



Potevio 中国普天

**CHENGDU PUTIAN TELECOMMUNICATIONS
CABLE COMPANY LIMITED**

(a sino-foreign joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 1202

2012
Annual Report

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

FINANCIAL HIGHLIGHTS

SUMMARY OF OPERATIONS

	2012	2011
	RMB'000	<i>RMB'000</i>
Turnover	498,057	587,094
Loss from operations	(86,503)	(71,919)
Share of loss of associates	(7,957)	(3,460)
Loss before income tax	(83,188)	(56,509)
Loss attributable to equity holders of the Company	(97,714)	(66,045)
Basic loss per share	RMB(0.24)	RMB(0.17)

SUMMARY OF NET ASSETS

	31 December	31 December
	2012	2011
	RMB'000	<i>RMB'000</i>
Total assets	1,314,872	1,403,396
Total liabilities	224,363	221,716
Total net assets	1,090,509	1,181,680
Net assets per share*	RMB2.73	RMB2.95

* Net assets per share as at 31 December 2012 is calculated on the basis of net assets attributable to the owners of the Company of RMB1,090,508,630.61 (2011: RMB1,181,679,754.95) and the total issued shares of 400,000,000 shares (2011: 400,000,000 shares).

CHAIRMAN'S STATEMENT



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 2012 (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 (the “Board”) and all staff of the Company.

During the year, the Company’s loss before tax was approximately RMB83,188,344.58 and loss attributable to Shareholders amounted to RMB97,714,018.36. Basic loss per share of the Company was RMB0.24.

In 2012, under unfavorable international and domestic economic conditions, the Company has overcome various difficulties with solidarity and determination, and made a lot of efforts in restructuring business portfolio, optimizing resources allocation and strengthening base management, thus laying the foundation for successful transformation of the Company.

2013, filled with both difficulties and hopes, is a critical year for the healthy and sustained development of the Group. The Directors believe that both opportunities and challenges await ahead. Focusing on the strategic plan for business development, the Company will pursue the policy objective of “integration and restructuring, continuous advancement, transformation for increased efficiency” by vigorously promoting structural adjustment and business upgrading, intensifying mechanism-based reforms and changing operational mindsets to elevate operational quality and improve operating results so as to fully accomplish the objective and tasks for 2013, and realize sustained and healthy development of the Company.

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

Zhang Xiaocheng

Chairman

7 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

EXPLANATION FOR BUSINESS RESULTS

1. Affected by the decrease in the scale of purchase of plastic cables by the telecommunication industry and the significant increase of the cable replacement telecommunications business, the production and sales volume of plastic cables decreased significantly.
2. Due to the failure to obtain CRCC certification, slow progress in market expansion for major projects and limitation of subway products being unable to enter the national railway market, resulted in small market share and low sales revenue.

REVIEW OF PRINCIPAL BUSINESS

RESTRUCTURING OF OPTICAL FIBERS AND OPTICAL CABLES BUSINESS SUBSTANTIALLY COMPLETED

Potevio Fasten Optical Communications Co., Ltd. was established in November 2012. It facilitated the independent development of high value-added and high-tech optical wand business. It also laid a solid foundation for the establishment of the large-scale efficient optical fiber and optical cable business and the complete industrial chain of optical wands, optical fibers and optical cables.

UNSATISFACTORY PROGRESS OF MAJOR PROJECTS

The sales revenue of electrical equipment cables as at the end of November 2012 was far below KPI indicator. To accelerate project expansion, the Company established the electrical equipment cable business unit and appointed a new general manager for the said business unit through internal selection in December 2012.

As for ultra fine electronic wires and components, the joint venture matters scheduled to be completed in the first half of 2012 were not achieved due to various reasons. Given the current development of ultra fine electronic wires and components, the Company temporarily suspended the component business in early July and focused on studying the development direction of ultra fine electronic wires.

PROGRESS OF TRADITIONAL PRODUCT TRANSFORMATION

Since operators have expedited the replacement of copper cables by optical cables, unprecedentedly and significantly reduced the purchase of local cables and replaced the majority of the copper cables, the market of plastic cables shrunk sharply and the replacement business incurred substantial loss. The Company held several telecommunication cable analysis meetings and established



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

a temporary cost analysis group in the first half of the year. Based on the cost analysis results, the Company strictly controlled the production of plastic cables in the second half of the year.

IMPROVEMENT OF GENERAL MANAGEMENT

The Company strengthened and emphasized comprehensive budget management. Since the beginning of the third quarter, the Company has implemented comprehensive budget management on the electrical equipment cable plant, composite belt plant, Chengdu MCIL and heat shrinkable product plant. An internal budget meeting was held to enquire about the 2013 budget of different units of the Company for stringent expense control.

The Company enhanced its internal control through the implementation of overall risk control. The third three-year goal was set for legal work. Legal affairs were transferred to the audit department to optimize contract approval procedure and strengthen the management of contract approval and authorisation of execution. All contracts were subject to legal review. The Company further improved and strictly implemented its regulations and rules.

The Company continued to adjust its investments, actively proceeding with disposing of nonquality assets. The Company transferred its subsidiary, Chengdu Gaoxin Cable Co., Ltd, through internet bidding to an independent third party, Sichuan Heyin Property Co., Ltd, at a consideration of RMB18.2 million. The said transaction was completed in November 2012. The board composition of each joint venture was re-adjusted to closely monitor their operation, such as the relocation of Shuangliu Heat Shrinkable, operation of Chengdu SEI and future development.

The Company strengthened the performance evaluation. The electrical equipment cable plant, composite belt plant, Chengdu MCIL and heat shrinkable product plant were the first batch of companies to adopt the performance evaluation system based on operating results. The Company adjusted its organizational structure in line with its business unit reform. It established the first locomotive cable business unit. In addition, the Company appointed certain middle management members through internal selection.

FINANCIAL ANALYSIS

TURNOVER

During the Year, the turnover of the Group amounted to approximately RMB498,057,297.73, representing a decrease of 15.17% as compared to approximately RMB587,094,326.94 for the year ended 31 December 2011 (the "Previous Year").

During the Year, the turnover of copper cables was approximately RMB288,426,359.24, representing a decrease of 27.23% as compared with the Previous Year. Chengdu SEI Optical Fiber Co., Ltd ("Chengdu SEI"), a company in which the Company owns 60% equity interest, recorded a turnover of optical fiber of approximately RMB166,946,143.37; 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 RMB53,733,459.68; Chengdu MCIL Radio Communications Cable Co., Ltd. ("Chengdu MCIL"), a company in which the Company owns 96.67% equity interest, recorded a turnover of wire feed cable of approximately RMB125,828,706.97.

NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net loss attributable to equity holders of the Company for the Year amounted to approximately RMB97,714,018.36, while a net profit of approximately RMB66,044,837.54 was attributable to equity holders of the Company for the Previous Year.

RESULTS ANALYSIS

As at 31 December 2012, the Group's total assets were approximately RMB1,314,872,117.46, representing a decrease of 6.31% as compared with approximately RMB1,403,396,173.63 as at the end of Previous Year. Current assets amounted to approximately RMB612,131,620.14, accounting for 46.55% of the total assets and representing a decrease of 13.02% as compared with approximately RMB703,748,504.95 as at the end of Previous Year. Property, plant and equipment totalled approximately RMB389,283,736.57, accounting for 29.61% of the total assets and representing an increase of 18.37% as compared with approximately RMB328,867,216.12 as at the end of Previous Year, which was mainly attributable to the constructions in progress and sporadic acquisitions of fixed assets.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

As at 31 December 2012, the Group's total liabilities amounted to approximately RMB224,363,486.85; liability-to-asset ratio was 17.06%; bank and other short-term loans were approximately RMB11,000,000.00, representing an increase of 120.00% as compared with approximately RMB5,000,000.00 as at the end of Previous Year. During the Year, the Group did not arrange other capital raising activities.

As at 31 December 2012, the Group's bank deposits and cash totalled approximately RMB219,904,310.13, representing a decrease of 9.24% as compared with RMB242,284,772.64 as at the end of Previous Year.

During the Year, the Group's selling expenses, administration expenses, and finance income amounted to approximately RMB32,613,638.73, RMB81,212,625.13 and RMB4,765,164.61 respectively, representing a decrease of 16.94%, an increase of 22.07% and a decrease of 34.43% respectively as compared with approximately RMB39,263,632.25, RMB66,528,031.97 and RMB7,267,180.76 respectively in Previous Year.

As at 31 December 2012, the Group's accounts and bill receivables amounted to approximately RMB100,375,592.35 and RMB51,453,086.64 respectively, representing a decrease of 19.49% and an increase of 34.72% respectively as compared with approximately RMB124,670,185.05 and RMB38,193,476.74 respectively as at the end of Previous Year.

ANALYSIS OF CAPITAL LIQUIDITY

As at 31 December 2012, the Group's current assets amounted to approximately RMB612,131,620.14 (2011: RMB703,748,504.95), current liabilities were approximately RMB129,936,931.57 (2011: RMB139,289,112.28), the annual receivables turnover period was 81.33 days and the annual inventory turnover period was 182.80 days. The above data indicates that the Company has strong solvency but its liquidity ability and management are yet to be improved. (Note: deposit, trade and bill receivables are expressed in net value).

ANALYSIS OF FINANCIAL RESOURCES

As at 31 December 2012, the Group's bank and other short-term loans were approximately RMB11,000,000.00. As the Group had comparatively sufficient bank deposits and cash with a total amount of approximately RMB219,904,310.13, therefore, the Group does not have short-term solvency risk.

NON-CURRENT LIABILITIES OR LOAN

As at 31 December 2012, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was approximately RMB8,980,918.20 (equivalent to approximately EUR1,079,748.75), which is a French government 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 an instalment loan in respect of which the maximum repayment period is thirty-six years. As the outstanding amount of the long-term loan is relatively small, there is no material impact on the operations of the Group.

CAPITAL STRUCTURE OF THE GROUP

The Group's capital is derived from bank and other loans, proceeds raised, profit of the Group and proceeds obtained from the disposal of the land use rights of the old site of the Company. The use of raised proceeds strictly complied with relevant legal requirements. In addition, 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 RMB565,271,010.56 during the Year (2011: RMB734,092,468.15, representing a decrease of approximately RMB168,821,457.59).

During the Year, the Group spent approximately RMB19,598,244.25 (2011: RMB45,908,379.30, representing a decrease of approximately RMB26,310,135.05) for the purchase of property, plant and equipment and the construction in progress.

As at 31 December 2012, the Group's total liabilities and equity interests amounted to approximately RMB1,314,872,117.46 (2011: RMB1,403,396,173.63). The Group's interest expenses were approximately RMB586,234.98 for the Year (2011: RMB997,871.93).

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any contingent liabilities (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS OUTLOOK

The Company will persist to be driven by results and is profit-oriented in pursuit of its development plans. Resources will be mainly allocated to favourable industries and quality businesses, elevating in developing quality and corporate profit.

The Company will speed up optical fiber business integration and the construction of optical fiber production base. It will strive to increase market share by strengthening the synergistic development and expansion of the joint ventures. Through resources consolidation and sharing, cost optimization and competitiveness enhancement, it will manage to achieve the business integration of wands, optical fibers and cables for becoming a leading competitive optical telecommunications enterprise in the industry.

It will endeavour to develop the electric equipment cable business by increasing its shareholding in CSR and merging with CNR. The Company will boost its industrial development through business divisions, reasonable resources allocation and business restructuring. It will also strive to retain major customers, major projects and major orders. As for its market positioning, the Company will focus on mid-to-high-end products of its locomotive cable business with higher profitability. In addition, it will speed up the process in obtaining relevant qualification and CRCC certification.

In respect of the ultra fine electronic wire projects, the Company will thoroughly study the comprehensive research results of each ultra fine electronic wire project by the specialized working group for determining the project positioning and development direction, and continue to identify external cooperation opportunities in relation to the ultra fine wire projects.

For other traditional products, the Company will maintain to optimise present production capacity and actively expand new markets. Under the precondition of maintaining operating customers, increase the proportion of indoor cable products which have a higher profit ratio.

REPORT OF THE DIRECTORS

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

ACCOUNTS

1. The results of the Group are set out in the consolidated income statement on pages 41 to 42 of this annual report.
2. The financial position of the Group as at 31 December 2012 are set out in the consolidated balance sheet on pages 37 to 40 of this annual report.

3. The changes in equity of the Group are set out in the consolidated statement of changes in equity on pages 46 and 47 of this annual report.

4. The cash flows of the Group are set out in the consolidated cash flows statements on pages 43 to 45 of this annual report.

FINANCIAL HIGHLIGHTS

The following is the financial highlights of the Group for the five years ended 31 December 2012 which were extracted from the consolidated financial statements prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standard issued by the Ministry of Finance of the PRC.

	2012 <i>RMB'000</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Turnover	498,057	587,094	525,614	577,241	654,092
(Loss)/profit before income tax	(83,188)	(56,509)	93,651	7,857	21,363
Income tax expense	(5,352)	(7,244)	(806)	5,799	15,520
(Loss)/profit for the Year	(88,540)	(63,733)	92,845	2,058	5,843
Attributable to:					
(Loss)/profit attributable to equity holders of the Company	(97,714)	(66,045)	87,035	(9,259)	4,651
Minority interests	9,174	2,312	5,810	11,317	1,192
Total assets	1,314,872	1,403,396	1,490,675	1,517,858	1,448,358
Total liabilities	224,363	221,716	235,561	350,323	284,894
Minority interests	86,814	81,640	81,692	77,382	79,344
Total net assets	1,090,509	1,181,680	1,255,114	1,167,535	1,163,464

REPORT OF THE DIRECTORS (Continued)

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 analysis of the Group's turnover and contribution to the operating results for the Year according to the Group's principal activities and geographical markets are set out in note V.28 to the consolidated financial statements on pages 93 to 94 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 (%)	
	2012	2011
Purchase		
Single largest supplier	15	16
Five largest suppliers	46	49
Sales		
Single largest customer	18	22
Five largest customers	37	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 had any direct or indirect interests in any of the five largest suppliers or the five largest customers of the Group.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2012 (2011: Nil).

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2012 are set out in note IV to the consolidated financial statements on page 72 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 V.10, V.11 and V.12 respectively to the consolidated financial statements on pages 81 to 83 of this annual report respectively.

SHARE CAPITAL

Details of the share capital of the Company are set out in note V.24 to the consolidated financial statements on page 91 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 2012 up to the date of this annual report.

OVERDUE TIME DEPOSITS

As at 31 December 2012, the Group did not have any deposit and trust deposit with non-banking financial institutions nor time deposits that cannot be recovered on maturity.

REPORT OF THE DIRECTORS (Continued)

INCOME TAX

In accordance with related requirements of the Administrative Measures with regard to the Recognition of High-tech Enterprises (《高新技術企業認定管理辦法》) (Guo Ke Fa Huo [2008] No. 172) and the Administrative Guidance with regard to the Recognition of High-tech Enterprises (《高新技術企業認定管理工作指引》) (Guo Ke Fa Huo [2008] No. 362) and Chuan Gao Qi Ren [2011] No. 4 issued by the High-tech Enterprise Accreditation Management Team of Sichuan, the Company and its subsidiaries Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, Chengdu SEI Optical Fiber Co., Ltd., and Chengdu MCIL Radio Communications Cable Co., Ltd. are recognised as High-tech enterprises and entitled to a preferential tax rate of 15% for High-tech enterprises.

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

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 delinquency or default and their financial viability.

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 the collection of payments from its customers and maintains a provision for estimated impairment for credit loss based upon historical experience and recoverability evaluation of individual customers. Impairment for trade receivables has historically been within the management's expectation and the Group will continue to monitor the collections from customers and maintain credit losses at appropriate level. The Group did not hold any collateral from its customers.

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

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.

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

LIQUIDITY RISK

For liquidity risk management, 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 also monitors the adequacy 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 through placing certain cash holdings into a fixed rate time deposit and entering into all of its interest-bearing loans at fixed rates.

REPORT OF THE DIRECTORS (Continued)

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 2012 are as follows:

Classification	Number of Shareholders
State-owned legal person shares	1
Overseas listed foreign invested shares – H Shares	237
Total number of Shareholders	238

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, 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 155,856,998 H Shares of the Company, representing 38.96% of the total issued share capital of the Company. At the end of the Year, HKSCC held 155,686,998 H Shares of the Company, representing 38.92% of the total issued share capital of the Company.

As at 31 December 2012, 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"). Save 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. The interests, other than those held by Directors, Supervisors and chief executives of the Company, are disclosed below.

As indicated by HKSCC, as at 31 December 2012, the following Central Clearing and Settlement System ("CCASS") participants held 5% or more of the total number of H Shares issued:

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 Limited	25,527,100	15.95%	6.38%
Bank of China (Hong Kong) Limited	15,010,000	9.38%	3.75%
CITIC Securities Brokerage (HK) Limited	9,007,000	5.62%	2.25%
Hang Seng Securities Limited	8,950,563	5.59%	2.24%
BOCI Securities Limited	8,160,000	5.10%	2.04%

REPORT OF THE DIRECTORS (Continued)

Save as disclosed above, as at 31 December 2012, the Company was not aware of any other equity interests which are required to be disclosed pursuant to the SFO. The Board of the Company was not aware of any person holding, directly or indirectly, 5% or more of the total share capital of H Shares issued.

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 as at 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 (resigned on 13 November 2012)
Ping Hao (appointed on 13 November 2012)
Cong Huisheng (appointed on 13 November 2012)
Fu Ruolin (resigned on 13 November 2012)
Chen Ruowei
Su Wenyu (resigned on 13 November 2012)
Du Xinhua (appointed on 13 November 2012)
Jiang Jianping (resigned on 13 November 2012)
Fan Xu (appointed on 13 November 2012)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy Sze Chung, Jojo
Wu Zhengde
Li Yuanpeng

SUPERVISORS

Zheng Zhili
Xiong Ting
Dai Xiaoyi
Yang Zhihe (resigned on 13 November 2012)

PROFILE OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

1. DIRECTORS

Executive Directors

Mr. Zhang Xiaocheng, aged 56, 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 seventh 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, fifth and sixth sessions of the Board of the Company and the chairman of the third and fourth sessions of the 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. Ping Hao, aged 41, has a bachelor's degree in engineering and a master's degree in business administration from Nanjing University. Mr. Ping is an executive director of the seventh session of the Board and the general manager of the Company. He had served as the general manager of Xishan Putian Information Network Company (錫山普天信息網絡公司) and Nanjing Southern Telecom Co., Ltd. (南京南方電訊有限公司) and the assistant to the president and general

REPORT OF THE DIRECTORS (Continued)

manager of wireless system department of Nanjing Putian Telecommunications Co., Ltd. (南京普天通信股份有限公司). Mr. Ping joined the Company in February 2012 and has extensive experience in the telecommunications industry and corporate management.

Mr. Cong Huisheng, aged 59, is an executive director of the seventh session of the Board of the Company, deputy general manager of the finance department of China Potevio, and is also a director of Shanghai Putian Kechuang Electronics Co., Ltd. (上海普天科創電子有限公司) and a director of Shanghai Potevio Co., Ltd. (上海普天郵通科技股份有限公司). He served as the deputy head and head of the financial department and deputy chief accountant of Shanghai Posts & Telecommunications Equipment Factory of the Posts and Telecommunications Ministry (郵電部上海通信設備廠) and the chief accountant of Shanghai Potevio Co., Ltd. and concurrently held a directorship in Tianjin Zhongtian Tongxin Co., Ltd. (天津中天通信有限公司). Mr. Cong joined the Company in November 2012 and has extensive experience in financial management.

Mr. Chen Ruowei, aged 51, 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 Telecom Technology Co., Ltd. (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 over twenty years of extensive experience in optical communication, information technology and business management.

Mr. Du Xinhua, aged 48, holds a PhD in engineering from University of Science and Technology Beijing. Mr. Du is an executive director of the seventh session of the Board of the Company, the deputy general manager of corporate development department of China Potevio and a director of Wuhan PUTIAN Power Co., Ltd. (武漢普天電源有限公司). He served as the secretary to the head office and leader of R&D project of the 20th Research Institute of Ministry of Electronics Industry (電子部第二十研究所), the senior business manager of investment management department of Beijing Venture Capital Co., Ltd. (北京科技風險投資公司), the assistant to general manager of investment management department of Beijing International Trust Co., Ltd. (北京國際信託投資公司), the general manager of risk investment department and general manager of investment department of CITIC Securities Co., Ltd., the executive deputy general manager of Tsinghua Venture Capital Co., Ltd. (清華科技創業投資有限公司), the assistant to general manager and manager of business development department of Beijing Capital Technology Investment Co., Ltd. (北京首創科技投資有限公司) and an executive director, the deputy general manager and Secretary of CPC General Branch of Beijing Capital Tyre Co., Ltd. (北京首創輪胎有限責任公司), and the executive deputy general manager, acting general manager and general manager of Wuhan PUTIAN Power Co., Ltd. (武漢普天電源有限公司). Mr. Du joined the Company in November 2012 and has extensive experience in risk management and investment management.

Mr. Fan Xu, aged 37, holds a master's degree in management science and engineering from Tsinghua University. Mr. Fan is an executive director of the seventh session of the Board and the deputy general manager of the Company as well as the equity investment and financing manager of investment and financing development department of China Potevio. He served as the investment management director of capital operation department, senior investment management director of corporate development department and equity investment and financing manager of investment and financing development department of China Potevio. Mr. Fan joined the Company in February 2012 and has extensive experience in economic analysis and capital operation.

REPORT OF THE DIRECTORS (Continued)

Independent Non-executive Directors

Mr. Choy Sze Chung, Jojo, aged 54, has a master's degree in business administration. He obtained the master of business administration degree from University of Wales and the master of business law degree from Monash University. Mr. Choy is an independent non-executive director of the seventh session of the Board of the Company and 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 two 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). He is also the chairman of the Institute of Securities Dealers Limited in Hong Kong, a fellow member of The Hong Kong Institute of Directors, the director of securities team of The Hong Kong Mediation Alliance, a committee member of Society of Registered Financial Planners, 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, an honorary president of Shantou Overseas Friendship Association, an honorary president of Shantou Overseas Exchange Association, a standing director of The Overseas Teo Chew Entrepreneurs Association, an honorary principal of Chen Po Sum School and a committee council member of Rotary Club Kowloon West. He was 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 68, a doctorate postgraduate with a bachelor's degree, a master's degree and a doctorate 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, a tutor for doctorate students in the discipline of "electromagnetic field and microwave technology" and an independent non-executive Director of the seventh session of the Board of the Company. 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 was 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 73, has a bachelor's degree. He is currently a senior consultant of The Fifth Research Institute of Telecommunications Technology, a professor-grade senior engineer, a member 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 and an independent non-executive director of the seventh session of the Board of the Company. Mr. Li served as the director of the research department of the fifth Research Institute of Posts and Telecommunications Science Research Institute (郵電部電信科學技術研究院), 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 Subcommittee 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 was 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 re-elected on 13 November 2012 has entered into a service contract with the Company, with a term of three years commencing from 13 November 2012 to the date when a new session of the Board is elected at an extraordinary general meeting to be held in 2015. The Directors' remuneration includes salary, bonus, allowance and other benefits including pension.

Save as disclosed above, no Director 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).

REPORT OF THE DIRECTORS (Continued)

2. SUPERVISORS

Mr. Zheng Zhili, aged 53, is currently a Party member, the team leader of the Discipline Inspection Commission and the chairman of labour union of China PUTIAN Corporation, and concurrently serves as the secretary to party committee of Putian Eastern Communications Group Co., Ltd. (普天東方通信集團有限公司), a supervisor and the chairman of the supervisory committee of China Potevio Company Limited, and a supervisor of Putian New Energy Co., Ltd. (普天新能源有限責任公司). Mr. Zheng served as the secretary and a regimental officer of the office of political department of the Commission of Science Technology and Industry for National Defense, a supervisor at department level and deputy director of the office of supervisory bureau under the Discipline Inspection Commission of the State Economic and Trade Commission, and the deputy director and a discipline inspector at deputy bureau chief level of the office of supervisory bureau of the discipline inspection commission of the State-owned Assets Supervision and Administration Commission of the State Council. Mr. Zheng joined the Company in November 2012 and has extensive experience in corporate management and audit supervision.

Mr. Xiong Ting, aged 50, obtained a bachelor's degree in university. He is currently the Supervisor of the seventh session of the Supervisory Committee, 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 served as the secretary of the league committee, the factory manager of the branch factory and the director of the office of Chengdu Cable Factory of the Ministry of Posts and Telecommunications (郵電部成都電纜廠), assistant to general manager of the Company, manager of the supplier company and supervisor of the fifth and sixth sessions of the Supervisory Committee. Mr. Xiong joined the Company in 1982 and has over ten years of experience in corporate administrative management.

Ms. Dai Xiaoyi, aged 39, graduated from Chongqing Institute of Post and Telecommunications and obtained professional and tertiary qualification in fiber-optic communication in the faculty of telecommunications. She is an engineer and is currently the deputy director of Party-Masses Work Department and the vice chairman of the labor union of the Company. Ms. Dai joined the Company in September 1995 and served as a 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 seventh session of the Supervisory Committee of the Company.

