilin Potevio Telecommunication Equipment Factory, vice secretary to party committee and secretary to discipline committee and chairman of labour union of Putian Capitel Communications Equipment Factory (Group). Mr. Yang joined the Company in August 2008 and has extensive experience in corporate management, compliance and audit.

Mr. Xiong Ting, aged 46, received university education and is currently a Supervisor of the fifth session of the 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 and assistant to general manager and manager of the supplier company. Mr. Xiong has extensive experience in corporate management.

Ms. Hong Xiurong, aged 56, received tertiary education in specialization and is a senior engineer. She is currently a Supervisor 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. Ms. Hong was democratically elected by the staff of the Company as a Supervisor of the fifth session of the Supervisory Committee.

Service Contracts of Supervisors

Mr. Yang Zhihe entered into a service contract with the Company on 20 August 2008, with a term of one year commencing from 20 August 2008 to 16 August 2009. Mr. Xiong Ting and Ms. Hong Xiurong entered into a service contract with the Company on 17 August 2006 respectively, with a term of three years commencing from 17 August 2006 to 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 47, joined the Company 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 Chairman of its 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 56, received tertiary education and is an engineer and currently the Manufacturing Deputy General Manager of the Company. Having joined 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 42, received university education and is a senior engineer and currently the Technology Deputy General Manager (技術副總經理) of the Company. Having joined 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. Xu Biao, aged 46, received university education and is a senior accountant and currently the chief financial controller of the Company. Having joined the Company in 2007, he has served as the chief accountant (總會計師) of China Putian Houma Communications Co.,Ltd.. Mr. Xu has extensive experience in financial supervision of telecommunication industry.

Mr. Hu Mingde, aged 41, holds a bachelor's degree. He is deputy general manager of sales department of the Company. Mr. Hu joined the Company in 1990. He had served as manager of sales department, manager and assistant to general manager of the Company. He has extensive experience in marketing and image promotion.

STAFF AND REMUNERATION POLICY

As at 31 December 2008, the Group had 1,183 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

The Group approved a new program for raising funds from its employees to construct staff quarters during the year 2006. As at 31 December 2008, a total of prepaid deposits of approximately RMB23,492,000 was received from the employees. As the raising of funds to construct staff quarters is completed, the Group will transfer 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 RMB1,279,830.05 in the Year (2007: RMB1,311,000). Expenses for basic medical insurance for employees as compared with the Previous Year decreased because the number of employees reduced, thus resulting in a slight decrease in the payments 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 holding companies or subsidiaries or fellow 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 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 CHIEF EXECUTIVES

As at 31 December 2008, none of the Directors, Supervisors and Chief Executives or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he or she was taken or deemed to have under Part XV of the SFO), or which would have to be, pursuant to section 352 of the SFO, entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (for this purpose, the relevant provisions of the SFO were interpreted as also applicable to Supervisors).

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 and 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 13 to the consolidated financial statements on pages 73 and 74 of this annual report.

FIVE HIGHEST PAID INDIVIDUALS

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 14 to the consolidated financial statements on page 75 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Group are set out in note 28 to the consolidated financial statements on page 85 of this annual report.

PLEDGE OF ASSETS

In the Year, the Group did not secure any loan facility to banks (2007: the Group did not secure any loan facility to banks).

PRE-EMPTIVE RIGHTS

Pursuant to the articles of association of the Company (the "Articles of Association") and the Company Law of the PRC, 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.

SIGNIFICANT EVENTS

1. CHANGE OF AUDITORS

On 20 August 2008, the Shareholders of the Company approved:

(i) SHINEWING (HK) CPA Limited be removed as the international auditors of the Company and PKF Certified Public Accountants be appointed as the new international auditors of the Company, to hold offices until the conclusion of the forthcoming annual general meeting ("AGM") of the Company; and

(ii) ShineWing Certified Public Accountants be removed as the domestic auditors of the Company and Daxin Certified Public Accountants be appointed as the new domestic auditors of the Company, to hold offices until the conclusion of the forthcoming AGM.

The Company will propose a resolution in relation to the re-appointments of PKF Certified Public Accountants and Daxin Certified Public Accountants as the international auditors and the domestic auditors of the Company respectively on the forthcoming AGM.

2. DISPOSAL OF THE LAND USE RIGHTS OF SHUANGLIU HEAT PLANT AND RELOCATION

On 12 March 2009, Ministry of Posts and Factory Telecommunications Cable Chengdu Shuangliu Shrinkable Products Factory (the "Shuangliu Heat Plant"), a non wholly-owned subsidiary of the Company, entered into the Land Use Rights Disposal Agreement with Shuangliu Land Reserve Centre pursuant to which Shuangliu Heat Plant agreed to sell, and Shuangliu Land Reserve Centre agreed to acquire the state-owned land use rights (which include a piece of land with an approximate area of 47,767.75 m^2 and several factory buildings and premises erected thereon). The consideration of this transaction is approximately RMB87,204,327. Shuangliu Heat Plant will relocate its factory premises, production lines and facilities to Xinan Hang Kong Economic Development Zone.

As at 31 December 2008, the cost and net book value of the land use rights and several factory buildings and premises were approximately RMB47,930,000 and RMB22,568,000 respectively.

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

On 19 August 2008, one extraordinary general meeting of the Company was held at which, the replacement of one Director and one Supervisor, and the replacement of the international and domestic auditors were resolved and approved by Shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 Board considers that the Company has complied with the provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules during the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors and Supervisors of the Company.

After specific enquiries to the Directors and the Supervisory Committee, the Board is pleased to confirm that all Directors and Supervisors had fully complied with the codes as required in the Model Code for Securities Transactions by the Directors of Listed Issuers in Appendix 10 of the Listing Rules during the Year.

AUDIT COMMITTEE OF THE BOARD ("AUDIT COMMITTEE")

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 2008.

The Audit Committee considered that the audited financial statements for the year 2008 had complied with the requirements of applicable accounting standard and law and appropriate disclosure was made.

AUDITORS

The Company convened an extraordinary general meeting at 20 August 2008 for the removal of SHINEWING (HK) CPA LIMITED and appointment of PKF Certified Public Accountants as the auditors of the Company.

The financial statements of the Group prepared in accordance with HKFRS have been audited by PKF Certified Public Accountants. The auditor will retire at the forthcoming AGM to be convened and is eligible for re-appointment in the forthcoming AGM.

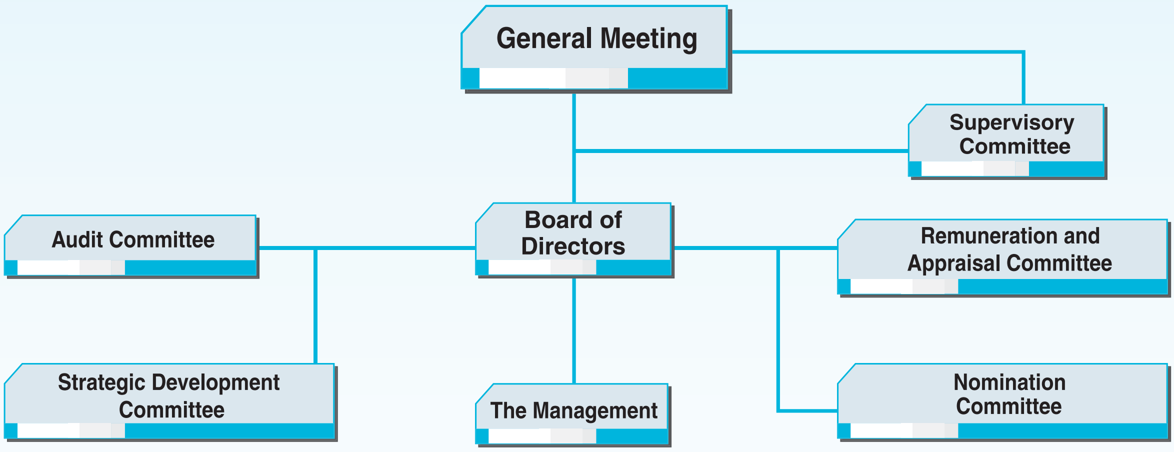
At the AGM for the year 2008, the Company will propose resolutions for the re-appointment of the auditors.

By order of the Board
Zhang Xiaocheng
Chairman

17 April 2009

The Board hereby reports to the Shareholders in respect of the Company's undertakings and its performance on corporate governance for the year ended 31 December 2008. 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 CORPORATE GOVERNANCE PRACTICES

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 Board understands that it is responsible for setting good corporate governance practices and procedures, with reference to and in application of the Code of Corporate Governance Practices.

Therefore, the Board, the Supervisory Committee and senior management of the Company always endeavour to improve and implement effective corporate governance policies so as to ensure that all decisions adhere to the principles of integrity, consistency, openness, fairness and impartiality, 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 2008, the Company has adopted Hong Kong Financial Reporting Standard promulgated by Hong Kong Institute of Certified Public Accountants.

- 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) CODE OF CONDUCT FOR SECURITIES TRANSACTIONS OF DIRECTORS AND SUPERVISORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors and supervisors of the Company. As of 31 December 2008, none of the Directors nor the Supervisors held interests in any other securities of the Company. Having made specific enquiries to all Directors and the Supervisors, the Board confirmed that they had fully complied with the Model Code from 1 January 2008 to 31 December 2008.

