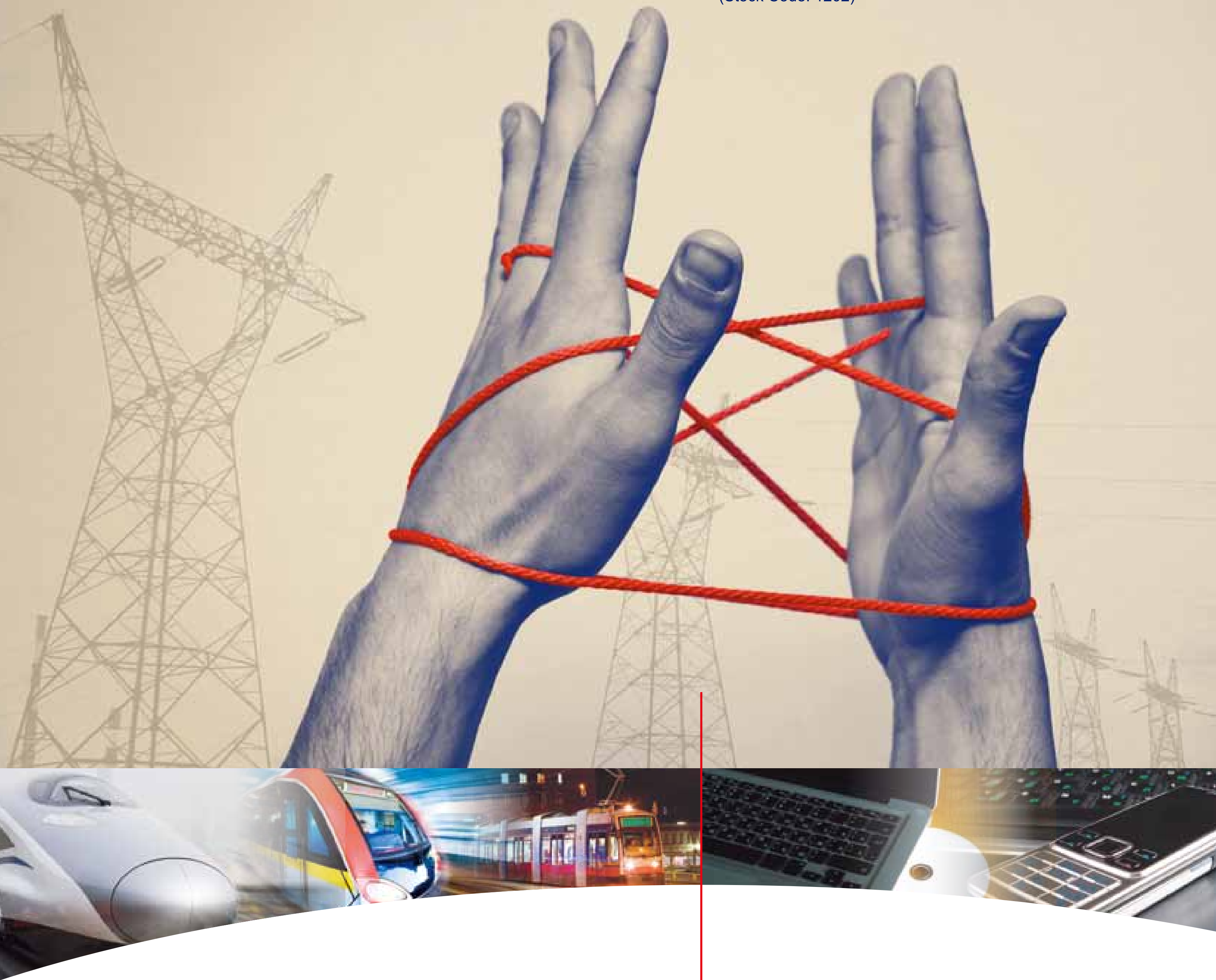


Potevio
中国普天

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

(Stock Code: 1202)

Annual Report 2010

CONTENTS

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 has listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 December 1994 through the placing and public offer of 160,000,000 H shares ("H Shares"). China Potevio Company Limited ("China Potevio" or "CPCL", a wholly owned subsidiary of China PUTIAN Corporation ("Potevio Group")) is the controlling shareholder of the Company.

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

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

SUMMARY OF OPERATIONS

	2010	2009
	RMB'000	*RMB'000*
Turnover	**515,758**	571,340
(Loss) from operations	**(39,388)**	(18,202)
Share of result of associates	**(5,631)**	27,152
Profit before income tax	**109,878**	7,857
Profit/(Loss) attributable to equity holders of the Company	**103,262**	(9,259)
Basic earnings/(loss) per share	**RMB0.26**	RMB(0.02)

SUMMARY OF NET ASSETS

	31 December 2010	31 December 2009
	RMB'000	*RMB'000*
		(Restated)
Total assets	**1,515,347**	1,518,109
Total liabilities	**241,129**	319,364
Total net assets	**1,274,218**	1,198,745
Net assets per share*	**RMB3.19**	RMB2.71

* Net assets per share as at 31 December 2010 is calculated on the basis of net assets attributable to the owners of the Company of RMB1,185,426,000 (2009: RMB1,085,929,000) and the total issued shares of 400,000,000 shares (2009: 400,000,000 shares).

Dear Shareholders,

I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 (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, the Company's profit before tax was approximately RMB109,878,000 and profit attributable to Shareholders amounted to RMB103,262,000. Basic earnings per share of the Company were RMB0.26.

In 2010, through consistent adjustments on industrial structure, optimization on resource allocation and enhancement of product development strengths, the Company laid down an industrial foundation for its sustainable development. With dedicated efforts of all our staff in implementing the policy and objective of "taking opportunity to adjust structure, ensuring economic benefits from new products and improving the scientific development level of the Company on all fronts", we promoted sustainable development of the Company on the track of product structure adjustment.

2011 is the first year of the country's "12th Five Year Plan". We will seize this strategic opportunity to implement the development strategy of our own "12th Five Year Plan" with a view to gear up the annual growth pace and achieve sustainable and healthy development of the Company. Looking into 2011, we will be dedicated to cultivating one principal business (information and energy transmission lines) with great care, developing and enhancing two key capabilities (processing of irradiation and cable components) and fostering three major business segments, thus fundamentally establishing our tripartite business structure and becoming a leading integrated manufacturer in the industry.

In the new year, we are facing both critical development opportunities and ever more difficult tasks. Our staff will unite their efforts and determination to seize opportunity and conquer challenges, so as to accomplish each of our targets through concrete efforts and promote sustainable and healthy development of the Company.

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

Zhang Xiaocheng
Chairman

24 March 2011

RESULTS OVERVIEW

During the Year, the main products of our Group are various types of telecommunication cables, optical fibres and cable joining sleeves.

EXPLANATION FOR BUSINESS RESULTS

During the Year, the replacement of copper cables by optical fibres had a ripple effect on the Group's plastic urban telephone cables, leading to continued decrease in sales and a lower profit margin for these products. Due to the market changes and cost control ability, the production and sales volumes of program controlled cables stayed at lower level and the profit margin also declined to a large extent. The production and sales volumes of data cables were insufficient due to the limitations in equipment and market development. In addition, both the electrical equipment cable and ultra fine electronic wire and component projects failed to achieve their expected returns due to factors such as equipment, management, operation and model of human resources. In this connection, the Company will put more efforts in accelerating the maturity of new products under its business transformation scheme, so as to minimise the effects of the decrease in turnover due to the shrinking demand for copper cables and related products, and bring new profit growth points for the Company.

REVIEW OF PRINCIPAL BUSINESS

1. IMPROVING OPERATING STANDARDS THROUGH ENHANCED FUNDAMENTAL MANAGEMENT

We have strengthened our strategic management and completed our formulation of the "12th Five Year Plan". According to this plan, in next five years, we will be dedicated to cultivating one principal business (information and energy transmission lines) with great care, developing and enhancing two key capabilities (processing of irradiation and cable components) and fostering three major business segments, thus fundamentally establishing our tripartite business structure.

We enhanced financial budget management and improved the systems relating to centralized financial management, including appointment system for financial officers, centralized capital management system, management measures on bulletins and financial statements and management measures on corporate financing.

We promoted refined management through information-based management and fully embarked on cooperative office system and the contract management information system which are part of our Integrated Management Information Systems (IMIS).

We enhanced our legal compliance and internal control. We have consulted our legal advisors when we formulate important decisions and rules and regulations and material contracts in order to ensure that we are not exposed to legal risks. By way of legal review, legal risks have been avoided or minimised and our risk management capabilities have been improved.

We made practical efforts to enhance marketing. We continued to adjust our sales platform with an aim to achieve satisfactory sales through market segmentation.

We continued to promote and improve human resources management. To accommodate the development and research and production of new products, we increased our efforts in recruitment with a focus on professional technicians. In addition, we recruited production operators through multiple channels such as human resources markets, community recruitment and cooperation with technical schools and colleges thus ensuring a satisfactory deployment and recruitment of various types of human resources.

2. MIXED PERFORMANCE IN NEW PRODUCT DEVELOPMENT

Electrical equipment cable project

Phase I of our production expansion project progressed as scheduled and the main construction work of electron accelerator project was completed at the end of December 2010.

We pushed ahead with development of other cables of the product line in an orderly manner with photo-voltaic cables signing off its sample delivery stage. In addition, we have made an application for the license for electricity cables and completed the selection of materials for wind power cables with preparation underway for production of the sample products.

Ultra fine electronic wire and component

The construction of component processing facilities proceeded smoothly. Two newly-acquired production lines for wire harness components completed commissioning and were put into operation. In addition, the amendments to the full sets of technical documents and management documents were completed and we have passed the audit on quality, environment and occupational health and safety management systems by a partner certification organization.

FINANCIAL ANALYSIS

TURNOVER

During the Year, the turnover of the Group amounted to approximately RMB515,758,000, a decrease of 9.73% as compared to approximately RMB571,340,000 for the year ended 31 December 2009 (the "Previous Year").

During the Year, the turnover of copper cables was approximately RMB323,808,000, a decrease of 15.33% as compared with the Previous Year.

Chengdu SEI Optical Fibre Co., Ltd ("Chengdu SEI"), a company in which the Company owns 60% equity interest, recorded a turnover of optical fibre of approximately RMB106,454,000; Chengdu Shuangliu Heat Shrinkable Products Plant ("Shuangliu Heat Shrinkable"), a company in which the Company owns 66.7% equity interest, recorded a turnover of heat shrinkable joining sleeves of approximately RMB93,238,000.

NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net profit attributable to equity holders of the Company for the Year amounted to approximately RMB103,262,000, while a loss of approximately RMB9,259,000 was attributable to equity holders of the Company for the Previous Year.

RESULTS ANALYSIS

As at 31 December 2010, the Group's total assets were approximately RMB1,515,347,000, representing a decrease of 0.18% as compared with approximately RMB1,518,109,000 as at the end of Previous Year. Current assets amounted to approximately RMB798,889,000, accounting for 52.72% of the total assets and representing a decrease of 8.92% as compared with approximately RMB877,126,000 as at the end of Previous Year. Property, plant and equipment totalled approximately RMB308,108,000, accounting for 20.33% of the total assets and representing an increase of 8.74% as compared with approximately RMB283,352,000 as at the end of Previous Year, which was mainly attributable to the increased investment in newly-built projects of the Company.

As at 31 December 2010, the Group's total liabilities amounted to approximately RMB241,129,000; liability-to-asset ratio was 15.91%; bank and other short-term loans amounted to approximately RMB15,700,000, remaining unchanged as compared with approximately RMB15,700,000 as at the end of Previous Year. During the Year, the Group did not arrange other capital raising activities.

