1. GENERAL

The Company is a sino-foreign joint stock limited company established in the People's Republic of China (the "PRC"). The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is China PUTIAN Corporation ("China PUTIAN"), a state-owned enterprise established in the PRC.

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

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

The addresses of the registered office and principal place of business of the Company are No. 2 Zijing West Road, Hi-Tech Development Zone, Chengdu, Sichuan Province, the PRC.

The Group are principally engaged in the manufacture and sale of various types of telecommunication cables (including different types of copper cables and optical fibre cables), optical fibres, cable joining sleeves, as well as equipment, manufacturing parts and materials for the production of cables.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are either effective for accounting periods beginning on or after 1st December 2005 or 1st January 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs") and interpretations ("HK(IFRIC)-INTs") that have been issued but are not yet effective as at 31st December 2006. The directors of the Company anticipate that the application of these HKASs, HKFRSs and HK(IFRIC)-INTs will have no material impact on the results and the financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC)- Int 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC)-Int 8	Scope of HKFRS 2[4]
HK(IFRIC)-Int 9	Reassessment of embedded derivatives[5]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions[7]
HK(IFRIC)-Int 12	Service Concession Arrangements[8]

[1] *Effective for annual periods beginning on or after 1st January 2007.*
[2] *Effective for annual periods beginning on or after 1st January 2009.*
[3] *Effective for annual periods beginning on or after 1st March 2006.*
[4] *Effective for annual periods beginning on or after 1st May 2006.*
[5] *Effective for annual periods beginning on or after 1st June 2006.*
[6] *Effective for annual periods beginning on or after 1st November 2006.*
[7] *Effective for annual periods beginning on or after 1st March 2007.*
[8] *Effective for annual periods beginning on or after 1st January 2008.*

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) BASIS OF CONSOLIDATION

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

(b) EXCESS OF AN ACQUIRER'S INTEREST IN THE FAIR VALUE OF AN ACQUIREE'S IDENTIFIABLE ASSETS, LIABILITIES AND CONTINGENT LIABILITIES OVER COST ("DISCOUNT ON ACQUISITIONS")

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

(c) INVESTMENTS IN ASSOCIATES

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) PROPERTY, PLANT AND EQUIPMENT

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

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

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

(e) LAND USE RIGHTS

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

(f) CONSTRUCTION-IN-PROGRESS

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

(g) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, amounts due from associates and related companies and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) FINANCIAL INSTRUMENTS *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured as cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

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

Equity instruments

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

Derecognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) INVENTORIES

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

(i) NON-CURRENT ASSETS HELD FOR SALE

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

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

(j) IMPAIRMENT LOSSES

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

(k) REVENUE RECOGNITION

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

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

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

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

(l) RESEARCH AND DEVELOPMENT EXPENDITURE

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

(m) TAXATION

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) TAXATION *(Continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(n) FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

(o) RETIREMENT BENEFIT SCHEMES CONTRIBUTIONS

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

(p) LEASING

The Group as lessor

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

(q) BORROWING COSTS

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

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

ALLOWANCE FOR BAD AND DOUBTFUL DEBTS

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

ALLOWANCES FOR INVENTORIES

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

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

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

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

LAND VALUE ADDED TAX

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investments, bank and other borrowings, trade and bills receivables, other receivables, trade and bills payables and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

CURRENCY RISK

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

FAIR VALUE INTEREST RATE RISK

The Group exposed to fair value interest rate risk through the fixed interest rate bank loans. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

CREDIT RISK

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

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group regularly reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

LIQUIDITY RISK

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

6. BUSINESS SEGMENT

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

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

Segment information about these businesses for the two years ended 31st December 2006 and 2005 is presented below:

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

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

	At 31st December 2006				
	Manufacture and sale of copper cable and related products	**Manufacture and sale of optical fibres and related products**	**Manufacture and sale of cable joining sleeves and related products**	**Other operations**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Segment assets	761,538	107,562	113,768	—	982,868
Interests in associates	9,520	126,246	—	6,883	142,649
Consolidated total assets	771,058	233,808	113,768	6,883	1,125,517
LIABILITIES					
Segment liabilities	156,489	30,522	15,846	—	202,857
Unallocated corporate liabilities					108,530
Consolidated total liabilities					311,387