GOVERNANCE STRUCTURE

(C) THE BOARD

Being the fifth session of the Board since the establishment of the Company which was elected at the extraordinary general meeting of the Company held on 17 August 2006, the Board currently comprises nine Directors. The Company held an extraordinary general meeting on 20 August 2008, in which the resignation of a Director and the appointment of a new Director were approved. The Board therefore currently comprises nine Directors, three of whom are independent non-executive Directors. The term of office for all Directors (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 information technology, securities and finance, wire and cable industry, corporate management and financial 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 list and biographies of Directors are set out on pages 16 to 18 of this annual report.

The main duties of the Board are to exercise management decisions with authority delegated by general meetings in respect of the Company's strategic development, business planning, management structure, investment and financing, financial control 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. Besides, the Board is also responsible for the daily management of the Company. All substantial transactions or transactions of the Company with conflicts of interests are to be decided by the Board.

The Company's management 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. 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 eight 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, which complies with the requirement of rules 3.10 (1) of the Listing Rules. Independent non-executive 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 parties), which complies with the requirement of its independence of Listing Rules. According to the Listing Rules, each independent non-executive Director had confirmed his independence to the Stock Exchange prior to his appointment. On 16 February 2009, the Company has received written confirmation of independence from all independent non-executive Directors, confirming their independent status to the Company. The Company continues to consider them independent.

The Company's independent non-executive Directors of the Board have extensive experience in telecommunication, cable, economics, management and financial accounting, which complies with the requirements of rule 3.10(2) of the Listing Rules which requires that at least one independent non-executive Director has 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, and their extensive experience in business and finance are essential for the smooth development of the Company. The attendance of independent non-executive Directors in Board meeting was 100% (including attendance of alternate Directors), details of which are set out on page 34 in this section.

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 and results of the Group for the Year and in compliance with relevant laws and disclosure requirements of the Listing Rules.

The Directors undertake 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 2008, the Directors have:

- chosen the appropriate accounting policy which was applied consistently;

- approved early adoption of all of the provisions of Hong Kong Financial Reporting Standard promulgated by Hong Kong Institute of Certified Public Accountants; and

- made cautious and reasonable judgment and estimation and compiled the accounts in accordance with the continual operational basis.

The Board should meet regularly. A minimum of two meetings requiring directors' personal attendance are held each year and special Board meetings will be held if necessary. The company secretary is responsible for assisting the chairman of the Board to compile agendas. Each Director can request to have discussion topics be included in the agenda.

Notices of Board meetings or special committees meetings are delivered to the Directors or special committees members at least 14 days before the meetings for the Directors to prepare to attend the relevant meetings and incorporate other matters into the agenda. The meeting materials and the agenda of the Board meeting or special committee meeting are distributed to Directors or members of special committees at least 3 days before the meetings to allow sufficient time for them to review the relevant materials and prepare for the 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 Shareholders and shall not ignore the interests of minority Shareholders.

The Company's general manager and deputy general manager are invited to attend Board meetings. Senior management staff are also invited to attend Board meetings from time to time for explanation and respond to enquiries from the Board.

Detailed minutes of meetings are compiled for Board meetings or special committees 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 committees 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 committees 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 committees 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 relevant legislations or the 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 Director's Handbook will be updated as per changes in laws and regulations as well as the Listing Rules.

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 of the Company with fees borne by the Company.

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 as appropiate.

(D) CHAIRMAN AND GENERAL MANAGER

The Company's chairman and the general manager are appointed by the Board. The positions are respectively taken up by Mr. Zhang Xiaocheng and Mr. Guo Aiqing with clearly defined duties.

The chairman 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 coordinating the Group's business, implementing strategies formulated by the Board and rendering decisions on production and operation, with a similar duties as that of chief executive officers.

Clearly defined duties of the Company's chairman 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, Chief Executives and substantial shareholders (as defined in the Listing Rules). 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 requirements of the Listing Rules. The three independent non-executive Directors assumed duties in the Audit Committee, nomination committee, remuneration and appraisal committee and strategic development committee under the Board.

(F) REMUNERATION AND APPRAISAL COMMITTEE

The remuneration and appraisal committee comprises five members, comprising 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. Remuneration and appraisal committee holds at least one meeting every year.

The role and main duties of the Remuneration and Appraisal Committee include:

- To study the standards for assessment of Directors and managers, make assessment and offer advice;
- To investigate and review the remuneration policy and proposal for the Directors and senior management;
- To monitor the implementation of the remuneration standards of the Company; and
- Any other matters authorized by the Board.

Remuneration and appraisal committee shall report the passed resolution(s) and voting results to the Board after each meeting in writing.

The terms of reference of the remuneration and appraisal committee shall be made available for inspection on request, details of which are also published at the website of the Company (http://putian.wsfg.hk).

In evaluating the performance of the Directors and senior management for the year, 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.

During the Year, the remuneration and appraisal committee held three meetings, specific details of attendance of the meetings are set out on page 34 of this section. The committee mainly conducts the following tasks:

- reviewed the remuneration proposal for Directors, Supervisors and senior management members newly appointed in 2008, and recommended the Board to approve the proposal;
- reviewed the remuneration proposal for the Company's domestic and international auditors newly appointed in 2008, and recommended the Board to approve the proposal;
- As there had been no adjustment to the remuneration of the appointed Directors and Supervisors during the Year, the remuneration and appraisal committee did not convene any meeting to consider the remuneration proposal for them during the Year. Details of the remuneration of Directors and Supervisors for the year ended 31 December 2008 are provided on pages 73 to 74; 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.

During the Year, three independent non-executive directors were paid director fees while the remaining Directors and supervisors (including Directors and Supervisors working for the Company) were not paid any director or supervisor fees by the Company.

(G) NOMINATION COMMITTEE

The Board set up a nomination committee comprised 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. Guo Aiqing and Mr. Zheng Jianhua. The committee is chaired by Mr. Li Yuanpeng. The nomination committee holds at least two meetings every year.

The role and main duties of the nomination committee include:

- To advise the Board on scale and composition of the Board in light of the Company's business activities, assets scale and equity structure;
- To extensively search for suitable candidates for Directors and managers; and
- To examine the candidates for Directors and managers and advice the Board on the same;

- To examine the candidates for other senior management staff to be proposed to the Board and advice the Board on the same; and

- Any other matters authorized by the Board.

The chairman of the nomination committee shall report the passed resolution(s) and the voting results to the Board directors after each meeting in writing.

The terms of reference of the nomination committee shall be made available for inspection on request, details of which are also published at the website of the Company (http://putian.wsfg.hk).

The nomination committee held 3 meetings for the Year, specific details of attendance of the meetings are set out on page 34 of this section. The committee mainly conducts the following tasks:

- reviewed the proposed appointment of senior management such as the general manager, deputy general manager and chief financial officer of the Company and proposed to submit the proposals to the Board for consideration and approval; and

- reviewed the proposed appointment of an additional Director and an additional Supervisor of the Company and proposed to submit the proposal to the Board for consideration and approval.

(H) AUDIT COMMITTEE

The Company has set up an Audit Committee since August 1999. The committee currently comprises three members, including independent non-executive Directors of the Company, namely Mr. Choy Sze Chung, Jojo, Mr. Wu Zhengde and Mr. Li Yuanpeng, and is chaired by Mr. Choy Sze Chung, Jojo. All of them comply with relevant requirements of the Listing Rules. Members of the Audit Committee have a term of three years. Terms of reference 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 and the requirements of the Listing Rules. Its major duties include: to report to the Board, examine quality and procedure of the Group's interim and annual reports, review the connected transactions, monitor the financial reporting procedure, review soundness and effectiveness of internal control system of the Company, consider the appointment of independent auditors, co-ordinate and review its efficiency and work quality, study written reports of internal audit staff and revise feedback from the management to such reports.

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

- To advise the Board 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 monitor the work of the external auditors;

- To formulate and implement policies on non-audit 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 control procedures as well as related issues;

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

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

- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process.

The terms of reference of the audit committee shall be made available for inspection on request, details of which are also published at the website of the Company (http://putian.wsfg.hk).

During the Year, the Audit Committee had convened three meetings, specific details of attendance of the meetings are set out on page 34 of this section. All resolutions passed during the meetings of the committee 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 2008 and proposed to the Board for approval;

- to consider the proposal for removing SHINEWING (HK) CPA Limited and ShineWing Certified Public Accountants from the international and domestic auditors of the Company respectively, and appointing PKF Certified Public Accountants and Daxin Certified Public Accountants as the new international and domestic auditors of the Company respectively with a term up to the conclusion of the next annual general meeting of the Company, and to recommend the Board to approve the proposal;

- to review the Group's interim results report, unaudited financial reports and interim results announcement for the six months ended 30 June 2008;

- 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 assist the Board in making independent assessment of effectiveness of the Group's financial reporting procedures and internal supervisory system;

- to supervise the internal audit works of the Company; and

- to advise on significant events of the Company and remind the management to pay attention to related risks.