As at 31 December 2010, the Group's bank deposits and cash totalled approximately RMB289,139,000, representing a decrease of 29.87% as compared with RMB412,305,000 as at the end of Previous Year.

During the Year, the Group's distribution costs, administrative and other operating expenses, and finance costs amounted to approximately RMB41,077,000, RMB91,880,000 and RMB1,481,000 respectively, representing a decrease of 16.80%, an increase of 36.58% and an increase of 35.50% respectively as compared with approximately RMB49,374,000, RMB67,273,000 and RMB1,093,000 respectively in Previous Year.

As at 31 December 2010, the Group's trade and bill receivables and inventories amounted to approximately RMB155,035,000 and RMB229,396,000 respectively, representing an increase of 11.59% and a decrease of 11.28% respectively as compared with approximately RMB138,930,000 and RMB258,574,000 respectively as at the end of Previous Year.

ANALYSIS OF CAPITAL LIQUIDITY

As at 31 December 2010, the Group's current assets amounted to approximately RMB798,889,000 (2009: RMB877,126,000), current liabilities were approximately RMB231,620,000 (2009: RMB308,786,000), the annual receivables turnover period was 108 days and the annual inventory turnover period was 195 days. The above data indicates that the Group has strong solvency but its liquidity ability and management are yet to be improved.

ANALYSIS OF FINANCIAL RESOURCES

As at 31 December 2010, the Group's bank and other short-term loans were approximately RMB15,700,000. As the Group had comparatively sufficient bank deposits and cash with a total amount of approximately RMB263,596,000, therefore, the Group does not have short term solvency risk.

NON-CURRENT LIABILITIES OR LOAN

As at 31 December 2010, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was approximately RMB9,509,000 (equivalent to approximately EURO1,078,000), which is a French government guaranteed bank loan at an interest rate of 0.5% per annum. The loan denominated in Euro is subject to exchange rate risks resulting from fluctuations of the exchange rate in the international foreign exchange market. This long-term loan is installment 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, raised proceeds, corporate profit and proceeds from the disposal of the land use rights of the old site of the Company. The use of raised 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 high risks and to improving its return on investments. During the Year, debts and obligations were repaid and performed when due in accordance with the relevant contractual terms.

LIQUIDITY AND SOURCE OF FUNDS

The Group's net cash outflow from operating activities amounted to approximately RMB143,372,000 during the Year (2009: net cash inflow of approximately RMB97,930,000).

During the Year, the Group spent approximately RMB9,007,000 (2009: RMB11,943,000) and approximately RMB104,037,000 (2009: RMB68,747,000) respectively on purchases of property, plant and equipment and on construction-in-progress.

As at 31 December 2010, the Group's total liabilities and non-controlling interests amounted to approximately RMB329,921,000 (2009: RMB432,180,000). The Group's interest expenses were approximately RMB1,173,000 for the Year (2009: RMB753,000).

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any contingent liabilities (2009: Nil).

BUSINESS OUTLOOK

1. GUIDED BY THE DEVELOPMENT PLAN, WE WILL CONTINUE PROGRESS IN PRODUCT STRUCTURE ADJUSTMENTS

Cultivate principal business (information and energy transmission line), build up and reinforce two major capacities (irradiation and cable component processing) and foster three major business segments, thus establishing our tripartite business structure and becoming a leading integrated manufacturer in the industry.

Our telecommunications cable and accessory business will experience a mix of advance and retreat. On one hand, we will rely on self-blood-producing capacity to expand the scale of optical communication product where we have advantage and which is of long life span; on the other hand, as supported by shareholders and the government, we will curtail or retreat from our copper cables business where losses were incurred.

In power distribution sector (micro-cycle), we will concentrate our resources to expand the high-end electrical equipment product line featuring the cross linked (sulphide) polyolefin insulation locomotive cable.

In electronics application sector, through external cooperation, we aspire to achieve unusual extraordinary development of high-end electronic wire and component ultra fine coaxial cable and component and ultra fine electronic wire.

2. WE ARE TO IMPROVE THE QUALITY OF OUR MANAGEMENT

With a focus on cost control we aim to enhance financial control capacity

We will strive to improve the achievement rates of key budget targets, intensify budget process management and KPI execution monitoring. Cost management and control over our employees and the entire production process are to be applied. Cost indicators will be dissembled to every department and every step of production. Cost analysis conference will be held every quarter. More efforts will be put in improving the efficiency of fund use, asset management, asset and accounts verification and recovery of arrears. The debt collection office of the Group will step up its efforts in debts collection.

Enhance investment management and implement all-round risk control

We are to enhance investment management of R&D, infrastructure, technology renovation and other projects, concretely execute feasibility study, implementation process tracking and subsequent assessment to improve investment returns. We will carry out all-around risk assessment. Any exceptional matters and risk exposures discovered in the assessment shall be timely rectified. Corporate general legal consultant system will be established and optimized under which legal review will be applied toward important system, contract and decisions, so as to effectively control legal risks.

Innovative human resources management methods will be applied to provide support for our healthy development

We will improve existing remuneration system and performance appraisal methods and increase income level of our staff. We are to explore and establish normal growth mechanism for staff income, and foster a positive environment for training, recruiting, fostering and utilizing talents. We will pay attention to recruiting professionals for key projects and more efforts are to be made in staff deployment, so that their talents could be brought into full play and their enthusiasm could be maximized.

More trainings will be provided with a view to improve the results. We strive to upgrade the professional technical capacity of our technicians, managers, marketing personnel and key operating personnel with a view to provide strong support and guarantee for the completion of production and operation tasks as well as development of key products.

More efforts will be put in leader team building, with an emphasis on the team work spirit that views the overall benefit of the Company as the ultimate mission, and continuous improvements to the capacity of our leaders in execution, innovation, problem solving and control of complicated situation.

Implement production safety and enhance quality control

In adhering to the philosophy that "production safety is paramount", we will apply production safety accountability system to effectively enhance production safety management and build a safety system featuring "unified leadership, level-by-level responsibility, every one's participation and common supervision". We will further implement regulations and measures in relation to production safety in order to establish and continuously improve a self-disciplined long-term mechanism for production safety. The production site 6S management will be strengthened and daily operation control measures will be intensified. We will put in place effective measures to remove potential safety risks and eliminate any major and very serious accidents. We will earnestly implement energy saving and emission reduction and actively perform social responsibility to facilitate a harmonious and healthy corporate development. The construction of three systems including quality, environment and occupational health and safety will be enhanced. Specifically, we will optimize quality accountability system, exert strict control of quality and step up efforts in quality indicator assessment. Excellence performance management will be initially introduced to improve product quality and customer satisfaction.

Insist on centralised procurement, enhance construction of information technology and improve comprehensive management practice

We will continue with centralised and standardised procurement management to enhance communication and information sharing in purchase. This practice will also cover the purchase made at research and development stage, so as to effectively control material cost and realise multi-channel supply. We will keep close watch on raw material market price. With accurate judgment based on information collection and analysis, we will re-align our procurement policy to reduce risk.

We will continue construction of information technology and make full use of the existing Integrated Management Information Systems and contract management system to improve work efficiency. On the basis of system platform, we are to regulate management process and improve management quality. In particular, we will use the contract management system to regulate our economic contracts so that each stages involved in a contract (from drafting, review and approval to execution and assessment) shall be reflected in this system, so as to realize the target to promote standardized management by information technology.

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 49 of this annual report.

2. The financial position of the Group as at 31 December 2010 are set out in the consolidated statement of financial position on pages 51 to 53 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 54 and 55 of this annual report.

4. The cash flows of the Group are set out in the consolidated statement of cash flows on pages 56 and 57 of this annual report.

FINANCIAL HIGHLIGHTS

The following is the financial highlights of the Group for the five financial years ended 31 December 2010 which were extracted from the consolidated financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS").

	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Restated)
Turnover	**515,758**	571,340	649,162	627,936	550,714
Profit before income tax	**109,878**	7,857	115,494	194,592	201,217
Income tax (expense)/credit	**(806)**	(5,799)	12,367	(5,532)	(9,118)
Profit for the Year	**109,072**	2,058	127,861	189,060	192,099
Attributable to:					
Profit/(Loss) attributable to equity holders of the Company	**103,262**	(9,259)	117,496	187,942	189,884
Minority interests	**5,810**	11,317	10,365	1,118	2,215
	109,072	2,058	127,861	189,060	192,099
Total assets	**1,515,347**	1,518,109	1,448,341	1,331,039	1,176,107
Total liabilities	**(241,129)**	(319,364)	(264,986)	(278,742)	(311,387)
Minority interests	**(88,792)**	(112,816)	(102,829)	(93,464)	(94,014)
Total net assets	**1,185,426**	1,085,929	1,080,526	958,833	770,706

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 analysed 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 76 to 83 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

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 (%)	
	2010	2009
Purchases		
Single largest supplier	**11**	18
Five largest suppliers	**48**	51
Sales		
Single largest customer	**24**	22
Five largest customers	**53**	47

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 any of the five largest suppliers or 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 2010 (2009: Nil).

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2010 are set out in note 33 to the consolidated financial statements on page 109 of this annual report.

PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS

Details of the changes in the property, plant and equipment and construction-in-progress of the Group during the Year are set out in notes 16 and 18 respectively to the consolidated financial statements on pages 92 to 93 and 95 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 105 to 106 of this annual report.

The Company did not have any proposal for bonus issue, placing of shares or issue of new shares during the Year and there was no change in the share capital of the Company during the Year and the period from 31 December 2010 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 2010, 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 remaining balance of the unutilized proceeds amounting to approximately HK$50,571,000 is deposited with banks in the PRC in US dollars and Renminbi.

OVERDUE TIME DEPOSITS

As at 31 December 2010, the Group did not have any deposit and trust deposit with non-banking financial institutions nor time deposits that cannot be recovered on maturity.

INCOME TAX

On 16 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"), a non-wholly owned subsidiary, the Group has been recognised as a technologically advanced enterprise by the relevant authorities. Pursuant to the Income Tax Laws Concerning Technologically Advanced Enterprises in Chengdu, 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 continued to enjoy the preferential tax rate for three years ended 31 December 2010.

Gaoxin was not entitled to the preferential tax rate in the Year and EIT was provided at the rate of 25% for the year ended 31 December 2010.

MARKET RISKS

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

RISKS RELATING TO COPPER PRICES AND OTHER COMMODITIES PRICES

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

CREDIT RISK

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 Group performs ongoing credit evaluations of each of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of its 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 has historically been within the Group's expectation and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. The Group did not held any collateral from its customers.

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

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

The Group does not provide any guarantees to third parties which would expose the Group to credit risks.

LIQUIDITY RISK

In managing 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.

INTEREST RATE RISK

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

FOREIGN EXCHANGE RISK

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

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

NUMBER OF SHAREHOLDERS

Details of the number of Shareholders as recorded in the register of members of the Company as at 31 December 2010 are as follows:

Classification	Number of Shareholders
State-owned legal person shares	1
Overseas listed foreign invested shares -H Shares	91
Total number of Shareholders	92

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the largest Shareholder was China Potevio, holding 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 155,972,998 H Shares of the Company, representing 38.99% of the total issued share capital of the Company. At the end of the Year, HKSCC held 155,774,998 H Shares of the Company, representing 38.94% of the total issued share capital of the Company.

As at 31 December 2010, 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 (Chapter 571 of the Laws of Hong Kong (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 Group has been notified by the 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 which have been disclosed below.