Service Contracts of Supervisors

Each of the existing Supervisors appointed or re-elected on 13 November 2012 has entered into a service contract with the Company, with a term of three years commencing from 13 November 2012 to the date when a new session of the Supervisory Committee is elected at an extraordinary general meeting to be held in 2015. Terms of office of all Supervisors are renewable for re-election or re-appointment 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. Kwong Yin Ping, Yvonne, joined the Company on 27 October 2011. Ms. Kwong Yin Ping holds a bachelor's degree in accountancy from the Hong Kong Polytechnic University and is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Kwong had worked at the corporate secretarial departments of various well-established local and international professional institutions and listed companies in the last twenty years.

4. SENIOR MANAGEMENT

Mr. Hu Mingde, aged 45, completed university education and is currently the deputy general manager of the marketing department of the Company. Mr. Hu joined the Company in 1990. He served as manager of sales department and manager, assistant to general manager and deputy general manager of the Company. Mr. Hu has extensive experience in marketing and image promotion.

Ms. Yu Qian, aged 43, a postgraduate, is currently the Chief Financial Officer of the Company. Ms. Yu joined the Company in November 2011, and was once the Chief Financial Officer of Chengdu SEI Optical Fiber Co., Ltd. (a large optical fiber manufacturer in the PRC, which is affiliated to the Company). Ms. Yu is well experienced in financial supervision in the communication industry and is familiar with the financial position of the Company and the management and operation of stock companies.

REPORT OF THE DIRECTORS (Continued)

STAFF AND REMUNERATION POLICY OF THE GROUP

As at 31 December 2012, the Group had 1,369 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.

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 RMB2,424,000 in the Year (2011: RMB2,341,000). 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 2012, 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 and 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 corporations.

REPORT OF THE DIRECTORS (Continued)

REMUNERATION OF DIRECTORS

Details about the remuneration of Directors are set out in note VI.5 to the consolidated financial statements on pages 107 and 108 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 VI.6 to the consolidated financial statements on page 108 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2012, 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 V.22 to the consolidated financial statements on page 90 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 (2011: the Group did not obtain any loan from banks which was secured by the Group's assets).

At 31 December 2012, the Group did not pledge any land use right as security (2011: Nil).

PRE-EMPTIVE RIGHTS

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

SIGNIFICANT EVENTS

1. CHANGES OF DIRECTORS AND SUPERVISORS

Pursuant to the provision of the Articles of Association of the Company, the term of each session of the Board of the Company shall be three years, and the Directors shall be eligible for re-election. Directors shall be elected at general meetings from the current Directors or the candidates nominated by shareholders holding 3% or more of the shares in issue of the Company. The three-year term of the sixth session of the Board of the Company, established in 2009, had expired and the seventh session of the Board of the Company was elected at the second extraordinary general meeting of the Company for 2012 held on 13 November 2012. Mr. Zhang Xiaocheng, Mr. Ping Hao, Mr. Cong Huisheng, Mr. Chen Ruowei, Mr. Du Xinhua and Mr. Fan Xu were appointed as the Directors of the seventh session of the Board of the Company; Mr. Choy Sze Chung, Jojo, Mr. Wu Zhengde and Mr. Li Yuanpeng were appointed as the Independent Non-executive Directors of the seventh session of the Board of the Company. At the same time, Mr. Zheng Zhili and Mr. Xiong Ting were elected as the Supervisors of the seventh session of the Supervisory Committee of the Company. In addition, Ms. Dai Xiaoyi was elected as the staff representative supervisor representing one third of the members of the Supervisory Committee by the staff of the Company by way of democratic election on 20 March 2009.

2. ESTABLISHMENT OF A JOINT VENTURE COMPANY, POTEVIO FASTEN OPTICAL COMMUNICATIONS CO., LTD.

On 6 June 2012, the Company and China Potevio, Fasten Group and Fasten Company entered into a Joint Venture Contract, pursuant to which the Joint Venture Parties agree to establish a Joint Venture Company in the PRC. The Joint Venture Company will be engaged in the production of communication optical fibres, optical cables and related products and the import and export of all kinds of goods and technologies either own-manufactured or as agent.

The total registered capital of the Joint Venture Company of RMB500 million is contributed as to RMB225 million by the Company, RMB25 million by China Potevio, RMB155 million by Fasten Group and RMB95 million by Fasten Company. The Joint Venture Company is owned as to 45%, 5%, 31% and 19% by the Company, China Potevio, Fasten Group and Fasten Company, respectively. All such contributions will be injected in cash in two instalments.

REPORT OF THE DIRECTORS (Continued)

In accordance with the Listing Rules, China Potevio Corporation is the substantial shareholder of the Company and constitutes a connected person of the Company. Therefore, the transaction constitutes a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules. Details of the transaction were set out in the circular of the Company dated 25 September 2012.

On 13 November 2012, the aforesaid joint venture transaction was passed by way of an ordinary resolution at the first 2012 extraordinary general meeting of the Company.

MATERIAL LITIGATION

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 MEETINGS

On 13 November 2012, the Company held two extraordinary general meetings. At the first extraordinary general meeting, the Company was approved to enter into a joint venture contract with China Potevio, Fasten Group and Fasten Company for the establishment of a joint venture. Details of the transaction were set out in the circular of the Company dated 25 September 2012. At the second extraordinary general meeting, the directors were elected to form the seventh session of the Board and two supervisors acting as shareholders' representatives were elected to form the Supervisory Committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year, save as disclosed in the Corporate Governance Report, the Company has complied with the provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 to the Listing Rules.

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 Model Code for Securities Transactions by the Directors of Listed Issuers as set out 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 relating to internal control and financial reports and has reviewed the Company's audited financial statements for 2012.

The Audit Committee considered that the audited financial statements for 2012 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 22 June 2012, at which Daxin Certified Public Accountants was appointed as the international auditors of the Company.

The financial statements of the Group prepared in accordance with the Accounting Standards issued by Ministry of Finance of the PRC have been audited by the auditors, Daxin Certified Public Accountants, which 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

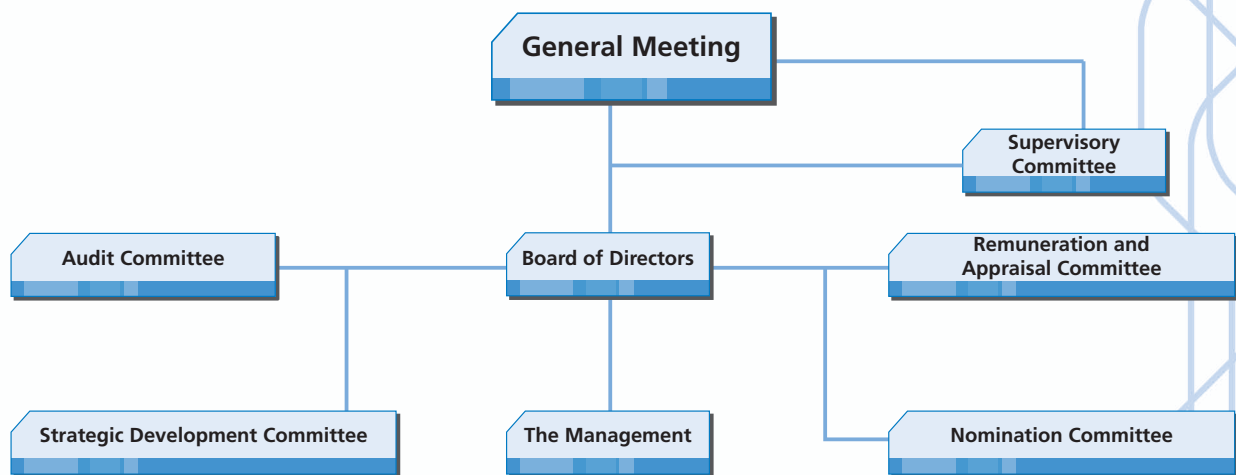
7 March 2013

CORPORATE GOVERNANCE REPORT

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 2012 (the "Year").

The Company has adopted and applied sound corporate governance principles that emphasise a quality Board, effective internal controls, stringent disclosure practices and transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture. The Company is committed to maintaining a good and sensible framework of corporate governance and to complying with applicable statutory and regulatory requirements with a view to assuring the conduct of the management of the Company as well as protecting the interests of all shareholders. The Board assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company.

Set out below is the corporate governance structure of the Company:



CORPORATE GOVERNANCE REPORT (Continued)

(a) CODE OF CORPORATE GOVERNANCE PRACTICES

The Board is of the view that the Company has, save as disclosed otherwise, for the Year, applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices on and before 31 March 2012 and the Corporate Governance Code (the “CG Code”) since 1 April 2012 as set out in Appendix 14 to the Listing Rules. The Group’s corporate governance principles emphasize the importance of a quality board, effective internal controls and accountability to shareholders.

The Company will, from time to time, review and enhance its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

(b) COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as the guidelines for the Directors’ dealing in the securities of the company. Upon specific enquiries of all the Directors and Supervisors, each of them confirmed that they have complied with the required standards set out in the Model Code during the Year in relation to their securities dealings, if any.

GOVERNANCE STRUCTURE

(c) THE BOARD OF DIRECTORS

The seventh session of the Board was elected at the second extraordinary general meeting held on 13 November 2012. The Board currently comprises a total of 9 members, with 6 executive directors and 3 independent non-executive directors:

Executive Directors

Mr. Zhang Xiaocheng (*Chairman*)

Mr. Ping Hao (*Vice Chairman*)

Mr. Cong Huisheng

Mr. Chen Ruowei

Mr. Du Xinhua

Mr. Fan Xu

Independent Non-executive Directors

Mr. Choy Sze Chung, Jojo

Mr. Wu Zhengde

Mr. Li Yuanpeng

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Each of the existing Directors appointed or re-elected on 13 November 2012 has entered into a service contract with the Company, with a term of three years, commencing from 13 November 2012 to the date when a new session of Board is elected at an extraordinary general meeting to be held in 2015. Members of the Board come from different backgrounds and they have extensive experience in different sectors including information technology, securities and finance, wire and cable industry, corporate management, financing accounting, project management and capital operation, etc. Save as otherwise disclosed, members of the Board are unrelated to one another. The Board of Directors of the Company are able to fulfilled the requirements set out in rules 3.10(1) and (2) of the Listing Rules. The list and biographies of the Directors are set out on pages 12 to 14 of this annual report.

CORPORATE GOVERNANCE REPORT (Continued)

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 main responsibilities of the Board include overseeing all major matters of the Company, such as the formulation and approval of all policy matters and overall strategies, internal control and risk management and supervision of managerial staff and senior executives. Its main duties are to exercise management decisions with the authority delegated by the general meetings in respect of the Company strategic development, business planning management structure, investment and financing, human resources and manpower and financial control. The Board is also responsible for developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors. The Directors have to make decisions that are of the best interests of the Company and the Shareholders and all substantial transactions or transactions of the Company with conflicts of interests are to be decided by the Board. Set out below are the corporate governance functions carried out by the board:

- (a) to determine the policy of the corporate governance;
- (b) to develop and review the Company's policies and practices on corporate governance and make recommendations;
- (c) to review and monitor the training and continuous professional development of director and senior management;
- (d) to review and monitor company's policies and practices on compliance with legal and regulatory requirements;
- (e) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and
- (f) to review the company's compliance with code and disclosure in corporate governance report.

During the Year, six meetings of the sixth session of the Board and one meeting of the seventh session of the Board of the Company were held 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.

CORPORATE GOVERNANCE REPORT (Continued)

Set out below are the attendance of board meeting and Shareholders meeting of each Director:

Name of Director	Board Meeting Attended/ Eligible to Attend	2012 Annual General Meeting Attended	First Extraordinary General Meeting Attended	Secondary Extraordinary General Meeting Attended
Executive Directors				
Mr. Zhang Xiaocheng (<i>Chairman</i>)	7/7	–	✓	✓
Mr. Ping Hao (<i>Vice Chairman</i>)*	1/1	–	✓	✓
Mr. Cong Huisheng*	0/1	–	–	–
Mr. Chen Ruowei	7/7	–	–	–
Mr. Du Xinhua*	1/1	–	–	–
Mr. Fan Xu*	1/1	–	✓	✓
Mr. Guo Aiqing [#]	6/6	✓	–	–
Ms. Fu Ruolin [#]	4/6	–	–	–
Mr. Su Wenyu [#]	5/6	–	–	–
Mr. Jiang Jianping [#]	5/6	–	–	–
Independent Non-executive Directors				
Mr. Choy Sze Chung, Jojo	7/7	✓	✓	✓
Mr. Wu Zhengde	7/7	–	✓	✓
Mr. Li Yuanpeng	7/7	✓	✓	✓

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable standards and to report on material uncertainties, if any, relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Directors are responsible for overseeing the preparation of financial statements of the Group with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group that relevant statutory and regulatory requirements and applicable accounting standards are complied with. The Directors also acknowledge their responsibilities to ensure the financial statements of the Group are published in a timely manner. The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

The reporting responsibilities of the Company's external auditors on the financial statements of the Group are set out in the "Auditor's Report" in this annual report.

Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage of any legal liabilities which may arise in the course of performing their duties.

* Mr. Ping Hao, Mr. Cong Huisheng, Mr. Du Xinhua and Mr. Fan Xu were appointed as Executive Directors on 13 November 2012.

[#] Mr. Guo Aiqing, Ms. Fu Ruolin, Mr. Su Wenyu and Mr. Jiang Jianping ceased to be Executive Directors from 13 November 2012 onward.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three Independent Non-executive Directors, which complies with the requirement of rules 3.10 (1), (2) and 3.10 (A) 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 13 January 2012, 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 under Rule 3.13 of the Listing Rules. The independent Non-Executive Directors of the Company play an important role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. They bring an impartial view on issues of the Company's strategies, performance and control. Our Independent Non-Executive Directors possess extensive academic, professional and industry experience and management experience and have provided their independent, constructive and professional advice to the Board. The backgrounds 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, either by attending in person or by way of electronic communication was 100%.

BOARD MEETINGS

Meetings of the Board are held regularly and there was satisfactory attendance for board meetings, which evidences prompt attention of the directors to the affairs of the Company. Six meetings of the sixth session of the Board and one meeting of the seventh session of the Board of the Company were held in 2012 at about quarterly intervals to approve, among other things, the financial results of the Company. Regular board meetings are scheduled in advance to give the directors an opportunity to attend. All directors are invited to include matters in the agenda for regular board meetings and Directors can attend board meetings either in person or by electronic means of communication.

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.

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.

CORPORATE GOVERNANCE REPORT (Continued)

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 engage consultants for advice on any specific issues of the Company with fees borne by the Company. All Directors can obtain from the company secretary timely information and latest development about rules and regulations and other continual responsibilities which directors of listed companies must observe so as to ensure that each Director is informed of his own duties and that the Company implements Board procedures consistently and complies with the legislations as 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. Ping Hao. The role of the Chairman is separate from that of the General Manager so as to delineate their respective areas of responsibility, power and authority.

The Chairman focuses on the Group's strategic planning while the General Manager has overall executive responsibility for the Group's development and management. They receive significant support from the directors and the senior management team.

The Chairman has a clear responsibility to ensure that the whole Board receives, in a timely manner, adequate information which must be accurate, clear, complete and reliable. The Board, led by the Chairman, sets the overall directions, strategy and policies of the Company.

The Chairman provides leadership for the Board to ensure that it works effectively, performs its responsibilities and acts in the best interests of the Company. The Chairman is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures.

The Chairman seeks to ensure that all directors are properly briefed on issues arising at board meetings. He also encourages the directors to make full and active contributions to the Board's affairs, to voice their concerns or different views and ensure that the decisions fairly reflect the consensus.

(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 13 November 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 assume membership in the audit committee, nomination committee, remuneration and appraisal committee, and strategic development committee under the Board.

CORPORATE GOVERNANCE REPORT (Continued)

(f) PROFESSIONAL TRAININGS TAKEN BY DIRECTORS

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company. All Directors are encouraged to participate in continuous professional development to further develop their knowledge and

skills. The Company has arranged in-house trainings for Directors in the form of seminar and reading materials. All Directors are encouraged to attend relevant training courses at the Company's expenses. A summary of training received by Directors during the Year according to the records provided by the Directors is as follows:

Name of Directors	Type of Continuous Professional Development	Reading newspaper, journals, newsletters and updates related to Director's duties and responsibilities
<i>Executive Directors</i>		
Mr. Zhang Xiaocheng (Chairman)	✓	✓
Mr. Ping Hao (Vice Chairman)*	✓	✓
Mr. Cong Huisheng*	✓	✓
Mr. Chen Ruowei	✓	✓
Mr. Du Xinhua*	✓	✓
Mr. Fan Xu*	✓	✓
Mr. Guo Aiqing [#]	✓	✓
Ms. Fu Ruolin [#]	✓	✓
Mr. Su Wenyu [#]	✓	✓
Mr. Jiang Jianping [#]	✓	✓
<i>Independent Non-executive Directors</i>		
Mr. Choy Sze Chung, Jojo	✓	✓
Mr. Wu Zhengde	✓	✓
Mr. Li Yuanpeng	✓	✓

* Mr. Ping Hao, Mr. Cong Huisheng, Mr. Du Xinhua and Mr. Fan Xu were appointed as Executive Directors on 13 November 2012.

[#] Mr. Guo Aiqing, Ms. Fu Ruolin, Mr. Su Wenyu and Mr. Jiang Jianping ceased to be Executive Directors from 13 November 2012 onward.

(g) 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, Mr. Cong Huisheng and Mr. Du Xinhua, with effect from 13 November 2012. The committee is chaired by Mr. Wu Zhengde.

The Remuneration and Appraisal Committee has adopted the operation model where it performs to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

The purpose of the committee is to make recommendations to the Board on the remuneration policy and structure for all directors and senior management of the Group and the remuneration of all

CORPORATE GOVERNANCE REPORT (Continued)

directors of each member of the Group. The committee is responsible for making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy on all directors and senior management and for determining remuneration packages of individual executive directors and senior management. It also assesses the performance of executive directors and approves the terms of executive directors service contracts. It also makes recommendations to the Board on the remuneration of non-executive directors (including independent non-executive directors), to supervise the execution of the remuneration system, to review and approve the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time and to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent to agreement terms; and if compensation payable could not be consistent with agreement terms, it should be fair and not excessive. The committee consults the chairman and/or the general manager about their remuneration proposals for other executive directors.

The Group's remuneration policy seeks to provide fair market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance.

The 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.

One meeting was held in the Year. During the Year, the committee approved the remuneration of the Directors of the seventh session of the Board.

Details of the remuneration of Directors for the year ended 31 December 2012 are set out on pages 107 and 108. 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.

(h) NOMINATION COMMITTEE

The Board set up a nomination committee currently comprising 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. Fan Xu. The committee is chaired by Mr. Li Yuanpeng. The nomination committee holds meetings in due course every year.

The purpose of the committee is to determine the policy for the nomination of directors performed by the nomination committee. It is to lead the process for Board appointments and for identifying and nominating for the approval of the Board candidates for appointment to the Board. The committee is responsible for reviewing the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. The committee carries out extensive search for qualified candidates for Directors and managers and it is also responsible for assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the vice chairman and the chief executive officer of the

CORPORATE GOVERNANCE REPORT (Continued)

Company. The committee consults the chairman of the Board about his proposals relating to the process for Board appointments and for identifying and nominating candidates as members of the Board.

The criteria for the committee to select and recommend a candidate for directorship include the candidate's skills, knowledge, experience and integrity and whether he/she can demonstrate a standard of competence commensurate with his/her position as a director of the Company.

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 had convened two meetings. During the year, the committee resolved to appoint the candidates for the positions of general manager, deputy general manager and the Directors of the seventh session of the Board of the Company. Specific details of attendance of the meeting are set out on page 28 of this section.

(i) 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.

Members of the audit committee have a term of three years. Terms of reference of the committee are 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 review feedback from the management to such reports.

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

During the Year, the audit committee had convened three meetings. During the meetings, the Audit Committee reviewed the annual results and its corresponding accounts for the year 2012, the interim results and its corresponding accounts for the six months ended 30 June 2012, the Company's works on internal control and other works as required under the CG Code. Specific details of attendance of the meetings are set out on page 28 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 chairman submitted reports on the significant matters discussed to the Board.

(j) 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. Ping Hao. The committee is chaired by Mr. Zhang Xiaocheng.

The role and main duties of the strategic development committee include studying and advising on the Company's mid to long-term strategic development and planning; studying and advising 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; studying and advising on any other material events which have influence on the development of the Company; and checking the implementation of the above matters.

CORPORATE GOVERNANCE REPORT (Continued)

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
The sixth Board (from 1 January 2012 to 12 November 2012)												
Executive Directors												
Zhang Xiaocheng (Chairman)	6	2	4	-	-	-	-	-	-	-	-	-
Guo Aiqing (Vice Chairman)	6	2	4	-	-	-	-	-	-	-	-	-
Fu Ruolin	6	0	4	-	-	-	-	-	-	1	-	1
Chen Ruowei	6	2	4	-	-	-	2	-	2	-	-	-
Su Wenyu	6	1	4	-	-	-	2	-	2	-	-	-
Jiang Jianping	6	1	4	-	-	-	-	-	-	1	-	1
Independent Non-Executive Directors												
Choi Sze Chung, Jojo	6	2	4	2	2	-	2	-	2	1	-	1
Wu Zhengde	6	2	4	2	2	-	2	-	2	1	-	1
Li Yuanpeng	6	2	4	2	2	-	2	-	2	1	-	1
The seventh Board (from 13 November 2012 to 31 December 2012)												
Executive Directors												
Zhang Xiaocheng (Chairman)	1	1	-	-	-	-	-	-	-	-	-	-
Ping Hao (Vice Chairman)	1	1	-	-	-	-	-	-	-	-	-	-
Cong Huisheng	1	0	-	-	-	-	-	-	-	-	-	-
Chen Ruowei	1	1	-	-	-	-	-	-	-	-	-	-
Du Xinhua	1	1	-	-	-	-	-	-	-	-	-	-
Fan Xu	1	1	-	-	-	-	-	-	-	-	-	-
Independent Non-Executive Directors												
Choy Sze Chung, Jojo	1	1	-	1	1	-	-	-	-	-	-	-
Wu Zhengde	1	1	-	1	1	-	-	-	-	-	-	-
Li Yuanpeng	1	1	-	1	1	-	-	-	-	-	-	-

(k) AUDITOR'S REMUNERATION

The auditor engaged by the Company is nominated by the Board and is approved by Shareholders in the general meeting. Apart from carrying out the annual audit, the auditor of the Company also carried out the review on the interim reports of the Company and reviewed the financial information for the very

substantial acquisition and connected transaction and proposed formation of joint venture company discussed in the first extraordinary general meeting of the Company. Its remuneration was determined by the Board as authorized by the general meeting. During the Year, the remuneration paid to the auditor for auditing services totaled RMB900,000, the remuneration for the provision of non-audit related services to the Company is RMB200,000.

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.

The Supervisory Committee comprised three supervisors, including one supervisor acting as staff representative and two Shareholder's representative supervisors.

On 13 November 2012, the 2012 second extraordinary general meeting was held to, among other matters, appoint Mr. Zheng Zhili and to re-elect Mr. Xiong Ting as the supervisors of the Company. The existing members of Supervisory Committee are Mr. Zheng Zhili (Chairman of Supervisory Committee), Mr. Xiong Ting and Ms. Dai Xiaoyi.

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. For the year ended 31 December 2012, the Board has conducted a review of the effectiveness of the internal control system of the Group.

The internal control system includes a management framework with clearly defined duties for the purposes of assisting the Company in reaching various business targets and ensuring that assets of the Company will not be defalcated or disposed of; ensuring that the Company's accounting records provide reliable financial data for internal use or public disclosure; and 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 puts forward its recommendation to the management of the Company and regularly reports to the Board.

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

The Board conducted a review to examine whether the internal 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.

CORPORATE GOVERNANCE REPORT (Continued)

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 basis 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 review 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.

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 2012, 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 36 of this annual report.

CORPORATE GOVERNANCE REPORT (Continued)

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.

COMPANY SECRETARY

The Company engages an external service provider company secretarial services and Ms. Kwong Yin Ping, Yvonne is appointed as the Company Secretary. The primary contact person in the Company for Ms. Kwong in relation to company secretarial matters is Mr. Ping Hao, Executive Director and Vice Chairman of the Company. The Company Secretary is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training and has complied with the requirements in Rule 3.29. The biography of the Company Secretary is set out on page 15 of this annual report.

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 on 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. Results of polls will be published on the websites of the Stock Exchange and the Company in due course.

In 2012, the Company convened one annual general meeting and two extraordinary general meetings. Please refer to page 22 of this section for the Directors' attendance of these meetings.

Mr. Zhang Xiaocheng, the chairman of the board, has not attended the 2012 Annual General Meeting in person due to other commitment but Mr. Quo Aiqing has attended the meeting on behalf of Mr. Zhang Xiaocheng.