(I) STRATEGIC DEVELOPMENT COMMITTEE

The strategic development committee comprises five members, including three executive Directors, Mr. Zhang Xiaocheng, Mr. Guo Aiqing and Mr. Chen Ruowei and two independent non-executive Directors, namely Mr. Wu Zhengde and Mr. Li Yuanpeng. The committee is chaired by Mr. Zhang Xiaocheng. The strategic development committee holds at least one meeting every year.

The role and main duties of the strategic development committee include:

- To study and advise the Company's mid to long-term strategic development and planning;
- To study and advise the material investment, financing proposal, significant use of capital and project of asset operation;
- To study 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 study 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 the Board of intended investment projects assessed initially by the management of the Company after a letter of advice thereof is signed by the general manager of the Company;
- To report to the management of the Company about the progress of relevant 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.

The 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 meetings, nomination committee meetings and remuneration and appraisal committee meetings are set out as follows.

	The Board			Audit Committee			Nomination Committee			Remuneration and Appraisal 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 way of electronic communication	Number of meetings during the Year	Attendance in person	Attendance by electronic communication
Executive Director												
Zhang Xiaocheng *(Chairman)*	8	2	6	–	–	–	–	–	–	–	–	–
Guo Aiqing	8	2	6	–	–	–	3	1	2	–	–	–
Zheng Jianhua	8	1	6	–	–	–	3	1	2	–	–	–
Li Tong	8	0	6	–	–	–	–	–	–	3	0	2
Jiang Kun	8	1	4	–	–	–	–	–	–	–	–	–
Xiong Siyun	8	1	6	–	–	–	–	–	–	3	1	2
Chen Ruowei	8	1	2	–	–	–	–	–	–	–	–	–
Independent Non-Executive Directors												
Choi Sze Chung, Jojo	8	2	6	3	2	1	3	1	2	3	1	2
Wu Zhengde	8	2	6	3	2	1	3	1	2	3	1	2
Li Yuanpeng	8	2	6	2	1	1	3	1	2	3	1	2

* *Mr. Jiang Kun was resigned as executive Director of the Company with effect from 20 August 2008 and Mr. Chen Ruowei was appointed as the executive Director of the Company with effect from 20 August 2008.*

(J) AUDITORS' REMUNERATION

The domestic and international auditors engaged by the Company are nominated by the Board and are approved by Shareholders in the general meeting. Its remuneration was determined by the Board as authorized by the general meeting. During the Year, the remuneration paid to domestic and international auditors for auditing services totaled RMB1.05 million.

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 and confirm the fifth session of the Supervisory Committee, which comprised three members. On 20 August 2008, the Company convened an extraordinary general meeting, where the resignation of a Supervisor and the appointment of a Supervisor had been approved. Thus, there are still three Supervisors (including a Supervisor from the staff) with a term of office up to 16 August 2009. The members of Supervisory Committee include Mr. Yang Zhihe, Mr. Xiong Ting and Ms. Hong Xiurong, with Mr. Yang Zhihe as the chairman. The number of members and composition of the Supervisory Committee are in accordance with the laws and regulations. Biographies of the Supervisors are set out on page 19 of this annual report.

During the Year, the fifth session of the 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 of the Company 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 adopt 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 assets of the Company will not be defalcated or disposed of;

2. ensuring that the Company's accounting records 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 internal audit department directly reports the relevant outcomes and its opinions to the Audit Committee for consideration. Upon consideration by the Audit Committee, the Audit Committee put 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 control systems of the Company and its subsidiaries are effective and complete. Subjects of review included the supervision of the Company's finance, operation, compliance and risk management. To further implement internal control more efficiently, the Board had confirmed the following major procedures:

- 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 formulated 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 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 to the general manager. The chief financial officer is responsible for supervising the financial and internal control 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 requirements of financial reports and other relevant accounting regulations. On 16 August 2007, the Board appointed Mr. Xu Biao as the chief financial officer and the qualified accountant of the Company.

The chief financial officer is responsible for preparing financial statements in accordance with the accounting principles generally accepted in the PRC and Hong Kong and to ensure compliance with disclosure requirements as stipulated by the China Securities Regulatory Commission and the Stock Exchange.

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

RELATIONS WITH SHAREHOLDERS, INVESTORS AND OTHER INTERESTED 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

The general meeting which is the highest authority of the Company, 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 announcements. The relevant reports and announcement are also published in the Company's website. Each year, the annual general meeting or extraordinary general meeting (if applicable) serves as a direct communication channel between the Board and the Shareholders. All Directors understand that the general meetings serve as an effective platform for Shareholders and provide a major venue for direct communication among Directors, Supervisors and other senior management and Shareholders and exchange of opinions with Directors, who shall report to Shareholders with regard to the Group's operations and respond to their enquiries to secure effective communications with Shareholders. Accordingly, the Company had attached much importance to the general meetings. In addition to a 45-day notice before the holding of the 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 the 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 of the procedures of voting by poll is included in the notice of annual general meeting in circular to Shareholders sent together with annual reports. Results of polls will be published on the websites of the Stock Exchange and the Company in due course.

In 2008, the Company convened an annual general meeting and an extraordinary general meeting.

CONTROLLING SHAREHOLDER

During the Year, China Potevio is the controlling shareholder of the Company, which holds 60% of the total issued shares capital of the Company.

As the controlling shareholder of the Company, China Potevio 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 been separated 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 Office of the Board 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 2008, 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 on its website (http://putian.wsfg.hk).

OTHER INTERESTED PARTIES

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.

To Shareholders,

During the Year, all members of the Supervisory Committee had diligently exercised the supervisory functions of the Supervisory Committee in accordance with relevant provisions of various legal rules and regulations like Company Law, Listing Rules and Articles of Association by attending all Board meetings and general meetings convened by the Company. Some members attended General Manager's meetings and decision- making meetings of the Company. In Year 2008, the tasks of the Supervisory Committee strengthened the 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 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. As for the financial position and annual reports of the Company, it listened carefully to financial manager's report 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 2008, 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 THE BOARD

The Supervisory Committee had a detailed review of the report of the Board 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 recognizes the effort and achievement of the Company in overcoming adversities such as high prices of raw materials, the mega earthquake in Wenchuan and the global financial crisis in 2008. However, it is concerned with the continued loss in the principal business and the lack of competiveness of the major products of the Company. It wishes that the Company will realize a gain in major business by adopting effective measures and grasping opportunities.

4. TRUTHFULNESS OF FINANCIAL REPORT

After detailed examination of the financial system and the annual 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. 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.

6. LITIGATIONS

During Year 2008, the Company had no other material litigations.

With reference to the business budget and goals, the Supervisory Committee considers that the Company performed considerably well in confronting market challenges, focusing on technical innovation and fostering corporate reforms in 2008. However, the principal business still incurred a loss and it failed to introduce new products that can sustain its development. 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 comply with the best practices set out in Code on Corporate Governance Practices of the Stock Exchange, strengthen internal control of the Company, exchange opinions of independent directors regularly, strengthen the communications between management and pay close 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 a sustainable and healthy development of the Company.

In year 2009, the Supervisory Committee will fully exercise its function in supervising the decision-making, finance and Directors and senior management of the Company, further develop a new mindset at work, diligently fulfill its surveillance duties and fulfil its duties in accordance with the Company law, the Articles of Association and relevant provisions of the Listing Rules as always to realize the development and improving the operating efficiency of the Company for the interest of all shareholders.

Yang Zhihe
Chairman of Supervisory Committee

17 April 2009

PKF
Accountants & business advisers
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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 the "Group") set out on pages 43 to 91, which comprise the consolidated balance sheet as at 31 December 2008, 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 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

It is our responsibility to form an independent opinion, based on our audit, on these consolidated financial statements 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 financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 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 2008 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.

PKF
Certified Public Accountants
Hong Kong

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	**2008** **RMB'000**	2007 RMB'000
Turnover	6	**649,162**	627,936
Cost of sales		**(589,611)**	(555,468)
Gross profit		**59,551**	72,468
Other income	7	**81,910**	9,449
Distribution costs		**(47,468)**	(42,747)
Administrative expenses		**(67,750)**	(86,037)
Write-down of inventories		**—**	(1,837)
Operating profit/(loss)	10	**26,243**	(48,704)
Finance costs	8	**(1,856)**	(3,872)
Gain on disposal of land use rights	9	**88,521**	243,757
Share of results of associates		**2,586**	3,411
Profit before income tax		**115,494**	194,592
Income tax credit/(expense)	11	**12,367**	(5,532)
Profit for the year		**127,861**	189,060
Attributable to :			
Equity holders of the Company		**117,496**	187,942
Minority interests		**10,365**	1,118
		127,861	189,060
		RMB Cents	RMB Cents
Basic earnings per share for profit attributable to the equity holders of the Company	12	**29**	47