As indicated by HKSCC, as at 31 December 2010, 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.	23,934,300	14.9589%	5.9836%
Bank of China (Hong Kong) Limited	15,336,000	9.5850%	3.8340%
BOCI Securities Limited	10,426,000	6.5162%	2.6065%

Save as disclosed above, as at 31 December 2010, the Company was not aware of any other 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 made 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
Fu Ruolin
Chen Ruowei
Su Wenyu
Jiang Jianping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy Sze Chung, Jojo
Wu Zhengde
Li Yuanpeng

SUPERVISORS

Yang Zhihe
Xiong Ting
Dai Xiaoyi

PROFILE OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

1. DIRECTORS

Executive Directors

Mr. Zhang Xiaocheng, aged 54, Mr. Zhang has a master's degree in Business Administration and is a senior economist. He is currently a director and vice president of China Potevio and an executive Director and chairman of the sixth session of the Board of the Company. He is also the chairman of China Putian Houma Communications Co., Ltd. (侯馬普天通信電纜有限公司) and a director of Infotech Pacific Ventures L.P. in Beijing (北京盈富泰克創業投資有限公司). He was previously the director of the industrial economic research division of the Research Institute of Economics (經濟研究所) of Da Lian College of Economics and Management (大連經濟管理學院), the office secretary, the secretary to the general manager, the deputy director of office, the director of the research centre, the general manager of the corporate management department and the capital operation department of Potevio Group; the assistant to the factory manager and assistant factory manager of Xian Microwave Hardware Factory of the Posts and Telecommunications Ministry (郵電部西安微波設備廠), the Director of the second and fifth sessions of the Board of the Company and the chairman of the third and fourth Supervisory Committee of the Company. During the past three years, Mr. Zhang held directorships in two companies listed on the

Shanghai Stock Exchange, namely Eastern Communications Co., Ltd.(東方通信股份有限公司)(Stock Code: 600776) and Shanghai Potevio Co., Ltd.(上海普天郵通科技股份有限公司)(Stock Code: 600680). Mr. Zhang joined the Company in October 1997 and has more than twenty years of experience in corporate investment and operation management.

Mr. Guo Aiqing, aged 56, Mr. Guo received university education and is a senior engineer. He is currently the executive Director of the sixth session of the Board, the deputy managing director, the general manager and secretary to party committee 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(郵電部侯馬電纜廠)and an executive Director of the second, third, fourth and fifth sessions of the Boards of the Company. Mr. Guo has also served as directors and chairmen in non-wholly owned subsidiaries including Chengdu SEI Optical Fiber Co., Ltd.(成都中住光纖有限公司), Chengdu MCIL Radio Communications Co. Ltd.(成都中菱無線通信電纜有限公司)and Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant(成都電纜雙流熱縮製品廠)and he has served as directors and chairmen in associates of the Company including Chengdu CCS Optical Fibre Cable Co., Ltd.(成都康寧光纜有限公司)and Chengdu Peak Power Sources Co., Ltd.(成都皮克電源有限公司)respectively. Mr. Guo joined the Company in April 1999. He has over thirty years of experience in the production of telecommunication cables and corporate management.

Ms. Fu Ruolin, aged 41, Ms. Fu has a master's degree of Business Administration, a bachelor's degree in Posts and Telecommunications Management Engineering from Changchun Institute of Posts and Telecommunications and a master's degree of Business Administration of Business Collage of Renmin University of China. Ms. Fu is currently an executive Director of the sixth session of the Board of the Company, the general manager of the finance department of China Potevio and the director of Putian Eastern Communications Group Co., Ltd.(普天東方通信集團有限公司), the director of Nanjing PUTIAN Communications Technology Business Company Limited(南京普天通信科技產業園有限公司), the director of Beijing PUTIAN Investment Management Company Limited(北京普天聯創投資管理有限公司). Ms. Fu had consecutively served as assistant to general manager of the finance department, the chief of financial management division and deputy general manager of finance department of Potevio Group. During the past three years, Ms. Fu held directorships in two listed companies on the Shanghai Stock Exchange, namely Shanghai Potevio Co., Ltd.(上海普天郵通科技股份有限公司)(Stock Code: 600680) and Eastern Communications Co., Ltd.(東方通信股份有限公司)(Stock Code: 600776), and Nanjing PUTIAN Telecommunications Co., Ltd.(南京普天通信股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 200468). Ms. Fu joined the Company in September 2009 and has ten years of extensive experience in financial management and business administration.

Mr. Chen Ruowei, aged 49, Mr. Chen has a master's degree in Business Administration and is a senior engineer. He holds bachelor's degree in Engineering from Tsinghua University, master's degree in Engineering from Beijing University of Posts and Telecommunications and master's degree in Business Administration from Norwegian School of Management. Mr. Chen 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 and sixth sessions of the Board of the Company and also holds directorships in Wuhan PUTIAN Power Co., Ltd.(武漢普天電源有限公司) 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 Potevio Group, the general manager of Beijing Optel Telecommunication Technology Limited(北京奧普泰通信技術有限公司), a director and general manager of Hutchison Optel Telecommunication Technology Limited(和記奧普泰通信技術有限公司) and deputy general manager of systems headquarters of China Potevio. Mr. Chen joined the Company in August 2008 and has twenty years of extensive experience in optical communication, information technology and business management.

Mr. Su Wenyu, aged 43, Mr. Su has a master's degree of Management, a bachelor's degree in Telecommunications Engineering from Changchun Institute of Posts and Telecommunications and a master's degree of Corporate Management from Beijing University of Posts and Telecommunications. Mr. Su is currently an executive Director of the sixth session of the Board of the Company, the deputy general manager of the headquarter of international business department of China Potevio, the deputy general manager of Beijing Great Dragon Information Technology International Co., Ltd. (北京巨龍東方國際信息技術有限責任公司) and the director of Shandong Huari Battery Co., Ltd.(山東華日電池有限公司). Mr. Su had consecutively served as the project manager of import and export department of Potevio Group, the department manager of Youdian Wanda Communications Co., Ltd(郵電萬達通信有限公司), the general manager of Putian Taili Communications Equipment Beijing Co., Ltd(北京普天太力通信設備銷售有限公司), the chief of joint venture cooperation division of international cooperation department and the deputy general manager of international cooperation department of Potevio Group as well as the deputy general manager and the department head of human resource department(人事總務部部長) of Panasonic Putian Mobile Communications Beijing Co., Ltd(北京松下普天通信設備有限公司). Mr. Su joined the Company in September 2009 and has fifteen years of extensive experience in corporate operation management and external business development.

Mr. Jiang Jianping, aged 41, Mr. Jiang has a master's degree of Economics, a bachelor's degree in Economics (Accounting) from The Central Institute of Finance and Banking (中央財政金融學院) and a master's degree of Economics (Finance) from The Central University of Finance & Economics (中央財經大學). Mr. Jiang is currently an executive Director of the sixth session of the Board of the Company, the deputy general manager of corporate development department of China Potevio, deputy general manager of Putian Sea Oil New Energy Power Co., Ltd (普天海油新能源動力有限責任公司) and also holds directorships in Shanghai Potevio Network Technologies Co., Ltd. (上海普天網絡技術有限公司), Beijing Capital Co., Ltd (北京首信股份有限公司), Chongqing PUTIAN Communication Equipment Co., Ltd. (重慶普天通信設備有限公司), Hangzhou Swangoose Electrical Co., Ltd. (杭州鴻雁電器有限公司), director of Infotech Pacific Ventures L.P. in Beijing (北京盈富泰克創業投資有限公司), executive director (legal representative) of Shenzhen Changlang Information Technology Co., Ltd. (深圳市暢朗資訊技術有限公司) and Shanghai Potevio Co., Ltd. (上海普天郵通科技股份有限公司), a company listed on the Shanghai Stock Exchange, (Stock Code: 600680). Mr. Jiang had consecutively held positions as the deputy division chief of the general affairs division of General Office of China Everbright Group Limited (中國光大(集團)總公司), the management personnel of three committees of capital operation department of Potevio Group (普天集團資本運營部三會管理專員) and the investment business manager, senior investment business manager and the deputy general manager of capital operation department of China Potevio. Mr. Jiang joined the Company in September 2009 and has ten years of extensive experience in economic analysis and capital operation.

Independent Non-executive Directors

Mr. Choy Sze Chung, Jojo, aged 52, Mr. Choy has a master's degree of Business Administration. He obtained Master of Business Administration Degree from University of Wales and Master of Business Law Degree from Monash University. Mr. Choy is currently the vice chairman of National Resources Securities Limited (中潤證券有限公司). Mr. Choy is the independent non-executive director of the companies listed on the Hong Kong Stock Exchange, namely, Zhaojin Mining Industry Company Limited (招金礦業股份有限公司) (Stock Code: 01818) and Sparkle Roll Group Limited (耀萊集團有限公司) (Stock Code: 00970). Mr. Choy is also the vice chairman of the Institute of Securities Dealers Limited, a committee member of Society of Registered Financial Planners Limited, a fellow member of Institute of Financial Accountants, a fellow member of the Institute of Compliance Officer, a member of Shantou Chinese People's Political Consultative Committee, a honorary president of Shantou Overseas Friendship Association, a honorary president of Shantou Overseas Exchange Association, a standing director of The Overseas Teo Chew Entrepreneurs Association, a honorary principal of Chen Po Sum School and a committee council member of Rotary Club Kowloon West. He is an independent non-executive Director of the fifth and sixth sessions of the Board of the Company. Mr. Choy has joined the Company since 16 February 2006. Mr. Choy has extensive experience in the securities industry and business management.

Mr. Wu Zhengde, aged 66, Mr. Wu is a doctorate postgraduate with a bachelor's degree, a master's degree and a doctorate degree of the University of Electronic Science and Technology of China in Chengdu. He is 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 in Chengdu and a tutor for doctorate students in the discipline of "electromagnetic field and microwave technology". Mr. Wu is a national grade expert with remarkable contribution and was appointed as a fellow of the US New York Academy of Science in 1993. He is an independent non-executive Director of the fourth, fifth and sixth sessions of the Board of the Company. Mr. Wu has joined the Company since 1 October 2003.

Mr. Li Yuanpeng, aged 71, Mr. Li received university education in special izat ion. He is currently a senior consultant of the fifth Research Institute of Telecom Science and Technology Research and Development Institute, a professor-grade senior engineer, a member of the committee of the China Institute of Communications, a member of the Communication Lines Committee (通信線路委員會), 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 director 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 director of the Academic Committee of the Research Institute, the director of the Senior Technology Position Appraisal Committee, the director 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 of the China Institute of Communication and, a chief member of the Communication Lines Committee. He is an independent non-executive Director of the fifth and sixth sessions of the Board of the Company. Mr. Li has joined the Company since 17 August 2006.

Service Contracts of Directors

Each of the existing Directors appointed or reelected on 18 September 2009 has entered into a service contract with the Company, with a term of three years commencing from 18 September 2009 up to 17 September 2012. 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 59, Mr. Yang received university education in specialization. He is the general manager of audit compliance department of China Potevio, the chairman of the fifth and sixth sessions 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(杭州鴻雁電器有限公司). Mr. Yang had served as the section chief of production division and the deputy director of the 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 and the deputy director of corporate reform office(企業改制辦副主任)of Potevio Group, secretary to party committee and deputy head of Guilin Potevio Telecommunication Equipment Factory(桂林普天電信設備廠), vice secretary to party committee and secretary to discipline committee and chairman of labour union of Putian Capital Communications Equipment Factory (Group)(普天首信通信設備廠(集團)). Mr. Yang joined the Company in August 2008 and has thirty years of extensive experience in corporate management, and audit compliance.