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Under the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid up capital of the Company which carries the right of voting at general meeting can require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition. The procedures for shareholders to convene and put forward proposals at an EGM are stated as follows:

- (1) Any one or more shareholders holding 10% or more of the shares which carries the right of voting at such proposed meeting may require the Board to convene an extraordinary general meeting or a class meeting of shareholders through signing one or copies of written request in the same format which contain the resolutions to be proposed at such meeting. The Board shall convene an extraordinary general meeting or a class meeting of shareholders as soon as possible after receiving such written request. The aforesaid number of shares held shall be based on the number of shares held on the date of written request.

CORPORATE GOVERNANCE REPORT (Continued)

- (2) Where the Board fails to issue a notice of meeting within 30 days after receiving the aforesaid written request, the shareholder(s) who made such request may convene a meeting within four months after the Board receiving such request, in the same manner, as nearly as possible, as that in which the general meetings are convened by the Board.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to cdc@cdc.com.cn or send their enquiries to the following address:

No. 18, Xinhang Road,
The West Park of
Hi-tech Development Zone,
Chengdu,
Sichuan Province,
The PRC

CONTROLLING SHAREHOLDER

During the Year, China Potevio is the controlling Shareholder of the Company, which holds 60% of the total issued share 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 maintained independence of its controlling Shareholder in terms of staff, assets, finance, organisation and business.

INFORMATION DISCLOSURE AND INVESTOR RELATION MANAGEMENT

The Company endeavours to comply 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 2012, 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>).

On 27 March 2012, the 17th meeting of the sixth session of the Board was convened to approve the amendments to the Implementation Rules of Remuneration and Appraisal Committee of the Board, the Implementation Rules of Nomination Committee of the Board and the Implementation Rules of Audit Committee of the Board, which have been published at the website of the Company (<http://putian.wsfg.hk>) for Shareholders' inspection.

During the year ended 31 December 2012, there has not been any change in the Company's constitutional documents.

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 always so as to comply with the requirements of the regulatory authorities. The Company will regularly review and enhance its corporate governance procedures and implementations to ensure the sustainable development of the Company.

REPORT OF THE SUPERVISORY COMMITTEE

To Shareholders,

During the Year, all members of the Supervisory Committee had 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 2012, 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 2012, 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 was legitimate and all the resolutions passed at the general meetings were 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 was no abuse of rights, violation of law or regulations or Articles of Association and no 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.

The Supervisory Committee was satisfied with the smooth transition of the new session of the Board and the management of the Company in 2012. On the other hand, it recommended the Company to brave the challenges by reinforcing its performance and reviewing its weaknesses. In addition, due to insufficient estimate of unfavorable factors in the overall environment, the progress of major projects was unsatisfactory and the sales target was not fulfilled. Therefore, the Company shall learn from the experience and improve its working procedures for higher sales income growth.

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.

REPORT OF THE SUPERVISORY COMMITTEE (Continued)

5. OPINIONS ON MANAGEMENT IN AUDITOR'S MANAGEMENT LETTER

The Supervisory Committee considers that the Company shall 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 2012, the Company had no other material litigations.

The Supervisory Committee was of the opinion that during 2012, in response to the unfavorable international and domestic economic conditions, the Company endeavored to achieve satisfactory performance based on the strategic planning and the operation deployment of China PUTIAN Corporation for 2012 with limited success. Nevertheless, due to the intensified downturn in the overall market, coupled with inadequate recognition of the challenges, inefficient operation analysis as well as ineffective management, the KPI indicators and progress of special projects were unsatisfactory. The Company also failed to achieve the target of ensuring growth of its economic benefits. The Board shall pay close attention of the failure. The Board was suggested to strengthen the corporate internal control management to prevent various risks. It shall also exchange opinions with independent directors on a regular basis to enhance communication with operation management and closely monitor the operation and management of the Company so as to make prompt suggestions and proposals. Furthermore, the operation management was suggested to enhance the strategic planning for the development of the Company and capitalize on comprehensive budget management for maximizing profitability and ensuring the sustainable and healthy development of the Company.

In the year 2013, the Supervisory Committee will continue to exercise its function in supervising the decision-making, finance, Directors and senior management of the Company, optimize its deployment, implement specific surveillance tasks 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 improve the operating efficiency of the Company for the protection of the interest of all Shareholders.

Zheng Zhili

Chairman of the Supervisory Committee

6 March 2013

大信會計師事務所有限公司

15th Floor, College of Beijing Nation Mansion
No.1 Zhichun Road
Haidian
Beijing

北京
海淀區
知春路1號
學院國際大廈15層

Daxin Shen Zi [2013] 2-00135

To the Shareholders of Chengdu PUTIAN Telecommunications Cable Co., Ltd.

We have audited the accompanying financial statements of Chengdu PUTIAN Telecommunications Cable Co., Ltd. (the "Company") which comprise the consolidated and the Company's balance sheets as at 31 December 2012, and the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements and the consolidated and the Company's statements of changes in owners' equities for the year then ended and the notes to these financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

It is the management's responsibility to prepare and fairly present these financial statements. This responsibility includes: (1) preparing and fairly presenting these financial statements in accordance with Accounting Standards for Business Enterprises; (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' REPORT (Continued)

2. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of the audit procedures is based on the judgment of the auditors, including the assessment of the risks of material misstatement of the financial statements, whether due to frauds or errors. In making those assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of financial statement.

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

3. AUDIT OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Company's financial position as of 31 December 2012, and of their financial performance and their cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

DaXin Certified Public Accountants Co., Ltd

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

Beijing • China
7 March 2013

CONSOLIDATED BALANCE SHEET

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED 31 December 2012

Monetary unit: RMB YUAN

Item	Note	End of year	Beginning of year
Current assets:			
Cash and bank balances	V.1	219,904,310.13	242,284,772.64
Reserved deposits			
Loans to other banks			
Transactional financial assets			
Bills receivable	V.2	51,453,086.64	38,193,476.74
Accounts receivable	V.3	100,375,592.35	124,670,185.05
Prepayments	V.4	3,552,218.93	2,657,646.11
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance accounts receivable reserve			
Interest receivable			
Dividends receivable			
Other receivables	V.5	27,305,810.79	32,614,916.10
Put option			
Inventories	V.6	209,386,655.70	263,327,508.31
Current Portion of non-current assets			
Other current assets		153,945.60	
Total current assets		612,131,620.14	703,748,504.95

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATED BALANCE SHEET (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED 31 December 2012

Monetary unit: RMB YUAN

Item	Note	End of year	Beginning of year
Non-current assets:			
Loans to others and payment on behalf			
Available-for-sale financial assets	V.7	13,463,424.00	14,121,120.00
Held-to-maturity investment long-term accounts receivable			
Long-term equity investments	V.9	232,584,011.22	204,541,934.69
Investment property	V.10	3,218,586.22	2,992,841.32
Fixed assets	V.11	386,065,150.35	325,874,374.80
Construction in progress	V.12	11,523,787.59	93,706,380.86
Construction material			
Disposal of fixed assets			
Productive Biological Assets			
Oil and gas			
Intangible assets	V.13	37,612,043.22	39,659,991.93
Development cost			
Goodwill			
Long term prepaid expenses			
Deferred tax assets	V.14	18,273,494.72	18,751,025.08
Other non-current assets			
Total non-current assets		702,740,497.32	699,647,668.68
Total assets		1,314,872,117.46	1,403,396,173.63

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATED BALANCE SHEET (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED 31 December 2012

Monetary unit: RMB YUAN

Item	Note	End of year	Beginning of year
Current liabilities:			
Short term loans	V.16	11,000,000.00	5,000,000.00
Borrowings from central bank			
Deposits taking and inter-bank deposits			
Loans from others			
Transactional financial liabilities			
Bills payable			
Accounts payable	V.17	66,971,873.01	87,050,210.78
Receipt in advance	V.18	7,233,688.39	9,207,453.91
Call option			
Commission and charges payable			
Staff remuneration payables	V.19	19,601,726.69	20,033,557.16
Tax payable	V.20	(19,360,945.98)	(25,459,804.87)
Interest payable			366,260.00
Dividend payable			
Other payables	V.21	44,490,589.46	43,091,435.30
Premium payable for reinsurance			
Net provision for insurance contracts			
Amount payable to securities broker			
Amount payable to securities underwriter			
Non-current liabilities			
due within one year			
Other current liabilities			
Total current liabilities		129,936,931.57	139,289,112.28

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATED BALANCE SHEET (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED 31 December 2012

Monetary unit: RMB YUAN

Item	Note	End of year	Beginning of year
Non-current liabilities:			
Long term loans	V.22	8,980,918.20	8,813,449.17
Bonds payable			
Long-term payables			
Designate accounts payable			
Provision			
Deferred tax liabilities	V.14	1,610,313.60	2,221,665.93
Other non-current liabilities	V.23	83,835,323.48	71,392,191.30
Total non-current liabilities		94,426,555.28	82,427,306.40
Total liabilities		224,363,486.85	221,716,418.68
Equity			
Share capital	V.24	400,000,000.00	400,000,000.00
Capital reserve	V.25	660,378,754.32	659,009,711.28
Less: treasury shares			
Special reserve			
Surplus reserve	V.26	8,726,923.61	8,726,923.61
General risk reserve			
Retained earnings	V.27	(65,411,028.78)	32,302,989.58
Translation reserve			
Total equity attributable to the equity holders of the Company		1,003,694,649.15	1,100,039,624.47
Minority interest		86,813,981.46	81,640,130.48
Total equity		1,090,508,630.61	1,181,679,754.95
Total liabilities and equity		1,314,872,117.46	1,403,396,173.63

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATED INCOME STATEMENT

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For the year 2012

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
I. Total operating income		498,057,297.73	587,094,326.94
Operating income	V.28	498,057,297.73	587,094,326.94
Interest income			
Insurance premiums earned			
Commissions income			
II. Total operating costs		576,603,273.08	655,298,938.98
Operating costs	V.28	465,464,981.96	560,488,874.71
Interest expense			
Commission charges			
Refund of insurance premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Commissions on insurance policies			
Cession charges			
Business taxes and surcharges	V.29	2,675,452.92	2,070,144.94
Selling expenses	V.30	32,613,638.73	39,263,632.25
Administration expenses	V.31	81,212,625.13	66,528,031.97
Finance costs	V.32	(4,765,164.61)	(7,267,180.76)
Assets impairment loss	V.34	(598,261.05)	(5,784,564.13)
Add: Changing income of fair value			
Gain/(losses) on investment	V.33	(7,957,199.23)	(3,459,922.23)
Including: Losses on investment of associates and jointly controlled entities			
exchange gains (losses)	V.33	(16,957,923.46)	(7,070,051.85)
III. Operating profit/(loss)		(86,503,174.58)	(71,664,534.27)
Add: Non-operating income	V.35	4,913,743.27	16,311,692.27
Including: Gain on disposal of non-current assets		(118,326.67)	1,027,194.81
Less: Non-operating expenses	V.36	1,598,913.27	1,156,160.30

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATED INCOME STATEMENT (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For the year 2012

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
IV. Total profit/(loss)		(83,188,344.58)	(56,509,002.30)
Less: Income tax expenses	V.37	5,351,822.79	7,224,378.77
V. Net profit(loss)		(88,540,167.37)	(63,733,381.07)
Net profit attributable to parent company's shareholders		(97,714,018.36)	(66,044,837.54)
Minority interests		9,173,850.99	2,311,456.47
VI. Earnings per share:			
(i) Basic earning per share (RMB/share)	V.38	(0.24)	(0.17)
(ii) Diluted earning per share (RMB/share)	V.38	(0.24)	(0.17)
VII. Other comprehensive income	V.39	(559,041.60)	(5,409,549.60)
VIII. Total comprehensive income		(89,099,208.97)	(69,142,930.67)
Total comprehensive income attributable to the Company's shareholders		(98,273,059.96)	(71,454,387.14)
Total comprehensive income attributable to minority interests		9,173,850.99	2,311,456.47

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATED CASH FLOW STATEMENT

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For the year 2012

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
I. Cash flow from operating activities:			
Cash receives from sale of goods or rendering of services		507,277,798.38	587,351,465.17
Net increase in interbank deposit and the deposit			
Net increase in borrowing from the central bank			
Net increase in loans from other financial institutions			
Premium received for insurance contracts			
Premium received for reinsurance contracts			
Increase in reserve fund			
Increase in transactional monetary funds			
Interest, charges and commission received			
Deposits taking			
Increase in repurchase fund			
Tax refund			669,018.66
Other cash receives from activities related to operation	V.40	78,372,825.92	55,207,081.48
Sub-total of cash inflow from operating activities		585,650,624.30	643,227,565.31
Cash paid to purchase goods or receiving services		363,068,492.52	537,437,878.36
Loans to customer and payment on behalf			
Increase in deposits with central bank and inter-bank			
Compensation paid for insurance contract			
Interest, handling charges and commission paid			
Bonus payment for insurance contract			
Cash paid to and on behalf of employees		69,650,201.72	60,601,811.93
Cash paid for all types of taxes		23,179,346.25	25,681,100.34
Other cash paid for activities related to operation	V.40	109,147,265.35	110,371,677.52
Sub-total of cash outflow from operating activities		565,045,305.84	734,092,468.15
Net cash flow from operating activities		20,605,318.46	(90,864,902.84)

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATED CASH FLOW STATEMENT (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For the year 2012

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
II. Cash flow from investment activities:			
Cash received from investments			35,000,000.00
Cash received from return of investment			89,945.20
Net cash received from return of fixed assets, intangible assets and other long-term assets		3,361,828.45	18,873,581.00
Net cash received from disposal of subsidiaries and other business units		18,200,000.00	86,780,000.00
Other cash received from activities related to investment			
Sub-total of cash inflow from investment activities		21,561,828.45	140,743,526.20
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		19,598,244.25	45,908,379.30
Cash paid for acquisition of investment		45,000,000.00	38,850,000.00
Increase in secured loans			
Acquisition of net cash from subsidiaries and other business units			
Other cash paid for activities related to investment			
Sub-total of cash outflow from investment activities		64,598,244.25	84,758,379.30
Net cash flow from investment activities		(43,036,415.80)	55,985,146.90

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATED CASH FLOW STATEMENT (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED 31 December 2012

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
III. Cash flow from financing activities:			
Cash received from investment			
Including: Cash received from subsidiary company absorbing minority's investment			
Proceeds from loans		11,000,000.00	6,000,000.00
Cash received from bonds issued			
Other cash received from activities related to financing			
Sub-total of cash inflow from financing activities		11,000,000.00	6,000,000.00
Repayment of loans		5,000,000.00	16,000,000.00
Cash paid for dividends, profit, or interest payments		5,933,014.79	1,709,967.80
Including: Dividend and profits paid to minority shareholders of the subsidiaries		4,000,000.00	900,000.00
Other cash paid relating to operating services financing activities			20,000.00
Sub-total of cash outflow from financing activities		10,933,014.79	17,729,967.80
Net cash flow from financing activities		66,985.21	(11,729,967.80)
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(16,350.38)	(244,553.95)
V. Net increase in cash and cash equivalents		(22,380,462.51)	(46,854,277.69)
Add: beginning balance of cash and cash equivalents	V.41	242,284,772.64	289,139,050.33
VI. Ending balance of cash and cash equivalents		219,904,310.13	242,284,772.64

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For the year 2012

Monetary unit: RMB YUAN

Item	31 December 2012										
	Shareholder's equity attributable to parent company's shareholder									Minority interest	Total shareholder's equity
	Share capital	Capital reserve	Less: treasury shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total		
I. Balance at the end of last year	400,000,000.00	659,009,711.28			8,726,923.61		32,302,989.58		1,100,039,624.47	81,640,130.48	1,181,679,754.95
Add: changes of accounting policy											
Prior period errors correction											
Others											
II. Balance at the beginning of last year	400,000,000.00	659,009,711.28			8,726,923.61		32,302,989.58		1,100,039,624.47	81,640,130.48	1,181,679,754.95
III. Increase (decrease)		1,369,043.04					(97,714,018.36)		(96,344,975.32)	5,173,850.98	(91,171,124.34)
(i) Net profit							(97,714,018.36)		(97,714,018.36)	9,173,850.98	(88,540,167.38)
(ii) Other comprehensive profit		(559,041.60)							(559,041.60)		(559,041.60)
the sum of (i) and (ii)		(559,041.60)							(98,273,059.96)	9,173,850.98	(89,099,208.98)
(iii) Shareholders increase or decrease capital (decrease)		1,928,084.64							1,928,084.64		1,928,084.64
1. capital invested by owners											
2. share-based payment recorded into shareholders' equity											
3. others		1,928,084.64							1,928,084.64		1,928,084.64
(iv) Retained earnings										(4,000,000.00)	(4,000,000.00)
1. appropriation to surplus reserves											
2. appropriation to general risk provision											
3. distribution to all owners (or shareholders)										(4,000,000.00)	(4,000,000.00)
4. others											
(v) Transfer within owners' equity(loss)											
1. transferred from capital surplus											
2. transferred from surplus reserve											
3. surplus reserve marked up losses											
4. others											
(vi) Special reserves											
1. appropriation this year											
2. use in this year											
IV. Balance at the ending of the year	400,000,000.00	660,378,754.32			8,726,923.61		(65,411,028.78)		1,003,694,649.15	86,813,961.46	1,090,508,630.61

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For the year 2012

Monetary unit: RMB YUAN

Item	31 December 2011										
	Shareholder's equity attributable to parent company's shareholder									Minority interest	Total shareholder's equity
	Share capital	Capital reserve	Less: treasury shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total		
I. Balance at the end of last year	400,000,000.00	666,347,345.52			8,726,923.61		98,347,827.12		1,173,422,096.25	81,692,202.87	1,255,114,299.12
Add: Changes of accounting policy											
Prior period errors correction											
Others											
II. Balance at the beginning of last year	400,000,000.00	666,347,345.52			8,726,923.61		98,347,827.12		1,173,422,096.25	81,692,202.87	1,255,114,299.12
III. Increase (decrease)		(7,337,634.24)					(66,044,837.54)		(73,382,471.78)	(52,072.39)	(73,434,544.17)
(i) Net profit							(66,044,837.54)		(66,044,837.54)	2,311,456.47	(63,733,381.07)
(ii) Other comprehensive profit		(5,409,549.60)							(5,409,549.60)		(5,409,549.60)
the sum of (i) and (ii)		(5,409,549.60)							(71,454,387.14)	2,311,456.47	(69,142,930.67)
(iii) Shareholders increase or decrease capital (decrease)		(1,928,084.64)							(1,928,084.64)	(1,463,528.86)	(3,391,613.50)
1. capital invested by owners											
2. share-based payment recorded into shareholders' equity											
3. others		(1,928,084.64)							(1,928,084.64)	(1,463,528.86)	(3,391,613.50)
(iv) Retained earnings										(900,000.00)	(900,000.00)
1. appropriation to surplus reserves											
2. appropriation to general risk provision											
3. distribution to all owners (or shareholders)										(900,000.00)	(900,000.00)
4. others											
(v) Transfer within owners' equity(loss)											
1. transferred from capital surplus											
2. transferred from surplus reserve											
3. surplus reserve marked up losses											
4. others											
(vi) Special reserves											
1. appropriation this year											
2. use of this year											
IV. Balance at the ending of the year	400,000,000.00	669,009,711.28			8,726,923.61		32,302,989.58		1,100,039,624.47	81,640,130.48	1,181,679,754.95

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

BALANCE SHEET OF THE PARENT COMPANY

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED 31 December 2012

Monetary unit: RMB YUAN

Item	Note	End of year	Beginning of year
Current assets:			
Cash and bank balances		82,622,759.69	126,737,290.46
Reserved deposits			
Bills receivable		30,902,225.40	21,367,192.43
Accounts receivable	XI.1	40,420,720.94	55,934,333.37
Prepayments		1,238,981.99	920,658.99
Interest receivable			
Dividend receivable			
Other receivables	XI.2	49,130,856.05	57,771,479.02
Inventories		105,414,907.36	155,154,976.95
Current Portion of non-current assets			
Other current assets		153,945.60	
Total current assets		309,884,397.03	417,885,931.22
Non-current assets:			
Available-for-sale financial assets		13,463,424.00	14,121,120.00
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment	XI.3	390,724,981.03	371,494,500.62
Investment property		25,292,012.98	25,975,914.76
Fixed assets		228,942,968.76	242,785,796.36
Construction in progress		5,051,295.23	11,687,360.86
Construction material			
Disposal of fixed assets			
Productive Biological Assets			
Oil and gas			
Intangible assets		37,522,812.44	38,603,728.88
Development cost			
Goodwill			
Long-term prepaid expense			
Deferred tax assets		16,470,347.35	16,362,240.15
Other non-current assets			
Total non-current assets		717,467,841.79	721,030,661.63
Total assets		1,027,352,238.82	1,138,916,592.85

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

BALANCE SHEET OF THE PARENT COMPANY (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED 31 December 2012

Monetary unit: RMB YUAN

Item	Note	End of year	Beginning of year
Current liabilities:			
Short-term loan			
Transactional financial liabilities			
Bills payable			
Accounts payable		21,042,531.41	32,829,027.74
Receipt in advance		4,449,331.51	1,576,791.07
Staff remuneration payable		8,115,811.76	8,113,407.90
Tax payable		(23,421,596.66)	(27,189,966.22)
Interest payable			
Dividend payable			
Other payables		36,847,581.62	33,662,631.26
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		47,033,659.64	48,991,891.75
Non-current liabilities:			
Long term loans		8,980,918.20	8,813,449.17
Bonds payable			
Long-term accounts payable			
Designated accounts payable			
Provision			
Deferred tax liabilities		1,610,313.60	1,708,968.00
Other non-current liabilities			
Total non-current liabilities		10,591,231.80	10,522,417.17
Total liabilities		57,624,891.44	59,514,308.92
Equity			
Share capital		400,000,000.00	400,000,000.00
Capital reserve		657,328,154.68	657,887,196.28
Less: treasury shares			
Special reserve			
Surplus reserve		8,726,923.61	8,726,923.61
General risk reserve			
Retained earnings		(96,327,730.91)	12,788,164.04
Total equity		969,727,347.38	1,079,402,283.93
Total liabilities and equity		1,027,352,238.82	1,138,916,592.85

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

INCOME STATEMENT OF THE PARENT COMPANY

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For the year 2012

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
I. Operating incomes	<i>XI.4</i>	160,125,418.28	252,127,816.86
Less: Operating costs	<i>XI.4</i>	197,353,543.66	281,406,030.91
Business taxes and surcharges		1,077,621.10	837,189.83
Selling expenses		8,969,082.71	15,481,077.09
Administration expenses		50,081,823.89	42,409,302.02
Finance costs		(3,449,606.90)	(6,751,373.44)
Assets impairment loss		773,878.71	(5,639,547.66)
Add: Changing income of fair value			
Gain(losses) on investment	<i>XI.5</i>	(13,301,733.84)	(1,659,922.23)
Including: Losses on investment of associates and jointly controlled entities	<i>XI.5</i>	(16,957,923.46)	(7,070,051.85)
II. Operating profit/(loss)		(107,982,658.73)	(77,274,784.12)
Add: Non-operating income		235,254.33	14,275,659.34
Including: Gain on disposal of non-current assets		51,691.15	1,040,465.97
Less: Non-operating expenses		1,476,597.75	244,747.13
III. Total profit/(loss)		(109,224,002.15)	(63,243,871.91)
Less: Income tax expenses		(108,107.20)	2,628,314.17
IV. Net profit (loss)		(109,115,894.95)	(65,872,186.08)
V. Earnings per share:			
(I) Basic earning per share (RMB/share)			
(II) Diluted earning per share (RMB/share)			
VI. Other comprehensive income		(559,041.60)	(5,409,549.60)
VII. Total comprehensive income		(109,674,936.55)	(71,281,735.68)

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

CASH FLOW STATEMENT OF THE PARENT COMPANY

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For the year 2012

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
I. Cash flow from operating activities:			
Cash receives from sale of goods or rendering of services		118,394,506.93	214,885,863.71
Tax refund			
Other cash receives from activities related to operation		70,446,630.27	59,926,186.74
Sub-total of cash inflow from operating activities		188,841,137.20	274,812,050.45
Cash paid to purchase goods or receiving services		90,963,025.22	268,913,305.09
Cash paid to and on behalf of employees		38,165,120.03	32,707,839.99
Cash paid for all types of taxes		4,215,967.55	5,265,826.75
Other cash paid for activities related to operation		75,526,274.60	86,633,864.90
Sub-total of cash outflow from operating activities		208,870,387.40	393,520,836.73
Net cash flow from operating activities		(20,029,250.20)	(118,708,786.28)
II. Cash flow from investment activities:			
Cash received from investments			35,000,000.00
Cash received from return of investment		6,000,000.00	1,889,945.20
Net cash received from return of fixed assets, intangible assets and other long-term assets		9,313.45	2,829,581.00
Net cash received from disposal of subsidiaries and other business units		18,200,000.00	86,780,000.00
Other cash received from activities related to investment			
Sub-total of cash inflow from investment activities		24,209,313.45	126,499,526.20
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		3,159,691.75	24,995,699.53
Cash paid for acquisition of investment		45,000,000.00	38,850,000.00
Acquisition of net cash from subsidiaries and other business units			
Other cash paid for activities related to investment			
Sub-total of cash outflow from investment activities		48,159,691.75	63,845,699.53
Net cash flow from investment activities		(23,950,378.30)	62,653,826.67