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	2008 RMB'000	(Restated) 2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**275,483**	268,335
Land use rights	16	**41,892**	44,055
Construction-in-progress	17	**27,260**	32,460
Interests in associates	18	**196,203**	196,247
Available-for-sale investments	19	**6,925**	2,728
Technical know-how	20	**982**	—
Deferred tax assets	21	**21,354**	—
		570,099	543,825
CURRENT ASSETS			
Inventories	22	**200,880**	171,078
Trade and bills receivables	23	**205,192**	162,251
Financial assets at fair value through profit or loss	24	**100,000**	—
Prepayments, deposits and other receivables		**75,816**	28,082
Available-for-sale investments	19	**—**	201,400
Long-term prepayments — current portion		**—**	5,760
Amounts due from associates	32	**1,664**	12,187
Amounts due from related companies	32	**3,633**	2,258
Tax recoverable		**—**	1,413
Deposits with incumbrance	25	**8,708**	99,990
Bank balances and cash	25	**266,278**	96,844
		862,171	781,263
Assets classified as held-for-sale	26	**16,071**	5,951
		878,242	787,214

	Note	2008 RMB'000	*(Restated)* 2007 RMB'000
LESS :			
CURRENT LIABILITIES			
Trade and bills payables	27	**64,305**	77,400
Other payables and accrued charges		**115,312**	126,043
Deposits for staff quarters	17	**23,492**	23,565
Amounts due to associates	32	**13,572**	16,321
Amounts due to related companies	32	**9,590**	—
Current income tax payable		**9,086**	—
Bank and other borrowings — amount due within one year	28	**19,200**	20,395
		254,557	263,724
NET CURRENT ASSETS		**623,685**	523,490
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,193,784**	1,067,315
NON-CURRENT LIABILITY			
Bank and other borrowings — amount due after one year	28	**10,429**	15,018
NET ASSETS		**1,183,355**	1,052,297
REPRESENTING :			
CAPITAL AND RESERVES			
Share capital	29	**400,000**	400,000
Reserves		**680,526**	558,833
Equity attributable to equity holders of the Company		**1,080,526**	958,833
Minority interests		**102,829**	93,464
TOTAL EQUITY		**1,183,355**	1,052,297

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 17 APRIL 2009

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	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)*	Financial assets valuation reserve *RMB'000*	(Accumulated losses)/ retained earnings *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total *RMB'000*
At 1 January 2007, as previously reported	400,000	303,272	288,855	10,582	51,019	—	(333,612)	720,116	94,014	814.130
Share of an associate's gain on debt waiver *(Note 36)*	—	—	—	(10,582)	—	—	61,172	50,590	—	50,590
At 1 January 2007, as restated	400,000	303,272	288,855	—	51,019	—	(272,440)	770,706	94,014	864,720
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	—	—	—	—	—	—	—	—	(68)	(68)
Transfer	—	—	—	—	327	—	(327)	—	—	—
At 31 December 2007	400,000	303,272	288,855	—	51,531	—	(84,825)	958,833	93,464	1,052,297
Profit for the year	—	—	—	—	—	—	117,496	117,496	10,365	127,861
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	(1,000)	(1,000)
Fair value gain on available-for-sale investments	—	—	—	—	—	4,197	—	4,197	—	4,197
Transfer	—	—	—	—	1,872	—	(1,872)	—	—	—
At 31 December 2008	400,000	303,272	288,855	—	53,403	4,197	30,799	1,080,526	102,829	1,183,355

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 standards 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 tax is required to be distributed in the following orders :

(i) to offset accumulated losses brought forward;

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

(iii) to pay dividends.

The Company does not have any reserves available for distribution as at 31 December 2008 and 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 tax 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 registered 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.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 *RMB'000*	2007 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**115,494**	194,592
Adjustments for :		
(Reversal of)/impairment loss on trade receivables	**(44,865)**	6,770
Reversal of impairment loss on other receivables	**(857)**	—
Bank interest income	**(2,937)**	(1,766)
Depreciation and amortisation	**25,265**	23,449
(Gain)/loss on disposals of property, plant and equipment	**(236)**	3,304
Gain on disposal of interest in an associate	**(1,197)**	—
Gain on disposal of land use rights	**(88,521)**	(243,757)
Interest expenses	**1,589**	3,499
(Reversal of)/impairment loss of inventories	**(18,912)**	1,837
Share of results of associates	**(2,586)**	(3,411)
Gain on disposals of available-for-sale investments	**(8,944)**	—
Operating cash flows before movements in working capital	**(26,707)**	(15,483)
Increase in inventories	**(10,890)**	(16,161)
Decrease/(increase) in trade and bills receivables	**1,924**	(31,420)
Increase in prepayments, deposits and other receivables	**(46,877)**	(6,226)
Decrease/(increase) in amounts due from associates	**10,523**	(6,770)
(Increase)/decrease in amounts due from related companies	**(1,375)**	182
(Decrease)/increase in trade and bills payables	**(13,095)**	15,389
Decrease in other payables and accrued charges	**(8,308)**	(3,960)
(Decrease)/increase in deposits for staff quarters	**(73)**	4,197
Decrease in amounts due to associates	**(2,749)**	(7,568)
Increase in amounts due to related companies	**9,590**	—
Cash used in operations	**(88,037)**	(67,820)
PRC income tax refund/(paid)	**1,512**	(15,754)
NET CASH USED IN OPERATING ACTIVITIES	**(86,525)**	(83,574)

	2008 RMB'000	2007 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to construction-in-progress	**(59,293)**	(88,412)
Bank interest received	**2,937**	1,766
Decrease/(increase) in deposits with incumbrance	**91,282**	(82,946)
Net proceeds from disposal of land use rights	**94,472**	299,613
Purchases of property, plant and equipment	**(7,583)**	(5,565)
Purchases of land use rights	**—**	(24,207)
Purchases of intangible asset	**(1,070)**	—
Purchases of financial assets at fair value through profit or loss	**(100,000)**	—
Purchases of available-for-sale investments	**(162,000)**	(201,400)
Proceeds from disposals of property, plant and equipment	**29,416**	5,698
Proceeds from disposals of available-for-sale investments	**372,344**	—
Payments to minority interest on disposal of a subsidiary	**—**	(68)
Proceeds on disposal of an associate	**3,827**	—
Dividends received from associates	**—**	588
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**264,332**	(94,933)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of bank and other borrowings	**(20,784)**	(67,608)
Interest paid	**(1,589)**	(3,499)
Dividends paid to minority shareholders	**(1,000)**	(1,600)
New bank and other borrowings raised	**15,000**	3,300
NET CASH USED IN FINANCING ACTIVITIES	**(8,373)**	(69,407)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**169,434**	(247,914)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**96,844**	344,758
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Bank balances and cash	**266,278**	96,844

1. GENERAL

The Company is a sino-foreign joint stock limited company established in the PRC. Its ultimate holding company is China PUTIAN Corporation ("China PUTIAN"), a state-owned enterprise established in the PRC. China Potevio Company Limited ("CPCL"), another joint stock limited company established in the PRC with limited liability, is the immediate holding company of the Company.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

The address of the registered office and principal place of business of the Company is No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC.

The Group is principally engaged in the manufacture and sale of various types of telecommunication cables, optical fibers and cable joining sleeves.

2. BASIS OF PREPARATION

(a) COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards") issued by the Hong Kong Institute of Certified Public Accountants.

(b) INITIAL APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group initially applied the following new and revised Hong Kong Financial Reporting Standards :

Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets
Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets — Effective Date and Transition
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The initial application of these new and revised Hong Kong Financial Reporting Standards does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented, except that reclassification of certain held-for-trading financial assets is now permitted by Amendments to HKAS 39 and HKFRS 7.

2. BASIS OF PREPARATION (Continued)

(c) HONG KONG FINANCIAL REPORTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

The following Hong Kong Financial Reporting Standards in issue as at 31 December 2008 have not been applied in the preparation of these consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2008 :

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKFRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendments to HKFRS 1 and HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to HKAS 39	Eligible Hedged Items
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
Improvements to HKFRSs	

The Group is required to initially apply HKAS 1 (Revised), HKAS 23 (Revised), HKFRS 8, amendments to HKAS 32 and HKAS 1, amendments to HKFRS 2, amendments to HKFRS 1 and HKAS 27, HK(IFRIC)-Int 13, HK(IFRIC)-Int 15, HK(IFRIC)-Int 16 and Improvements to HKFRSs (except for the amendments to paragraphs 8A, 36A and 44C of HKFRS 5 and paragraphs 34C and 47L of HKFRS 1) in its annual financial statements beginning on 1 January 2009, and to initially apply HKAS 27 (Revised), HKFRS 1 (Revised), HKFRS 3 (Revised), HK(IFRIC)-Int 17, amendments to HKAS 39 and Improvements to HKFRSs regarding the amendments to paragraphs 8A, 36A and 44C of HKFRS 5 and paragraphs 34C and 47L of HKFRS 1 in its annual financial statements beginning on 1 January 2010.

HKAS 23 (Revised) requires the Group to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sales) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) prospectively from 1 January 2009.

HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

Other than HKAS 23 (Revised) and HKAS 27 (Revised), the directors anticipate that the application of the above Hong Kong Financial Reporting Standards will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) MEASUREMENT BASIS

The consolidated financial statements are prepared under the historical cost basis as modified by the revaluation of financial assets at fair value through profit or loss and certain available-for-sales investments.