Mr. Xiong Ting, aged 48, Mr. Xiong received university education in specialization and is currently the Supervisor of the sixth session of the Supervisory Committee of the Company, the deputy secretary of the party committee, the secretary of the Disciplinary Commission and a chairman of the labour union of the Company. Mr. Xiong was the secretary of the league committee of the Ministry of Posts and Factory Telecommunications Cable Chengdu (郵電部成都電纜廠), the factory manager of the branch factory, the director of the office, assistant to general manager of the Company, manager of the supplier company and supervisor of the fifth session of the Supervisory Committee. Mr. Xiong joined the Company in 1982 and has over ten years of experience in corporate management.

Ms. Dai Xiaoyi, aged 37, Ms. Dai graduated from Chongqing Institute of Post and Telecommunications with a college degree, majoring in fiber-optic communication in the faculty of telecommunications. She is an engineer and is currently a deputy director of Party-Masses Work Department(黨群工作部副主任)and vice-chairman of the labour union of the Company. Ms. Dai joined the Company in September 1995 and had consecutively served as technician, assistant staff and engineer of the examination department(檢測部). Ms. Dai was democratically elected by the staff of the Company as a Supervisor of the sixth session of the Supervisory Committee of the Company.

Service Contracts of Supervisors

Each of the existing Supervisors appointed or re-elected on 18 September 2009 has entered into a service contract with the Company, with a term of three years commencing from 18 September 2009 to 17 September 2012. Terms of office of all Supervisors are renewable for reelection 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

Ms. Chu Kit Lai, aged 34, joined the Company on 19 January 2011. Ms. Chu has over 10 years of experience in professional financial, management accounting, auditing and company secretarial services; she is a Certified Financial Management Planner from the Hong Kong Institute of Bankers ("HKIB"). In 2008, Ms. Chu was awarded the Certificate of Merit of the Most Outstanding Financial Management Planners Award from the HKIB. Ms. Chu is currently a Member of Hong Kong Securities Institute and a Member of the Hong Kong Institute of Certified Public Accountants; she is also a Fellow Member of the Association of Chartered Certified Accountant and a Member of the Association of Woman Accountants (Hong Kong).

4. SENIOR MANAGEMENT

Mr. Dai Kang, aged 44, received university education and is a senior engineer and currently the technology deputy general manager of the Company. Mr. Dai 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 craftsmanship.

Mr. Xu Biao, aged 48, received university education and is a senior accountant and currently the chief financial controller of the Company. Mr. Xu 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 43, received university education and is currently the marketing deputy general manager of the Company. Mr. Hu joined the Company in 1990. He had served as manager of sales department, manager, assistant to general manager and deputy general manager of the Company. Mr. Hu has extensive experience in marketing and image promotion.

STAFF AND REMUNERATION POLICY OF THE GROUP

As at 31 December 2010, the Group had 1,630 staff members.

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

SALE OF STAFF QUARTERS

The Group approved a new programme for raising funds from its staff to construct staff quarters during the year 2006. As at 31 December 2010, a total of prepaid deposits of approximately RMB7,873,000 was received from the staff. Once the funds raising programme for construction of staff quarters has been completed, the Group will transfer all its property rights in the staff quarters to its staff.

BASIC MEDICAL INSURANCE SCHEME FOR STAFF

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 RMB1,691,208.27 in the Year (2009: approximately RMB1,345,000). The Board considered that the implementation of the basic medical insurance scheme for staff 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 or any of its subsidiaries was a party) in which any Director or Supervisor had significant interests, whether directly or indirectly at any time during the Year and at the end of the Year.

COMPETING BUSINESS INTERESTS OF DIRECTORS AND SUPERVISORS

During the Year, none of the Directors nor Supervisors have any interests in a business which directly or indirectly competes or may compete with the business of the Company (excluding the Company's business) and is discloseable under the Rules Governing the Listing of Securities on the Stock Exchange ("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 2010, 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 the same 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 or children under 18 years old was 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

Details about the remuneration of Directors are set out in note 14 to the consolidated financial statements on pages 90 and 91 of this annual report.

FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals in the Group during the Year include one Director. Details of the remuneration of the five highest paid individuals are set out in note 15 to the consolidated financial statements on page 92 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2010, 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 104 of this annual report.

PLEDGE OF ASSETS

During the Year, owing to sufficient working capital for production and operation, the Group did not obtain any new loan from banks which was secured by the Group's assets (2009: the Group did not obtain any loan from banks which was secured by the Group's assets).

At 31 December 2010, the Group did not pledge any land use right as security (2009:14,855,000).

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.

MATERIAL LITIGATION OR ARBITRATION

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

EXTRAORDINARY GENERAL MEETING

During the Year, the Company did not hold any extraordinary general meeting.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Year, none of the Directors is aware of any information that would reasonably indicate that the Company was not for any time during the Year in compliance with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The Board considers that the Company has complied with the code provisions of the Code on Corporate Governance Practices as 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 as 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 Board 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")

The Company established the Audit Committee in accordance with the Listing Rules. The Audit Committee comprises Mr. Choy Sze Chung, Jojo (Chairman of the Audit Committee), Mr. Wu Zhengde and Mr. Li Yuanpeng, all being independent non-executive Directors of the Company. The Audit Committee is responsible for matters such as conducting reviews of the internal control and financial reports and has reviewed the Company's audited financial statements for the year 2010.

The Audit Committee considered that the audited financial statements for the year 2010 has complied with the requirements of the applicable accounting standards and laws and appropriate disclosure was made.

AUDITORS

The Company convened an annual general meeting ("AGM") on 19 June 2009 at which PKF, Certified Public Accountants was appointed as the auditors of the Company.

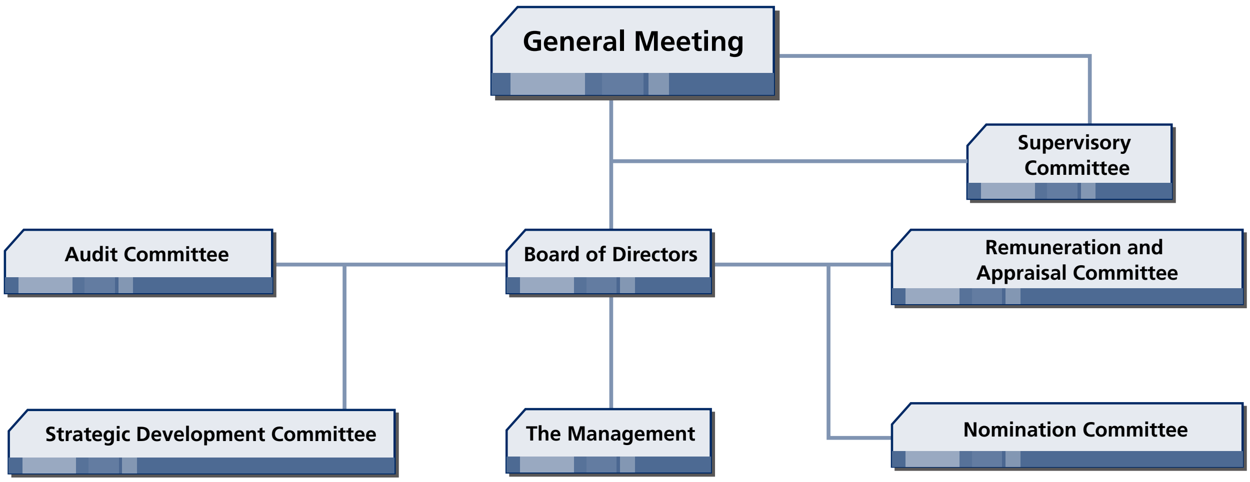
The financial statements of the Group prepared in accordance with the HKFRS have been audited by PKF, Certified Public Accountants. The auditors will retire at the forthcoming AGM to be convened and is eligible for re-appointment in the forthcoming AGM.

By order of the Board
Zhang Xiaocheng
Chairman

24 March 2011

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 2010. The Company has 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 various stakeholders (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 as set out in Appendix 14 to the Listing Rules ("CG Code").

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 2010, the Company has adopted Hong Kong Financial Reporting Standards 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 CG Code.

(b) CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY 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 2010, none of the Directors nor the Supervisors held interests in any securities of the Company. Having made specific enquiries to all Directors and Supervisors, the Board confirmed that all Directors and Supervisors had fully complied with the Model Code from 1 January 2010 to 31 December 2010.

GOVERNANCE STRUCTURE

(c) THE BOARD

Being the sixth session of the Board since the establishment of the Company which was elected at the extraordinary general meeting of the Company held on 18 September 2009, the Board 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 18 September 2009 to 17 September 2012. Members of the Board come from different industries and they have extensive experience in information technology, securities and finance, wire and cable industry, corporate management, financial accounting, project management and capital operation, 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 20 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 the 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 of the Company had held four meetings respectively 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 14 January 2010, 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 or financial accounting. The candidates of independent non-executive Directors are also in compliance 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 39 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 financial 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 2010, 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 Standards 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 four meetings shall be convened each year and if necessary, extraordinary Board meetings will be held. 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 for 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 to enable them reviewing 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 discussions 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, deputy general manager and chief financial controller 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 from time to time 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 or professional advisors 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 appropriate.

(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 18 September 2009 to 17 September 2012. 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 currently 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, Ms. Fu Ruolin and Mr. Jiang Jianping with effect from 18 September 2009. 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 give 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
- Other relevant 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, 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 the 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 of the Company held one meeting, specific details of attendance of the meetings are set out on page 39 of this section. The committee mainly conducts the following tasks:

- reviewed the remuneration proposal for the Company's domestic and international auditors reappointed in 2009, 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 2010 are provided on pages 90 to 91; 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 currently 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. Chen Ruowei and Mr. Su Wenyu. 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 search for suitable candidates for Directors and other managerial roles;
- 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
- Other relevant matters authorized by the Board.

The chairman of the nomination committee shall report the passed resolution(s) and the voting results to the Board 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).

During the Year, the nomination committee of the Company did not hold any meeting.

(h) AUDIT COMMITTEE

The Company has set up an audit committee since August 1999. The committee currently comprises three members, including the existing three 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 auditor's 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 other related issues;

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

- To ensure any uncertainty incidents or circumstance which may adversely affect the Group are identified and 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 two meetings, all convened by the fifth session of the audit committee. Specific details of attendance of the meetings are set out on page 39 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 2010 and proposed to the Board for approval;

- To review a resolution in relation to the re-appointment of PKF Certified Public Accountants and Daxin Certified Public Accountants as the international and the domestic auditors of the Company respectively for the year 2010, with a term up to the conclusion of the next annual general meeting of the Company and proposed to the Board for approval;

- To review the Group's interim results report, unaudited financial reports and interim results announcement for the six months ended 30 June 2010;
- 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 currently comprises 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. Zhang Xiaocheng and Mr. Guo Aiqing. The committee is chaired by Mr. Zhang Xiaocheng.

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

- To study and advise on the Company's mid to long-term strategic development and planning;
- To study and advise on the material investment, financing proposal, significant use of capital and project of asset operation subject to approval of the Board pursuant to the Articles of Association;
- To study and advise any other material events which have influence on the development of the Company;

- To check the implementation of the above matters; and

- Other relevant 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.

During the year, the strategic development committee did not convene a meeting.