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

CASH FLOW STATEMENT OF THE PARENT COMPANY (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For the year 2012

Monetary unit: RMB YUAN

Item	Note	Current year	Prior year
III. Cash flow from financing activities:			
Cash received from investment			
Proceeds from loans			
Proceeds from bonds			
Other cash received from activities related to financing			
Sub-total of cash inflow from financing activities			
Repayment of loans			
Cash paid for dividends, profit, or interest payments		134,902.27	144,902.33
Other cash paid relating to operating services financing activities			
Sub-total of cash outflow from financing activities		134,902.27	144,902.33
Net cash flow from financing activities		(134,902.27)	(144,902.33)
IV. Influence of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		(44,114,530.77)	(56,199,861.94)
Add: beginning balance of cash and cash equivalents		126,737,290.46	182,937,152.40
VI. Ending balance of cash and cash equivalents		82,622,759.69	126,737,290.46

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For the year 2012

Monetary unit: RMB YUAN

Item	31 December 2012							
	Share capital	Capital reserve	Less: treasury shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others
I. Balance at the end of last year	400,000,000.00	657,887,196.28			8,726,923.61		12,788,164.04	1,079,402,283.93
Add: changes of accounting policy								
Prior period errors correction								
Others								
II. Balance at the beginning of last year	400,000,000.00	657,887,196.28			8,726,923.61		12,788,164.04	1,079,402,283.93
III. Increase(decrease)		(559,041.60)					(109,115,894.95)	(109,674,936.55)
(i) Net profit							(109,115,894.95)	(109,115,894.95)
(ii) Other comprehensive profit		(559,041.60)						(559,041.60)
the sum of (i) and (ii)		(559,041.60)					(109,115,894.95)	(109,674,936.55)
(iii) Shareholders increase or decrease capital (decrease)								
1. capital invested by owners								
2. share-based payment recorded into shareholders' equity								
3. others								
(iv) Retained earnings								
1. appropriation to surplus reserves								
2. appropriation to general risk provision								
3. distribution to all owners (or shareholders)								
4. others								
(v) Transfer within owners' equity (loss)								
1. transferred from capital surplus								
2. transferred from surplus reserve								
3. surplus reserve marked up losses								
4. others								
(vi) Special reserves								
1. appropriation this year								
2. use of this year								
IV. Balance at the ending of the year	400,000,000.00	657,328,154.68			8,726,923.61		(96,327,730.91)	969,727,347.38

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY (Continued)

Made by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED For the year 2012

Monetary unit: RMB YUAN

Item	31 December 2011							
	Share capital	Capital reserve	Less: treasury shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others
I. Balance at the end of last year	400,000,000.00	663,296,745.88			8,726,923.61		78,660,350.12	1,150,684,019.61
Add: changes of accounting policy								
Prior period errors correction								
Others								
II. Balance at the beginning of last year	400,000,000.00	663,296,745.88			8,726,923.61		78,660,350.12	1,150,684,019.61
III. Increase(decrease)		(5,409,549.60)					(65,872,186.08)	(71,281,735.68)
(i) Net profit							(65,872,186.08)	(65,872,186.08)
(ii) Other comprehensive profit		(5,409,549.60)						(5,409,549.60)
the sum of (i) and (ii)		(5,409,549.60)					(65,872,186.08)	(71,281,735.68)
(iii) Shareholders increase or decrease capital (decrease)								
1. capital invested by owners								
2. share-based payment recorded into shareholders' equity								
3. others								
(iv) Retained earnings								
1. appropriation to surplus reserves								
2. appropriation to general risk provision								
3. distribution to all owners (or shareholders)								
4. others								
(v) Transfer within owners' equity (loss)								
1. transferred from capital surplus								
2. transferred from surplus reserve								
3. surplus reserve marked up losses								
4. others								
(vi) Special reserves								
1. appropriation this year								
2. use of this year								
IV. Balance at the ending of the year	400,000,000.00	657,887,196.28			8,726,923.61		12,788,164.04	1,079,402,283.93

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

I. BACKGROUND OF THE COMPANY

Chengdu PUTIAN Telecommunications Cable Company Limited (the “Company”) was incorporated on 1 October 1994 after its restructuring from Chengdu Cable Plant of the Posts and Telecommunications Ministry of China (now known as “China PUTIAN Corporation”). Pursuant to the approvals granted by The State Council of the People’s Republic of China (the “PRC”) for issuance of shares in Hong Kong, the shares of the Company have been listed on the Stock Exchange of Hong Kong Limited since 13 December 1994 through the placing and public offer of H shares with stock code 1202. The original name at the time of listing was Chengdu Telecommunications Cable Company Limited and the Company obtained “Qihechuanrongzong business license No.1972” issued by Chengdu Administration Bureau of Industry and Commerce. The registered capital of the Company is RMB400,000,000 of which: China PUTIAN Corporation holds RMB240,000,000 representing 60% of the total shares; public shareholders hold RMB160,000,000 representing 40% of the total shares (H Shares).

The Company’s corporate governance structure is set out as follows: shareholders general meeting, board of directors, supervisory committee, audit committee and the management. The organisational structure is set out as follows: general administration department, finance department, audit department, human resources department, China Communist Party Committee, quality control department, production safety department, investment management department, equipment engineering and cable technology department, laboratory testing department and supply company. Currently, the Company has 3 subsidiaries, 1 jointly controlled entity and 2 associates.

Business license registration number:	510100400020197
Registered address:	No. 18, Xinhang Road, The West Park of Hi-Tech Development Zone, Chengdu, Sichuan Province, the PRC
Legal representative:	Zhang Xiaocheng
Principal activities:	The development, manufacturing, sale, and service of various types of telecommunication cables, optical fibres, cable joining sleeves, cable related materials, specific purpose equipment and various communication products (excluding products restricted or prohibited by the government); import and export, wholesaling and retailing and commission agency (excluding auction) of commodities with respect to the aforesaid products; wholesaling and retailing and commission agency (excluding auction) of domestically procured commodities (excluding specialized commodities), technical consultancy and provision of technological services.

On 10 November 2000, the Company changed its name to Chengdu PUTIAN Telecommunications Cable Company Limited.

On 21 January 2005, China PUTIAN Corporation and China Potevio Company Limited entered into a share transfer agreement. China PUTIAN Corporation agreed to transfer 60% of its equity in Chengdu PUTIAN Telecommunications Cable Company Limited to China Potevio Company Limited with no consideration. On 30 August 2005, a share transfer supplementary agreement was signed to redefine the terms and effective date of this share transfer. “Guozichanquan No.[2005] 287” was issued by the State Owned Assets Supervision and Administration Commission of The State Council on 10 March 2005 and “Shangzipi No.[2005] 2581” was issued by The Ministry of Commerce of the PRC on 7 November 2005 for the approval of this supplementary agreement. On 8 February 2006, the Company changed to new business license.

In 2005, the Company sold a plot of land located at No.2 Zijing West Road, Hi-tech Development Zone, Chengdu through public auction. In November 2007, the Company moved to and built its new plants at No.18, Xinhang Road, West Park of Hi-tech Development Zone, Chengdu.

The immediate holding company of the Company is China Potevio Company Limited and the ultimate holding company is China PUTIAN Corporation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the going concern basis, reflecting the business transactions and affairs actually incurred, in accordance with the Basic Standard and the 38 specific standards of Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, the Application Guidance of Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other regulations issued thereafter (hereafter referred to as “the Accounting Standards for Business Enterprises”). The financial statements have also been prepared based on the following principal accounting policies and accounting estimates.

2. STATEMENT OF COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company for the year ended 31 December 2012 were prepared under the requirements of Accounting Standards for Business Enterprises, and truly and completely present the Company’s financial position as of 31 December 2012 and the operating results, cash flows and other relevant information for the year then ended.

3. ACCOUNTING YEAR

Accounting year of the Company is the calendar year from 1 January to 31 December.

4. RECORDING CURRENCY

The Company’s recording currency is Renminbi (“RMB”).

5. BUSINESS COMBINATION

(1) Business combination involving enterprises under common control

For this kind of business combination, assets and liabilities obtained by the absorbing party are measured at their carrying amounts. The difference between the carrying amount of the net assets obtained and the carrying amount of the considerations paid for the combination is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Any cost directly attributable to the combination should be recognized in profit or loss for the current period.

(2) Business combination not involving enterprises under common control

For this kind of business combination, the acquisition cost is the fair value of assets paid, liabilities incurred or assumed and equity instruments issued, in exchange for the control of the acquiree. The cost of combination realized through several stages is the total amount of cost of every business combination. If there are terms and conditions that may adjust the considerations, and the adjustment is likely to occur and can be reliably measured at the date of acquisition, the relevant amount shall be recorded as part of the acquisition costs.

The identifiable assets, liabilities and contingent liabilities acquired or assumed, through business combination not involving enterprises under common control are recognized at fair values at the date of business combination. When the cost of a business combination exceeds the acquirer’s interest in the fair value of the acquiree’s net identifiable assets, the difference is recognized as goodwill. When the costs of a business combination are less than the acquirer’s interest in the fair value of the acquiree’s net identifiable assets, after reassessment, the difference is included in profit or loss in the current period.

For business combination not involving enterprises under common control, the costs incurred by the acquirer, including the expenses for audit, legal services and valuation and other related administrative expenses, are recorded in profit or loss of the current period. The transaction costs of the equity or debt instruments issued by the acquirer for the business combination are recorded into the amount of initial measurement of the equity or debt instruments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

6. PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the financial statements of all the subsidiaries and special purposes entities.

The consolidated financial statements are prepared in accordance with “Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statements” and relevant regulations, and all significant intra-group transactions and balances are eliminated. Interests in subsidiaries that are not attributable to the Company’s equity shareholders are presented separately as minority interest in the consolidated financial statements.

When preparing consolidated financial statements, adjustments are made if the subsidiaries’ accounting policies and accounting period are different from the Company.

In preparing the consolidated financial statements, if the subsidiaries are acquired from business combination not involving enterprises under common control, the identified net assets of the subsidiaries are adjusted based on their fair values on the date of acquisition. If the subsidiaries are acquired under business combination involving enterprises under common control, the combination is deemed to have taken place at the beginning of the year and the assets, liabilities, retained earnings and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the year.

7. CASH AND CASH EQUIVALENTS

Cash presented in the consolidated cash flow statement represents the cash on hand and deposits available for payment at any time.

Cash equivalents presented in the consolidated cash flow statement refer to short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

8. FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

(1) Foreign currency transactions

Foreign currency transactions are recorded in the recording currency using the spot exchange rate of the transaction date.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rate at the end of the reporting period. Exchange differences arising from the differences between the spot exchange rate at the balance sheet date and the spot exchange rate used in initial recognition or at the previous balance sheet date are recognized in profit or loss for the current period, except for those arising from borrowings denominated in foreign currencies and used for financing the construction of qualifying assets, which are capitalized as cost of the related assets.

Foreign currency non-monetary items measured at historical cost are translated at the spot exchange rate on the transaction date. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date of determining the fair value. The exchange difference arising is treated as part of the change in fair value and is recorded in profit or loss in the current period or in other comprehensive income as capital reserve.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

8. FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (CONTINUED)

(2) Foreign currency translation

When preparing the consolidated financial statements, the financial statements of subsidiaries, joint ventures and associates prepared in currencies other than the Company's recording currency are translated into the Company's recording currency before consolidation.

Assets and liabilities are translated at the spot exchange rate prevailing at the balance sheet date. The equity items, except for undistributed profits, are translated at the spot exchange rates when they are incurred. Income and expenses are translated at the spot exchange rates at the dates of transactions. The resulting translation differences are presented as a separate component of equity in the balance sheet.

The cash flows of items denominated in foreign currencies are translated at the spot exchange rates at the dates of transactions. The effect of exchange differences is presented separately in the cash flow statement.

All or pro-rata exchange differences arising from translation of financial statements of foreign operations are recorded in profit or loss of the period in which the operations are disposed of.

9. FINANCIAL INSTRUMENTS

(1) Recognition, classification and measurement

Financial instruments are classified as financial assets or financial liabilities.

Upon initial recognition, financial assets are classified into financial assets at fair value through profit or loss (including trading securities and financial assets designated as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Except for receivables, the classification of financial asset is based on the intention and capability of holding the financial assets of the Company and its subsidiaries.

Upon initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss, (including trading securities and financial liabilities designated as at fair value through profit or loss) and other financial liabilities.

A financial asset or a financial liability is recognized when the Company becomes a contractual party of a financial instrument.

Financial assets and financial liabilities are initially recognized at fair values. Subsequent measurement is recorded based on different category. Financial assets at fair value through profit or loss, available-for-sale financial assets and financial liabilities at fair value through profit or loss are subsequently measured at fair values. Financial guarantee and loans bearing interest rate lower than the market interest rate are subsequently measured at the higher of the amount recognized according to "Accounting Standards for Enterprises No.13 — Contingencies" and the balance of initial fair value less amortized costs determined in accordance with "Accounting Standards for Enterprises No.14 — Revenue"; held-to-maturity investments, loans and receivables, and other financial liabilities are subsequently measured at amortized costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

(1) Recognition, classification and measurement (Continued)

Except for financial instruments held for hedging purposes, the gain or loss arising from subsequent measurements of the changes in fair values of the financial assets and financial liabilities are accounted for as follows: (1) Changes in fair values of financial assets or financial liabilities at fair value through profit or loss are recorded as change in fair value in profit or loss; Interests or cash dividends received are recognized as investment income; Upon disposal, the difference between the considerations and the value at initial recognition are recognized as investment income, and the gain or loss from changes in fair values are adjusted accordingly. (2) Changes in fair values of available-for-sale financial assets are recognized in capital reserve; Interest from available-for-sale financial assets is recognized as investment income using the effective interest method; Dividends from available-for-sale equity instruments are recognized as investment income when the investee declares dividends; Upon disposal, the difference between the considerations and the carrying value deducting the accumulated fair value changes previously recorded in capital reserve are recognized as investment income.

(2) Transfer of financial assets

The criteria for transfer of financial assets: When the risk and rewards of ownership of the asset are transferred, or when there is no transfer and not retaining the risk and rewards of the ownership, but lost the control of the asset, the financial asset shall be derecognized.

Measurement for transfer of financial assets: When the criteria for derecognition of a financial asset are met, such transfer shall be financially measured, where the difference between the considerations and the carrying value deducting the accumulated fair value changes previously recorded in capital reserve are recorded in profit or loss in current period.

If the criteria for partial derecognition of financial asset are met, the fair value shall be proportionally allocated between the derecognized portion and the retained portion, the difference between the considerations for the partial disposal and the carrying value of the disposal portion, deducting the accumulated fair value changes of the disposal portion previously recorded in capital reserve are recorded in profit or loss in current period.

(3) De-recognition of financial liabilities

When all or part of the current obligation to the financial liabilities has been terminated, the relevant financial liabilities shall be derecognized.

(4) Determination of fair values of financial assets and financial liabilities

If there is an active market for the financial instruments, the quoted prices in the active market shall be used to determine the fair values of these financial instruments; If there is no active market for the financial instruments, valuation techniques would be adopted to determine their fair values.

The valuation techniques include the latest transaction price in arms length basis of similar instruments and market, the fair values of similar financial instruments and the discounted cash flows forecast. When adopting these valuation techniques, market data is preferred and the use of data specific to the Company and its subsidiaries is minimized.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

(5) Impairment of financial assets

At the balance sheet date, except for financial assets at fair value through profit or loss, the Company performs impairment assessment for all other financial assets. If there is objective evidence that an asset is impaired, the recoverable amount shall be assessed and the carrying value shall be reduced to the recoverable amount.

For significant financial assets, the Company performs impairment assessment on an individual basis; For insignificant financial assets, the Company performs impairment assessment on individual financial asset or groups of financial assets with similar credit risk. For assets (including significant and insignificant financial asset) that are not individually impaired, they are grouped into financial assets with similar credit risk and re-assessed for impairment. For assets that are individually identified as impaired, they are not included in any group of assets with similar credit risk for the purpose of impairment review.

When held to maturity investments, loans and receivables are impaired, the carrying amount of an asset shall be reduced to the present value of future cash flows, and the difference is recorded in profit or loss of the current period. When an available-for-sale financial asset is impaired, the accumulative losses arising from the decrease in fair value as recorded in capital reserve are transferred to profit or loss of the current period. The accumulative losses that are transferred out from capital reserve is the difference between cost of initial recognition deducting the amount recovered and the accumulated amortized costs, or difference between the current fair value and the amount previously impaired.

(6) Reclassification of financial assets

A held-to-maturity investment not yet matured is reclassified as available-for-sale financial asset if:

- (1) There is no available fund to continue financing the investment and to hold the investment until maturity;
- (2) The management has no intention to hold the investment until maturity;
- (3) There are restrictions of laws or administrative regulations or other reasons that preclude the investments from being held to maturity;
- (4) Other indicators that the Company is unable to hold the investment until maturity.

The reclassification of held-to-maturity investment to available-for-sale financial assets requires the approval by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

10. RECEIVABLES

Receivables include trade receivables, long term receivables and other receivables. If there is objective evidence that receivables have been impaired, impairment loss shall be recognized in profit or loss base on the differences between the carrying values and the present value of estimated future cash flows.

(1) Provision for bad debts for receivables individually significant

Judgement or amount in determining whether a balance is individually significant	Individual receivable with carrying amount exceeding RMB5 million
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Provision policies of bad debt provision for individually significant balance	Impairment review is performed on an individual basis. When there is objective evidence that they have been impaired, impairment loss shall be recognized in profit or loss base on the differences between the carrying values and the present value of estimated future cash flows.
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(2) Provision for bad debts for receivables on a group basis

With respect to individually insignificant receivables, they are group together with those individually significant receivables not impaired after impairment review on an individual basis, and provide certain percentage of bad debt provision based on the aging analysis, the actual bad debts of the same or similar receivable portfolios in the previous years, and the actual bad debts of current year. The Group provides bad debts provision based on the aging at the rates set out below:

Aged	Provision rate for Trade receivables (%)	Provision rate for other receivables (%)
Within 1 year	0.00	0.00
1 year to 2 years	10.00	10.00
2 years to 3 years	30.00	30.00
3 years and 5 years	80.00	80.00
Over 5 years	100.00	100.00

(3) Provision for bad debts for individually insignificant receivables

Basis for individual provision	If there is any objective evidence that a receivable is impaired, e.g., a debtor is liquidated, bankrupt or deceased, where the amount could not be recovered from the net assets or estates of the debtor.
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Provision method	When there is indication of impairment for a receivable, it is excluded from the portfolio and tested for impairment individually to determine the impairment loss.
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

11. INVENTORY

(1) Classification

Inventory means finished goods and merchandise that are ready for sale, work-in-progress, or material used in the process of production or provision of service in the ordinary course of business. Inventory includes raw materials, supplementary materials, subcontracted materials, packing materials, low value consumables, work-in-progress, semi-finished goods and finished goods (merchandise in warehouse), etc.

(2) Measurement

Raw materials and semi-finished goods are accounted for based on standard costs as planned, and adjusted to actual costs incurred at each period end. Finished goods, supplementary materials and subcontracted materials are measured using the weighted average method and actual costs incurred.

(3) Measurement of net realizable value and provision for impairment

At the balance sheet date, inventory is recorded at the lower of cost and net realizable value on an individual basis. For items with significant quantity and low values, provision is made based on their categories.

Net realizable value of inventories is determined as follows: (1) net realizable value of finished goods is the estimated selling price less relevant tax and selling expenses; (2) for materials held for production, net realizable value equals the cost if the net realizable value of the finished goods produced from the materials exceeds the cost; when the price of raw materials decreases indicating that the net realizable value of the relevant finished goods would be lower than cost, the net realizable value is the estimated selling price less costs to completion, selling expenses and relevant tax; and (3) net realizable value of materials held for sale is the market price.

(4) Inventory system

The Company adopts perpetual inventory system.

(5) Amortization of low-value consumables and packaging materials

Low-value consumables and packing materials are fully written off.

12. LONG-TERM EQUITY INVESTMENT

(1) Measurement of investment cost

- 1) For a long-term equity investment obtained from business combination involving enterprises under common control, the initial cost is measured at the combining party's share of net asset value of the combined party. For a long-term equity investment obtained from business combination not involving enterprises under common control, its initial cost is the acquisition cost at the date of acquisition;
- 2) For a long-term equity investment acquired by cash, the initial investment cost shall be the actual consideration paid;
- 3) For a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued;
- 4) For a long-term equity investment contributed by an investor, the initial investment cost shall be the value stipulated in the investment contract or mutually agreed;
- 5) For a long-term equity investment acquired by exchange of asset or debt restructuring, the initial investment cost is determined by the relevant standards and regulations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

12. LONG-TERM EQUITY INVESTMENT (CONTINUED)

(2) Subsequent measurement of long-term equity investments

Long-term equity investments are subsequently measured using equity method or cost method. For long-term investments using equity method, the Company's share of investee's profit or loss is recognized as investment income with a corresponding adjustment to the carrying value of the relevant long-term equity investment. When the investee distributes profit or declares cash dividends, the carrying value of the relevant long term equity investment is reduced by the Company's attributable share of the distribution or cash dividend.

For long-term equity investments using cost method, unless increasing or reducing the investment cost, the carrying value is unchanged. The Company's attributable share of the profit distributions or cash dividends declared by the investee are recognized as investment income.

For a long term equity investment having joint-control or significant influence, it is measured using the equity method. All other investments are measured using the cost method.

(3) Basis of conclusion for common control and significant influence over the investee

Common control: Through contractual or mutual agreements among two or more joint venture partners, the financial and operation policies of the investee must be approved by the decisions of all partners.

Significant influence: Significant influence over the investee exists when holding more than 20% but less than 50% of the shares with voting rights. Even if the holding is below 20%, there is still significant influence if any of the following conditions is met:

- 1) There is representative in the board of directors or similar governing body in the acquiree;
- 2) Participation in the investee's policy setting process;
- 3) Assign key management to the investee;
- 4) The investee relies on the technology or technical information of the investing company; and
- 5) Other evidence that could prove the significant influence over the investee.

(4) Impairment test and provision of impairment

At the balance sheet date, the Company reviews whether there is impairment indicator for the long-term equity investments. When there is impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment loss is not reversed once provided.

The recoverable amount is the higher of net fair value on disposal and the present value of estimated future cash flows. If there is agreed price under arm's length transaction, the net fair value is the agreed price less relevant tax expense. If there is no agreed price under arm's length transaction but an active market for the asset or similar asset, the market value less relevant tax expenses is the net fair value on disposal.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

13. INVESTMENT PROPERTY

(1) Classification and measurement

Investment properties include land use rights and buildings for leasing and land use rights held for resale after appreciation in value.

Investment property is initially measured at cost and cost model is adopted for subsequent measurement.

(2) Cost model measurement

The building of an investment property is depreciated over its useful life. The overall measurement policy is the same as fixed assets.

For land use rights leased out or held for resale after appreciation in value, they are amortized over their useful lives using the straight-line method. The overall measurement policy is the same as intangible assets.

At the balance sheet date, the Company reviews whether there is impairment indicator for investment property. When there is impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

14. FIXED ASSETS

(1) Recognition of fixed assets

Fixed assets are tangible assets that are held for production, provision of services, leasing or administrative purposes, and have useful life more than one financial year. Fixed asset are recognized when both of the following conditions are met:

- 1) It is probably the future economic benefits associated to the fixed assets will flow to the enterprise;
- 2) The cost of the fixed asset can be measured reliably.

(2) Classification and depreciation

Fixed assets held by the Company are mainly classified as: buildings, machinery, transportation equipment, and other equipment etc. The useful life and residual value of an asset is assessed based on its nature and the manner of use. At the end of each reporting period, the useful lives, residual values and the depreciation method are reviewed, and adjusted if there are variances with the original estimates. Other than fully depreciated assets which are still in use and land individually measured and recorded, depreciation is provided for all fixed assets.

Category	Estimated useful lives (years)	Expected residual value (%)	Annual depreciation rate (%)
Buildings	15–30	3	3.23–6.47
Machinery	5–18	3	5.39–19.4
Transportation equipment	6	3	16.17
Other equipment	4–15	3	6.47–24.25

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

14. FIXED ASSETS (CONTINUED)

(3) Impairment of fixed assets

At each balance sheet date, the Company reviews whether there is impairment indicator for fixed assets. When there is impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

Impairment indicators include: (1) Continuous decline in market price; (2) Outdated technology; (3) Damage; (4) Assets being idle for long time causing the recoverable amount lower than its carrying amount; (5) Production of large amount of substandard products.

The recoverable amount is the higher of the fair value less estimated cost of disposal and the present value of the estimated future cash flow of an asset. If there is agreed price in arms length transaction, the fair value of an asset shall be the agreed price. If there is no agreed price under arm's length transaction but there is an active market for the asset or similar assets, the market value less relevant cost of disposal is the recoverable amount.