(b) CONSOLIDATION

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

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Minority interests represent the results and net assets of subsidiaries attributable to equity interest not owned, directly or indirectly, by the Company. The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposal to minority interests result in gains and losses for the Group are recorded in the consolidated income statement. Purchases from minority interest result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) INTERESTS IN ASSOCIATES

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the 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.

(d) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or 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 is accrued on a time proportion basis using the effective interest rate.

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

Dividend income is recognised when the rights to receive payments have been established.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) 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 accumulated depreciation and 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 values of 3% to 10%, using the straight-line method, based at the following annual rates :

Buildings	2.7%-6.5%
Plant, machinery and equipment	7.5%-19.4%
Motor vehicles	10.8%-19.4%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continuing 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 income statement in the year in which the item is derecognised.

(f) 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 transferred to the appropriate category of property, plant and equipment when completed and ready for intended use.

(g) LAND USE RIGHTS

Payments for obtaining land use rights are considered as operating lease payments. Land use rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to 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.

(h) INTANGIBLE ASSET

Intangible asset represents technical know-how acquired from individual third party.

Intangible asset is stated at cost less accumulated amortisation and impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life of 10 years. At each balance sheet date, the Group reviews the carrying amount of its intangible asset has to determine whether there is any indication that the intangible asset has suffered an impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated for hedging. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months from the balance sheet date.

Regular purchases and sales of investments are recognised on trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are recognised in the income statement in the period in which they arise. Changes in fair value of available-for-sales financial assets are recognised in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) FINANCIAL ASSETS *(Continued)*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

When securities classified as available-for-sales are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gain and losses from investment securities". Dividend income from financial assets is recognised in the income statement as part of other income when the Group's right to receive payments is established.

(j) BORROWING COSTS

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds and are expensed as incurred.

(k) 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 amounts and the fair values less costs to sell.

(l) IMPAIRMENT

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)*

(m) INCOME TAX

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 before tax as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable nor deductible.

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

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(n) CASH EQUIVALENTS

Cash equivalents are short-term, highly investments which are readily convertible into know amounts of cash and which are subject to an insignificant risk of changed in value.

(o) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(p) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(r) OPERATING LEASES, AS LESSOR

Rental income from operating leases is recognised in the 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.

(s) RELATED PARTIES

An individual is related to the Group if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is a member of the key management personnel of the Group, or (iii) if the individual is a close member of the family of the individuals in (i) or (ii).

An entity is related to the Group if the entity (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is controlled by or under common control with the Group, or (iii) is an associate or jointly controlled entity of the Group, or (iv) is controlled, jointly-controlled or significantly influenced by an individual related to the Group.

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 sources of estimation uncertainty and the critical judgements 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 amount 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

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 values and the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

ALLOWANCE FOR 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.

By reference to the above procedures, the management re-calculated the amount of inventories allowance at the balance sheet date. The management reversed impairment loss on inventory amounting to RMB18,912,000 during the year, as due obsolete inventories which carried forward from prior years were already disposed in form of scrap materials. As at balance sheet date, most of inventories were current in aging.

ALLOWANCE FOR BAD AND DOUBTFUL DEBTS

The Group performs ongoing credit evaluations of each 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 identified. Impairment for trade 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.

By reference to the above procedures, the management reviewed the aged of trade receivables and identified all old aged trade receivables. The management noted most of old aged trade receivables were fully impaired in previous years and the trade receivables were current in aging. Therefore, the management considered above situation and reversed impairment loss on trade receivables amounting to RMB44,865,000, during the year.

LAND VALUE ADDED TAX

As stated in Note 9, the directors are of the opinion that the disposal of land use rights by the Group is not subject to Land Value Added Tax and consequently, provision has not been made in the consolidated financial statements.

5. NATURE AND EXTENT OF FINANCIAL INSTRUMENTS RISKS

(a) CREDIT RISK

Credit risk is the risk that a party to a financial instrument will cause a financial loss to the Group by failing to discharge an obligation. The Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of other parties, measured by the extent of past due or default and their financial healthiness. The carrying amounts of financial assets as at 31 December 2008, which represents the Group's maximum exposure to credit risk, are as follows:

	2008	2007
	RMB'000	*RMB'000*
	HK$	*HK$*
Trade and bills receivables	**205,192**	162,251
Other receivables	**59,008**	24,566
Deposits with incumbrance	**8,708**	99,990
Bank balances	**266,057**	96,507
Financial assets at fair value through profit or loss	**100,000**	—
Available-for-sale investments	**—**	201,400
	638,965	584,714

In respect of trade and other receivables, the Group performs ongoing credit evaluations of its customers individually and adjust credit limits 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 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 identified. Normally, the Group does not obtain collateral from customers.

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

The directors consider that the credit risk from deposits and bank balances is minimal as the balances are placed with financial institutions with high credit ratings and are state-owned banks with good reputation.

The Group does not provide any guarantees which would expose the Group to credit risk.

5. NATURE AND EXTENT OF FINANCIAL INSTRUMENTS RISKS *(Continued)*

(b) 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 2008 Due for payments				
	Carrying amounts *RMB'000*	**Within one year or on demand** *RMB'000*	**More than one year less than two years** *RMB'000*	**More than two years less than five years** *RMB'000*	**More than five years** *RMB'000*	**Total contractual undiscounted cash flows** *RMB'000*
Trade and bills payables	64,305	64,305	—	—	—	64,305
Other payables and accrued charges	112,721	112,721	—	—	—	112,721
Amounts due to associates	13,572	13,572	—	—	—	13,572
Amounts due to related companies	9,590	9,590	—	—	—	9,590
Bank and other borrowings	29,629	20,683	52	156	11,107	31,998
	229,817	220,871	52	156	11,107	232,186

5. NATURE AND EXTENT OF FINANCIAL INSTRUMENTS RISKS *(Continued)*

(b) LIQUIDITY RISK *(Continued)*

		As at 31 December 2007 Due for payments				
	Carrying amounts	**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**	**Total contractual undiscounted cash flows**
	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	122,238	122,238	—	—	—	122,238
Amounts due to associates	16,321	16,321	—	—	—	16,321
Bank and other borrowings	35,413	22,232	331	3,831	12,266	38,660
	251,372	238,191	331	3,831	12,266	254,619

(c) CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The following table details the Group's exposure as at 31 December 2008 that the currency risk arising from recognised assets or liabilities denominated in currencies other than the functional currency of the group entity to which they relate.

	2008				2007			
	USD	**Euro**	**JPY**	**HKD**	USD	Euro	JPY	HKD
	'000	***'000***	***'000***	***'000***	*'000*	*'000*	*'000*	*'000*
Trade and bills receivables	**832**	**—**	**—**	**—**	—	—	—	—
Bank balances and cash	**66**	**—**	**—**	**—**	1,258	—	—	242
Trade payables	**(1,224)**	**—**	**(15,024)**	**—**	(1,873)	—	—	—
Bank loan	**—**	**(1,078)**	**—**	**—**	—	(1,211)	—	—
Net exposure arising from recognised assets and liabilities	**(326)**	**(1,078)**	**(15,024)**	**—**	(615)	(1,211)	—	242

5. NATURE AND EXTENT OF FINANCIAL INSTRUMENTS RISKS *(Continued)*

(c) CURRENCY RISK *(Continued)*

The Group operates in the PRC and has no significant exposure to foreign exchange risk arising from foreign currency. The directors consider that foreign exchange risk of the Group is low.

(d) INTEREST RATE RISK

The Group's interest bearing financial instruments held at fixed interest rates were carried at amortised costs. The Group is not exposed to cash flow interest rate risk or fair value interest rate risk. Any changes in the interest rates affect only disclosure of their values.

(e) MARKET PRICE RISK

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices. As at 31 December 2008, the Group is exposed to market price risk arising from listed equity investment classified as available-for-sale investments.

The Group's listed security investment is listed on the Shanghai Stock Exchange in the PRC. The decisions to buy or sell listed equity investments are based on monitoring of the performance of the security. The changes in fair value are recognised in equity until the financial asset is disposed or is determined to be impaired. Should the market price of the listed security as at 31 December 2008 decreased by 10%, the carrying amount of the listed security investment and the equity as at 31 December 2008 would be decreased approximately by RMB693,000 (2007 : approximately by RMB273,000) simultaneously, without affecting the Group's results for the year.

6. SEGMENTAL INFORMATION

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segments; and (b) on a secondary segment reporting basis, by geographical segments.

(a) BUSINESS SEGMENTS

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.