During the year, 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 way of electronic communication
	4	2	2	2	2	–				–	–	–
Execue Directors												
Zhang Xiaocheng *(Chairman)*	3	1	2	–	–	–	–	–	–	–	–	–
Guo Aiqing *(Vice Chairman)*	4	2	2	–	–	–	–	–	–	–	–	–
Fu Ruolin	2	0	2	–	–	–	–	–	–	–	–	–
Chen Ruowei	4	2	2	–	–	–	–	–	–	–	–	–
Su Wenyu	3	1	2	–	–	–	–	–	–	–	–	–
Jiang Jianping	3	1	2	–	–	–	–	–	–	–	–	–
Independent Non-Executive Directors												
Choi Sze Chung, Jojo	3	1	2	1	1	–	–	–	–	–	–	–
Wu Zhengde	3	1	2	1	1	–	–	–	–	–	–	–
Li Yuanpeng	3	1	2	1	1	–	–	–	–	–	–	–

(j) AUDITOR'S 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, no remuneration was paid to the international and domestic auditors for provision of non-audit related services to the Company.

MONITORING MECHANISM

SUPERVISORY COMMITTEE

The Supervisory Committee was established in accordance with the relevant PRC law. It independently performs its supervisory duty under the law to protect against 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. On 18 September 2009, an extraordinary general meeting was held to elect and confirm the sixth session of the Supervisory Committee of the Company. It comprised three Supervisors, including one Supervisor acting as staff representative and two shareholders' representative Supervisors. All Supervisors (including Supervisor acting as staff representative) will serve a term of office from 18 September 2009 up to 17 September 2012. The members of Supervisory Committee include Mr. Yang Zhihe, Mr. Xiong Ting and Ms. Dai Xiaoyi, with Mr. Yang Zhihe as the chairman of the Supervisory Committee. The number of members and composition of the Supervisory Committee of the Company are in accordance with the relevant laws and regulations. Biographies of the Supervisors are set out on page 21 of this annual report.

During the Year, the Supervisory Committee convened two meetings.

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. The Supervisors had performed their statutory duties impartially.

INTERNAL CONTROL AND INTERNAL AUDIT

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 Group's financial operations 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 subsidiaries so as to confirm that 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.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for ensuring that the financial statements for each financial year are prepared to give a true and fair view of the state of affairs, profitability and cash flow of the Group in accordance with the disclosure requirements of the relevant laws and regulations and disclosure provisions of the Listing Rules.

In preparing the financial statements of the Group for the year ended 31 December 2010, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The auditor's statement about their reporting responsibilities on the financial statements is set out on page 47 and page 48 of this annual report.

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 announcements 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 2010, the Company convened one annual 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 2010, 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 the 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 2010, 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 2010, the Company's operations had strictly complied with the Company Law, the Listing Rules, the Articles of Association and other applicable laws 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 and there is 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. WORK REPORT OF THE BOARD

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

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 IN AUDITOR'S MANAGEMENT LETTER

The Supervisory Committee considers that the Company should make formal study on the opinions on management raised by the management letter, and work out practical and feasible measures and solutions for implementation as soon as possible.

6. LITIGATIONS

During the year 2010, the Company had no other material litigations.

The Supervisory Committee recognized the efforts made by the Company in adjusting the product mix in 2010. However, upon examination against the basic requirements laid down in 2010 for the three major tasks, the Supervisory Committee found that the development of optical fiber, optical cable and heat-shrinkable products business was not as stable as required; the loss reduction objective for copper cables business (including MCIL) was not met satisfactorily. Notwithstanding some progress made, new products development was still far from the goal set by the Board, which should pay particular attention to this problem. Meanwhile, we suggest the Board to strengthen the Company's internal control and refine management to prevent various risks, exchange ideas regularly with independent non-executive Directors, communicate from time to time with the management responsible for operation, pay more attention to the operation and management of the Company and the operation of our invested enterprises, work hard to achieve the operating plan for 2011, improve product profitability and ensure the sustainable and healthy development of the Company.

In the year 2011, the Supervisory Committee will fully exercise its function in supervising the decision-making, finance, 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 protection of the interest of all Shareholders.

Yang Zhihe
Chairman of Supervisory Committee

24 March 2011

PKF

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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 49 to 109, which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these 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 of financial statements that give a true and fair view 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 2010 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
24 March 2011

	Note	2010 RMB'000	2009 RMB'000
Turnover	6	**515,758**	571,340
Cost of sales		**(449,415)**	(500,593)
Gross profit		**66,343**	70,747
Other revenue	7	**15,049**	8,379
Other income	7	**12,177**	19,319
Distribution costs		**(41,077)**	(49,374)
Administrative expenses		**(91,880)**	(67,273)
Operating loss	8	**(39,388)**	(18,202)
Finance costs	9	**(1,481)**	(1,093)
Gain on disposal of a subsidiary	10	**156,378**	—
Share of results of associates		**(5,631)**	27,152
Profit before income tax		**109,878**	7,857
Income tax expense	11	**(806)**	(5,799)
Profit for the year		**109,072**	2,058
Profit/(loss) for the year attributable to:			
Owners of the Company		**103,262**	(9,259)
Non-controlling interests		**5,810**	11,317
		109,072	2,058
		RMB Cents	*RMB Cents*
Basic earnings/(loss) per share for profit/(loss) attributable to the owners of the Company	12	**26**	(2)

	Note	**2010** **RMB'000**	2009 RMB'000
Profit for the year		**109,072**	2,058
Other comprehensive income, net of tax:			
Fair value (loss)/gain on available-for-sale investments	13	**(3,765)**	14,662
Total comprehensive income for the year		**105,307**	16,720
Total comprehensive income attributable to:			
Owners of the Company		**99,497**	5,403
Non-controlling interests		**5,810**	11,317
		105,307	16,720

	Note	**2010** **RMB'000**	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**308,108**	283,352
Land use rights	17	**39,897**	40,895
Construction-in-progress	18	**118,844**	61,497
Interests in associates	19	**209,346**	214,552
Available-for-sale investments	20	**20,485**	24,915
Technical know-how	21	**768**	875
Deferred tax assets	22	**19,010**	14,897
		716,458	640,983
CURRENT ASSETS			
Inventories	23	**229,396**	258,574
Trade and bills receivables	24	**155,035**	138,930
Prepayments, deposits and other receivables		**107,505**	33,360
Loan advanced to an associate	32	**8,000**	8,000
Amounts due from associates	32	**472**	480
Amounts due from related companies	32	**869**	427
Deposits with incumbrance	25	**25,543**	32,358
Bank balances and cash	25	**263,596**	379,947
		790,416	852,076
Assets classified as held for sale	26	**8,473**	25,050
		798,889	877,126

	Note	**2010** **RMB'000**	2009 RMB'000
LESS :			
CURRENT LIABILITIES			
Trade and bills payables	27	**63,037**	90,701
Other payables and accrued charges		**117,178**	163,848
Deposits for staff quarters	18	**6,410**	6,493
Amounts due to associates	32	**16,641**	18,508
Amounts due to related companies	32	**8,892**	9,908
Current income tax payable		**3,762**	3,628
Bank and other borrowings - amount due within one year	28	**15,700**	15,700
		231,620	308,786
NET CURRENT ASSETS		**567,269**	568,340
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,283,727**	1,209,323
NON-CURRENT LIABILITY			
Bank and other borrowings — amount due after one year	28	**9,509**	10,578
NET ASSETS		**1,274,218**	1,198,745

	Note	2010 RMB'000	2009 RMB'000
REPRESENTING:			
CAPITAL AND RESERVES			
Share capital	29	**400,000**	400,000
Reserves		**785,426**	685,929
Equity attributable to the owners of the Company		**1,185,426**	1,085,929
Non-controlling interests		**88,792**	112,816
TOTAL EQUITY		**1,274,218**	1,198,745

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 24 MARCH 2011

DIRECTOR *DIRECTOR*

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (note a)	Statutory surplus reserve fund RMB'000 (note b)	Financial assets valuation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2009	400,000	303,272	288,855	53,403	4,197	30,799	1,080,526	102,829	1,183,355
Total comprehensive income for the year	—	—	—	—	14,662	(9,259)	5,403	11,317	16,720
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	(1,330)	(1,330)
At 31 December 2009	400,000	303,272	288,855	53,403	18,859	21,540	1,085,929	112,816	1,198,745
Total comprehensive income for the year	—	—	—	—	(3,765)	103,262	99,497	5,810	105,307
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	(1,500)	(1,500)
Released on disposal of a subsidiary	—	—	—	—	—	—	—	(28,334)	(28,334)
Transfer	—	—	—	6,564	—	(6,564)	—	—	—
At 31 December 2010	**400,000**	**303,272**	**288,855**	**59,967**	**15,094**	**118,238**	**1,185,426**	**88,792**	**1,274,218**

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.

Other than the retained earnings, the Company does not have any reserves available for distribution as at 31 December 2010 and 2009.

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) 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 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.

	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**109,878**	7,857
Adjustments for:		
(Reversal)/provision of impairment loss on trade receivables	**(10,650)**	1,398
Provision/(reversal) of impairment loss on other receivables	**2,703**	(1,531)
Provision/(reversal) of write-down on inventories	**19,433**	(11,337)
Exchange (gain)/loss in foreign currency	**(1,069)**	149
Interest income	**(6,054)**	(6,500)
Interest expenses	**1,173**	753
Depreciation and amortisation	**28,387**	22,539
Gain on disposal of a subsidiary	**(156,378)**	—
Gain on disposal of an asset transferred from an associate	**—**	(6,427)
Loss/(gain) on disposals of property, plant and equipment	**199**	(12)
Share of results of associates	**5,631**	(27,152)
Operating cash flows before movements in working capital	**(6,747)**	(20,263)
Decrease/(increase) in inventories	**9,745**	(46,357)
(Increase)/decrease in trade and bills receivables	**(5,455)**	64,864
(Increase)/decrease in prepayments, deposits and other receivables	**(6,280)**	43,987
Decrease in amounts due from associates	**8**	1,008
(Increase)/decrease in amounts due from related companies	**(442)**	3,206
(Decrease)/increase in trade and bills payables	**(27,664)**	26,396
(Decrease)/increase in other payables and accrued charges	**(98,869)**	27,963
(Decrease)/increase in amounts due to associates	**(1,867)**	4,936
(Decrease)/increase in amounts due to related companies	**(1,016)**	318
Cash (used in)/generated from operations	**(138,587)**	106,058
PRC income tax paid	**(4,785)**	(8,128)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(143,372)**	97,930

	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan advanced to an associate	—	(8,000)
Payments to construction-in-progress	(104,637)	(68,747)
Interest received	6,054	6,500
Decrease/(increase) in deposits with incumbrance	6,815	(23,650)
Purchases of property, plant and equipment	(9,007)	(11,943)
Proceeds from disposal of an asset transferred from an associate	—	27,000
Proceeds from disposal of financial assets at fair value through profit or loss	—	100,000
Proceeds from disposals of property, plant and equipment	1,624	162
Proceeds from disposal of a subsidiary	73,545	—
Receipt in advance from disposal of property, plant and equipment	55,300	—
NET CASH GENERATED FROM INVESTING ACTIVITIES	29,694	21,322
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of bank and other borrowings	—	(3,500)
Interest paid	(1,173)	(753)
Dividends paid to non-controlling interests	(1,500)	(1,330)
NET CASH USED IN FINANCING ACTIVITIES	(2,673)	(5,583)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(116,351)	113,669
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	379,947	266,278
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Bank balances and cash	263,596	379,947

1. GENERAL

The Company is a sino-foreign joint stock limited company established in the Peoples' Republic of China ("PRC"). Its ultimate holding company is China PUTIAN Corporation ("Potevio Group"), a state-owned enterprise established in the PRC. China Potevio Company Limited ("China Potevio" or "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 ("Stock Exchange").

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

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards 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 new and revised following Hong Kong Financial Reporting Standards:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK Int-5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRSs	Improvements to HKFRSs (2009)

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.