(4) Recognition and measurement of fixed assets held under finance lease

Basis for recognition of fixed assets held under finance lease: a lease that transfers all the risks and reward of the relevant asset. The asset is recognized if one or more of the following criteria is met: (1) upon the expiry of the lease term, the ownership is transferred to the lessee; (2) the lessee has the option to purchase the asset at a predetermined price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and it is reasonably ascertained at the inception of lease that the option will be exercised. (3) the lease term approximates the useful life of the relevant asset even if the ownership is not transferred; (4) at the inception of the lease, the present value of the minimum lease payments is substantially equivalent to the fair value of the leased asset; and (5) the leased assets are of such a specialized nature that only the lessee can use them without major modification.

Measurement of fixed assets held under finance lease: a fixed asset held under finance lease is initially recognized at the lower of fair value of the leased asset and the present value of the minimum lease payments.

The subsequent measurement of a fixed asset held under finance lease is accounted for in accordance with the depreciation and impairment policies of owned fixed assets.

15. CONSTRUCTION IN PROGRESS

(1) Classification

There are two types of construction in progress: self-construction and subcontracting construction.

(2) Criteria and time of transfer from construction in progress to fixed assets

Construction in progress is transferred to fixed assets when the project is substantially completed and the fixed assets are ready for intended use. A fixed asset is ready for intended use if any of the following criteria is met:

The construction (including installation) of the fixed asset is completed or substantially completed;

The fixed asset is put to trial production and operates satisfactorily or continually produces products with satisfactory quality, or the result of the trial run proves it running or operating satisfactorily;

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

15. CONSTRUCTION IN PROGRESS (CONTINUED)

(2) Criteria and time of transfer from construction in progress to fixed assets (Continued)

Further expenditure incurred for construction is very minimal or remote;

The constructed fixed asset achieves or almost achieves the design or the requirements of contract, or complies with the design or the requirements of contract.

(3) Impairment test and provision of impairment of construction in progress

At each balance sheet date, the Company reviews whether there is impairment indicator for construction in progress. When there is impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

The recoverable amount is the higher of the fair value less estimated cost of disposal and the present value of the estimated future cash flows of the construction in progress.

16. BORROWING COSTS

(1) Basis for capitalization of borrowing costs

The Company's borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized. Other borrowing costs are recognized as expenses in profit or loss when incurred. Qualifying assets are fixed assets, investment properties and inventories, etc. that take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

(2) Calculation of amount to be capitalized

Capitalization period: The period beginning from the commencement of capitalizing borrowing costs to the date of ceasing capitalization. The borrowing costs during the suspension of capitalization are not included.

Suspension of capitalization: When there are abnormal interruptions which last more than three months, the relevant capitalization of borrowing costs is suspended.

Calculation of amount to be capitalized: (1) The actual interest expense incurred for the designated borrowings, less the interest income from the unused funds of the designated borrowings or investment income from the temporary investments; (2) The weighted average of general borrowings occupied, based on the accumulated expenditure exceeding the capital expenditure from designated borrowings times the interest rate of the general borrowings so occupied. The interest rate is the weighted average rate of the general borrowings; (3) For borrowings with discount or premium, the discount or premium was amortized over the term of the borrowings to adjust the interest in every period using the effective interest rates.

The effective interest rate is based on the coupon rate of the borrowings to calculate the amortization of discount and premium. The effective interest rate is the rate in discounting the estimated future cash flows to the carrying value of the borrowings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

17. INTANGIBLE ASSETS

(1) Measurement of intangible assets

Intangible assets are initially recognized at costs. The actual costs of purchased intangible assets include the consideration and relevant expenses paid. For intangible asset contributed by investors, the price contained in the investment agreement or mutually agreed is the actual cost of the intangible asset. If the price contained in the investment agreement or mutually is not a fair value, the fair value of the intangible asset is regarded as the actual cost. The cost of a self developed intangible asset is the total expenditure incurred in brings the asset to its intended use.

Subsequent measurement of intangible assets: (1) Intangible assets with finite useful lives are amortized on a straight-line basis over the useful lives of the intangible assets; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted if there are variance with original policies; (2) Intangible assets with indefinite useful lives are not amortized and the useful lives are reviewed at each year end date. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortized using the straight line method according to the estimated useful life.

(2) Estimation of the useful life of intangible assets with finite useful life

The Company estimates the useful life of an intangible asset with finite useful life based the following criteria: (1) the useful life of product produced by the relevant intangible assets and the useful life of similar intangible assets; (2) the present technologies and arts and their future development; (3) the market demand of the products produced from or the services provided by the intangible asset; (4) The anticipated action of present or potential competitors; (5) the maintenance expenditure on the intangible asset to maintain its future economic benefits and the Company's ability to pay the reverent expenditures; (6) the restriction in the period of controlling the intangible asset, imposed by relevant laws and regulation or similar restrictions, like patent term and lease term; (7) the useful life of other assets which are related to the relevant intangible asset.

(3) Estimation of indefinite useful life

The useful life of an intangible asset is indefinite if the period of the future economic benefits generated by the intangible asset could not be reasonably determined, or the useful life could not be reasonably ascertained.

Estimation of intangible assets with indefinite useful lives: (1) For intangible assets derived from contractual rights or other legal rights and there are no explicit years of use stipulated in the contract or laws and regulations; (2) Useful life still could not be estimated after considering the industrial practice or relevant expert opinion.

At each year end date, the useful lives of the intangible assets with indefinite useful lives are reviewed. The assessment is performed by the departments that use the intangible assets, using the bottom-up approach, to determine if there are changes to the indefinite useful lives.

(4) Impairment test and provision of impairment of intangible assets

At each balance sheet date, the Company reviews whether there is impairment indicator for intangible assets. When there is impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

The recoverable amount is the higher of the fair value less estimated cost of disposal and the present value of the estimated future cash flows of the intangible asset.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

17. INTANGIBLE ASSETS (CONTINUED)

(5) Basis for development phase for internal research and development activities and basis for capitalization of expenditure incurred in development stage

Expenditures for internal research activities are expensed in the period as incurred. For expenditures incurred in the development stage are recognized as intangible assets if all of the following criteria are met: (1) it is very probable the completion of the intangible asset available for use or for sale is feasible; (2) the intention to complete the intangible asset for use or for sale; (3) the intangible asset could generate future economic benefit, if there are market for the intangible asset or the market for the products produced with the intangible assets, or for intangible asset for internal use, which is objectively evidenced; (4) the availability of adequate technological, financial and other resources to complete the development of the intangible asset and the ability to use or to sell the intangible asset; (5) expenditures attributable to the development of the intangible asset could be reliably measured.

Basis for distinguishing research phase and development phase of an internal research and development project: research stage is the activities carried out for the planned investigation and search of new technology and knowledge, which has the characteristics of planning and exploration; before commercial production or other uses, the application of new technologies and new knowledge obtained from the research phase to develop new or improved plant and equipment and produce new or improved materials and products is regarded as development phase, which has the characteristics of very probable pinpointing and forming results.

18. LONG-TERM PREPAID EXPENSES

Long-term prepaid expenses are expenses which have been paid but the economic benefit is over one year (not including one year), mainly including long term prepaid rentals and long term lease prepayments. Long-term prepaid expenses are amortized over the beneficial period. If a long-term prepaid expense could not provide economic benefit after reporting period, the unamortized amount is transferred to profit or loss in the current period.

19. PROVISION

(1) Recognition

Provision is made when the Company has a present obligation, the outflow of economic benefits for the obligation is very probable, and the amount could be reliably measured.

(2) Measurement

The best estimate of the expenditure from current obligation is initially recorded as provision. When the necessary expenditures falls within a range and the probability of each result in the range are identical, the best estimate is the median of the range; if there are severable items involved, every possible result and relevant probability are taken into account for the best estimation.

At the balance sheet date, the carrying value of provision is reviewed. If there is objective evidence that the carrying value could not reflect the current best estimate, the carrying value is adjusted to the best estimated value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

20. REVENUE RECOGNITION

(1) Sales of goods

Revenue from the sale of goods is recognized according to the actual receipts or receivables from the purchase parties and based on the contractual or agreed prices, only when all of the following conditions are satisfied: (1) the significant risks and rewards of ownership of the inventory have been passed to the buyer; (2) do not retain continual managerial role in the ownership of goods, and do not have control over the items sold; (3) the sales amount could be measured reliably; (4) it is probable that the associated economic benefits will flow to the enterprise; (5) the associated costs incurred or to be incurred could be measured reliably.

If there is deferred payment clause in the agreement or mutually agreed price, which in substance is a financing nature, the fair value of the receivables is recorded as sales amount.

(2) Provision of services

At the balance sheet date, when the outcome of a service transaction could be reliably estimated, revenue from the provision of service is recognized using the percentage of completion method. The percentage of completion is recognized by the Company by reference to the work certified.

At the balance sheet date, when the outcome of a service transaction could not be reliably estimated, it is accounted for as follows: (1) If the cost of provision of service is estimated to be recoverable, revenue from the provision of service is recognized to the extent of actual cost incurred to date, and the relevant cost is transferred to cost of service in profit or loss. (2) If the cost of provision of service is estimated to be unrecoverable, the relevant cost is transferred to cost of service in profit or loss but revenue is not recognized.

(3) Abalienating the right to use an asset

When the inflow of economic benefits from the abalienation of assets is probable and the income can be measured reliably, the income from abalienating the right to use an asset is recognized.

21. GOVERNMENT GRANT

(1) Classification of government grants

Government grants are classified to asset related government grant and revenue nature government grant.

(2) Accounting for government grant

Income for asset related government grant is deferred, and amortized over the useful life of corresponding asset as nominal income in profit or loss. For revenue related government grant, it is accounted for: (1) For government grant compensating the enterprise's future expenses or losses, the income is deferred and is recognized in profit or loss when the corresponding expenses or losses incur. (2) For government grant compensating the enterprise's expenses or losses already incurred, it is recognized in profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR YEAR ERRORS (CONTINUED)

22. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are recognized:

- (1) Based on the temporary difference between the carrying amount and the tax base amount of an asset or liability (Asset or liability not recognized in balance sheet but the tax base is ascertained by the current tax laws and regulation, the tax base is the temporary difference), and the expected applicable tax rate at the time of recovering the relevant asset or discharge of relevant liability.
- (2) Deferred tax asset is recognized to the extent that there is enough future profit for the utilization of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there would be enough future benefit for the utilization of the deductible temporary difference, the deferred asset not previously recognized is recognized in current period. If there is not sufficient evidence that there would be enough future benefit for the utilization of the deductible temporary difference, the carrying value of the deferred asset reduced in current period.
- (3) Deferred tax is recognized for assessable temporary difference related to the investments of the subsidiaries and associated companies, unless the Company could control the reversal of the temporary differences and the temporary differences would not be reserved in the foreseeable future.

23. LEASE

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessees. All other leases are classified as operating leases. Rental expenses are recognized as expense over the lease term on a straight line basis or recognized as expense in current period.

Lease business is accounted for according to “Accounting Standards for Business Enterprises — Leases”.

24. ASSETS HELD FOR SALE

(1) Basis of recognition for assets held for sale

Assets held for sale is recognized when both of the following conditions are met: a) a non-cancelable contract is signed with the acquirer; b) the transfer would be completed within one year.

(2) Accounting for assets held for sale

For fixed assets held for sale, the fixed asset is adjusted to its residual value, which is the estimated fair value of the asset less the cost to sale but limited to the original carrying value of the asset. For the amount that the original carrying value exceeds the adjusted estimated residual value, it is recorded as impairment loss in profit or loss for current period.

Other non-current assets held for sale (including single asset or group of assets which are group of asset for sale in whole lot) are accounted for in accordance with the policy set out in above paragraph.

25. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Changes in accounting policies

There were no changes in the Company’s accounting policies in current period.

(2) Changes of accounting estimates

There were no changes in the Company’s accounting estimates in current period.

26. PRIOR PERIOD ADJUSTMENTS

The Company had no prior period adjustments in current period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

III. TAXES

(1) MAJOR TAXES AND TAX RATES:

Major taxes	Basis of assessment	Rate
Enterprise income tax	Taxable income	15%
Value-added tax	Value added amount	17%
Business tax	Service revenue, value-added taxes and transfer amount	5%
City construction tax	Goods turnover tax actually paid	5%/7%
Education surcharges	Goods turnover tax actually paid	3%
Supplementary food regulation surcharge	Sales revenue and rental income	0.07%
Local education surcharges	Goods turnover tax actually paid	2%
Property tax	The net book value of property or rental income from property	1.2%/12%
County land use tax	The actual area of land occupied	RMB 6 per square meter
Individual income tax	Taxable income of individual	3%–45%

(2) PREFERENTIAL TAX TREATMENT AND APPROVAL:

According to the regulations of 《High-tech enterprise recognition and management method》 (Guokefahuo [2008] No.172) and 《Working guidelines for the recognition and management of high-tech enterprises》 (Guokefahuo [2008] No.362), and according to Chuangaoqiren [2011] No.4 issued by the High-tech Enterprise Recognition and Management Group, the Company and its subsidiaries, Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, Chengdu SEI Optical Fiber Co., Ltd. and Chengdu MCIL Radio Communications Co., Ltd. are recognized as high-tech enterprises and enjoy the High-tech Enterprises Preferential Tax Rate of 15% for a period of three years.

IV. SCOPE OF CONSOLIDATION AND CONSOLIDATED FINANCIAL STATEMENTS

The Company consolidates all the subsidiaries and special purposes entities in these consolidated financial statements.

The consolidated financial statements are prepared in accordance with “Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statements” and relevant regulations, and all significant intra-group transactions and balances are eliminated. Interests in subsidiaries that are not attributable to the Company’s equity shareholders are presented separately as minority interest in the consolidated financial statements. When preparing consolidated financial statements, adjustments are made if the subsidiaries’ accounting policies and accounting year end are different from the Company.

If preparing the consolidated financial statements, if the subsidiaries are acquired from business combination not involving entities under common control, the identified net assets of the subsidiaries are adjusted on the basis of their fair values on the date of acquisition. If subsidiaries are acquired under business combination involving enterprises under common control, the assets, liabilities, retained earnings and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

IV. SCOPE OF CONSOLIDATION AND CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DETAILS OF THE SUBSIDIARIES:

Subsidiaries obtained through set-up or investment

Name of subsidiaries	Type of subsidiaries	Registered address	Registered capital	Principal activities and scope of operation	Paid-in capital at the year ended	Other items in substance form part of the investment
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	Stated-owned enterprise and collective cooperation	Jingdu Village, Baijia Town, Shuangliu, Chengdu	22,520,000.00	Manufacture and sale of heat-shrink cable joining sleeves, cold-shrink cable, electric wire and cable and accessories	15,013,400	
Chengdu SEI Optical Fiber Co., Ltd	Limited company	The westpark of Hi-tech Development Zone, Chengdu	USD13,750,000.00	Manufacture and sale of optical fiber and related material	70,424,800	
Chengdu MCIL Radio Communications Co., Ltd	Limited company	The westpark of Hi-tech Development Zone, Chengdu	82,100,000.00	Research development, manufacture, sale and servicing of copper cables, parts and components for wireless telecommunications system network	72,702,800	

CONTINUED:

Name of subsidiaries	Equity held (%)	Voting right held (%)	Consolidated or not	Minority interests	Amount of minority interest for deduction of minority interest's losses	The balance of the amount of shareholders' equity attributable to parent company deducting losses for the year to minority interest exceed the amount of equity at the beginning of year of subsidiaries of minority interest
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	66.67	66.67	Yes	20,544,196.85		
Chengdu SEI Optical Fiber Co., Ltd.	60.00	60.00	Yes	64,161,536.22		
Chengdu MCIL Radio Communications Co., Ltd.	96.67	100.00	Yes	2,108,247.39		

Note: On 15 May 2012, the Company submitted an application for an open offer for the sale of asset to the Chongqing United Assets and Equity Exchange to dispose of a subsidiary, Chengdu Gaoxin Cable Co., Ltd., through internet bidding. On 10 July 2012, the Chongqing United Assets and Equity Exchange issued the notice of bidding results Yulianjiaohan [2012] No. 195 that Sichuan Heyin Property Development Company Limited would acquire Chengdu Gaoxin Cable Co., Ltd. at a consideration of RMB 18,200,000.00. Both parties signed the agreement for transfer of shares on 18 July 2012 and updated the business registration on 28 November 2012. The whole consideration was received by the Company. The Company consolidated the financial statements of Chengdu Gaoxin Cable Co., Ltd. in year 2012.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. CASH AND BANK BALANCES

(1) Classification

Item	End of the year			Beginning of the year		
	Foreign currency balance	Exchange rate	RMB	Foreign currency balance	Exchange rate	RMB
Cash			137,650.93			171,699.83
– Renminbi			137,650.93			171,699.83
Deposits at banks	972,615.53	6.2855	211,443,705.81	780,912.92	6.3009	234,685,618.78
– Renminbi			205,330,330.89			229,765,164.55
– US dollars	972,615.53	6.2855	6,113,374.92	780,912.92	6.3009	4,920,454.23
Other monetary funds			8,322,953.39			7,427,454.03
– Renminbi			8,322,953.39			7,427,454.03
Total	972,615.53	6.2855	219,904,310.13	780,912.92	6.3009	242,284,772.64

(2) Other monetary funds

Item	End of the year	Beginning of the year
Letter of credit deposits	8,322,933.86	6,361,320.45
Guarantee deposits		1,066,133.58
Total	8,322,933.86	7,427,454.03

2. BILLS RECEIVABLES

Bills receivables comprise

Item	End of the year	Beginning of the year
Bank acceptance bills	50,740,279.70	34,512,368.07
Commercial acceptance bills	712,806.94	3,681,108.67
Total	51,453,086.64	38,193,476.74

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. ACCOUNTS RECEIVABLES

(1) Categories of accounts receivables are set out below

Category	End of the year			
	Carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
1. Individually significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a portfolio basis — Provision for bad debts is made according to aging analysis	126,130,291.26	87.50	25,754,698.91	20.42
3. Individually insignificant receivables of which provision for bad debts is made on an individual basis	18,020,783.38	12.50	18,020,783.38	100.00
Total	144,151,074.64	100.00	43,775,482.29	30.37

Category	Beginning of the year			
	Carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
1. Individually significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a portfolio basis — Provision for bad debts is made according to aging analysis	151,795,159.03	89.19	27,345,849.03	18.01
3. Individually insignificant receivables of which provision for bad debts is made on an individual basis	18,396,129.27	10.81	18,175,254.22	98.80
Total	170,191,288.30	100.00	45,521,103.25	26.75

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. ACCOUNTS RECEIVABLES (CONTINUED)

(1) Categories of accounts receivables are set out below (Continued)

Details of accounts receivables of which provision for bad debts is made according to aging analysis

Age	End of the year			Beginning of the year		
	Carrying amount	Percentage (%)	Provision for bad debts	Carrying amount	Percentage (%)	Provision for bad debts
Within 1 year	87,493,749.40	69.37		93,380,731.15	61.52	
1-2 years	7,759,769.36	6.15	775,976.94	30,191,331.86	19.89	3,019,133.19
2-3 years	7,796,418.77	6.18	2,338,925.63	4,814,391.71	3.17	1,444,317.51
3-5 years	2,202,786.93	1.75	1,762,229.54	2,631,529.91	1.73	2,105,223.93
Over 5 years	20,877,566.80	16.55	20,877,566.80	20,777,174.40	13.69	20,777,174.40
Total	126,130,291.26	100.00	25,754,698.91	151,795,159.03	100.00	27,345,849.03

Details of individually insignificant receivables of which provision for bad debts is made on an individual basis

Name	End of the year	Provision	Percentage (%)	Reason for individually made provision
Henan Qingfeng County Federation of Industry and Trade Co., Ltd	1,007,986.64	1,007,986.64	100.00	Not expected to be recoverable
Chengdu Telecommunications Cable Factory sales division	1,062,382.43	1,062,382.43	100.00	Not expected to be recoverable
China Posts Equipment Co., Ltd, Middlesouth Company	1,116,797.27	1,116,797.27	100.00	Not expected to be recoverable
Urumqi Zhida Electronics Co., Ltd.	1,344,969.65	1,344,969.65	100.00	Not expected to be recoverable
Chuangdong Electromechanical Co., Ltd.	1,606,692.41	1,606,692.41	100.00	Not expected to be recoverable
Shenyang Hengyuanda Communications Equipment Co., Ltd	1,621,814.62	1,621,814.62	100.00	Not expected to be recoverable
KAB/VOLEX	2,058,597.74	2,058,597.74	100.00	Not expected to be recoverable
Total	9,819,240.76	9,819,240.76		

Note: The total amount of the individually insignificant receivables of which provision for bad debts is made on an individual basis is 18,020,783.38, of which the large amount is 9,819,240.76.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. ACCOUNTS RECEIVABLES (CONTINUED)

(2) Top five accounts receivables

Name	Relationship	Amount	Age	Percentage (%)
1. ZTE Kangxun Telecom Company Limited	Not related party	8,236,808.87	Within 1 year	5.71
2. CSR Investment Leasing Co., Ltd.	Not related party	7,707,801.69	Within 1 year	5.35
3. China Mobile Group Henan Company Limited	Not related party	6,434,938.35	Within 1 year	4.46
4. Jiangsu Ronglian Technology Company	Not related party	5,997,757.25	Within 1 year	4.16
5. Shenzhen Minli Electronics Co., Ltd.	Not related party	2,609,933.97	3-5 years	1.81
Total		30,987,240.13		21.504

4. PREPAYMENTS

(1) Aging analysis of prepayments is set out below

Age	End of the year		Beginning of the year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	3,383,381.11	95.25	2,463,231.04	92.68
Over 1 year	168,837.82	4.75	194,415.07	7.32
Total	3,552,218.93	100.00	2,657,646.11	100.00

(2) Top five prepayments

Name	Relationship	Amount	Percentage to total prepayments (%)	Age	Reasons of outstanding
1. Sumitomo Electric Asia, Ltd	Not related party	1,707,050.40	48.06	Within 1 year	Contract not yet completed
2. Nextrom Oy	Not related party	871,829.76	24.54	Within 1 year	Contract not yet completed
3. KOBE STEEL, LTD	Not related party	50,751.47	1.43	Within 1 year	Contract not yet completed
4. Nextrom Electrical Machinery Trading (Shanghai) Co., Ltd.	Not related party	46,638.66	1.31	Within 1 year	Contract not yet completed
5. Sichuan Xindian Cables Company	Not related party	20,771.90	0.58	Within 1 year	Contract not yet completed
Total		2,697,042.19	75.93		

Note: At the end of the reporting year, there was no counterparty holding 5% or more of the Company's voting shares.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES

(1) Other receivables comprise

Category	End of the year			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
1. Individually significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a portfolio basis — Provision for bad debts is made according to aging analysis	36,513,333.64	71.50	20,262,633.87	55.49
3. Individually insignificant receivables of which provision for bad debts is made on an individual basis	14,555,111.02	28.50	3,500,000.00	24.05
Total	51,068,444.66	100.00	23,762,633.87	46.53

Category	Beginning of the year			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
1. Individually significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a portfolio basis — Provision for bad debts is made according to aging analysis	39,429,961.35	70.42	20,380,285.74	51.69
3. Individually insignificant receivables of which provision for bad debts is made on an individual basis	16,565,240.49	29.58	3,000,000.00	18.11
Total	55,995,201.84	100.00	23,380,285.74	41.75

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. OTHER RECEIVABLES (CONTINUED)

(1) Other receivables comprise (Continued)

Details of other receivables of which provision for bad debts is made according to aging analysis

Age	End of the year			Beginning of the year		
	Carrying amount	Percentage (%)	Provision for bad debts	Carrying amount	Percentage (%)	Provision for bad debts
Within 1 year	13,463,110.01	36.87		13,493,395.52	34.22	
1-2 years	320,173.80	0.88	32,017.38	4,061,427.75	10.30	406,142.78
2-3 years	3,507,555.43	9.61	1,052,266.63	2,652,643.68	6.73	795,793.10
3-5 years	220,722.69	0.60	176,578.15	220,722.69	0.56	176,578.15
Over 5 years	19,001,771.71	52.04	19,001,771.71	19,001,771.71	48.19	19,001,771.71
Total	36,513,333.64	100.00	20,262,633.87	39,429,961.35	100.00	20,380,285.74

Details of individually insignificant receivables of which provision for bad debts is made on an individual basis

Name	End of the year	Provision for bad debts	Percentage (%)	Reason for individually made provision
Chongqing Super PCB Co., Ltd	3,000,000.00	3,000,000.00	100%	Not expected to be recoverable
Total	3,000,000.00	3,000,000.00		

(2) Top five other receivables

Name	Relationship	Amount	Age	Percentage (%)
1. Chengdu Bada Connector Co., Ltd	Related party	10,071,325.34	1 to 2 years	14.18
2. Chongqing Super PCB Co., Ltd	Not related party	3,000,000.00	Within 1 year	4.22
3. Hubei Telecom Company Limited	Not related party	1,000,000.00	Within 1 year	1.41
4. Chengdu South Star Thermo Power Co., Ltd	Not related party	998,587.50	Over 5 years	1.41
5. Chengdu Puzhonglian Electronic Technology Company Limited	Not related party	652,970.65	Over 5 years	0.92
Total		15,722,883.49		22.13

Note: At the end of the reporting year, there was no counterparty holding 5% or more of the Company's voting shares.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INVENTORIES

(1) Inventories comprise

Item	End of the year			Beginning of the year		
	Carrying amount	Provision	Net book value	Carrying amount	Provision	Net book value
Raw materials	65,943,652.45	14,182,173.68	51,761,478.77	83,147,734.39	13,119,027.28	70,028,707.11
Supplementary materials (Packing materials and consumables)	2,697,593.27	1,653,894.56	1,043,698.71	3,022,779.91	2,369,419.07	653,360.84
Work in progress	24,200,272.72	2,708,274.30	21,491,998.42	33,064,427.41	1,653,894.56	31,410,532.85
Finished goods	162,370,217.10	43,152,900.69	119,217,316.41	209,111,871.51	49,024,259.87	160,087,611.64
Others	16,241,765.70	369,602.31	15,872,163.39	1,516,898.18	369,602.31	1,147,295.87
Total	271,453,501.24	62,066,845.54	209,386,655.70	329,863,711.40	66,536,203.09	263,327,508.31

(2) Movements in the provision for diminution in value of inventories

Item	Beginning of the year	Increase in the year	Decrease in the year		End of the year
			Reversal	Write off	
Raw materials	13,119,027.28	1,063,146.40			14,182,173.68
Supplementary materials (Packing materials and consumables)	1,653,894.56				1,653,894.56
Work in progress	2,369,419.07	497,891.73	159,036.50		2,708,274.30
Finished goods	49,024,259.87	409,571.39	5,229,176.78	1,051,753.79	43,152,900.69
Others	369,602.31				369,602.31
Total	66,536,203.09	1,970,609.52	5,388,213.28	1,051,753.79	62,066,845.54

(3) Details of provision for diminution in value of inventories

Item	Reason for provision	Reason for reversal
Raw materials	Cost exceeds net realizable value, mainly due to slow moving and damaged raw materials	Previous influence factors of writing down inventory value have disappeared
Work in progress	Cost exceeds net realizable value	Previous influence factors of writing down inventory value have disappeared
Finished goods	Cost exceeds net realizable value	Previous influence factors of writing down inventory value have disappeared

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Item	End of the year	Beginning of the year
Available-for-sale equity instrument	13,463,424.00	14,121,120.00
Total	13,463,424.00	14,121,120.00

Note: The available-for-sale financial assets amounting to RMB13,463,424.00 represent the Company's investment in the shares of Chengdu Hi-Tech Development Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code 000628). The fair value of the financial assets during the current reporting year changed to RMB 13,463,424.00.