Segment information about these businesses for the two years ended 31 December 2008 and 2007 is presented below:

	For the year ended 31 December 2008				
	Manufacture and sale of copper cable and related products *RMB'000*	**Manufacture and sale of optical fibers and related products** *RMB'000*	**Manufacture and sale of cable joining sleeves and related products** *RMB'000*	**Elimination** *RMB'000*	**Consolidated** *RMB'000*
SEGMENT TURNOVER					
External turnover	474,293	90,218	84,651	—	649,162
Inter-segment turnover	5,039	—	—	(5,039)	—
Total turnover	479,332	90,218	84,651	(5,039)	649,162
SEGMENT RESULTS	(16,098)	12,146	20,052	—	16,100
Unallocated other operating income					10,143
Finance costs					(1,856)
Gain on disposal of land use rights					88,521
Share of results of associates					2,586
Profit before income tax					115,494
Income tax credit					12,367
Profit for the year					127,861

6. SEGMENTAL INFORMATION *(Continued)*

(a) BUSINESS SEGMENTS *(Continued)*

	At 31 December 2008			
	Manufacture and sale of copper cable and related products *RMB'000*	**Manufacture and sale of optical fibers and related products** *RMB'000*	**Manufacture and sale of cable joining sleeves and related products** *RMB'000*	**Consolidated** *RMB'000*
ASSETS				
Segment assets	888,072	80,819	130,189	1,099,080
Interests in associates				196,203
Other unallocated corporate assets				153,058
Consolidated total assets				1,448,341
LIABILITIES				
Segment liabilities	188,657	16,917	20,697	226,271
Unallocated corporate liabilities				38,715
Consolidated total liabilities				264,986

6. SEGMENTAL INFORMATION *(Continued)*

(a) BUSINESS SEGMENTS *(Continued)*

	For the year ended 31 December 2008			
	Manufacture and sale of copper cable and related products *RMB'000*	Manufacture and sale of optical fibers and related products *RMB'000*	Manufacture and sale of cable joining sleeves and related products *RMB'000*	Consolidated *RMB'000*
Capital expenditure	66,499	193	1,254	67,946
Depreciation and amortisation	19,547	4,623	1,095	25,265
Gain on disposals of property, plant and equipment	(72)	(162)	(2)	(236)
Reversal of impairment loss on trade receivables	(33,468)	(2,869)	(8,528)	(44,865)
Reversal of impairment loss on other receivables	(857)	—	—	(857)
Reversal of provision for impairment on inventories	(13,925)	—	(4,987)	(18,912)

6. SEGMENTAL INFORMATION *(Continued)*

(a) BUSINESS SEGMENTS *(Continued)*

	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*	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	(60,864)	11,771	(5,547)	—	(54,640)
Unallocated other operating income					5,936
Finance costs					(3,872)
Gain on disposal of land use rights					243,757
Share of results of associates					3,411
Profit before tax					194,592
Income tax expense					(5,532)
Profit for the year					189,060

6. SEGMENTAL INFORMATION *(Continued)*

(a) BUSINESS SEGMENTS *(Continued)*

	At 31 December 2007			
	Manufacture and sale of copper cable and related products	Manufacture and sale of optical fibers and related products	Manufacture and sale of cable joining sleeves and related products	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Restated)
ASSETS				
Segment assets	610,891	106,483	107,349	824,723
Interest in associates				196,247
Other unallocated corporate assets				310,069
Consolidated total assets				1,331,039
LIABILITIES				
Segment liabilities	196,645	30,314	16,370	243,329
Unallocated corporate liabilities				35,413
Consolidated total liabilities				278,742

6. SEGMENTAL INFORMATION (Continued)

(a) BUSINESS SEGMENTS (Continued)

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

(b) GEOGRAPHICAL SEGMENTS BY THE LOCATIONS OF ASSETS

No separate disclosure of the Group's geographical segments according to the locations of assets has been made as the locations of customers and locations of assets of the Group are all in the PRC.

7. OTHER INCOME

	2008	2007
	RMB'000	*RMB'000*
Bank interest income	**2,937**	1,766
Exchange gain	**1,157**	—
Gain on disposals of available-for-sale investments	**8,944**	—
Technology transfer fee	**—**	895
Rental income	**738**	1,979
Gain on disposals of property, plant and equipment	**236**	—
Reversal of impairment loss on trade receivables	**44,865**	—
Reversal of impairment loss on inventories	**18,912**	—
Reversal of impairment loss on other receivables	**857**	—
Gain on disposal of interest in an associate	**1,197**	—
Sales of scrap materials	**250**	2,594
Others	**1,817**	2,215
	81,910	9,449

8. FINANCE COSTS

	2008	2007
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**1,551**	3,461
Interest on bank borrowings not wholly repayable within five years	**38**	38
Other bank charges	**267**	373
	1,856	3,872

9. GAIN ON DISPOSAL OF LAND USE RIGHTS

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 the independent third party, had successfully bid in 2005, a piece of land (the "Land") (approximately 244.77 mu) on which the headquarters of the Group was situated in Chengdu, the PRC for a consideration of approximately RMB793,060,000. Details of this transaction had been set out in the Company's circulars dated 23 December 2005.

In accordance with the second supplemental agreement, the consideration shall be settled and the Land shall be delivered by three stages and the transaction should be completed in year ended 31 December 2008. During the year ended 31 December 2008, the Group has delivered the last portion of the Land of approximately 32.31 mu (2007 : 95.70 mu) and recognised approximately RMB88,521,000 (2007 : RMB243,757,000) as gain on disposal of land use rights accordingly.

Pursuant to Section (II) in Clause 8 of the Provisional Regulations of the PRC in 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 Land Value Added Tax promulgated by Ministry of Finance on 27 January 1995 describing Section (II) in Clause 8 of No. 138, the directors are of the view that the disposal of the Land by the Group is not subject to Land Value Added Tax according to the requirements of Section (II) in Clause 8. Accordingly, no provision was made for Land Value Added Tax in the calculation of the gain on disposal of land use rights and the Land Value Added Tax is waiting for the clearance from the local tax authority upon the completion. If the application for exemption not succeeded, as estimated by an independent lawyer, the Group would be subjected to approximately RMB313,157,000 Land Value Added Tax as a whole and the gain on disposal of land use rights for the year ended 31 December 2008 will be decreased by approximately RMB41,531,000 (2007 : approximately RMB123,037,000).

10. OPERATING PROFIT/(LOSS)

	2008 **RMB'000**	2007 RMB'000
Operating profit/(loss) has been arrived at after charging/(crediting) :		
Auditor's remuneration	**1,050**	1,050
Amortisation of technical know-how	**88**	—
Amortisation of land use rights	**1,101**	1,192
(Gain)/loss on disposals of property, plant and equipment	**(236)**	3,304
Gain on disposal of interest in an associate	**(1,197)**	—
Depreciation on property, plant and equipment	**24,076**	22,257
(Reversal of)/impairment loss on trade receivables	**(44,865)**	6,770
Reversal of impairment loss on other receivables	**(857)**	—
(Reversal of)/impairment loss on inventories	**(18,912)**	1,837
Net exchange (gain)/loss	**(1,157)**	1,614
Staff costs		
— Salaries and allowances	**35,762**	31,285
— Defined contribution scheme contributions	**9,428**	8,307

11. INCOME TAX (CREDIT)/EXPENSE

	2008 **RMB'000**	2007 RMB'000
The tax charge comprises :		
PRC enterprise income tax		
— current tax for the year	**7,363**	7,431
— under/(over)-provision in prior years	**1,624**	(1,899)
— deferred tax *(Note 21)*	**(21,354)**	—
	(12,367)	5,532

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 2008.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which has become effective on 1 January 2008. As a result of the New Tax Law, the statutory Enterprise Income Tax ("EIT") rate adopted by the Group was changed from 33% to 25% with effect from 1 January 2008.

11. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

Excepted for Chengdu Gaoxin Cable Company Limited, ("Gaoxin Cable"), all the group companies have been recognised as technologically advanced enterprises, thus enjoying preferential tax reduction from 33% to 15% up to year ended 31 December 2007. Pursuant to the notices issued by the related authority this year, the Group, excepted for Gaoxin Cable, continues to enjoy the preferential tax rate of 15% for the three years ending 31 December 2010.

Gaoxin Cable did not have any assessable profit subject to EIT during this year and did not enjoy preferential policy in the form of reduced tax rate.

The tax (credit)/charge for the year can be reconciled to the profit before tax per consolidated income statement:

	2008	2007
	RMB'000	*RMB'000*
Profit before tax	**115,494**	194,592
Tax at applicable tax rate of 25% (2007 : 33%)	**28,874**	64,215
Tax effect of share of results of associates	**(647)**	(1,126)
Tax effect of income not subject to tax	**(5,326)**	(80,822)
Tax effect of expenses not deductible for tax purpose	**3,065**	32,903
Utilisation of tax losses previously not recognised	**(12,161)**	(2,686)
Utilisation of other temporary difference previously not recognised	**(23,550)**	—
Tax effect of tax losses not recognised	**—**	964
Under/(over)-provision in prior years	**1,624**	(1,899)
Effect of preferential tax rate	**(4,246)**	(6,017)
Tax (credit)/charge for the year	**(12,367)**	5,532

12. 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 approximately RMB117,496,000 (2007 : RMB187,942,000) and based on 400,000,000 (2007 : 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 2008 as there were no dilutive shares outstanding during the two years ended 31 December 2008.