6. BUSINESS SEGMENT (Continued)

	For the year ended 31st December 2006				
	Manufacture and sale of copper cable and related products	Manufacture and sale of optical fibres and related products	Manufacture and sale of cable joining sleeves and related products	Other operations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital additions	64,351	1,034	1,968	—	67,353
Depreciation and amortisation	14,333	3,999	2,587	—	20,919
Loss (gain) on disposal of property, plant and equipment	91	(8)	—	—	83
Gain on disposal of interest in an associate	—	(500)	—	—	(500)
Write-down of inventories	12,130	—	180	—	12,310

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

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

6. BUSINESS SEGMENT *(Continued)*

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

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

For the two years ended 31st December 2006 and 2005, all activities of the Group were based in the PRC and all of the Group's turnover and results from operations were derived from the PRC.

7. OTHER OPERATING INCOME

	2006 RMB'000	2005 RMB'000
Included in other operating income are the followings:		
Bank interest income	**2,046**	1,783
Discount arising from acquisition of additional interest in a subsidiary	—	5,211
Technology transfer fee	**610**	401
Management fee from an associate in respect of providing market information	**1,562**	1,614
Exchange gain	—	2,686
Rental income	**1,208**	1,352
Gain on disposal of interest in an associate	**500**	3,069

8. FINANCE COSTS

	2006 RMB'000	2005 RMB'000
Interest on:		
Bank and other borrowings wholly repayable within five years	**6,024**	8,190
Bank borrowings not wholly repayable within five years	**499**	557
	6,523	8,747

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

Pursuant to the land transfer agreement, the supplemental agreement and the second supplemental agreement entered into between the Group and an independent third party. The Group has agreed to sell, and an independent third party, had successfully bid in 2005, a piece of land (approximately 244.77 mu) on which the headquarters of the Group was situated in Chengdu, the PRC (the "Land") for a consideration of approximately RMB793,060,000.

In accordance with the second supplemental agreement, the considerations shall be settled and the Land shall be delivered by three stages and the transaction shall be completed before 31st December 2007. As at 31st December 2006, the Group had delivered approximately 66.76 mu (2005 : 50 mu) of the Land and recognised approximately RMB171,642,000 (2005 : RMB122,723,000) as gain on disposal of prepaid lease payments on land use right accordingly. Details of this transaction had been set out in the Company's circular dated 23rd December 2005.

Pursuant to Section (II) in Clause 8 of the Provisional Regulations of the PRC in ("土地增值稅") Land Value Added Tax (State Council Decree No. 138) dated 13th December 1993 and Section 11 of Implementation Details of the Provisional Regulations of the PRC on ("土地增值稅") Land Value Added Tax promulgated by Ministry of Finance on 27th January 1995 describing Section (II) in Clause 8 of No. 138, the directors of the Company are of the view that the disposal of the Land by the Group is not subject to ("土地增值稅") Land Value Added Tax according to the requirements of Section (II) in Clause 8. Accordingly, no provision was made for ("土地增值稅") Land Value Added Tax in the calculation of the gain on disposal of prepaid lease payment of land use right during the year. The Group is now in the process of applying for exemption of the Land Value Added Tax, had the application for exemption is not succeeded, as estimated by the directors of the company, the Group will be subjected to approximately RMB313,157,000 ("土地增值稅") Land Value Added Tax as a whole and the gain on disposal of prepaid lease payments of land use right for the year ended 31st December 2006 will be decreased by approximately RMB86,641,000 (2005 : RMB61,948,000).

10. INCOME TAX EXPENSE

	2006 RMB'000	2005 RMB'000
The tax charge (credit) comprises :		
PRC enterprise income tax		
— current	**10,730**	3,167
— (over) underprovision in prior years	**(1,612)**	1,906
	9,118	5,073

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's income neither arises in, nor is derived from, Hong Kong for the two years ended 31st December 2006 and 2005.

The Company had been recognised as a technologically advanced enterprise by relevant authorities since 1994. Pursuant to the Income Tax Laws concerning technologically advanced enterprise in Chengdu, the State Tax Authority in Chengdu approved the Company to entitle the reduced state enterprise income tax rate of 18% (2005: 15%).

PRC enterprise income tax is calculated at 13% to 33% (2005 : 13% to 33%) of the estimated assessable profit for the year.