8. INVESTMENTS IN A JOINTLY CONTROLLED ENTITY AND ASSOCIATES

(1) Details of the jointly controlled entity

Name of jointly controlled entity	Type of entity	Place of establishment	Legal representative	Registered capital	Equity held by the Company (%)	Voting right held by the Company (%)	Total assets as at end of the year	Total liabilities as at end of the year	Net assets as at end of the year	Total revenue during the year	Net profit
Chengdu Peak Power Sources Co, Ltd	Limited liability	Chengdu, Sichuan	Guoaiqing	3,000,000.00	50.00	50.00					

Note: The Company made an open offer of the 50% equity interest in Chengdu Peak Power Sources Co, Ltd. ("Peak Power") on the Chongqing United Assets and Equity Exchange on 15 November 2011. The Company signed a "Share Transfer Agreement" at a consideration of RMB1,800,000.00 with the purchaser on 7 March 2012 and let the purchaser appoint management of Peak Power. As of 31 December 2012, the Company has not yet received any consideration. The Company has brought legal proceedings against the purchaser. The Company has not obtained the financial statements of Peak Power.

(2) Details of the associates

Name of associate	Type of entity	Place of establishment	Legal representative	Nature of business	Registered capital	Equity held by the Company (%)	Voting right held by the Company (%)	Total assets as at end of the year	Total liabilities as at end of the year	Net assets as at end of the year	Total revenue during the year	Net profit
Chengdu CCS Optical Cable Co., Ltd	Sino-foreign	Chengdu, Sichuan	Guoaiqing	Manufacturing	305,835,794.20	49.00	49.00	485,627,135.21	114,590,669.37	371,036,465.84	460,998,302.67	(33,883,734.64)
Chengdu Bada Connector Co., Ltd	Sino-foreign	Chengdu, Sichuan	Fanmingchang	Manufacturing	5,000,000.00	49.00	49.00	61,081,702.00	53,701,378.71	7,300,944.91	90,148,812.97	(724,272.42)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. LONG-TERM EQUITY INVESTMENTS

Name of investee company	Measurement method	Investment cost	Beginning of the year	Change during the year	End of the year	Shareholding held by the Company (%)	Voting right held by the Company (%)	Reasons for differences between shareholding and voting right held by the Company	Impairment provided during the year	Cash dividend for the year
Chengdu CCS Optical Cable Co., Ltd	Equity method	149,859,539.16	198,410,898.97	(16,603,029.97)	181,807,869.00	49.00	49.00			
Chengdu Peak Power Sources Co, Ltd	Equity method	2,340,000.00	1,610,504.40		1,610,504.40	50.00	50.00			
Chengdu Bada Connector Co., Ltd	Equity method	2,452,827.16	3,932,356.49	(354,893.49)	3,577,463.00	49.00	49.00			
Sichuan New Dragon Network Technology Co, Ltd	Cost method	1,535,000.00	1,535,000.00		1,535,000.00	16.67	16.67		946,825.18	
Chengdu South Star Thermo Power Co., Ltd	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	7.14	7.14		5,000,000.00	
Sichuan Cable Materials Plant	Cost method	125,903.35	125,903.35		125,903.35	30.00	30.00		125,903.35	
Shudu Mansion	Cost method	90,000.00	90,000.00		90,000.00				90,000.00	
Potevio Fasten Optical Communications Co., Ltd.	Equity method			45,000,000.00	45,000,000.00	45.00	45.00			
Total		161,403,269.67	210,704,663.21	28,042,076.54	238,746,739.75				6,162,728.53	

Note: As approved in the Eighteenth Meeting of the Sixth Board of Directors held on 8 June 2012 and the 2012 First Extraordinary General Meeting held on 13 November 2012, the Company, China Potevio Company Limited, Jiangsu Fasten Hongsheng Group Co. Ltd., and Jiangsu Fasten Company Limited agreed to set up a joint venture company, Potevio Fasten Optical Communications Co., Ltd. with registered capital of RMB500 million in which the Company would hold 45% equity interest. As at 31 December 2012, the Company has paid RMB45 million.

10. INVESTMENT PROPERTIES

Investment properties measured at cost

Item	Beginning of the year	Additions	Disposals	End of the year
1. Cost	4,293,766.28	2,363,282.79		6,657,049.07
Buildings	4,293,766.28	2,363,282.79		6,657,049.07
Land use rights				
2. Accumulated depreciation and amortization	1,300,924.96	2,137,537.89		3,438,462.85
Buildings	1,300,924.96	2,137,537.89		3,438,462.85
Land use rights				
3. Provision for impairment				
Buildings				
Land use rights				
4. Net book value	2,992,841.32			3,218,586.22
Buildings	2,992,841.32			3,218,586.22
Land use rights				

Note: Depreciation and amortization of investment properties for the year was RMB2,137,537.89. No impairment was recognized for the year in respect of these investment properties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. FIXED ASSETS

(1) Details of fixed assets and their accumulated depreciation and movements

Item	Beginning of the year	Additions	Disposals	End of the year
1. Cost	611,920,456.84	101,376,361.66	19,130,735.27	694,166,083.23
Buildings	181,117,772.69	87,694,071.04	9,052,542.50	259,759,301.23
Machinery	395,580,785.81	12,133,109.23	5,268,929.43	402,444,965.61
Transportation equipment	10,026,972.33	211,471.28	1,053,496.70	9,184,946.91
Other equipment	25,194,926.01	1,337,710.11	3,755,766.64	22,776,869.48
2. Accumulated depreciation	276,073,012.10	31,337,274.82	9,262,424.17	298,147,862.75
Buildings	32,739,044.58	6,754,788.99	2,297,867.74	37,195,965.83
Machinery	218,741,673.84	19,287,279.78	4,497,655.76	233,531,297.86
Transportation equipment	6,953,813.70	1,274,540.33	882,396.93	7,345,957.10
Other equipment	17,638,479.98	4,020,665.72	1,584,503.74	20,074,641.96
3. Provision for impairment	9,973,069.94		19,999.81	9,953,070.13
Buildings				
Machinery	9,348,151.38			9,348,151.38
Transportation equipment	113.10			113.10
Other equipment	624,805.46		19,999.81	604,805.65
4. Net book value	325,874,374.80			386,065,150.35
Buildings	148,378,728.11			222,563,335.40
Machinery	167,490,960.59			159,565,516.37
Transportation equipment	3,073,045.53			1,838,876.71
Other equipment	6,931,640.57			2,097,421.87

Note 1: Depreciation of fixed assets for the year was RMB31,337,274.82. Assets amounting to RMB99,167,331.43 were transferred from construction in progress to fixed assets during the year.

Note 2: At the end of the reporting year, no asset was held under finance lease.

Note 3: At the end of the reporting year, no asset was leased to others under operating leases.

Note 4: Disposal during the reporting year included the fixed assets of a subsidiary, Chengdu Gaoxin Cable Co., Ltd. disposed of. The original cost was RMB13,994,015.69 where the accumulated depreciation was RMB6,898,391.49.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. CONSTRUCTION IN PROGRESS

(1) Details of construction in progress

Name of project	End of the year			Beginning of the year		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
1. Construction at Shuangliu Southwest Airport Economic Development Zone Industrial Park				75,777,877.25		75,777,877.25
2. Integrated technology improvement	8,259,409.99	3,288,398.95	4,971,011.04	11,687,360.86		11,687,360.86
3. Accelerator technology improvement	5,366,796.34		5,366,796.34	5,194,146.77		5,194,146.77
4. Construction at West District of Putian Industrial Park	80,284.19		80,284.19			
5. MCIL production line	920,124.20		920,124.20	920,124.20		920,124.20
6. Other projects	185,571.82		185,571.82	126,871.78		126,871.78
Total	14,812,186.54	3,288,398.95	11,523,787.59	93,706,380.86		93,706,380.86

Note 1: The Company has made an impairment provision of RMB3,288,398.95 for the triple strander, a project under construction of the telecommunication cable factory for the year.

(2) Movements in significant construction projects

Name of project	Beginning of the year		Transfer to fixed assets	Other disposals	End of the year	Status	Accumulated capitalized borrowing costs	Of which: capitalized during the year	Capitalization rate of the year	Source of funds
		Additions								
1. Construction at Shuangliu Southwest Airport Economic Development Zone Industrial Park	75,777,877.25	12,119,142.25	87,694,071.04	202,948.46		Construction completed, pending for checking and acceptance	292,376.94			Exchange with Shuangliu County Land and Resources Bureau
2. Integrated technology improvement	11,687,360.86	1,650,244.01	5,078,194.88		8,259,409.99	Substantially completed				Internal funds
3. Accelerator technology improvement	5,194,146.77	172,649.57			5,366,796.34	Further testing required				
4. Z-12-New 23 production line (Chengdu SEI)		6,268,193.73	6,268,193.73							Internal funds
5. Construction at West District of Putian Industrial Park		80,284.19			80,284.19	Addition in current year				Internal funds
6. MCIL production line	920,124.20				920,124.20	Pending for testing				Internal funds
7. Other projects	126,871.78	185,571.82	126,871.78		185,571.82	Pending for testing				Internal funds
Total	93,706,380.86	20,476,085.57	99,167,331.43	202,948.46	14,812,186.54					

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. INTANGIBLE ASSETS

Item	Beginning of the year	Additions	Disposals	End of the year
1. Cost	45,113,526.86		1,227,883.00	43,885,643.86
Land use rights	43,805,667.45		1,227,883.00	42,577,784.45
Technical know-how	1,071,672.28			1,071,672.28
Others	236,187.13			236,187.13
2. Accumulated amortization	5,453,534.93	1,090,830.96	270,765.25	6,273,600.64
Land use rights	4,905,685.04	973,749.12	270,765.25	5,608,668.91
Technical know-how	410,808.06	107,167.32		517,975.38
Others	137,041.83	9,914.52		146,956.35
3. Net carrying amount				
Land use rights				
Technical know-how				
Others				
4. Provision for impairment				
Land use rights				
Technical know-how				
Others				
5. Net book value	39,659,991.93			37,612,043.22
Land use rights	38,899,982.41			36,969,115.54
Technical know-how	660,864.22			553,696.90
Others	99,145.30			89,230.78

Note: Disposal during the reporting year represented the net book value of the intangible assets of a subsidiary, Chengdu Gaoxin Cable Co., Ltd. disposed of.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

(1) Details of recognized deferred tax assets and deferred tax liabilities

Item	End of the year	Beginning of the year
Deferred tax assets:		
Provision for impairment of assets	18,273,494.72	18,751,025.08
Sub total	18,273,494.72	18,751,025.08
Deferred tax liabilities:		
Depreciation of fixed assets		512,697.93
Changes in fair value of available-for-sale financial assets	1,610,313.60	1,708,968.00
Sub total	1,610,313.60	2,221,665.93

(2) Details of unrecognized deferred tax assets

Item	End of the year	Beginning of the year
Provision for impairment of assets	27,857,094.21	27,857,094.21
Total	27,857,094.21	27,857,094.21

(3) Deferred tax assets arising from deductible temporary differences or deferred tax liabilities arising from taxable temporary differences

Item	Amount
Items of taxable temporary difference	
Depreciation of fixed assets	
Changes in fair value of available-for-sale financial assets	10,735,424.00
Sub total	10,735,424.00
Items of deductible temporary difference	
Provision for bad debts on accounts receivable	37,143,530.17
Provision for bad debts on other receivables	2,537,491.78
Provision for impairment of inventories	62,066,845.54
Provision for impairment of fixed assets	9,953,070.13
Provision for impairment of construction in progress	3,288,398.95
Provision for impairment of long-term equity investments	6,162,728.53
Sub total	121,152,065.10

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. DETAILS OF PROVISION FOR IMPAIRMENT OF ASSETS

Item	Beginning of the year	Provision for the year	Decrease in the year		End of the year
			Reversal	Write back on disposal	
1. Provision for bad debts	68,901,388.99	1,592,576.32	2,061,632.56	894,216.59	67,538,116.16
2. Provision for impairment of inventories	66,536,203.09	1,970,609.52	5,388,213.28	1,051,753.79	62,066,845.54
3. Provision for impairment of available-for-sale financial assets					
4. Provision for impairment of held-to-maturity investments					
5. Provision for impairment of long-term equity investments	6,162,728.53				6,162,728.53
6. Provision for impairment of investment properties					
7. Provision for impairment of fixed assets	9,973,069.94			19,999.81	9,953,070.13
8. Provision for impairment of construction materials					
9. Provision for impairment of construction in progress		3,288,398.95			3,288,398.95
Total	151,573,390.55	6,851,584.79	7,449,845.84	1,965,970.19	149,009,159.31

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. SHORT-TERM BORROWINGS

Item	End of the year	Beginning of the year
Guaranteed loan	11,000,000.00	5,000,000.00
Open credit loan		
Total	11,000,000.00	5,000,000.00

Note 1: The guaranteed loan was borrowed by the Company's subsidiary Chengdu MCIL Radio Communications Co., Ltd. and supported by joint responsibility provided by the Company, RMB5,000,000 for the period from 21 June 2012 to 20 June 2013 and RMB6,000,000 for the period from 26 July 2012 to 25 July 2013.

Note 2: At 31 December 2012, the Company had no short-term borrowings in default.

17. ACCOUNTS PAYABLES

(1) Aging analysis of accounts payables is set out below

Item	End of the year		Beginning of the year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	56,916,218.07	84.99	77,077,562.69	88.54
1-2 years	8,277,057.31	12.36	3,923,779.00	4.51
2-3 years	450,344.45	0.67	2,367,439.75	2.72
Over 3 years	1,328,253.18	1.98	3,681,429.34	4.23
Total	66,971,873.01	100.00	87,050,210.78	100.00

(2) Accounts payables denominated in foreign currencies

Currency	End of the year			Beginning of the year		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
US dollars	2,133,019.03	6.2855	13,407,091.11	2,622,045.02	6.3009	16,521,243.47
Total	2,133,019.03		13,407,091.11	2,622,045.02		16,521,243.47

Note 1: At the end of the reporting year, there was no counterparty holding 5% or more of the Company's voting shares.

Note 2: The payables aged over 1 year mainly represent outstanding payables for purchases of raw materials and construction projects.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. RECEIPTS IN ADVANCE

Aging analysis

Item	End of the year		Beginning of the year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	5,518,197.22	76.28	8,827,637.24	78.80
1-2 years	1,573,558.66	21.75	71,688.70	0.78
2-3 years	48,908.70	0.68	55,027.02	0.60
Over 3 years	93,023.81	1.29	253,100.95	19.82
Total	7,233,688.39	100.00	9,207,453.91	100.00

Note: At the end of the reporting year, there was no counterparty holding 5% or more of the Company's voting shares.

19. STAFF REMUNERATION PAYABLES

Item	Beginning of the year	Increase	Decrease	End of the year
1) Salaries, bonus, allowance and subsidies	14,400,207.37	40,120,200.31	40,489,514.90	14,030,892.78
2) Staff welfare	53,189.80	3,289,651.42	3,321,141.22	21,700.00
3) Social securities	(38,824.89)	15,139,598.35	15,239,811.43	(139,037.97)
Including: Medical insurance	(4,177.23)	3,401,980.94	3,398,003.76	(200.05)
Basic pension insurance	(33,291.64)	10,393,409.93	10,492,328.53	(132,210.24)
Unemployment insurance	(1,053.34)	895,721.72	900,916.40	(6,248.02)
Labor injury insurance		193,437.76	193,437.76	
Birth insurance	(302.68)	255,048.00	255,124.98	(379.66)
4) Housing accumulation fund	134,949.00	2,216,690.31	2,224,065.31	127,574.00
5) Compensation for dismissal		160,507.62	160,507.62	0.00
6) Labor union expenses and employee education expenses	5,484,035.88	1,366,367.97	1,289,805.97	5,560,597.88
7) Others		2,956,567.26	2,956,567.26	
Total	20,033,557.16	65,249,583.24	65,681,413.71	19,601,726.69

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. TAX PAYABLE

Item	End of the year	Beginning of the year
Value-added tax	(23,200,180.42)	(29,627,038.59)
Business tax	117,177.94	143,590.89
City construction tax	171,276.58	92,065.31
Enterprise income tax	2,968,759.41	3,235,144.47
Property tax	345,270.73	189,882.76
Land use tax		174,357.98
Individual income tax	56,080.20	129,377.53
Education surcharges	106,858.92	60,612.51
Other taxes	73,810.66	142,202.27
Total	(19,360,945.98)	(25,459,804.87)

21. OTHER PAYABLES

(1) Aging analysis of other payable is set out below

Item	End of the year		Beginning of the year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	26,564,936.57	59.71	20,403,533.07	47.35
1-2 years	7,387,897.45	16.61	6,692,137.86	15.53
2-3 years	4,547,632.27	10.22	12,786,081.72	29.67
Over 3 years	5,990,123.17	13.46	3,209,682.65	7.45
Total	44,490,589.46	100.00	43,091,435.30	100.00

(2) Details of significant other payables

Name	Amount	Nature
Chongqing GuanCheng non-ferrous Metals Processing Co., Ltd.	14,931,319.92	Guarantee deposits
Total	14,931,319.92	

Note: At the end of the reporting year, there was no counterparty holding 5% or more of the Company's voting shares.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. LONG-TERM BORROWINGS

(1) Long-term borrowings comprise:

Item	End of the year	Beginning of the year
Guaranteed loan	8,980,918.20	8,813,449.17
Total	8,980,918.20	8,813,449.17

(2) Details of long-term borrowings

Lender	Date of inception	Date of maturity	Currency	Interest rate (%)	End of the year	
					Foreign currency	RMB
Bank of China, Shudu Dadao Branch	1997-2-21	2033-2-21	Euro	0.5	1,079,748.75	8,980,918.20
Total					1,079,748.75	8,980,918.20

Lender	Date of inception	Date of maturity	Currency	Interest rate (%)	Beginning of the year	
					Foreign currency	RMB
Bank of China, Shudu Dadao Branch	1997-2-21	2033-2-21	Euro	0.5	1,079,748.75	8,813,449.17
Total					1,079,748.75	8,813,449.17

Note 1: The long-term borrowings were guaranteed by China PUTIAN Corporation for the period from 21 February 1997 to 21 February 2033.

Note 2: As at 31 December 2012, there were no long-term borrowings in default.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. OTHER NON-CURRENT LIABILITIES

Item	End of the year	Beginning of the year
Shuangliu land acquisition compensation	81,315,323.48	68,722,191.30
Supporting fund for bend-insensitive optical fibre (G657A/B)	2,520,000.00	2,520,000.00
Project funding for pipe mending pressure-sensitive contraction bands from Science and Technology Bureau of Shuangliu County		50,000.00
Project funding of radiation crosslinking of solar photovoltaic cable from Science and Technology Bureau of Shuangliu County		100,000.00
Total	83,835,323.48	71,392,191.30

Note 1: Pursuant to Shuangfutu [2008] No.129 "Approval of the Acquisition of the Land, on which the Production Facilities of Shuangliu Heat Shrinkable Product are Erected, of Chengdu Telecom Cable" and "Administration of the Land Acquisition and Reserve of Shuangliu County" issued by the Chengdu Shuangliu County Government, a subsidiary of the Company, Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, signed a "State Owned Land Use Rights Acquisition Agreement" with Shuangliu Land Reserve Centre in March 2009 pursuant to which the county government agreed to buy back the land use rights of a parcel of state-owned land with 47,767.75 square meters located at Jingdu Village, Baijia Town, Shuangliu County, from the subsidiary at a consideration of RMB87.2043 million. The subsidiary received the first, second and third relocation compensations of RMB20 million, RMB35 million, RMB17 million and RMB15.2043 in 2009, 2010, 2011 and 2012 respectively. During the prior current year, The Company paid relocation expenses of RMB3.2778 million in previous years, of which RMB2.7615 million was amortized in current year.

Note 2: Pursuant to Chenggaojingfa [2010] No.248 "Notice of the 2010 Technology Improvement Plan for the Fifth Batch of Enterprises of Hi-tech Zone", the Company received a supporting fund of RMB2.52 million from the Finance Bureau of Chengdu Hi-tech Zone for the bend-insensitive optical fiber project (G657A/B) in 2011. Since the project was still in progress and had not yet reached the intended level of usage, the amount of RMB2.52 million was recognised as deferred income.

24. SHARE CAPITAL

Item	Beginning of the year	Changes in the year(+/-)					Sub total	End of the year
		Issue of shares	Bonus shares	Premium transferred to shares	Others			
China Potevio Company Limited	240,000,000.00						240,000,000.00	
H shares	160,000,000.00						160,000,000.00	
Total shares	400,000,000.00						400,000,000.00	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. CAPITAL RESERVES

Item	Beginning of the year	Increase in the year	Decrease in the year	End of the year
Share premium	302,343,510.57			302,343,510.57
Other capital reserves	356,666,200.71	1,928,084.64	559,041.60	358,035,243.75
Including: (1) Capital reserve brought forward from original scheme	343,857,949.07			343,857,949.07
(2) Available-for-sale financial assets fair value change reserve (Note 1)	9,684,152.00		559,041.60	9,125,110.40
(3) Other changes in the equity of the investee	73,500.00			73,500.00
(4) Others (Note 2)	3,050,599.64	1,928,084.64		4,978,684.28
Total	659,009,711.28	1,928,084.64	559,041.60	660,378,754.32

Note 1: RMB559,041.60 decrease in available-for-sale financial assets fair value change reserve represents the fair value changes of the stock Chengdu Hi-Tech Development Co., Ltd. (SZ.000628) held by the Company in current year.

Note 2: The increase in other capital reserves was due to the reversal of the decreased amount in the previous year through the disposal of a subsidiary, Chengdu Gaoxin Cable Co., Ltd..