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 at 31 December 2010 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 2010:

HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 9	Financial Instruments[6]
HK(IFRIC) Int-19	Extinguishing Financial Liabilities with Equity Instruments[2]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[5]
Amendment to HKAS 32	Classification of Rights Issues[1]
Amendment to HKFRS 7	Disclosures - Transfers of Financial Assets[4]
Amendments to HK(IFRIC) Int-14	Prepayments of a Minimum Funding Requirement[3]
Improvements to HKFRSs 2010[7]	

1 Effective for annual periods beginning on or after 1 February 2010

2 Effective for annual periods beginning on or after 1 July 2010

3 Effective for annual periods beginning on or after 1 January 2011

4 Effective for annual periods beginning on or after 1 July 2011

5 Effective for annual periods beginning on or after 1 January 2012

6 Effective for annual periods beginning on or after 1 January, 2013

7 Amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34, HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 and amendments to HKFRS 3, HKAS 21, HKAS 28, HKAS 31, HKAS 32, HKAS 39 are effective for annual periods beginning on or after 1 July 2010

The Group made an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial statements.

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 available-for-sales investments.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December each year. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of these interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 3(i)) or, when appropriate, the cost on initial recognition of an investment in an associate (Note 3(c)).

(c) Interests in associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group is in a position to exercise significant influence, including participation in financial and operating policy decision.

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 statement of financial position 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.

Consulting service income is recognised when related services are rendered.

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.

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 and the expenditure on the development of staff quarters. Construction-in-progress is carried at cost less any recognised impairment loss.

Construction-in-progress regarding property, plant and equipment is transferred to the appropriate category of property, plant and equipment when completed and ready for intended use.

Construction-in-progress regarding staff quarters were net off to the deposits received from the staff when completed and the title has been passed to the staff. The deposits from the staff are calculated based on the construction cost of each staff quarters. The Group expects no gain or loss from such scheme.

(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 shorter, using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Intangible asset

Intangible assets acquired separately

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

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

At each year end date, the Group reviews the carrying amount of its intangible asset to determine whether there is any indication that the intangible asset has suffered an impairment loss.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Intangible asset *(Continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

(i) Financial assets

The Group classifies its financial assets into 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 determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months from the year end date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the statement of financial position.

(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 year end date.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Financial assets *(Continued)*

Regular way 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. Financial asset carried at fair value through profit or loss are initially recognised at fair value, and the transaction costs are expensed in the income statement. 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 subsequently 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 as other comprehensive income in equity.

The Group assesses at each year end 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, except when they are capitalised on the acquisition or construction of qualifying assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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) Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement and are reported separately as other income.

(m) Impairment

At each year end 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)*

(n) 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 outside profit or loss, in which case the deferred tax is dealt with in other comprehensive income or directly in equity.

Current tax balance and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  — the same taxable entity; or

  — different taxable entities, which in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) 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.

(p) 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.

(q) 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 a regular contribution to SABSI, which is the supervisory body and is responsible for the retirement scheme and all other relevant business.

(r) 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Operating leases

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.

(t) 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 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 amounts of property, plant and equipment and construction-in-progress have been determined based on value-in-use calculations.

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

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 year end 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.

ALLOWANCE FOR BAD AND DOUBTFUL DEBTS

The Group performs ongoing credit evaluations of each of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of its 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 has historically been within the Group's expectation and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

RECOGNITION OF DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Pursuant to an agreement entered into between Shuangliu Land Reserve Centre and Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant (Shuangliu), a subsidiary of the Group, Shuangliu agreed to dispose certain land and building (the "Disposal") to the Shuangliu Land Reserve Centre at RMB87,204,327, of which RMB55,300,000 was received by the Group. Details of the disposal could be referred to the Company's circular dated 12 March 2009. Pursuant to the contract and the relevant rules and regulations, the Group is required to vacate the land and buildings, restore the land to a site that is ready for erection, surrender the relevant land use right certificate and register the land with the new occupant.

As at 31 December 2010, the Group did not completely vacate the land and buildings nor restore the land to a state that is ready for erection. Accordingly, the management did not reclassify the relevant land use right and buildings to assets classified as held for sale nor consider the Disposal as completed.

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 2010, which represents the Group's maximum exposure to credit risk, are as follows:

	2010	2009
	RMB'000	*RMB'000*
Trade and bills receivables	**155,035**	138,930
Other receivables	**77,923**	3,191
Loan advanced to an associate	**8,000**	8,000
Amounts due from associates	**472**	480
Amounts due from related companies	**869**	427
Deposits with incumbrance	**25,543**	32,358
Bank balances	**263,318**	379,748
	531,160	563,134

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

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 managing 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 year end 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 2010

		Due for payments				
	Carrying amounts	Within one year or on demand	More than one year and less than two years	More than two years and 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	63,037	63,037	—	—	—	63,037
Other payables and accrued charges	58,151	58,151	—	—	—	58,151
Amounts due to associates	16,641	16,641	—	—	—	16,641
Amounts due to related companies	8,892	8,892	—	—	—	8,892
Bank and other borrowings	25,209	16,580	48	411	9,982	27,021
	171,930	163,301	48	411	9,982	173,742

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

(b) Liquidity risk *(Continued)*

As at 31 December 2009

		Due for payments				
	Carrying amounts	**Within one year or on demand**	**More than one year and less than two years**	**More than two years and 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	90,701	90,701	—	—	—	90,701
Other payables and accrued charges	95,315	95,315	—	—	—	95,315
Amounts due to associates	18,508	18,508	—	—	—	18,508
Amounts due to related companies	9,908	9,908	—	—	—	9,908
Bank and other borrowings	26,278	16,586	53	159	11,152	27,950
	240,710	231,018	53	159	11,152	242,382

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

(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 2010 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.

	2010			2009		
	USD	***Euro***	***JPY***	*USD*	*Euro*	*JPY*
	'000	***'000***	***'000***	*'000*	*'000*	*'000*
Bank balances and cash	**621**	**—**	**—**	90	—	—
Trade payables	**(1,218)**	**—**	**(5,820)**	(1,302)	—	(7,512)
Bank loan	**—**	**(1,078)**	**—**	—	(1,078)	—
Net exposure arising from recognised assets and liabilities	**(597)**	**(1,078)**	**(5,820)**	(1,212)	(1,078)	(7,512)

At 31 December 2010, if RMB has weakened 10 per cent against the above foreign currencies with all other variables held constant, consolidated profit before tax for the year would have been approximately RMB1,331,000 lower (2009: approximately RMB1,940,000 lower).

(d) Interest rate risk

The Group's interest bearing financial instruments held at fixed interest rates were carried at amortised costs. Any changes in the interest rates affect only disclosure of their fair values.

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

(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 2010, 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 as other comprehensive income 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 2010 decreased by 10%, the carrying amount of the listed security investment and the equity as at 31 December 2010 would be decreased approximately by RMB2,048,000 (2009: approximately by RMB2,492,000) simultaneously, without affecting the Group's results for the year.

(f) Fair values

Financial instruments carried at fair value

The following table represents the carrying values of financial instruments measure at fair value at 31 December 2010 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level): fair values measured using quoted price (unadjusted) in active market for identical financial instruments.

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

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

(f) Fair values *(Continued)*

Financial instruments carried at fair value (Continued)

Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not based on observable market data.

	At 31 December 2010			At 31 December 2009		
	Level 1 **RMB'000**	**Level 2** **RMB'000**	**Level 3** **RMB'000**	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Available-for-sales investments	**20,485**	**—**	**—**	20,485	—	—

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance.

Information reported to the chief operating decision maker, directors of the Company, is more specifically focused on the types of goods delivered by the Group's operating divisions. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

Manufacture and sale of:

1. Copper cables and related products

2. Optical fibres and related products

3. Cable joining sleeves and related products

6. SEGMENT INFORMATION *(CONTINUED)*

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates, deferred tax assets and other corporate assets. Segment liabilities include trade payable, accruals and deposits received and other borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment result is "adjusted EBITDA" i.e. adjusted earnings before interest expenses, taxes, depreciation and amortisation expenses. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of results of associates, directors' and auditors' remuneration and other head office or corporate administrative costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expenses from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets by the segments in their operations.

6. SEGMENT INFORMATION *(CONTINUED)*

Information regarding the above segments is reported below.

Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segment for the years ended 31 December 2010 and 2009:

	For the year ended 31 December 2010				
	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	Elimination	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REPORTABLE SEGMENT TURNOVER					
External turnover	316,551	106,454	92,753	—	515,758
Inter-segment turnover	7,257	—	485	(7,742)	—
Total turnover	323,808	106,454	93,238	(7,742)	515,758
REPORTABLE SEGMENT RESULTS (ADJUSTED EBITDA)	(34,502)	20,002	8,007		(6,493)
Gain on disposal of a subsidiary					156,378
Depreciation and amortisation					(28,387)
Share of results of associates					(5,631)
Finance costs					(1,481)
Unallocated corporate expense					(4,508)
Profit before income tax					109,878

6. SEGMENT INFORMATION *(CONTINUED)*

Segments assets and liabilities

	As at 31 December 2010			
	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*
ASSETS				
Segment assets	828,786	137,416	207,988	1,174,190
Interests in associates				209,346
Available-for-sale investments				20,485
Deferred tax assets				19,010
Receivable for disposal of a subsidiary				50,300
Loan advanced to an associate				8,000
Deposits with incumbrance				25,543
Assets classified as held for sale				8,473
Consolidated total assets				1,515,347
LIABILITIES				
Segment liabilities	94,791	16,127	101,240	212,158
Current income tax payable				3,762
Borrowings				25,209
Consolidated total liabilities				241,129

6. SEGMENT INFORMATION *(CONTINUED)*

Segments assets and liabilities *(Continued)*

	As at 31 December 2010			
	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*
Other segment information				
Capital expenditure	49,716	10,721	53,207	113,644
Depreciation and amortisation	22,180	5,036	1,171	28,387
Interest income	(4,381)	(1,445)	(228)	(6,054)
Interest expense	1,173	—	—	1,173
Loss on disposals of property, plant and equipment	167	32	—	199
(Reversal of)/provision for impairment loss on trade receivables	(12,092)	—	1,442	(10,650)
Provision for impairment loss on other receivables	2,703	—	—	2,703
Write-down on inventories	19,104	—	329	19,433
Income tax (credit)/expense	(3,115)	2,585	1,336	806
Research and development expenditure	5,445	2,298	628	8,371

6. SEGMENT INFORMATION *(CONTINUED)*

Segment revenues and results

	For the year ended 31 December 2009				
	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	Elimination	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REPORTABLE SEGMENT TURNOVER					
External turnover	370,667	109,949	90,724	—	571,340
Inter-segment turnover	11,758	—	—	(11,758)	—
Total turnover	382,425	109,949	90,724	(11,758)	571,340
REPORTABLE SEGMENT RESULTS (ADJUSTED EBITDA)	(38,870)	34,316	6,659		2,105
Share of results of associates					27,152
Depreciation and amortisation					(22,539)
Gain on disposal of an asset transferred from an associate					6,427
Finance costs					(1,093)
Unallocated corporate expense					(4,195)
Profit before income tax					7,857

6. SEGMENT INFORMATION *(CONTINUED)*

Segments assets and liabilities

	As at 31 December 2009			
	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*
ASSETS				
Segment assets	925,780	111,619	160,938	1,198,337
Interests in associates				214,552
Available-for-sale investments				24,915
Deferred tax assets				14,897
Loan advanced to an associate				8,000
Deposits with incumbrance				32,358
Assets classified as held for sale				25,050
				1,518,109
LIABILITIES				
Segment liabilities	217,974	21,267	50,217	289,458
Current income tax payable				3,628
Borrowings				26,278
Consolidated total liabilities				319,364

6. SEGMENT INFORMATION *(CONTINUED)*

Segments assets and liabilities *(Continued)*

	As at 31 December 2009			
	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*
Other segment information				
Capital expenditure	51,086	2,380	27,224	80,690
Depreciation and amortisation	17,134	4,665	740	22,539
Interest income	(4,809)	(1,240)	(451)	(6,500)
Interest expense	753	—	—	753
Loss/(gain) on disposals of property, plant and equipment	54	(66)	—	(12)
Impairment loss on trade receivables	1,398	—	—	1,398
Reversal of impairment loss on other receivables	(1,531)	—	—	(1,531)
Reversal of write-down on inventories	(11,337)	—	—	(11,337)
Income tax (credit)/expense	(410)	3,679	2,530	5,799
Research and development expenditure	6,612	818	276	7,706

Entity-wide Information

All the Group's non-current assets are located in the PRC where all revenues are derived in the PRC.