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

	2006 RMB'000	2005 RMB'000
Profit before taxation	**150,627**	20,239
Tax at applicable tax rate of 18% (2005: 15%)	**27,112**	3,036
Tax effect of share of results of associates	**(574)**	2,144
Tax effect of income not taxable for tax purpose	**(1,660)**	(5,455)
Tax effect of expenses not deductible for tax purpose	**5,154**	6,712
Utilisation of tax losses previously not recognised	**(19,180)**	(5,676)
Tax effect of tax losses not recognised	**1,120**	2,589
(Over) underprovision in prior years	**(1,612)**	1,906
Effect of different tax rates of subsidiaries operating under other statutory income tax rates	**(1,242)**	(183)
Tax charge for the year	**9,118**	5,073

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

At 31st December 2006, the Group has estimated unused tax losses and other deductible temporary differences of approximately RMB56,991,000 (2005 : RMB217,040,000) and RMB83,772,000 (2005 : RMB85,034,000), respectively. No deferred tax asset has been recognised in the consolidated financial statements due to the unpredictability of future profit streams.

The estimated unused tax losses of the Group will expire at various dates up to and including 2011.

11. PROFIT FOR THE YEAR

	2006 *RMB'000*	2005 *RMB'000*
Profit for the year has been arrived at after charging :		
Allowance for bad and doubtful debts	**3,398**	15,015
Auditors' remuneration	**900**	930
Amortisation of prepaid lease payments on land use rights	**708**	1,465
Bad debts written off	**2,221**	115
Depreciation on property, plant and equipment	**20,211**	27,422
Exchange loss	**1,069**	—
Loss on disposal of property, plant and equipment	**83**	18,072
Research and development costs	**1,576**	1,747
Staff costs (including retirement benefits schemes contributions and directors' emoluments *(Note 14)*)	**39,682**	41,299
Impairment loss recognised in respect of property, plant and equipment	**—**	170
Impairment loss recognised in respect of construction-in -progress	**—**	713
Impairment loss recognised in respect of interest in an associate	**—**	2,250
Write-down of inventories	**12,310**	3,999
Share of tax of associates (included in share of results of associates)	**165**	28

12. DIVIDEND

No dividend was paid or proposed during the two years ended 31st December 2006 and 2005, nor has any dividend been proposed since the balance sheet date.

13. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately RMB139,294,000 (2005 : RMB28,255,000) and based on the weighted average of 400,000,000 (2005 : 400,000,000) shares in issue during the year.

There was no dilution effect on the basic earnings per share for the two years ended 31st December 2006 and 2005 as there were no dilutive shares outstanding during the two years ended 31st December 2006 and 2005.

14. EMOLUMENTS OF THE DIRECTORS AND SUPERVISORS

The emoluments paid or payable to each of the twenty (2005 : twelve) directors and supervisors were as follows :

For the year ended 31st December 2006

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

Notes :

a. Appointed on 17th August 2006.

b. Resigned on 17th August 2006.

c. Appointed on 16th February 2006.

d. Resigned as supervisor and appointed as executive director of the Company on 17th August 2006.

e. Resigned on 16th February 2006.

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

For the year ended 31st December 2005

		Other emoluments			
	Fees	**Salaries and allowances**	**Performance related incentive payments**	**Retirement benefits schemes contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors :					
Xu Mingwen	—	—	—	—	—
Kuo Aiching	—	121	94	9	224
Wang Zhongfu	—	—	—	—	—
Bao Yuhong	—	—	—	—	—
Zhang Zhongqi	—	—	—	—	—
Fan Xianda	—	66	55	9	130
Independent non-executive directors :					
Chen Bo Sum *(Note)*	30	—	—	—	30
Sun Jiayuan	30	—	—	—	30
Wu Zhengde	30	—	—	—	30
Supervisors :					
Zhang Xiaocheng	—	—	—	—	—
Xiong Ting	—	62	50	9	121
Hong Xiurong	—	33	17	8	58
Total	90	282	216	35	623

Note : Ms. Chen tendered her resignation as independent non-executive director of the Company on 26th July 2005, her resignation took effect on 16th February 2006.