13. EMOLUMENTS OF THE DIRECTORS

The emoluments paid or payable to each of the ten (2007 : nine) directors were as follows :

For the year ended 31 December 2008

		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	—	—	—	—	—
Guo Aiqing	—	122	110	13	245
Zheng Jianhua	—	—	—	—	—
Li Tong	—	—	—	—	—
Chen Ruowei	—	—	—	—	—
Xiong Siyun	—	—	—	—	—
Jiang Kun	—	—	—	—	—
Independent non-executive directors:					
Choy Sze Chung, Jojo	30	—	—	—	30
Wu Zhengde	30	—	—	—	30
Li Yuanpeng	30	—	—	—	30
Total	90	122	110	13	335

13. EMOLUMENTS OF THE DIRECTORS *(Continued)*

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	—	—	—	—	—
Guo Aiqing	—	122	190	11	323
Zheng Jianhua	—	—	—	—	—
Li Tong	—	—	—	—	—
Xiong Siyun	—	—	—	—	—
Jiang Kun	—	—	—	—	—
Independent non-executive directors:					
Choy Sze Chung, Jojo	30	—	—	—	30
Wu Zhengde	30	—	—	—	30
Li Yuanpeng	30	—	—	—	30
Total	90	122	190	11	413

14. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one (2007 : one) was director, whose emoluments are set out in Note 13 above. The emoluments of the remaining four (2007 : four) highest paid individuals were as follows :

	2008 **RMB'000**	2007 RMB'000
Salaries and allowances	**370**	1,141
Performance related incentive payments	**602**	237
Defined contribution scheme contributions	**64**	28
	1,036	1,406

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	**Plant, machinery and equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
COST				
At 1 January 2007	119,937	443,054	10,749	573,740
Additions	—	4,983	582	5,565
Transfer from construction-in-progress *(Note 17)*	147,376	3,367	—	150,743
Disposal on deregistration of a subsidiary	—	(29)	—	(29)
Disposals	(63,782)	(52,331)	(649)	(116,762)
At 31 December 2007 and 1 January 2008	203,531	399,044	10,682	613,257
Additions	1,234	3,985	2,364	7,583
Transfer from construction-in-progress *(Note 17)*	47,347	17,146	—	64,493
Disposals	(26,235)	(65,644)	(3,462)	(95,341)
Reclassified to assets held-for-sale	(20,946)	(95,830)	(2,232)	(119,008)
At 31 December 2008	**204,931**	**258,701**	**7,352**	**470,984**

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2007	52,158	353,355	8,773	414,286
Provided for the year	8,301	13,397	559	22,257
Disposal on deregistration of a subsidiary	—	(20)	—	(20)
Eliminated on disposals	(42,028)	(48,989)	(584)	(91,601)
At 31 December 2007 and 1 January 2008	18,431	317,743	8,748	344,922
Provided for the year	2,772	20,394	910	24,076
Eliminated on disposals	—	(62,938)	(3,223)	(66,161)
Reclassified to assets held-for-sale	(14,816)	(90,512)	(2,008)	(107,336)
At 31 December 2008	**6,387**	**184,687**	**4,427**	**195,501**
NET CARRYING VALUES				
At 31 December 2008	**198,544**	**74,014**	**2,925**	**275,483**
At 31 December 2007	185,100	81,301	1,934	268,335

All the buildings of the Group are located on medium-term leasehold land in the PRC.

16. LAND USE RIGHTS

	2008	2007
	RMB'000	*RMB'000*
The Group's land use rights comprises:		
Leasehold land in the PRC : medium-term leases	**41,892**	44,055

	RMB'000
COST	
At 1 January 2007	27,068
Additions	24,207
At 31 December 2007 and 1 January 2008	51,275
Reclassified to assets held-for-sale	(1,256)
At 31 December 2008	**50,019**
ACCUMULATED AMORTISATION	
At 1 January 2007	6,028
Charged for the year	1,192
At 31 December 2007 and 1 January 2008	7,220
Charged for the year	1,101
Reclassified to assets held-for-sale	(194)
At 31 December 2008	**8,127**
NET CARRYING VALUE	
At 31 December 2008	**41,892**
At 31 December 2007	44,055

17. CONSTRUCTION-IN-PROGRESS

	2008 RMB'000	2007 RMB'000
Cost		
At 1 January	**32,460**	69,125
Additions	**59,293**	114,078
Transfer to property, plant and equipment *(Note 15)*	**(64,493)**	(150,743)
At 31 December	**27,260**	32,460

Note : Included in the construction-in-progress is expenditure on the development of staff quarters amounting to approximately RMB19,095,000 (2007 : RMB15,723,000).

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 25(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 2008, the total amount of contributions received from the employees amounted to approximately RMB23,492,000 (2007 : RMB23,565,000)

18. INTERESTS IN ASSOCIATES

	2008 RMB'000	2007 RMB'000 (Restated)
Costs of investments in associates, unlisted	**183,922**	186,922
Share of post-acquisition profit and reserves	**12,281**	9,325
	196,203	196,247

18. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's principal associates as at 31 December 2008, all of which were established and operated in the PRC, are as follows:

Name of associate	Place of incorporation/ kind of legal entity	Percentage of equity attributable to the Group %	Principal activities
Chengdu Peak Power Sources Co., Ltd.	PRC limited company	50	Manufacture and sale of electronic and electrical products
Chengdu CCS Optical Fibre Cable Co., Ltd.	PRC Sino-foreign equity joint venture	49	Manufacture and sale of optical fibre cables
Chengdu Bada Connector Co., Ltd.	PRC Sino-foreign equity joint venture	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, 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, result in particulars of excessive length.

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

	2008 *RMB'000*	(Restated) 2007 *RMB'000*
Total assets	**546,043**	515,603
Total liabilities	**(153,637)**	(123,109)
Net assets	**392,406**	392,494
Group's share of net assets of associates	**196,203**	196,247
Turnover	**449,566**	425,957
Profit for the year	**5,649**	7,348
Group's share of results of associates for the year	**2,586**	3,411

19. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2008	2007
	RMB'000	*RMB'000*
Non-current:		
Unlisted equity securities, at cost *(Note a)*	**5,150**	5,150
Less: Impairment loss recognised	**(5,150)**	(5,150)
	—	—
Listed equity securities, at fair value *(Note b)*	**2,728**	2,728
Add: Increase in fair value	**4,197**	—
	6,925	2,728
	6,925	2,728
Current:		
Unlisted funds established in the PRC, at fair value *(Note c)*	**—**	201,400

Notes:

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

(b) *The above listed investments represent investments in equity securities listed on the Shanghai Stock Exchange in the PRC. The fair values of the investments that are actively traded are determined by reference to market prices at the close of business on the balance sheet date.*

(c) *The unlisted funds established in the PRC was measured at fair values at the balance sheet date. Their fair values are determined based on the quotes from financial institutions quoted for similar instruments at the balance sheet date.*

20. TECHNICAL KNOW-HOW

	RMB'000
COST	
Additions and at **31 December 2008**	1,070
ACCUMULATED AMORTISATION	
Charged for the year and at **31 December 2008**	88
NET BOOK VALUE	
At 31 December 2008	**982**

21. DEFERRED TAX ASSETS

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement in deferred tax asset during the year is as follows:

	Decelerated tax depreciation *RMB'000*	**Provisions** *RMB'000*	**Total** *RMB'000*
At 1.1.2007 and 31.12.2007	—	—	—
Provided to the income statement	1,497	19,857	21,354
At 31.12.2008	**1,497**	**19,857**	**21,354**

As at 31 December 2007, the Group has estimated unused tax losses and other deductible temporary differences of RMB48,644,000 and RMB94,200,000, respectively.

As at 31 December 2008, the Group has not material unrecognised temporary difference.

22. INVENTORIES

	2008 RMB'000	2007 RMB'000
Raw materials	**68,363**	50,635
Work-in-progress	**23,131**	24,530
Finished goods	**109,386**	95,913
	200,880	171,078

During the year ended 31 December 2008, the Group reversed impairment loss of RMB18,912,000 (2007 : impairment of RMB1,837,000), as the obsolete inventories carried forward from prior years were already disposed in form of scrap materials.

23. TRADE AND BILLS RECEIVABLES

	2008 RMB'000	2007 RMB'000
Trade and bills receivables	**262,431**	264,355
Less : Allowance for bad and doubtful debts	**(57,239)**	(102,104)
	205,192	162,251

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

	2008 RMB'000	2007 RMB'000
Within 90 days	**111,823**	142,519
91 - 180 days	**69,742**	12,417
181 - 365 days	**12,363**	7,315
Over 365 days	**11,264**	—
	205,192	162,251

23. TRADE AND BILLS RECEIVABLES *(Continued)*

Impairment losses in respect of trade 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:

	2008	2007
	RMB'000	*RMB'000*
Balance at beginning of the year	**102,104**	95,334
(Reversal of)/impairment loss recognised in income statement	**(44,865)**	6,770
Balance at end of the year	**57,239**	102,104

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008	2007
	RMB'000	*RMB'000*
Unlisted derivative financial instruments in the PRC, at fair value	**100,000**	—

The unlisted derivative financial instruments are debt securities issued by a bank in the PRC with one year maturity. The earning of the debt securities depend on certain indices established by the bank. In the worst scenario, the Group can recover the principals.

25. DEPOSITS, BANK BALANCES AND CASH

	2008	2007
	RMB'000	*RMB'000*
Deposits:		
Pledged deposits *(Note a)*	**3,208**	6,112
Designated deposits *(Note b)*	**5,500**	27,878
Restricted deposits *(Note c)*	**—**	66,000
Deposits with incumbrance	**8,708**	99,990
Bank balances and cash *(Note d)*	**266,278**	96,844
	274,986	196,834

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

Notes:

(a) The amount represents deposits pledged to banks to secure bills facilities granted to the Group. The deposits carry fixed interest rate of 3.00% per annum (2007 : 3.33%). 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 Company (Note 17) which have been deposited with the banks under the name of the Company and are designated for staff quarters development.