26. SURPLUS RESERVE FUND

Item	Beginning of the year	Increase in the year	Decrease in the year	End of the year
Statutory surplus reserve fund	8,726,923.61			8,726,923.61
Total	8,726,923.61			8,726,923.61

27. RETAINED EARNINGS

Details of retained earnings

Item	Amount	Appropriation or distribution proportion
Unappropriated earnings from last year before adjustments	32,302,989.58	
Prior year adjustments		
Adjusted unappropriated earnings at beginning of the year	32,302,989.58	
Add: Net profit for the year attributable to shareholders of the Company	(97,714,018.36)	
Less: Appropriation to statutory surplus reserve fund		
Appropriation to discretionary surplus reserve fund		
Appropriation for general provision of risk		
Dividend payable to ordinary shareholders		
Transferred from dividend on ordinary shares to share capital		
Other transfers		
Unappropriated earnings at the end of the year	(65,411,028.78)	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. OPERATING INCOME AND OPERATING COSTS

(1) Details of operating income are as follows:

Item	Current year	Prior year
Income from principal operations	471,814,359.20	545,722,408.33
Other operating income	26,242,938.53	41,371,918.61
Total operating income	498,057,297.73	587,094,326.94

(2) Details of operating costs are as follows:

Item	Current year	Prior year
Costs for principal operations	414,569,539.04	495,784,571.71
Other operating costs	50,895,442.92	64,704,303.00
Total operating costs	465,464,981.96	560,488,874.71

(3) Analysis of principal operations by products is set out below

Name of products	Current year		Prior year	
	Income from principal operations	Costs for principal operations	Income from principal operations	Costs for principal operations
Plastic cable	4,679,381.72	3,830,082.42	32,060,457.87	32,213,584.60
Programme-controlled cable	10,267,909.74	18,428,990.72	48,401,241.71	57,608,903.10
Locomotive cable	12,436,473.31	16,885,806.97	6,186,471.27	7,802,438.45
Purchased cable and accessories	73,664,722.33	80,835,773.41	83,951,642.48	83,362,589.23
Heat shrinkable products	52,970,971.54	46,635,547.64	57,510,036.61	52,135,701.77
Wire feed cable	124,841,396.74	106,108,817.09	134,220,285.16	118,995,791.06
Optical fibre	165,999,173.26	116,495,284.36	140,280,038.00	103,907,881.43
Other cables	26,954,330.56	25,349,236.43	43,112,235.23	39,757,682.07
Total	471,814,359.20	414,569,539.04	545,722,408.33	495,784,571.71

Note: Other cables mainly include nano-coaxial cable, data cable, steel alloy belt, aluminum alloy belt etc.

(4) Analysis of principal operations by geography is set out below

Regions	Current year		Prior year	
	Income from principal operations	Costs from principal operations	Income from principal operations	Costs from principal operations
Northern China	22,850,820.93	18,351,127.97	67,613,223.37	51,458,529.97
Eastern China	78,082,413.99	66,408,446.68	157,079,730.93	134,373,317.98
Southern China	20,333,899.10	16,462,913.10	24,745,721.74	20,574,934.58
Central China	105,632,193.94	123,080,389.03	154,870,330.34	161,058,159.78
Southwestern China	240,093,561.46	186,134,766.42	114,791,095.85	110,628,103.05
Northwestern China	1,611,520.84	1,309,181.04	23,818,016.47	15,609,864.05
Overseas	3,209,948.94	2,822,714.80	2,804,289.63	2,081,662.30
Total	471,814,359.20	414,569,539.04	545,722,408.33	495,784,571.71

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. OPERATING INCOME AND OPERATING COSTS (CONTINUED)

(5) Income from the top five customers

Item	Operating revenue	Proportion (%)
1. ZTE Kangxun Telecom Co., Ltd	82,872,708.69	17.56
2. Leoni Special Cable (Changzhou) Co., Ltd	45,091,596.61	9.56
3. Chengdu CCS Optical Cable Co., Ltd	19,759,269.27	4.19
4. China Mobile Group Chongqing Company Limited	15,830,722.22	3.36
5. Jiangsu Ronglian Technology Company	13,255,366.88	2.81
Total	176,809,663.67	37.47

29. BUSINESS TAX AND SURCHARGES

Item	Bases	Current year	Prior year
Business tax	5%	441,961.07	379,016.74
City construction tax	5%, 7%	855,045.50	667,290.44
Education surcharges	3%	551,321.04	307,112.36
Local education surcharges	2%	91,355.85	201,544.77
Property tax	1.2%, 12%	625,743.47	411,920.62
Price regulation fund	0.07%	110,025.99	103,260.01
Total		2,675,452.92	2,070,144.94

30. SELLING EXPENSES

Item	Current year	Prior year
Staff salaries	4,720,523.93	4,432,157.77
Transportation cost	9,787,042.11	13,130,171.72
Packing expenses	4,673,390.57	5,064,506.47
Business expenses	9,075,959.05	11,323,987.37
Advertising	380,000.00	2,086,587.91
Office and traveling expenses	1,687,823.86	1,371,093.58
Others	2,288,899.21	1,855,127.43
Total	32,613,638.73	39,263,632.25

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. ADMINISTRATION EXPENSES

Item	Current year	Prior year
Staff salaries	21,634,494.07	17,333,674.96
Social securities	5,950,349.05	7,619,632.04
Depreciation and amortization	8,106,277.43	6,465,473.11
Entertainment	2,275,204.03	1,450,116.05
Office and traveling expenses	4,636,907.90	3,072,631.88
Research and development costs	5,105,282.58	6,738,141.25
Taxes	3,589,698.71	4,645,468.98
Agency fee	3,141,284.27	5,748,055.06
Repairs and maintenance of motor vehicle	2,354,190.15	5,172,527.30
Water and electricity	5,303,468.79	3,913,630.70
Loss from suspension of production line	12,242,262.72	
Others	6,873,205.43	4,368,680.64
Total	81,212,625.13	66,528,031.97

32. FINANCE COSTS

Item	Current year	Prior year
Interest expenses	586,234.98	997,871.93
Less: Interest income	5,933,014.79	7,466,249.20
Exchange losses	186,982.74	
Less: Exchange gain		1,138,722.12
Bank charges	394,632.46	339,918.63
Total	(4,765,164.61)	(7,267,180.76)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. INVESTMENT INCOME

(1) Analysis of investment income

Item	Current year	Prior year
Investment income from long-term equity investments using cost method		
Investment income from long-term equity investments using equity method	(16,957,923.46)	(7,070,051.85)
Investment income from disposal of long-term equity investments	9,000,724.23	3,520,184.42
Investment income from financial assets held for trading		89,945.20
Total	(7,957,199.23)	(3,459,922.23)

Note: During the year, the Company disposed of a subsidiary, Chengdu Gaoxin Cable Co., Ltd., at a consideration of RMB18,200,000.00. The cost of the long term investments was RMB8,811,596.12. The investment income recognized in the current year was RMB9,000,724.23.

(2) Investment income from long-term equity investments measured using equity method

Investee	Current year	Prior year
Chengdu CCS Optical Cable Co., Ltd	(16,603,029.97)	(6,797,346.29)
Chengdu Bada Connector Co., Ltd	(354,893.49)	(703,530.48)
Chengdu Peak Power Sources Co., Ltd		430,824.92
Total	(16,957,923.46)	(7,070,051.85)

Note: The Company made an open offer of the 50% equity interest in Chengdu Peak Power Sources Co, Ltd. ("Peak Power") on the Chongqing United Assets and Equity Exchange on 15 November 2011. The Company signed a "Share Transfer Agreement" at a consideration of RMB1,800,000.00 with the purchaser on 7 March 2012 and let the purchaser appoint management of Peak Power. As of 31 December 2012, the Company has not yet received any consideration. The Company has brought legal proceedings against the purchaser. The Company has not obtained the financial statements of Peak Power.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. IMPAIRMENT LOSSES ON ASSETS

Item	Current year	Prior year
1. Provision for bad debts	(469,056.25)	(3,396,568.75)
2. Diminution in value of inventories	(3,417,603.75)	(2,387,995.38)
3. Impairment loss on available-for-sale financial assets		
4. Impairment loss on held-to-maturity investments		
5. Impairment loss on long-term equity investments		
6. Impairment loss on investment properties		
7. Impairment loss on fixed assets		
8. Impairment loss on construction materials		
9. Impairment loss on construction in progress	3,288,398.95	
10. Impairment loss on productive biological assets		
11. Impairment loss on petroleum assets		
12. Impairment loss on intangible assets		
13. Impairment loss on goodwill		
Total	(598,261.05)	(5,784,564.13)

35. NON-OPERATING INCOME

(1) Analysis of non-operating income

Item	Current year		Prior year	
	Amount	Amount recorded in exceptional gains or losses	Amount	Amount recorded in exceptional gains or losses
Gain on disposal of non-current assets			1,073,502.44	1,073,502.44
Including: Gain on disposal of fixed assets	550.97	550.97	1,073,502.44	1,073,502.44
Gain on disposal of intangible assets				
Government grants	2,996,276.18	2,996,276.18	11,341,963.16	11,341,963.16
Others	1,916,916.12	1,916,916.12	3,896,226.67	3,896,226.67
Total	4,913,743.27	4,913,743.27	16,311,692.27	16,311,692.27

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. NON-OPERATING INCOME (CONTINUED)

(2) Analysis of government grants

Item	Current year	Prior year	Remark
Subsidy for water price		83,465.10	Chengjianong [2009] No.245 issued by the Chengdu Price Bureau
Patent subsidy from the Technology Bureau		611,018.06	《Sichuan Patent Application Grant Funds Management Method》
Government grant for Chengdu Putian Industrial Base Project (Phase I)		9,970,000.00	Chenggaocaifa [2001] No.029, Chenggaoguan [2004] No.27, Chenggaojingfa [2009] No.12
Special funds for standardization strategy from Chengdu Hi-tech Development Zone	100,000.00	60,000.00	Chengdu Hi-Tech District Bureau of Quality and Technical Supervision
Compensation for turnkey of science and technology	134,703.36		Chengdu City Science and Technology Bureau
Compensation for relocation	2,761,572.82	617,480.00	Shuangfutu [2008] No.129
Total	2,996,276.18	11,341,963.16	

36. NON-OPERATING EXPENSES

Item	Current year		Prior year	
	Amount	Amount recorded in exceptional gains or losses	Amount	Amount recorded in exceptional gains or losses
Loss on disposal of non-current assets	118,877.64	118,877.64	46,307.63	46,307.63
Including: Loss on disposal of fixed assets	118,877.64	118,877.64	46,307.63	46,307.63
Loss on disposal of intangible assets				
Donations	30,000.00	30,000.00		
Others	1,450,035.63	1,450,035.63	1,109,852.67	1,109,852.67
Total	1,598,913.27	1,598,913.27	1,156,160.30	1,156,160.30

37. INCOME TAX EXPENSE

Item	Current year	Prior year
Income tax expense for the year according to tax laws and related regulations	5,358,243.97	3,793,853.13
Adjustment for deferred tax	(6,421.18)	3,430,525.64
Total	5,351,822.79	7,224,378.77

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. CALCULATION OF BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

According to “Information Disclosure and Preparation Regulations of Companies Publicly Issuing Securities No. 9 — Calculation and Disclosure of Return Rate of Net Assets and Earnings per Share (Revised in 2010)” (“China Securities Regulatory Commission Announcement [2010] No. 2”), and “Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No. 1 — Non-operating Profit and Loss (2008)” (“China Securities Regulatory Commission Announcement [2008] No. 43”) issued by China Securities Regulatory Commission (“CSRC”), earnings per share are calculated as follows:

Item	Code	Current year	Prior year
Net profit attributable to ordinary shareholders of the Company (I)	P0	(97,714,018.36)	(66,044,837.54)
Net profit, after deduction of non-operating profit and loss items, attributable to ordinary shareholders of the Company (II)	P0	(101,070,616.99)	(85,110,994.16)
Total shares at the beginning of the year	S0	400,000,000	400,000,000
Additional shares from capitalization of surplus fund or share dividends during the year	S1		
Additional shares from issue of new shares or debt for equity swap	Si		
Reduction in shares from share repurchase during the year	Sj		
Reduction in shares from share consolidation	Sk		
Number of months during the financial year	M0	12	12
Number of months from the month following the increase in shares to the end of the year	Mi		
Number of months from the month following the decrease in shares to the end of the year	Mj		
Weighted average number of outstanding ordinary shares	S	400,000,000	400,000,000
Basic earnings per share (I)		(0.24)	(0.17)
Basic earnings per share (II)		(0.25)	(0.21)
Adjusted net profit for the year attributable to ordinary shareholders (I)	P1	(97,714,018.36)	(66,044,837.54)
Adjusted net profit, after deduction of non-operating profit and loss items, attributable to ordinary shareholders (II)	P1	(101,070,616.99)	(85,110,994.16)
Increase in weighted average number of outstanding ordinary shares from warrants, share options and convertible bonds			
Diluted weighted average number of outstanding ordinary shares		400,000,000	400,000,000
Diluted earnings per share (I)		(0.24)	(0.17)
Diluted earnings per share (II)		(0.25)	(0.21)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. CALCULATION OF BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE (CONTINUED)

(1) Basic earnings per share

Basic earnings per share = $P0 \div S$

$$S = S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk$$

Where “P0” represents net profit or loss after deduction of non-operating profit and loss items attributable to ordinary shareholders of the Company; “S” represents the weighted average number of outstanding ordinary shares; “S0” represents total number of shares at the beginning of the year; “S1” represents additional shares from capitalisation of surplus fund or share dividends during the year; “Si” represents additional shares from issue of new shares or debt for equity swap during the year; “Sj” represents the reduction in shares from share repurchase during the year; “Sk” represents the reduction in shares from share consolidation during the year; “M0” represents the number of months during the financial year; “Mi” represents the number of months from the month following the increase in shares to the end of the year; “Mj” represents the number of months from the month following the decrease in shares to the end of the year.

(2) Diluted earnings per share

Diluted earnings per share = $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{Increase in weighted average number of outstanding ordinary shares from warrants, share options and convertible bonds})$.

Where P1 is the net profit or loss after deduction of non-operating profit and loss items attributable to ordinary shareholders of the Company, of which the effect from dilutive potential ordinary shares has been adjusted in accordance with Accounting Standards for Business Enterprises and the relevant regulations. When calculating the diluted earnings per share, the Company has taken into account all the effect from dilutive potential ordinary shares on the net profit or loss after deduction of non-operating profit and loss items attributable to ordinary shareholders of the Company and the weighted average number of outstanding shares, and included the effect of each dilutive potential ordinary share according to the magnitude of their impact in an ascending order until the lowest dilutive earnings per share is obtained.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. OTHER COMPREHENSIVE INCOME

Item	Current year	Prior year
1. Gain or loss from available-for-sale financial assets Less: Tax effect on available-for-sale financial assets Net amount recognized in profit and loss in current year, which was recognized as other comprehensive income in previous years	(559,041.60)	(5,409,549.60)
Subtotal	(559,041.60)	(5,409,549.60)
2. Share of other comprehensive income of investees using equity method Less: Tax effect of share of other comprehensive income of investee using equity method Net amount recognized in profit and loss in current year, which was recognized as other comprehensive income in previous years Subtotal		
3. Gain or loss from cash flow hedge forward contracts Less: Tax effect of cash flow hedge forward contracts Net amount recognized in profit and loss in current year, which was recognized as other comprehensive income in previous years Adjustment on initial recognition upon transfer to hedged items Subtotal		
4. Exchange difference arising from translations of financial statements denominated in foreign currency Less: Transfer to profit and loss in the current year upon disposal of foreign operations Subtotal		
5. Others Less: Tax effect of other items recognized in other comprehensive income Net amount recognized in profit and loss in current year, which was recognized as other comprehensive income in previous years Subtotal		
Total	(559,041.60)	(5,409,549.60)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. NOTES TO THE CASH FLOW STATEMENT

(1) Cash received from other items relating to operating activities

Item	Current year	Prior year
Cash received for government grant other than tax refund	15,439,003.36	3,124,483.16
Cash received from leasing of fixed assets (investment properties)	1,214,454.12	1,567,851.00
Interest income	4,010,385.90	7,466,249.20
Others	57,708,982.54	43,048,498.12
Total	78,372,825.92	55,207,081.48

(2) Cash paid for other items relating to operating activities

Item	Current year	Prior year
Administration expenses paid by cash	60,864,084.98	23,725,641.63
Selling expenses paid by cash	32,579,771.35	34,831,474.48
Bank charges included in finance costs	394,632.46	339,918.63
Others	15,308,776.56	51,474,642.78
Total	109,147,265.35	110,371,677.52

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. SUPPLEMENTARY INFORMATION FOR THE CONSOLIDATED CASH FLOW STATEMENT

(1) Supplementary information for the consolidated cash flow statement

Item	Current year	Prior year
1. Net profit reconciled to cash flows from operating activities:		
Net profit	(88,540,167.37)	(63,733,381.07)
Add: Provision for impairment of assets	(598,261.05)	(5,784,564.13)
Depreciation of fixed assets, petroleum assets and productive biological assets	22,885,075.82	30,013,183.89
Amortization of intangible assets	1,080,916.44	1,104,500.04
Amortization of long-term prepaid expenses		
Loss on disposal of fixed assets, intangible assets and other long-term assets ("()" represents gain)	118,326.67	(4,547,379.23)
Loss on fixed assets written off ("()" represents gain)		
Loss from changes in fair value ("()" represents gain)		
Finance costs ("()" represents gain)	586,234.98	997,871.93
Investment loss ("()" represents gain)	7,957,199.23	6,980,106.65
Decrease in deferred tax assets ("()" represents increase)	477,530.36	3,387,416.42
Increase in deferred tax liabilities ("()" represents decrease)	(611,352.33)	43,109.27
Decrease in inventories ("()" represents increase)	57,358,456.36	(26,589,408.41)
Decrease in operating receivables ("()" represents increase)	4,096,559.00	16,194,355.74
Increase in operating payables ("()" represents decrease)	15,794,800.35	(48,930,713.94)
Others		
Net cash flows from operating activities	20,605,318.46	(90,864,902.84)
2. Significant non-cash investing and financing activities:		
Conversion of debts to capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
3. Changes in cash and cash equivalents		
Cash at end of the year	219,904,310.13	242,284,772.64
Less: Cash at beginning of the year	242,284,772.64	289,139,050.33
Add: Cash equivalents at end of year		
Less: Cash equivalents at beginning of the year		
Net increase in cash and cash equivalents	(22,380,462.51)	(46,854,277.69)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

V. NOTES TO MAJOR ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. SUPPLEMENTARY INFORMATION FOR THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(2) Information for subsidiaries and other operating entities acquired or disposed of in current year

Item	End of the year	Beginning of the year
1. Information for subsidiaries and other operating entities disposed of:		
(1) Consideration for disposals of subsidiaries and other entities	18,200,000.00	
(2) Cash or cash equivalents received for disposals of subsidiaries and other entities	18,200,000.00	
Less: Cash or cash equivalents held by subsidiaries and other entities disposed of		
(3) Net cash received for disposals of subsidiaries and other entities	18,200,000.00	

(3) Cash and cash equivalents

Item	End of the year	Beginning of the year
1. Cash	219,904,310.13	242,284,772.64
Including: Cash on hand	137,650.93	171,699.83
Bank deposits available for payment at any time	211,443,705.81	234,685,618.78
Other monetary funds available for payment at any time	8,322,953.39	7,427,454.03
2. Cash equivalents		
Including: Bonds investments with original maturity less than three months		
3. Cash and cash equivalents at end of the year	219,904,310.13	242,284,772.64

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. PARENT COMPANY

Name of parent company	Relationship	Type of legal entity	Place of establishment	Legal representative	Principal activities	Registered capital (million)	Equity interest in the Company (%)	Voting share in the Company (%)	Ultimate controller	Code of entity
China Potevio Company Limited	Parent company	Company with shares	Beijing	Xingwei	Manufacturing of telecommunication products	1,900.00	60.00%	60.00%	China PUTIAN Corporation	10000157X

2. SUBSIDIARIES

Please refer to Note IV. Details of the subsidiaries.

3. JOINT VENTURES AND ASSOCIATES

Please refer to Note V. 8. Investments in a jointly controlled entity and associates.

4. OTHER RELATED PARTIES

Name	Relationship with the Company
Houma Potevio Rongsheng Optical Cable Co., Ltd.	Controlled by the same parent company
Nanjing PUTIAN Tianji Intelligent Building Co.	Controlled by the same parent company
China Potevio Chengdu Company Limited	Controlled by the same parent company

5. RELATED PARTY TRANSACTIONS

(1) Purchases of goods and services from related parties

Name of related party	Details of transaction	Pricing and decision policies for related party transaction	Current year	
			Amount	Percentage to total similar transactions (%)
Chengdu Bada Connector Co., Ltd	Purchase of goods and services	Market price	69,780,811.98	21.71
Chengdu CCS Optical Cable Co., Ltd	Purchase of goods	Market price	1,589.74	
Total			69,782,401.72	21.71

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. RELATED PARTIES TRANSACTION (CONTINUED)

(1) Purchases of goods and services from related parties (Continued)

Name of related party	Details of transaction	Pricing and decision policies for related party transaction	Prior year	Percentage to total similar transactions (%)
			Amount	
Chengdu Bada Connector Co., Ltd	Purchase of goods	Market price	56,351,624.60	11.37
Chengdu CCS Optical Cable Co., Ltd	Purchase of goods	Market price	83,536.07	0.02
Total			56,435,160.67	11.39

(2) Sales of goods and services to related parties

Name of related party	Details of transaction	Pricing and decision policies for related party transaction	Current year	Percentage to total similar transactions (%)
			Amount	
Chengdu Bada Connector Co., Ltd	Sales of goods	Market price	65,734.37	0.04
Chengdu CCS Optical Cable Co., Ltd	Sales of goods	Market price	19,759,269.27	3.88
China Potevio Company Limited	Sales of goods	Market price	10,701,448.38	2.1
Houma Potevio Rongsheng Optical Cable Co., Ltd	Sales of goods	Market price	541,705.47	0.11
Total			31,068,157.49	6.14

Name of related party	Details of transaction	Pricing and decision policies for related party transaction	Prior year	Percentage to total similar transactions (%)
			Amount	
Chengdu Bada Connector Co., Ltd	Sales of goods	Market price	3,134,831.99	0.57
Chengdu CCS Optical Cable Co., Ltd	Sales of goods	Market price	23,146,467.19	4.24
China Potevio Company Limited	Sales of goods	Market price	17,334,735.53	3.18
Total			43,616,034.71	7.99

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. RELATED PARTIES TRANSACTION (CONTINUED)

(3) Borrowings with related parties

Name of related party	Amount	Beginning date	Maturity Date	Interest
Lending to Chengdu Bada Connector Co., Ltd	8,000,000.00	9 October 2008	31 December 2012	504,543.11
Lending to Chengdu Bada Connector Co. Ltd.	2,000,000.00	1 September 2011	31 December 2012	137,602.67
Total	10,000,000.00			642,145.78

(4) Guarantee with related parties

Guarantor	Guarantee	Amount of guarantee	Date of commencement	Date of expiration	Guarantee discharged?
China PUTIAN Corporation	Chengdu PUTIAN Telecommunications Cable Company Limited	€ 1,079,748.75	21 February 1997	21 February 2033	No

(5) Directors' remuneration

Details of the directors' remuneration for the year ended 31 December 2012 are set out below:

Director name	Director salaries	Bonus	Allowance	Social securities	Sub-total
Executive directors:					
Zhang Xiaocheng					
Guo Aiqing	122,124.00		9,740.00	35,615.16	167,479.16
Ping Hao					
Chen Ruowei					
Fu Ruolin					
Su Wenyu					
Jiang Jianping					
Cong Huisheng					
Du Xinhua					
Fan Xu					
Independent non-executive directors:					
Choy Sze Chung, Jojo	50,000.04				50,000.04
Wu Zhengde	50,000.04				50,000.04
Li Yuanpeng	50,000.04				50,000.04
Total	272,124.12		9,740.00	35,615.16	317,479.28

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. RELATED PARTIES TRANSACTION (CONTINUED)

(5) Directors' remuneration (Continued)

Details of the directors' remuneration for the year ended 31 December 2011 are set out below:

Director name	Director salaries	Bonus	Allowance	Social securities	Sub-total
Executive directors:					
Zhang Xiaocheng					
Guo Aiqing	121,332.00	132,668.40	6,400.00	19,867.20	280,267.60
Chen Ruowei					
Fu Ruolin					
Su Wenyu					
Jiang Jianping					
Independent non-executive directors:					
Choy Sze Chung, Jojo	41,666.69				41,666.69
Wu Zhengde	41,666.69				41,666.69
Li Yuanpeng	41,666.69				41,666.69
Total	246,332.07	132,668.40	6,400.00	19,867.20	405,267.67

(6) The remuneration of the five highest paid individuals in the Group (including one Director whose remunerations has been listed in the above table) are set out below:

Item	Year 2012	Year 2011
Salaries	435,457.00	376,908.00
Bonus		368,171.40
Allowance	68,800.00	32,000.00
Social securities	190,076.39	99,336.00
Total	694,333.39	876,415.40

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. RECEIVABLES AND PAYABLES WITH RELATED PARTIES

(1) Details of amounts due from related parties are set out below:

Item	Name of related party	End of the year	Beginning of the year
Accounts receivables	Chengdu CCS Optical Cable Co., Ltd	2,314,198.22	5,025,808.91
Accounts receivables	Nanjing PUTIAN Tianji Intelligent Building Co.	93,192.96	93,192.96
Other receivables	Chengdu Bada Connector Co., Ltd	10,071,325.34	10,703,665.06
Other receivables	Chengdu Peak Power Sources Co., Ltd	250,662.21	248,066.01

(2) Details of amounts due to related parties are set out below:

Item	Name of related party	End of the year	Beginning of the year
Accounts payables	Chengdu Bada Connector Co., Ltd.	13,981,183.06	19,475,163.38
Accounts payables	Chengdu CCS Optical Cable Co., Ltd.		1,860.00
Accounts payables	Nanjing PUTIAN Tianji Intelligent Building Co.	65,000.00	65,000.00

VII. CONTINGENT LIABILITIES

At the end of the year, the Company provided joint and several guarantee of RMB11 million for a subsidiary, Chengdu MCIL Radio Communications Co., Limited for its bank borrowing, of which RMB5 million guarantee period started from 21 June 2012 to 20 June 2013 and RMB6 million guarantee period started from 26 July 2012 to 25 July 2013.