7. OTHER REVENUE AND OTHER INCOME

	2010	2009
	RMB'000	*RMB'000*
Other revenue		
Interest income	**6,054**	6,500
Rental income	**1,021**	608
Government subsidy income *(Note (a))*	**1,223**	1,011
Consultancy fee income	**3,765**	—
Sale of scrap materials	**2,986**	260
	15,049	8,379
Other income		
Net exchange gain	**1,046**	—
Gain on disposal of an asset transferred from an associate	**—**	6,427
Gain on disposals of property, plant and equipment	**—**	12
Bad debt recovered	**116**	—
Reversal of impairment loss on trade receivables	**10,650**	—
Reversal of write-down on inventories	**—**	11,337
Reversal of impairment loss on other receivables	**—**	1,531
Sundry	**365**	12
	12,177	19,319

Note:

(a) Government subsidy income represents funds granted to subsidize the Company's research and development activities in 2010. (2009: A one-off unconditional subsidy from local government for the interruption to production in the 2008 earthquake and the difficulties of economic crisis that the Company encountered in 2009.)

8. OPERATING LOSS

	2010	2009
	RMB'000	*RMB'000*
Operating loss has been arrived at after charging:		
Auditor's remuneration	**1,050**	1,050
Amortisation of technical know-how	**107**	107
Amortisation of land use rights	**998**	997
Depreciation on property, plant and equipment	**27,282**	21,435
Loss on disposal of property, plant and equipment	**199**	—
Provision of impairment loss on trade receivables	**—**	1,398
Provision of impairment loss on other receivables	**2,703**	—
Provision for write-down on inventories	**19,433**	—
Net exchange loss	**—**	218
Staff costs (excluding directors' emoluments *(Note 14)*)		
— Salaries and allowances	**38,368**	40,570
— Defined contribution scheme contributions	**10,281**	9,724
Research and development expenditure recognised as an expense (included in administrative expenses)	**8,371**	7,706

9. FINANCE COSTS

	2010	2009
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**1,126**	715
Interest on bank borrowings not wholly repayable within five years	**47**	38
Other bank charges	**308**	340
	1,481	1,093

10. DISPOSAL OF A SUBSIDIARY

On 13 January 2008, the Company entered into an agreement to transfer all its equity interest in a non-wholly owned subsidiary, Dongguan CDC Cable Factory ("Dongguan CDC"), for a consideration of RMB124,000,000 (the "Disposal"). Details of this Disposal had been set out in the Company's circular dated 2 February 2008.

The Disposal was completed during the year. Up to 31 December 2010, the Company has received RMB73,700,000 and the balance of RMB50,300,000 is still outstanding up to the date of this report and included in other receivables.

The net assets of Dongguan CDC disposed of were as follows:

	2010 ***RMB'000***
Net assets disposed of:	
Property, plant and equipment	11,672
Land use right	1,062
Other receivables	3,337
Amount due from immediate holding company	52,713
Amount due to immediate holding company	(20,270)
Non-controlling interest	(28,334)
Net assets disposed of	20,180
Direct expenses incurred	155
Waiver of amount due from immediate holding company	(52,713)
	(32,378)
Gain on disposal	156,378
Total consideration	124,000
Net cash inflow arising on disposal:	
Cash received	73,700
Direct expenses incurred	(155)
	73,545

11. INCOME TAX EXPENSE

	2010	2009
	RMB'000	*RMB'000*
PRC enterprise income tax:		
— provision for the year	**4,254**	6,015
— over-provision in prior years	**—**	(3,345)
	4,254	2,670
Deferred taxation *(Note 22)*	**(3,448)**	3,129
	806	5,799

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 2010.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Progress passed the Corporate Income Tax Law of the People's Republic of China (the "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.

Excepted for Chengdu Gaoxin Cable Company Limited ("Gaoxin"), 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 authories in 2008, the Group, excepted for Gaoxin, continues to enjoy the preferential tax rate of 15% for the three years ended 31 December 2010.

11. INCOME TAX EXPENSE *(CONTINUED)*

Gaoxin did not enjoy preferential policy in the form of reduced tax rate and EIT is provided at the rate of 25% for the year ended 31 December 2010.

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

	2010	2009
	RMB'000	*RMB'000*
Profit before income tax	**109,878**	7,857
Tax at applicable tax rate of 25% (2009: 25%)	**27,470**	1,964
Tax effect of share of results of associates	**1,408**	(6,788)
Tax effect of income not subject to tax	**(36,756)**	(1,860)
Tax effect of expenses not deductible for tax purpose	**15,346**	19,848
Over-provision in prior years	**—**	(3,345)
Effect of preferential tax rate	**(6,662)**	(4,020)
Income tax expense for the year	**806**	5,799

12. BASIC EARNINGS / (LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the Group's profit attributable to the owners of the Company of approximately RMB103,262,000 (2009: loss of approximately RMB9,259,000) and based on weighted average number of 400,000,000 (2009: 400,000,000) shares for the purpose of basic earnings/(loss) per share.

Diluted earnings/(loss) per share are not presented as there were no dilutive shares outstanding during the two years ended 31 December 2010.

13. OTHER COMPREHENSIVE INCOME

Tax effects relating to other comprehensive income are as follows:

	2010			2009		
	Before tax amount	**Tax expense**	**Net-of-tax amount**	Before Tax amount	Tax expense	Net-of-tax amount
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 22)			*(Note 22)*	
Available-for-sale investments: net movement in fair value reserve	**(4,430)**	**665**	**(3,765)**	17,990	(3,328)	14,662
Other comprehensive income	**(4,430)**	**665**	**(3,765)**	17,990	(3,328)	14,662

14. EMOLUMENTS OF THE DIRECTORS

The emoluments paid or payable to each of the nine (2009: twelve) directors were as follows:

For the year ended 31 December 2010

		Other emoluments			
	Fees *RMB'000*	Salaries and allowances *RMB'000*	Performance related incentive payments *RMB'000*	Retirement benefits schemes contributions *RMB'000*	Total *RMB'000*
Executive directors:					
Zhang Xiaocheng	—	—	—	—	—
Guo Aiqing	—	121	150	17	288
Chen Ruowei	—	—	—	—	—
Fu Ruolin	—	—	—	—	—
Su Wenyu	—	—	—	—	—
Jiang Jianping	—	—	—	—	—
Independent non-executive directors:					
Choy Sze Chung, Jojo	30	—	—	—	30
Wu Zhengde	30	—	—	—	30
Li Yuanpeng	30	—	—	—	30
Total	90	121	150	17	378

14. EMOLUMENTS OF THE DIRECTORS *(CONTINUED)*

For the year ended 31 December 2009

		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	—	121	101	16	238
Chen Ruowei	—	—	—	—	—
Fu Ruolin	—	—	—	—	—
Su Wenyu	—	—	—	—	—
Jiang Jianping	—	—	—	—	—
Independent non-executive directors:					
Choy Sze Chung, Jojo	30	—	—	—	30
Wu Zhengde	30	—	—	—	30
Li Yuanpeng	30	—	—	—	30
Total	90	121	101	16	328

15. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one (2009: one) was director, whose emoluments are set out in Note 14 above. The emoluments of the remaining four (2009: four) highest paid individuals were as follows:

	2010	2009
	RMB'000	*RMB'000*
Salaries and allowances	**377**	376
Performance related incentive payments	**426**	299
Defined contribution scheme contributions	**86**	77
	889	752

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Plant, machinery and equipment**	**Motor vehicles**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January 2009	204,931	258,701	7,352	470,984
Additions	703	9,234	2,006	11,943
Transfer from construction-in-progress *(Note 18)*	—	17,511	—	17,511
Disposals	—	(667)	(828)	(1,495)
At 31 December 2009 and 1 January 2010	205,634	284,779	8,530	498,943
Additions	3,087	5,375	545	9,007
Transfer from construction-in-progress *(Note 18)*	17,408	27,446	—	44,854
Disposals	(482)	(32,111)	(1,827)	(34,420)
At 31 December 2010	225,647	285,489	7,248	518,384

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

	Buildings	Plant, machinery and equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2009	6,387	184,687	4,427	195,501
Charged for the year	3,127	17,578	730	21,435
Eliminated on disposals	—	(638)	(707)	(1,345)
At 31 December 2009 and 1 January 2010	9,514	201,627	4,450	215,591
Charged for the year	3,250	23,246	786	27,282
Eliminated on disposals	(411)	(30,545)	(1,641)	(32,597)
At 31 December 2010	12,353	194,328	3,595	210,276
NET CARRYING VALUE				
At 31 December 2010	213,294	91,161	3,653	308,108
At 31 December 2009	196,120	83,152	4,080	283,352

All the buildings of the Group are held under medium-term lease in the PRC.

17. LAND USE RIGHTS

	2010	2009
	RMB'000	*RMB'000*
The Group's land use rights comprises:		
Leasehold land in the PRC: medium-term leases	**39,897**	40,895

	RMB'000
COST	
At 1 January 2009, 31 December 2009 and 2010	50,019
ACCUMULATED AMORTISATION	
At 1 January 2009	8,127
Charged for the year	997
At 31 December 2009 and 1 January 2010	9,124
Charged for the year	998
At 31 December 2010	10,122
NET CARRYING VALUE	
At 31 December 2010	39,897
At 31 December 2009	40,895

As at 31 December, 2009, land use rights with carrying amount of RMB14,855,000 were pledged to a local court for the legal proceedings against a customer. During year ended 31 December 2010, the court case has been settled and the related land use right has been released accordingly.

18. CONSTRUCTION-IN-PROGRESS

	Staff quarters under-development	**Property, plant and equipment Construction-in-progress**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(note)		
Cost			
At 1 January 2009	19,095	8,165	27,260
Additions	340	68,407	68,747
Transfer to staff	(16,999)	—	(16,999)
Transfer to property, plant and equipments *(Note 16)*	—	(17,511)	(17,511)
At 31 December 2009 and 1 January 2010	2,436	59,061	61,497
Additions	—	104,637	104,637
Transfer to staff	(2,436)	—	(2,436)
Transfer to property, plant and equipments *(Note 16)*	—	(44,854)	(44,854)
At 31 December 2010	—	118,844	118,844

Note:

The Group has introduced certain staff quarters development plans. An employee participating in the plans is required to make an initial contribution based on the construction costs of the quarters he/she chooses. The contribution 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 2010, the total amount of contributions received from the employees amounted to approximately RMB6,410,000 (2009: RMB6,493,000).