(c) Restricted deposits represented the cash deposits placed at designated bank accounts in a bank in the PRC. According to the agreement between the Group 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 and the bank shall act at its discretion and bear the exclusive risk with the loan.

(d) Included in bank balances and cash are short-term bank deposits of approximately RMB99,100,000 (2007 : RMB8,300,000) carry fixed interest rates ranging from 2.25% to 4.14% per annum (2007 : 5.38% to 6.48% per annum).

26. ASSETS CLASSIFIED AS HELD-FOR-SALE

Assets classified as held-for-sale represent the net assets of a subsidiary (2007 : land use rights) to be disposed of within twelve months. The net proceeds of disposal are expected to exceed the net carrying amounts of the relevant assets and accordingly, no impairment loss has been recognised.

27. TRADE AND BILLS PAYABLES

	2008	2007
	RMB'000	*RMB'000*
An ageing analysis of trade and bills payables is as follows:		
Within 90 days	**39,109**	61,228
91 - 180 days	**9,278**	9,119
181 - 365 days	**8,761**	3,680
Over 365 days	**7,157**	3,373
	64,305	77,400

28. BANK AND OTHER BORROWINGS

	2008	2007
	RMB'000	*RMB'000*
Bank loans	**28,929**	27,913
Other loans	**700**	7,500
	29,629	35,413

The above bank and other borrowings are unsecured and repayable as follows:

	2008	2007
	RMB'000	*RMB'000*
Bank loans:		
On demand or within one year	**18,500**	16,395
More than one year but not exceeding two years	**—**	—
More than two years but not more than five years	**—**	—
More than five years	**10,429**	11,518
	28,929	27,913
Other loans:		
On demand or within one year	**700**	4,000
More than one year but not exceeding two years	**—**	—
More than two years but not more than five years	**—**	3,500
	700	7,500
Total bank and other borrowings	**29,629**	35,413
Less : Amount due within one year shown under current liabilities	**(19,200)**	(20,395)
Amount due after one year shown under non-current liabilities	**10,429**	15,018

At 31 December 2008, all the bank and other borrowings are fixed-rate borrowings which carry interest ranging from 0.5% to 7.8% (2007 : 0.5% to 9.96%) per annum. Included in the Group's borrowings is a bank loan denominated in Euro amounted to approximately Euro1,078,000 (2007 : Euro1,211,000). All other borrowings are denominated in RMB.

29. SHARE CAPITAL AND CAPITAL MANAGEMENT

(a) SHARE CAPITAL

	2008 and 2007	
	Number 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

(b) CAPITAL MANAGEMENT

The Group's equity capital management objectives are to safeguard to the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which was unchanged from the previous periods, was to maintain a reasonable proportion in total debt and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debt over equity capital. Net debt is calculated as total debt less bank balances and cash. Equity capital comprises all components of equity (i.e. share capital, retained earnings, other reserves and minority interests). The debt-to-equity capital ratios at 31 December 2008 and 31 December 2007 are as follows:

	2008	2007
	RMB'000	*RMB'000*
Total debt	**264,986**	278,742
Less : Bank balances and cash	**(266,278)**	(96,844)
Net debt	**(1,292)**	181,898
Total equity	**1,183,355**	1,052,297
Debt-to-equity capital ratio	**(0.001)**	0.17

30. CAPITAL COMMITMENTS

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

	2008 **RMB'000**	2007 RMB'000
Contracted but not provided for:		
Acquisition of machinery and equipment	**13,905**	6,388
The Group's new headquarters - purchase of land and the constructions site of the new plant	**13,140**	44,721
	27,045	51,109

31. 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:

	2008 **RMB'000**	2007 RMB'000
Bank deposits	**3,208**	6,112
Assets classified as held-for-sale	**—**	5,951
	3,208	12,063

32. RELATED PARTY TRANSACTIONS AND BALANCES

(a) DURING THE YEAR, THE GROUP ENTERED INTO THE FOLLOWING TRANSACTIONS WITH RELATED PARTIES:

	2008	2007
	RMB'000	*RMB'000*
China PUTIAN Corporation and its subsidiaries:		
Sales of finished goods	**5,039**	3,725
Management fee income	**120**	—
Associates:		
Sales of finished goods	**18,950**	18,772
Purchases of raw materials	**(207)**	(43,892)
Technology transfer fee income	**—**	895
Technology transfer fee expense	**(1,764)**	(982)
Rental income	**—**	35

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 2008, the Group had transactions with State-owned Enterprises including, but not limited to, sales of telecommunication cables, optical fibers, cable joining sleeves and related products. The directors 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 influenced 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 are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(b) BALANCES WITH ASSOCIATES AND RELATED COMPANIES ARE UNSECURED, INTEREST-FREE AND REPAYABLE ON DEMAND.

(c) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2008	2007
	RMB'000	*RMB'000*
Salaries and allowance	**1,211**	1,424
Defined contribution scheme contributions	**142**	116
	1,353	1,540

33. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2008, all of which were established and operated in the PRC, are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Particular of registered capital	Percentage of registered capital held by the Company		Principal activities and place of operation
			Directly %	Indirectly %	
Ministry of Posts and Factory Telecommunications Cable Chengdu Shuangliu Shrinkable Products Factory	PRC/ cooperative joint venture	RMB22,520,000 registed capital	66.7	—	Manufacture and sale of cable joining sleeves in the PRC
Chengdu SEI Optical Fiber Co., Ltd.	PRC/ cooperative joint venture	US$13,750,000 registed capital	60	—	Manufacture and sale of optical fibres in the PRC
Chengdu MCIL Radio Communications Co. Ltd.	PRC/ cooperative joint venture	RMB82,100,000 registed capital	90	6.67	Manufacture and sale of cables, parts and components for wireless telecommunications system networks in the PRC
Chengdu Gaoxin Cable Co., Ltd.	PRC/ cooperative joint venture	RMB8,116,116 registed capital	64.3	—	Manufacture and sale of cables and wires, special cables and other telecommunications products in the PRC

34. SUMMARY OF FINANCIAL INFORMATION

	2008 RMB'000	2007 RMB'000 (Restated)
Interests in subsidiaries	**313,456**	313,573
Amounts due from subsidiaries	**54,023**	53,034
Other assets	**1,051,113**	949,542
Amounts due to subsidiaries	**(115,959)**	(114,678)
Other liabilities	**(173,820)**	(164,622)
	1,128,813	1,036,849
Share capital	**400,000**	400,000
Share premium	**303,272**	303,272
Capital reserve	**287,391**	287,391
Statutory surplus reserve fund	**11,167**	9,295
Retained earnings	**126,983**	36,891
	1,128,813	1,036,849
Turnover	**295,409**	278,813
Gain on disposal of land use rights	**88,521**	243,757
Profit for the year	**91,964**	190,887

35. POST BALANCE SHEET EVENT

On 12 March 2009, Ministry of Posts and Factory Telecommunications Cable Chengdu Shuangliu Shrinkable Products Factory (the "Shuangliu Heat Plant"), a non wholly-owned subsidiary of the Company, entered into the Land Use Rights Disposal Agreement with Shuangliu Land Reserve Centre pursuant to which the Shuangliu Heat Plant agreed to sell, and Shuangliu Land Reserve Centre agreed to acquire the state-owned land use rights held by Shuangliu Heat Plant (which include a piece of land with an approximate area 47,767.75 m^2 and several factory buildings and premises erected thereon). The consideration of this transaction is RMB87,204,000.

As at 31 December 2008, the cost and net book value of the land use rights and several factory buildings and premises were RMB47,930,000 and RMB22,568,000 respectively.

36. PRIOR YEAR ADJUSTMENT

During the year ended 31 December 2006, an associate's debts amounted to RMB107,437,000 were waived by its creditors. However, the Group's share of gain from such debt waiver amounted to RMB50,590,000 was not recorded in the Group's consolidated income statement for the year ended 31 December 2006. The comparative figures of these financial statements have been restated to correct this error. The effect of the restatement on these comparative figures is summarised below.

	Effect in 2007 *RMB*
Turnover	—
Operating loss	—
Profit for the year	—
Change in results for the year	—
Increase in interests in associates	50,590
Increase in equity	50,590

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

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EXECUTIVE DIRECTORS

Zhang Xiaocheng
Guo Aiqing
Zheng Jianhua
Li Tong
Chen Ruowei
Xiong Siyun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy Sze Chung, Jojo
Wu Zhengde
Li Yuanpeng

SUPERVISORS

Yang Zhihe
Xiong Ting
Hong Xiurong

COMPANY SECRETARY

Ngai Wai Fung

QUALIFIED ACCOUNTANT

Xu Biao

AUTHORIZED REPRESENTATIVES

Guo Aiqing
Ngai Wai Fung

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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
Guo Aiqing
Zheng Jianhua

STRATEGIC DEVELOPMENT COMMITTEE

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