No directors and supervisors waived any emoluments for the two years ended 31st December 2006 and 2005. During the year, no emoluments have been paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

15. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, one (2005 : one) was director, whose emoluments are set out in note 14 above. The emoluments of the remaining four (2005 : four) highest paid individual was as follows:

	2006	2005
	RMB'000	*RMB'000*
Salaries and allowances	**633**	608
Performance related incentive payments	**123**	367
Retirement benefit scheme contributions	**44**	26
	800	1,001

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST				
At 1st January 2005	150,140	470,042	13,552	633,734
Additions	102	1,063	1,042	2,207
Transfer from construction-in-progress *(Note 18)*	—	2,767	—	2,767
Disposals / written off	(23,208)	(35,329)	(3,392)	(61,929)
At 31st December 2005	127,034	438,543	11,202	576,779
Additions	11	3,218	393	3,622
Transfer from construction-in-progress *(Note 18)*	5,662	2,761	204	8,627
Disposals / written off	(12,770)	(1,468)	(1,050)	(15,288)
At 31st December 2006	119,937	443,054	10,749	573,740
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1st January 2005	57,395	334,435	10,968	402,798
Provided for the year	4,646	21,889	887	27,422
Impairment loss recognised in the consolidated income statement *(Note a)*	—	—	170	170
Eliminated on disposals / written off	(15,244)	(17,295)	(2,919)	(35,458)
At 31st December 2005	46,797	339,029	9,106	394,932
Provided for the year	3,961	15,632	618	20,211
Impairment loss recognised in the consolidated income statement *(Note b)*	8,936	—	—	8,936
Eliminated on disposals / written off	(7,536)	(1,306)	(951)	(9,793)
At 31st December 2006	52,158	353,355	8,773	414,286
CARRYING VALUES				
At 31st December 2006	67,779	89,699	1,976	159,454
At 31st December 2005	80,237	99,514	2,096	181,847

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

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

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

Notes:

a. *At 31st December 2005, the directors of the Company had reviewed the carrying value of the Group's property, plant and equipment with reference to the then open market value or depreciated replacement cost basis, based on their existing use and determined that the recoverable amount of certain assets lower than their carrying values. Accordingly, the carrying value of these assets was reduced by approximately RMB170,000 to reflect the impairment loss in 2005.*

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

17. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

	2006	2005
	RMB'000	*RMB'000*
The Group's prepaid lease payments on land use rights comprises :		
Leasehold land in the PRC :		
Medium-term lease	**21,040**	21,748
Analysed for reporting purposes as :		
Current assets	**708**	1,465
Non-current assets	**20,332**	20,283
	21,040	21,748

18. CONSTRUCTION-IN-PROGRESS

	2006	2005
	RMB'000	*RMB'000*
COST		
At 1st January	**14,021**	26,315
Additions	**63,731**	7,536
Transfer to property, plant and equipment *(Note 16)*	**(8,627)**	(2,767)
Disposals	**—**	(16,350)
Impairment loss recognised in the consolidated income statement	**—**	(713)
At 31st December	**69,125**	14,021

Note : Included in the construction-in-progress is expenditure on the development of staff quarters amounting to approximately RMB10,525,000 (2005: RMB3,220,000).

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

At 31st December 2006, the total amount of contributions received from the employees amounted to RMB19,368,000 (2005 : RMB8,729,000).

At 31st December 2005, the directors of the Company had reviewed the carrying value of the Group's construction-in-progress with reference to the open market value or depreciated replacement cost basis, based on their existing use and determined that the recoverable amount of certain assets had declined below their carrying value. Accordingly, the carrying value of these assets was reduced by approximately RMB713,000 to reflect the impairment loss (2006 : nil).

19. INTERESTS IN ASSOCIATES

	2006 RMB'000	2005 RMB'000
Cost of investment in associates, unlisted	**186,922**	189,980
Share of post-acquisition losses and reserves	**(44,273)**	(49,356)
	142,649	140,624

Details of the Group's principal associates as at 31st December 2006, all of which were established and operated in the PRC, are as follows:

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

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

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

	2006 RMB'000	2005 RMB'000
Total assets	**517,924**	520,158
Total liabilities	**(236,010)**	(244,081)
Net assets	**281,914**	276,077
Group's share of net assets of associates	**142,649**	140,624
Turnover	**353,663**	198,802
Profit (loss) for the year	**6,026**	(29,395)
Group's share of results of associates for the year	**3,190**	(14,294)

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprises :

	2006	2005
	RMB'000	*RMB'000*
Unlisted long-term equity securities, at cost	**7,878**	8,478
Less : impairment loss recognised	**(5,150)**	(5,750)
	2,728	2,728

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

21. LONG TERM PREPAYMENTS

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

22. LONG-TERM RECEIVABLE

	2006	2005
	RMB'000	*RMB'000*
The amount represents :		
Amount due from a former minority shareholder of Dongguan CDC Cable Factory ("Dongguan CDC") *(Note)*	**23,770**	23,770
Less: Allowance	**(23,770)**	(23,770)
	—	—

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

23. INVENTORIES

	2006	2005
	RMB'000	*RMB'000*
Raw materials	**22,256**	40,848
Work in progress	**17,595**	16,924
Finished goods	**113,987**	81,888
Spare parts and consumables	**2,916**	2,423
	156,754	142,083

23. INVENTORIES *(Continued)*

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

	2006 RMB'000	2005 RMB'000
Raw materials	**8,928**	3,013
Work in progress	**769**	865
Finished goods	**21,461**	13,205
Spare parts and consumables	**—**	483
	31,158	17,566

24. TRADE AND BILLS RECEIVABLES

	2006 RMB'000	2005 RMB'000
Trade and bills receivables	**232,935**	240,045
Less : Allowance for bad and doubtful debts	**(95,334)**	(91,223)
	137,601	148,822

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

	2006 RMB'000	2005 RMB'000
Within 90 days	**97,409**	105,776
91 - 180 days	**21,201**	24,284
181 - 365 days	**18,991**	18,762
	137,601	148,822

The fair values of the Group's trade and bills receivables at the balance sheet date approximated to the corresponding carrying amounts due to its short-term maturities.

25. DEPOSITS AND OTHER RECEIVABLES / OTHER PAYABLES

The fair values of the amounts at the balance sheet date approximated to the corresponding carrying amounts due to their short-term maturities.

26. BANK DEPOSITS, BALANCES AND CASH

	2006 RMB'000	2005 RMB'000
Bank deposits :		
Pledged deposits *(Note a)*	**7,769**	54,917
Designated deposits *(Note b)*	**9,275**	6,046
	17,044	60,963
Bank balances and cash *(Note c)*	**344,758**	89,403
	361,802	150,366

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

Notes:

a. The amounts represent deposits pledged to banks to secure short-term bank borrowings and bills facilities granted to the Group, and are therefore classified as current assets. The deposits carry fixed interest rate of 1.44% per annum (2005 : 2.25%). The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

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

c. Bank balances and cash comprises bank balances and cash held by the Group and short-term bank deposits with maturity of three months or less which are interest-bearing at prevailing market rates. The short-term bank deposits of approximately RMB63,652,000 (2005 : nil) carry fixed interest rates ranged from 1.80% to 2.25% per annum (2005 : nil).

d. The fair values of the pledged bank deposits, designated deposits and bank balance at the balance sheet date approximated to the corresponding carrying amounts due to their short-term maturities.

27. ASSETS CLASSIFIED AS HELD FOR SALE

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

28. TRADE AND BILLS PAYABLES

	2006 ***RMB'000***	2005 *RMB'000*
An aged analysis of trade and bills payables is as follows :		
Within 90 days	**40,134**	31,814
91 - 180 days	**13,954**	21,918
181 - 365 days	**5,208**	2,656
Over 365 days	**2,715**	2,740
	62,011	59,128

The fair values of the Group's trade and bills payable at the balance sheet date approximated to the corresponding carrying amounts due to its short-term maturities.

29. BANK AND OTHER BORROWINGS

	2006 ***RMB'000***	2005 *RMB'000*
Bank loans	**93,321**	125,343
Other loans	**6,400**	—
	99,721	125,343
Analysed as:		
Secured	**30,550**	58,240
Unsecured	**69,171**	67,103
	99,721	125,343

29. BANK AND OTHER BORROWINGS *(Continued)*

The above bank and other borrowings are repayable as follows:

	2006	2005
	RMB'000	*RMB'000*
Bank loans:		
On demand or within one year	**50,893**	112,493
More than one year but not exceeding two years	**1,343**	1,253
More than two years but not more than five years	**30,000**	3,760
More than five years	**11,085**	7,837
	93,321	125,343
Other loans:		
On demand or within one year	**3,600**	—
More than one year but not exceeding two years	**—**	—
More than two years but not more than five years	**2,800**	—
More than five years	**—**	—
	6,400	—
Total bank and other borrowings	**99,721**	125,343
Less: Amount due within one year shown under current liabilities	**(54,493)**	(112,493)
Amount due after one year	**45,228**	12,850

At 31st December 2006, all the bank and other borrowings are fixed-rate borrowings which carry interest ranging from 0.5% to 9.96% (2005: 0.5% to 10.04%) per annum. Included in the Group's borrowings, there are bank loans raised for the acquisition of a French accelerator which is denominated in currencies other than the functional currencies amounted to approximately EUR1,341,000 (2005: EUR1,472,000). All other bank and other borrowings are denominated in RMB.

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

During the year ended 31st December 2006, the Group obtained new loans in the amount of approximately RMB98,847,000. The loans drawn bear interest at prevailing market rates and will be repayable varying from 2007 to 2009. The proceeds were used to finance the general working capital purpose of the Group.

The directors of the Company consider that the carrying amounts of bank and other borrowings, at the balance sheet date approximated to their fair values.

30. SHARE CAPITAL

	2006 & 2005	
	No. of shares	**Amount**
		RMB'000
Registered, issued and fully paid-up capital of RMB1 each :		
Stated-owned legal person shares	240,000,000	240,000
Overseas listed foreign invested shares	160,000,000	160,000
	400,000,000	400,000

31. RETIREMENT SCHEME ARRANGEMENTS

The Group participates in a retirement scheme operated by the Sichuan Administration Bureau of Social Insurance ("SABSI"). The Group's only obligation is to make an annual contribution to SABSI, which is the supervisory body and is responsible for the retirement scheme and all other relevant business. The total cost charged to the consolidated income statement of approximately RMB8,853,000 (2005 : RMB10,818,000) represents contributions payable to SABSI by the Group in respect of the current year.

The Group also maintains its own defined contribution scheme to which the Group and each employee contribute an amount in the range of RMB5 to RMB40 per employee per month depending on the relevant employee's period of service. The assets of the scheme are held separately from those of the Group as an independently administered fund. During the year ended 31st December 2006, the total contribution made by the Group was approximately RMB557,000 (2005 : RMB540,000). Upon retirement, employees will receive a lump sum payment based on the contributions made by the individual employee and the Group plus interest.

32. MAJOR NON-CASH TRANSACTIONS

The net proceeds of approximately RMB249,127,000 from disposal of land use right received by the Group during the year ended 31st December 2006 represent the consideration of approximately RMB218,340,000 for the disposal of 66.76 mu land use right during the year ended 31st December 2006 as set out in note 9, approximately RMB33,000,000 sales proceeds receipt in advance and included in other payables as at 31st December 2006 and approximately RMB2,213,000 for the payment of business tax. There are RMB8,704,000 unpaid business taxes in relation to the disposal of land use right and included in other payables as at 31st December 2006.

33. CAPITAL COMMITMENTS

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

	2006 ***RMB'000***	2005 *RMB'000*
Contracted but not provided for :		
Designing the construction plan of the Group's new headquarters	**—**	1,011
Acquisition of machinery and equipment	**3,283**	582
Relocation of the Group's headquarters, purchase of land and the constructions of the site of the new plant	**80,693**	—
Authorised but not contracted for :		
Acquisition of machinery and equipment	**21,811**	9,920
Relocation of the Group's headquarters, purchase of land and the constructions of the site of the new plant	**60,648**	180,000
	166,435	191,513

34. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged the following assets to banks as security for general banking facilities granted to the Group.

	2006 ***RMB'000***	2005 *RMB'000*
Bank deposits	**7,769**	54,917
Land use rights	**—**	2,651
Buildings	**844**	10,836
Asset classified as held for sale	**23,531**	—
	32,144	68,404

35. RELATED PARTY TRANSACTIONS AND BALANCES

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

	2006	2005
	RMB'000	*RMB'000*
China PUTIAN and its subsidiaries :		
— Sales of finished goods	**2,553**	2,316
— Rental income	**149**	149
— Management fee income	**18**	18
Associates :		
— Sales of finished goods	**27,943**	3,348
— Purchase of raw materials	**24,555**	22,676
— Management fee income in respect of providing marketing information	**1,562**	1,614
— Technology transfer fee income	**610**	401
— Technology transfer fee expense	**2,461**	—
— Rental income	**141**	362

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "State-owned Enterprises"). During the year ended 31st December 2006, the Group had transactions with State-owned Enterprises including, but not limited to, sales of telecommunication cables, optical fibres, cable joining sleeves and related products. The directors of the Company consider that transactions with other State-owned Enterprises are activities in the ordinary course of business, and that dealings of the Group have not been significantly controlled or owned by the PRC government. The Group has also established pricing policies for products and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions is a material related party transaction that requires separate disclosure.