19. INTERESTS IN ASSOCIATES

	2010	2009
	RMB'000	*RMB'000*
Costs of investments in associates, unlisted	**155,582**	155,582
Share of post-acquisition profits or loss and reserves	**53,764**	58,970
	209,346	214,552

Details of the Group's principal associates as at 31 December 2010, all of which were established and operated in the PRC, are as follows:

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

19. INTERESTS IN ASSOCIATES *(CONTINUED)*

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

Financial position

	2010	2009
	RMB'000	*RMB'000*
Total assets	**588,573**	600,150
Total liabilities	**(163,566)**	(162,289)
Net assets	**425,007**	437,861
Group's share of net assets of the associates	**209,346**	214,552

Results for the year

	2010	2009
	RMB'000	*RMB'000*
Turnover	**453,903**	649,309
(Loss)/profit for the year	**(11,455)**	55,412
Other comprehensive income	**—**	—
Group's share of (loss)/profits and other comprehensive (loss)/income of the associates for the year	**(5,631)**	27,152

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2010	2009
	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)*	**20,485**	24,915
	20,485	24,915

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 year end 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. Their fair values are determined by reference to market prices at the close of business at the year end date.

21. TECHNICAL KNOW-HOW

	RMB'000
COST	
At 1 January 2009, 31 December 2009 and 2010	1,070
ACCUMULATED AMORTISATION	
At 1 January 2009	88
Charge for the year	107
At 31 December 2009 and 1 January 2010	195
Charge for the year	107
At 31 December 2010	302
NET CARRYING VALUE	
At 31 December 2010	768
At 31 December 2009	875

Note:

Technical know-how was purchased in year 2008 and has estimated useful life of 10 years.

22. DEFERRED TAX ASSETS

The movements in deferred tax asset during the year are as follows:

	Decelerated tax depreciation *RMB'000*	Provisions *RMB'000*	Financial assets valuation reserve *RMB'000*	Total *RMB'000*
At 1 January 2009	1,497	19,857	—	21,354
Credited/(charged) to the income statement *(Note 11)*	59	(3,188)	—	(3,129)
Charged to other comprehensive income *(Note 13)*	—	—	(3,328)	(3,328)
At 31 December 2009 and 1 January 2010	1,556	16,669	(3,328)	14,897
(Charged)/credited to the income statement *(Note 11)*	(134)	3,582	—	3,448
Credited to other comprehensive income *(Note 13)*	—	—	665	665
At 31 December 2010	1,422	20,251	(2,663)	19,010

As at 31 December 2010 and 2009, the Group has no material unrecognised temporary differences.

23. INVENTORIES

	2010 ***RMB'000***	2009 *RMB'000*
Raw materials	**93,962**	105,914
Work-in-progress	**21,183**	23,872
Finished goods	**114,251**	128,788
	229,396	258,574

23. INVENTORIES *(CONTINUED)*

During the year ended 31 December 2010, the Group recognised impairment charge amounting to RMB19,433,000 (2009: reversal of impairment of RMB11,337,000). The amount has been included in administrative expenses (2009: other income) in the consolidated income statement.

At 31 December 2010, the total amount of inventories stated at net realisable value amount to RMB74,904,000 (2009: RMB41,895,000).

24. TRADE AND BILLS RECEIVABLES

	2010 *RMB'000*	2009 *RMB'000*
Trade and bills receivables	**203,022**	197,567
Less: Allowance for bad and doubtful debts	**(47,987)**	(58,637)
	155,035	138,930

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

	2010 *RMB'000*	2009 *RMB'000*
Within 90 days	**97,311**	87,110
91 - 180 days	**20,457**	25,153
181 - 365 days	**16,644**	19,261
Over 1 year	**20,623**	7,406
	155,035	138,930

24. 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 movements in the allowance for bad and doubtful debts are as follows:

	2010	2009
	RMB'000	*RMB'000*
Balance at beginning of the year	**58,637**	57,239
Provision of impairment loss recognised in income statement	**—**	1,398
Reversal of impairment loss recognised in income statement	**(10,650)**	—
Balance at end of the year	**47,987**	58,637

25. DEPOSITS, BANK BALANCES AND CASH

	2010	2009
	RMB'000	*RMB'000*
Deposits:		
Pledged deposits *(note a)*	**20,860**	27,484
Designated deposits *(note b)*	**4,683**	4,874
Deposits with incumbrance	**25,543**	32,358
Bank balances and cash *(note c)*	**263,596**	379,947
	289,139	412,305

Notes:

(a) The amounts represent deposits pledged to banks to secure bills facilities granted to the Group. The deposits carry fixed interest rate of 2.75% per annum (2009: 2.25%). 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 18) which have been deposited with the banks under the name of the Company and are designated for staff quarters development.

(c) Included in bank balances and cash are short-term bank deposits of approximately RMB172,000,000 (2009: RMB291,000,000) carrying fixed interest rate at 0.36% (2009: 0.36%) per annum.

26. ASSETS CLASSIFIED AS HELD-FOR-SALE

	2010 RMB'000	2009 RMB'000
Net assets of a non-wholly owned subsidiary	—	16,071
Interests in and trade receivable from an associate	8,473	8,979
	8,473	25,050

The net proceeds from the realisation of these assets 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

An ageing analysis of trade and bills payables is as follows:

	2010 RMB'000	2009 RMB'000
Within 90 days	58,356	83,602
91 - 180 days	1,165	1,669
181 - 365 days	1,543	2,211
Over 365 days	1,973	3,219
	63,037	90,701

Bills payable are secured by deposits pledged to banks as set out in Note 25(a).

28. BANK AND OTHER BORROWINGS

	2010	2009
	RMB'000	*RMB'000*
Bank loans	**24,509**	25,578
Other loan	**700**	700
	25,209	26,278

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

	2010	2009
	RMB'000	*RMB'000*
Bank loans:		
Within one year	**15,000**	15,000
More than one year but not exceeding two years	**—**	—
More than two years but not more than five years	**—**	—
More than five years	**9,509**	10,578
	24,509	25,578
Other loan:		
On demand	**700**	700
Total bank and other borrowings	**25,209**	26,278
Less: Amount due within one year shown under current liabilities	**(15,700)**	(15,700)
Amount due after one year shown under non-current liabilities	**9,509**	10,578

At 31 December 2010, all the bank and other borrowings are fixed-rate borrowings, which carry interest ranging from 0.5% to 5.3% (2009: 0.5% to 5.3%) per annum. Included in the Group's borrowings is a bank loan denominated in Euro amounted to Euro1,078,000 (2009: Euro1,078,000). All other borrowings are denominated in RMB.

29. SHARE CAPITAL AND CAPITAL MANAGEMENT

(a) Share capital

	2010 and 2009	
	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 debts 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 non-controlling interests). The debt-to-equity capital ratios at 31 December 2010 and 2009 are as follows:

29. SHARE CAPITAL AND CAPITAL MANAGEMENT *(CONTINUED)*

(b) Capital management *(Continued)*

	2010	2009
	RMB'000	*RMB'000*
Total debt	**241,129**	319,364
Less: Bank balances and cash	**(263,596)**	(379,947)
Net debt	**(22,467)**	(60,583)
Total equity	**1,274,218**	1,198,745
Debt-to-equity capital ratio	**(0.018)**	(0.051)

30. CAPITAL COMMITMENTS

At 31 December 2010, the Group had the following capital commitments:

	2010	2009
	RMB'000	*RMB'000*
Contracted but not provided for:		
Acquisition of machinery and equipment	**10,455**	—
Construction of new plant	**25,081**	48,323
	35,536	48,323
Approved but not contracted for:		
Construction of new plant	**—**	80,000

31. PLEDGE OF ASSETS

At 31 December 2010, the Group pledged the following assets to banks as security for general banking facilities granted to the Group:

	2010	2009
	RMB'000	*RMB'000*
Bank deposits	**20,860**	27,484

At 31 December 2009, the Group's land use rights with carrying amount of RMB14,855,000 has been pledged for a legal proceedings against a customer for trade debts amounting to RMB3,800,000. The Group has made full provision for the trade receivable in 2009. During year ended 31 December 2010, the court case has been settled and the related land use right has been released where the provision was reversed accordingly.

32. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2010	2009
	RMB'000	*RMB'000*
Potevio Group and its subsidiaries:		
— Sales of finished goods	**1,251**	11,758
— Management fee income	**—**	120
Associates:		
— Sales of finished goods	**4,024**	1,827
— Purchases of raw materials	**(436)**	(1,866)
— Interest income	**472**	410
— Consultancy fee income	**1,744**	—
— Sales of scrap materials	**—**	260
— Technology management fee expenses	**—**	(1,988)
— Purchase of finished goods	**(3,197)**	—
— Sub-contracting fee expenses	**(51,133)**	—

32. RELATED PARTY TRANSACTIONS AND BALANCES *(CONTINUED)*

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

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 2010, 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) **Excepted for a loan advance to an associate of RMB8,000,000, which carry interest at 10% per annum, the balances with associates and related companies are unsecured, interest-free and repayable on demand.**

(c) **Compensation of key management personnel**

	2010 ***RMB'000***	2009 *RMB'000*
Salaries and allowances	**1,360**	1,275
Defined contribution scheme contributions	**129**	154
	1,489	1,429

33. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2010, 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 capital held by the Company	Percentage of registered capital held by the Company Directly %	Indirectly %	Principal activities and place of operation
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	PRC/ joint venture cooperative	RMB22,520,000 registered 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 registered capital	60	—	Manufacture and sale of optical fibres in the PRC
Chengdu MCIL Radio Communications Co., Ltd.	PRC/ cooperative joint venture	RMB82,100,000 registered capital	90	6.67	Manufacture and sale of copper cables, parts and components for wireless telecommunications system networks in the PRC
Chengdu Gaoxin Cable Co., Ltd.	PRC/ cooperative joint venture	RMB8,116,116 registered capital	64.3	—	Manufacture and sale of copper cables and, wires special cables and other telecommunications products in the PRC

REGISTERED NAME OF THE COMPANY

成都普天電纜股份有限公司

ENGLISH NAME OF THE COMPANY

Chengdu PUTIAN Telecommunications
Cable Company Limited

LEGAL REPRESENTATIVE

Zhang Xiaocheng

EXECUTIVE DIRECTORS

Zhang Xiaocheng *(Chairman)*
Guo Aiqing *(Vice Chairman)*
Fu Ruolin
Chen Ruowei
Su Wenyu
Jiang Jianping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy Sze Chung, Jojo
Wu Zhengde
Li Yuanpeng

SUPERVISORS

Yang Zhihe
Xiong Ting
Dai Xiaoyi

COMPANY SECRETARY

Chu Kit Lai

QUALIFIED ACCOUNTANT

Xu Biao

AUTHORIZED REPRESENTATIVES

Guo Aiqing
Chu Kit Lai

BOARD COMMITTEES

AUDIT COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

Wu Zhengde *(Chairman)*
Choy Sze Chung, Jojo
Li Yuanpeng
Fu Ruolin
Jiang Jianping

NOMINATION COMMITTEE

Li Yuanpeng *(Chairman)*
Choy Sze Chung, Jojo
Wu Zhengde
Chen Ruowei
Su Wenyu

STRATEGIC DEVELOPMENT COMMITTEE

Zhang Xiaocheng *(Chairman)*
Guo Aiqing
Choy Sze Chung, Jojo
Wu Zhengde
Li Yuanpeng

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Stock Code: 1202

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Cable Company Limited
No. 18, Xinhang Road,
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Chengdu, Sichuan Province,
The PRC

TIME OPEN FOR SHAREHOLDERS RECEPTION

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