VIII. COMMITMENT

None

IX. EVENTS AFTER BALANCE SHEET DATE

None

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

X. OTHER SIGNIFICANT MATTERS

1. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Item	Beginning of the year	Changes in fair value during the year	Accumulated changes in fair value recorded in equity	Provision for impairment during the year	End of the year
Financial assets:					
1. Financial assets measured at fair value and the changes are recognized in profit and loss for the year (excluding derivative financial assets)					
2. Derivative financial assets					
3. Available-for-sale financial assets	14,121,120.00	(657,696.00)	(559,041.60)		13,463,424.00
Subtotal of financial assets	14,121,120.00	(657,696.00)	(559,041.60)		13,463,424.00
Investment property					
Productive biological assets					
Others					
Subtotal of the above	14,121,120.00	(657,696.00)	(559,041.60)		13,463,424.00
Financial liabilities					

2. SUBSTANTIAL DISPOSAL OF ASSETS

On 6 December 2012, the Company and CCS Mauritius Company Limited signed a Memorandum of Understanding for the proposed disposal of the Company's 49% shares in Chengdu CCS Optical Cable Co., Ltd. The consideration is still under negotiation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

XI. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. ACCOUNTS RECEIVABLES

(1) Accounts receivables comprise

Category	End of the year			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
1. Individually significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a portfolio basis — Provision for bad debts is made according to aging analysis	58,376,877.30	76.41	17,956,156.36	23.50
3. Individually insignificant receivables of which provision for bad debts is made on an individual basis	18,020,783.38	23.59	18,020,783.38	100.00
Total	76,397,660.68	100.00	35,976,939.74	47.09

Category	Beginning of the year			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
1. Individually significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a portfolio basis — Provision for bad debts is made according to aging analysis	73,690,462.58	80.34	17,756,129.21	24.10
3. Individually insignificant receivables of which provision for bad debts is made on an individual basis	18,028,004.18	19.66	18,028,004.18	100.00
Total	91,718,466.76	100.00	35,784,133.39	39.02

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

XI. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTS RECEIVABLES (CONTINUED)

(1) Accounts receivables comprise (Continued)

Details of accounts receivables of which provision for bad debts is made according to aging analysis

Age	End of the year			Beginning of the year		
	Carrying amount	Percentage (%)	Bad debt provision	Carrying amount	Percentage (%)	Bad debt provision
Within 1 year	26,492,651.91	45.38		34,173,892.81	46.37	
1-2 years	11,013,205.62	18.87	1,101,320.56	22,893,957.60	31.07	2,289,395.76
2-3 years	5,458,147.06	9.35	1,637,444.12	1,333,351.34	1.81	400,005.40
3-5 years	977,405.16	1.67	781,924.13	1,112,663.92	1.51	890,131.14
Over 5 years	14,435,467.55	24.73	14,435,467.55	14,176,596.91	19.24	14,176,596.91
Total	58,376,877.30	100.00	17,956,156.36	73,690,462.58	100.00	17,756,129.21

Details of individually insignificant receivables of which provision for bad debts is made on an individual basis

Name	End of the year	provision	Percentage (%)	Reason for individually made provision
Henan Qingfeng County Federation of Industry and Trade	1,007,986.64	1,007,986.64	100.00	Not expected to be recoverable
Chengdu Telecommunications Cable Factory — Sales Division	1,062,382.43	1,062,382.43	100.00	Not expected to be recoverable
China Posts and Electrical Equipment Co., Midsouth Branch Company	1,116,797.27	1,116,797.27	100.00	Not expected to be recoverable
Urumqi Zhida Electronics Co., Ltd.	1,344,969.65	1,344,969.65	100.00	Not expected to be recoverable
Chuangong Electrical Engineering Co., Ltd.	1,606,692.41	1,606,692.41	100.00	Not expected to be recoverable
Shenyang Hengyuanda Communications Equipment Co., Ltd.	1,621,814.62	1,621,814.62	100.00	Not expected to be recoverable
KAB/VOLEX	2,058,597.74	2,058,597.74	100.00	Not expected to be recoverable
Total	9,819,240.76	9,819,240.76		

Note: The total amount of the individually insignificant receivables of which provision for bad debts is made on an individual basis is RMB18,020,783.38, of which the larger amount is RMB9,819,240.76.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

XI. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTS RECEIVABLES (CONTINUED)

(2) Top five accounts receivables

Name	Relationship	Amount	Age	Percentage (%)
1. ZTE Kangxun Telecom Company Limited	Not related party	8,236,808.87	Within 1 year	10.78
2. China CRS Investment Leasing Co., Ltd.	Not related party	7,707,801.69	Within 1 year	10.09
3. Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	Related party	6,942,329.67	1-2 years	9.09
4. Shenzhen Minli Electronics Co., Ltd.	Not related party	2,609,933.97	Within 1 year	3.42
5. Chengdu CCS Optical Cable Co., Ltd.	Related party	2,314,198.22	3-4 years	3.03
Total		27,811,072.42		36.40

2. OTHER RECEIVABLES

(1) Other receivables comprise

Category	End of the year			
	Carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
1. Individually significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a portfolio basis — Provision for bad debts is made according to aging analysis	29,722,590.72	41.17	19,569,074.95	65.84
3. Individually insignificant receivables of which provision for bad debts is made on an individual basis	42,477,340.28	58.83	3,500,000.00	8.24
Total	72,199,931.00	100.00	23,069,074.95	31.95

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

XI. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. OTHER RECEIVABLES (CONTINUED)

(1) Other receivables comprise (Continued)

Category	Beginning of the year		Beginning of the year	
	Carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
1. Individually significant receivables of which provision for bad debts is made on an individual basis				
2. Receivables of which provision for bad debts is made on a portfolio basis — Provision for bad debts is made according to aging analysis	27,813,143.18	35.29	18,679,569.22	67.16
3. Individually insignificant receivables of which provision for bad debts is made on an individual basis	51,637,905.06	64.71	3,000,000.00	5.88
Total	79,451,048.24	100.00	21,679,569.22	27.29

Details of other receivables of which provision for bad debts is made according to aging analysis

Age	End of the year			Beginning of the year		
	Carrying amount	Percentage (%)	Bad debt provision	Carrying amount	Percentage (%)	Bad debt provision
Within 1 year	2,728,667.05	9.18		7,429,511.62	26.71	
1–2 years	7,350,929.30	24.73	735,092.93	1,883,019.78	6.77	188,301.98
2–3 years	1,142,382.59	3.84	342,714.78			
3–5 years	46,722.69	0.16	37,378.15	46,722.69	0.17	37,378.15
Over 5 years	18,453,889.09	62.09	18,453,889.09	18,453,889.09	66.35	18,453,889.09
Total	29,722,590.72	100.00	19,569,074.95	27,813,143.18	100.00	18,679,569.22

Details of individually insignificant receivables of which provision for bad debts is made on an individual basis

Name	End of the year	Provision for bad debts	Percentage (%)	Reason for individually made provision
Chongqing Super PCB Co., Ltd	3,000,000.00	3,000,000.00	100%	Not expected to be recoverable
Total	3,000,000.00	3,000,000.00		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

XI. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. OTHER RECEIVABLES (CONTINUED)

(2) Details of significant other receivables and nature

Name	Amount	Nature
Chengdu Bada Connector Co., Ltd	10,071,325.34	Related party borrowing
Total	10,071,325.34	

(3) Top five other receivables

Name	Relationship	Amount	Age	Percentage (%)
1. Chengdu MCIL Radio Communications Co., Ltd.	Related party	20,000,000.00	Within 1 year	27.70
2. Chengdu Bada Connector Co., Ltd.	Related party	10,071,325.34	Within 1 year	13.95
3. Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	Related party	8,045,466.67	2-3 years	11.14
4. Suzhou Tianyun Technology Co., Ltd.	Not related party	4,786,324.75	Within 1 year	6.63
5. Shenzhen Fu Chang Co.	Not related party	3,566,915.53	Over 5 years	4.94
Total		46,470,032.29		64.36

3. LONG-TERM EQUITY INVESTMENTS

Name	Measurement method	Initial investment	Beginning of the year	Increase/decrease	End of the year	Shareholding held by the Company (%)	Voting right held by the Company (%)	Reasons for differences between shareholding and voting right	Impairment provided during the year	Cash dividend for the year
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	Cost method	15,013,376.15	15,013,376.15		15,013,376.15	66.67	66.67			
Chengdu MCIL Radio Communications Co., Ltd.	Cost method	72,702,773.95	72,702,773.95		72,702,773.95	96.67	96.67			
Chengdu SEI Optical Fibre Co., Ltd.	Cost method	70,424,819.71	70,424,819.71		70,424,819.71	60.00	60.00			
Chengdu Gaoxin Cable Co., Ltd.	Cost method	8,811,596.12	8,811,596.12	(8,811,596.12)						
Sichuan New Dragon Network Technology Co., Ltd.	Cost method	1,535,000.00	1,535,000.00		1,535,000.00	16.67	16.67		946,825.18	
Sichuan Cable Material Plant	Cost method	125,903.35	125,903.35		125,903.35	30.00	30.00		125,903.35	
Chengdu South Star Thermo Power Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	7.14	7.14		5,000,000.00	
Shudu Mansion	Cost method	90,000.00	90,000.00		90,000.00				90,000.00	
Chengdu CCS Optical Cable Co., Ltd.	Equity method	149,859,539.16	198,410,898.97	(16,603,029.97)	181,807,869.00	49	49			
Chengdu Peak Power Sources Co., Ltd.	Equity method	2,340,000.00	1,610,504.40		1,610,504.40	50	50			
Chengdu Bada Connector Co., Ltd.	Equity method	2,452,827.16	3,932,356.49	(354,893.49)	3,577,463.00	49	49			
Potevio Fasten Optical Communications Co., Ltd.	Equity method			45,000,000.00	45,000,000.00	45	45			
Total		328,355,835.60	377,657,229.14	19,230,480.42	396,887,709.56				6,162,728.53	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

XI. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. OPERATING INCOME AND OPERATING COSTS

(1) Details of operating income are as follows:

Item	Current year	Prior year
Income from principal operations	126,236,087.35	210,288,518.39
Other operating income	33,889,330.93	41,839,298.47
Total operating income	160,125,418.28	252,127,816.86

(2) Details of operating costs are as follows:

Item	Current year	Prior year
Costs for principal operations	148,630,134.87	220,127,467.63
Other operating costs	48,723,408.79	61,278,563.28
Total operating costs	197,353,543.66	281,406,030.91

(3) Analysis of principal operations by products is set out below

Name of products	Current year		Prior year	
	Income from principal operations	Cost from principal operations	Income from principal operations	Cost from principal operations
Plastic cable	4,679,381.72	3,830,082.42	32,060,457.87	32,213,584.60
Programme-controlled cable	10,267,909.74	18,428,990.72	48,401,241.71	57,608,903.10
Locomotive cable	12,450,276.73	16,885,806.97	6,186,471.27	7,802,438.45
Purchased cable and accessories	73,664,722.33	80,835,773.41	83,951,642.48	83,362,589.23
Other cables	25,173,796.83	28,649,481.35	39,688,705.06	39,139,952.25
Total	126,236,087.35	148,630,134.87	210,288,518.39	220,127,467.63

Note: Other cables mainly include nano-coaxial cable, data cable, steel alloy belt, aluminum alloy belt etc.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

XI. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. OPERATING INCOME AND OPERATING COSTS (CONTINUED)

(4) Analysis of principal operations by geography is set out below

Regions	Current year		Prior year	
	Income from principal operations	Cost from principal operations	Income from principal operations	Cost from principal operations
Northern China	180,360.90	212,356.59	304,845.34	319,108.40
Eastern China	1,646,456.91	1,938,535.31	966,261.53	1,011,470.83
Central China	98,531,839.66	116,011,205.08	145,918,185.46	152,745,384.73
Southwestern China	25,838,279.55	30,421,942.36	61,829,189.76	64,722,045.09
Northwestern China	39,150.33	46,095.53	1,270,036.30	1,329,458.58
Total	126,236,087.35	148,630,134.87	210,288,518.39	220,127,467.63

(5) Top five customers

Item	Operating revenue	Proportion (%)
1. ZTE Kangxun Telecom Company Limited	82,872,708.69	65.65
2. Chengdu CCS Optical Cable Co., Ltd.	19,759,269.27	15.65
3. CSR Investment Leasing Co., Ltd.	8,700,365.30	6.89
4. Chengdu Branch of Sichuan Telecom Company Limited	5,471,194.59	4.33
5. Deyang Branch of Sichuan Telecom Company Limited	2,773,401.03	2.20
Total	119,576,938.89	94.72

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

XI. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. INVESTMENT INCOME

(1) Details of investment income

Item	Current year	Prior year
Investment income from long-term equity investments using cost method	6,000,000.00	1,800,000.00
Investment income from long-term equity investments using equity method	(16,957,923.46)	(7,070,051.85)
Investment income from disposal of long-term equity investments	(2,343,810.38)	3,520,184.42
Investment income from financial assets held for trading		89,945.20
Total	(13,301,733.84)	(1,659,922.23)

Note: During the year, the Company disposed of a subsidiary, Chengdu Gaoxin Cable Co., Ltd., at a consideration of RMB18,200,000.00. The cost of investment in Chengdu Gaoxin Cable Co., Ltd. was RMB8,811,596.12. After the waiver of current account between the Company and Chengdu Gaoxin Cable Co., Ltd, the investment income was RMB(2,343,810.38).

(2) Investment income from long-term equity investments using cost method

Investee	Current year	Prior year
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant		1,800,000.00
Chengdu SEI Optical Fibre Co., Ltd.	6,000,000.00	
Total	6,000,000.00	1,800,000.00

(3) Investment income from long-term equity investments using equity method

Investee	Current year	Prior year
Chengdu CCS Optical Cable Co., Ltd.	(16,603,029.97)	(6,797,346.29)
Chengdu Peak Power Sources Co., Ltd.		(703,530.48)
Chengdu Bada Connector Co., Ltd.	(354,893.49)	430,824.92
Total	(16,957,923.46)	(7,070,051.85)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

XI. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

6. SUPPLEMENTARY INFORMATION FOR THE CASH FLOW STATEMENT

Item	Current year	Prior year
1. Net profit reconciled to cash flows from operating activities:		
Net profit	(109,115,894.95)	(65,872,186.08)
Add: Provision for impairment of assets	773,878.71	(5,639,547.66)
Depreciation of fixed assets, petroleum assets and productive biological assets	17,506,125.45	15,697,734.36
Amortization of intangible assets	1,080,916.44	1,080,916.44
Amortization of long-term prepaid expenses		
Loss on disposal of fixed assets, intangible assets and other long-term assets ("()" represents gain)	51,691.15	(4,560,650.39)
Loss on fixed assets written off ("()" represents gain)		
Loss from changes in fair value ("()" represents gain)		
Finance costs ("()" represents gain)	134,902.27	144,902.33
Investment loss ("()" represents gain)	13,301,733.84	5,180,106.65
Decrease in deferred tax assets ("()" represents increase)	(108,107.20)	2,628,314.17
Increase in deferred tax liabilities ("()" represents decrease)	(98,654.40)	
Decrease in inventories ("()" represents increase)	53,847,066.14	(13,970,083.40)
Decrease in operating receivables ("()" represents increase)	12,741,567.35	47,442,758.10
Increase in operating payables ("()" represents decrease)	(10,144,475.00)	(100,841,050.80)
Others		
Net cash flows from operating activities	(20,029,250.20)	(118,708,786.28)
2. Significant non-cash investing and financing activities:		
Conversion of debts to capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
3. Changes in cash and cash equivalents		
Cash at end of the year	82,622,759.69	126,737,290.46
Less: Cash at beginning of the year	126,737,290.46	182,937,152.40
Add: Cash equivalents at end of year		
Less: Cash equivalents at beginning of the year		
Net increase in cash and cash equivalents	(44,114,530.77)	(56,199,861.94)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

XII. SUPPLEMENTARY INFORMATION

1. DETAILS OF NON-OPERATING PROFIT AND LOSS ITEMS DURING THE YEAR

According to “Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No. 1 — Non-operating Profit and Loss (2008)” (China Securities Regulatory Commission Announcement [2008] No. 43”) issued by China Securities Regulatory Commission (“CSRC”), non-operating profit and loss items are as follows:

Item	Amount	Note
1. Profit or loss on disposal of non-current assets, including reversal of provision for impairment on assets	(118,326.67)	
2. Tax rebate or reduction without official approval documents or on an occasional basis		
3. Government grants accounted for in profit and loss for the year (excluding those closely related to the business of the entity, government grants entitled according to the national standards or amounts)	2,996,276.18	
4. Capital occupation fee received by non-financial institutions and recognized in profit and loss for the year	642,145.78	
5. Investment income from the difference between investment costs in subsidiaries, associates and jointly controlled entities and the Company’s share in fair values of the net identifiable assets of the investees		
6. Exchange difference from exchange of non-monetary assets		
7. Profit and loss from entrusted investments or asset management		
8. Provision for impairment on assets due to natural disasters, etc		
9. Profit and loss from debt restructuring		
10. Enterprise restructuring costs, such as expenses for staff resettlement and integration costs		
11. Profit and loss calculated at the difference between transacted amounts of non-arm’s length transaction and the fair value of the non-arm’s length transaction		
12. Profit and loss arising from business combination under common control		
13. Profit and loss arising from contingencies not related to the principal operations of the Company		
14. Investment income obtained from changes in fair values of trading financial assets and trading financial liabilities generated other than held for hedging and disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets		
15. Reversal of impairment of receivables on an individual assessment basis		
16. Profit and loss from entrusted loans		
17. Profit and loss arising from changes in fair value of investment property using fair value model on subsequent measurement		
18. One-time adjustment to current year profit and loss according to tax and accounting laws and regulations		
19. Entrusted fee income obtained from entrusted operations		
20. Other net non-operating income/expenses other than the above items	436,880.49	
21. Other profit and loss items fall into the definition of non-recurring profit and loss		
22. Effect of minority interest	(706,381.15)	
23. Effect of income tax	106,004.00	
Total	3,356,598.63	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

XII. SUPPLEMENTARY INFORMATION (CONTINUED)

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

According to “Information Disclosure and Preparation Regulations of Companies Publicly Issuing Securities No. 9 – Calculation and Disclosure of Return Rate of Net Assets and Earnings per Share (Revised in 2010)” (“China Securities Regulatory Commission Announcement [2010] No. 2”), and “Notice on Explanation of Information Disclosure of Companies Publicly Issuing Securities No. 1 – Non-operating Profit and Loss (2008)” (China Securities Regulatory Commission Announcement [2008] No. 43”) issued by China Securities Regulatory Commission (“CSRC”), return on net assets and earnings per share are calculated as follows:

(1) Current year

Profit for the year	Return on weighted average net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	(9.30)	(0.24)	(0.24)
Net profit, after deduction of non-operating profit and loss items, attributable to ordinary shareholders of the Company	(9.63)	(0.25)	(0.25)

(2) Prior year

Profit for the year	Return on weighted average net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	(5.79)	(0.17)	(0.17)
Net profit, after deduction of non-operating profit and loss items, attributable to ordinary shareholders of the Company	(7.46)	(0.21)	(0.21)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

XII. SUPPLEMENTARY INFORMATION (CONTINUED)

3. ANALYSIS OF THE ABNORMAL ITEMS OF THE FINANCIAL STATEMENTS

The analysis of the financial figures with changes more than 30% (including 30%) and represents more than 5% (including 5%) of the total assets or 10% (including 10%) of the net profit for the year is set out below:

(1) Consolidated balance sheet

Item	End of the year	Beginning of the year	Changes in amount	Percentage (%)	Note
Bills receivables	51,453,086.64	38,193,476.74	13,259,609.90	34.72	Note 1
Prepayments	3,552,218.93	2,657,646.11	894,572.82	33.66	Note 2
Short-term borrowings	11,000,000.00	5,000,000.00	6,000,000.00	120	Note 3

Note 1: As at end of the year, bills receivables increased by 34.72% as compared to beginning of the year. It was mainly due to the increase the in usage of bank acceptance bills by customers for settlement and the bills receivables were not yet due as at end of the year.

Note 2: As at end of the year, prepayments increased by 33.66% as compared to beginning of the year. It was mainly due to the increase for advance payment made to suppliers.

Note 3: As at end of the year, short-term borrowings increased by 120% as compared to beginning of the year. It was mainly due to the RMB6 million new borrowings obtained by Chengdu MCIL Radio Communications Co., Ltd.

(2) Consolidated income statement

Item	Current year	Prior year	Changes in amount	Percentage (%)	Note
Finance costs	(4,765,164.61)	(7,267,180.76)	2,502,016.15	(34.43)	Note 1
Assets impairment loss	(598,261.05)	(5,784,564.13)	5,186,303.08	(89.66)	Note 2
Investment income	(7,957,199.23)	(3,459,922.23)	(4,497,277.00)	129.98	Note 3
Non-operating income	4,913,743.27	16,311,692.27	(11,397,949.00)	(69.88)	Note 4
Non-operating expenses	1,598,913.27	1,156,160.30	442,752.97	38.30	Note 5

Note 1: Finance costs in current year decreased by 34.43% as compared to prior year. It was mainly due to the exchange gains and losses in current year.

Note 2: Assets impairment loss in current year decreased by 89.66% as compared to prior year. It was mainly due to the reversal of provision for diminution in value of inventories.

Note 3: Investment income in current year increased by 129.98% as compared to prior year. It was mainly due to the reversal of profit and loss for the disposal of Chengdu Gaoxin Cable Co., Ltd.

Note 4: Non-operating income in current year decreased by 69.88% as compared to prior year. It was mainly due to recognition of government grant for Chengdu Putian Industrial Base Project (Phase I) in prior year.

Note 5: Non-operating expenses in current year increased by 38.30% as compared to prior year. It was mainly due to the increase in penalty payments in current year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2012 (Expressed in RMB Yuan unless otherwise stated)

XIII. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 7 March 2013.

According to the Company's Memorandum and Articles of Associations, these financial statements will be laid for approval in the shareholders' meeting.

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

7 March 2013

The notes to financial statements on pages 55 to 123 are signed off by the following responsible persons:

Corporate Representative:

Chief Accountant:

Accounting Supervisor:

Signature:

Signature:

Signature:

Date:

Date:

Date:

CORPORATE INFORMATION

REGISTERED NAME OF THE COMPANY

成都普天電纜股份有限公司

ENGLISH NAME OF THE COMPANY

Chengdu PUTIAN Telecommunications
Cable Company Limited

LEGAL REPRESENTATIVE

Zhang Xiaocheng

EXECUTIVE DIRECTORS

Zhang Xiaocheng (*Chairman*)
Ping Hao (*Vice Chairman*)
Cong Huisheng
Chen Ruowei
Du Xinhua
Fan Xu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy Sze Chung, Jojo
Wu Zhengde
Li Yuanpeng

SUPERVISORS

Zheng Zhili
Xiong Ting
Dai Xiaoyi

COMPANY SECRETARY

Kwong Yin Ping, Yvonne

QUALIFIED ACCOUNTANT

Yu Qian

AUTHORIZED REPRESENTATIVES

Ping Hao
Kwong Yin Ping, Yvonne

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
Cong Huisheng
Du Xinhua

NOMINATION COMMITTEE

Li Yuanpeng (*Chairman*)
Choy Sze Chung, Jojo
Wu Zhengde
Chen Ruowei
Fan Xu

STRATEGIC DEVELOPMENT COMMITTEE

Zhang Xiaocheng (*Chairman*)
Ping Hao
Choy Sze Chung, Jojo
Wu Zhengde
Li Yuanpeng

CORPORATE INFORMATION (Continued)

REGISTERED ADDRESS AND OFFICE ADDRESS OF THE COMPANY IN THE PRC

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Fax: (028) 8787 7010

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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BUSINESS REGISTRATION NUMBER

No. 1972 of Qi He Chuan Rong Zong Zi

TAXATION REGISTRATION NUMBER

51010920193968x

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited
Stock Code: 1202

AUDITOR

Daxin Certified Public Accountants
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Haidian District, Beijing,
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Postal Code: 100083

LEGAL ADVISERS

THE PRC

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Postal Code: 610036

HONG KONG

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128 Gloucester Road,
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CORPORATE INFORMATION (Continued)

PRINCIPAL BANKERS

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The PRC

H SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
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ADDRESS FOR INSPECTION OF CORPORATE DATA

The Office of the Board
Chengdu PUTIAN Telecommunications Cable Company
Limited
No. 18, Xinhang Road,
The West Park of Hi-tech Development Zone,
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 noon
2:00 pm to 5:00 pm
Tel: (028) 8787 7008
Fax: (028) 8787 7010

THE COMPANY'S WEBSITE AND EMAIL

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Email: cdc@cdc.com.cn