(b) Compensation of key management personnel

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

	2006	2005
	RMB'000	*RMB'000*
Short-term benefits	**1,055**	1,275
Post-employment benefits	**216**	113
	1,271	1,388

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

(c) At 31st December 2006, CPCL is also providing guarantees for banking facilities amounting to approximately RMB60,000,000 (2005: RMB50,000,000) granted to the Group and did not charge the Group during the year (2005 : nil).

(d) Balances with associates and related companies are unsecured, interest-free and repayable on demand. The directors of the Company consider that the carrying amounts of the balances at the balance sheet date approximated to the corresponding carrying amounts due to their short-term maturities. Details of the balances with the associates, related companies and a former minority shareholder of the Group are set out in the consolidated balance sheet of the Group.

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

(e) The Company is providing guarantees for banking facilities granted to non-wholly owned subsidiaries. The guarantees amount utilised as follows:

	2006	2005
	RMB'000	*RMB'000*
Chengdu SEI Optical Fiber Co., Ltd. ("Chengdu SEI")	**5,595**	13,000
Chengdu MCIL Radio Communication Cable Co., Ltd. (Chengdu MCIL")	**16,235**	3,000

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

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

36. SUBSIDIARIES

Details of the Company's subsidiaries as at 31st December 2006, all of which were established and operated in the PRC, are as follows:

Name of subsidiary	Class of shares held	Issued and fully paid-up registered share capital	Percentage of registered capital held by the Company Directly %	Indirectly %	Principal activities
郵電部成都電纜廠雙流熱縮製品分廠 Shuangliu (Cooperative joint venture)	Contributed capital	RMB22,520,000	66.7	—	Manufacture and sale of cable joining sleeves
東莞CDC電纜廠 Dongguan CDC (Sino-foreign equity joint venture)	Contributed capital	RMB75,702,000	75	—	Manufacture and sale of wires, cables and accessories
成都中住光纖有限公司 Chengdu SEI (Sino-foreign equity joint venture)	Contributed capital	US$13,750,000	60	—	Manufacture and sale of optical fibres
成都中菱無線通信電纜有限公司 Chengdu MCIL (Sino-foreign equity joint venture)	Contributed capital	US$7,500,000	90	6.67	Manufacture and sale of cables, parts and components for wireless telecommunications system networks

36. SUBSIDIARIES *(Continued)*

Details of the Company's subsidiaries as at 31st December 2006, all of which were established and operated in the PRC, are as follows: *(Continued)*

Name of subsidiary	Class of shares held	Issued and fully paid-up registered share capital	Percentage of registered capital held by the Company Directly %	Percentage of registered capital held by the Company Indirectly %	Principal activities
成都高新電纜有限責任公司 Chengdu Gaoxin Cable Co., Ltd. (Limited company)	Contributed capital	RMB8,116,116	64.3	—	Manufacture and sale of cables and wires, special cables and other telecommunications products
成都普天顯示技術有限責任公司 Chengdu PUTIAN Display Technology Ltd. (Limited company)	Contributed capital	RMB2,620,000	96.2	—	Design, manufacture and sale of screen producing equipments, spare parts and engaged in vacuum plating subcontracting activities

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

37. SUMMARISED BALANCE SHEET OF THE COMPANY

	2006 ***RMB'000***	2005 *RMB'000*
Investments in subsidiaries	**298,093**	284,068
Amounts due from subsidiaries	**21,968**	46,150
Other assets	**780,897**	648,515
Amounts due to subsidiaries	**(99,405)**	(119,215)
Other liabilities	**(203,951)**	(186,019)
	797,602	673,499
Share capital	**400,000**	400,000
Share preminum	**303,272**	303,272
Capital reserve	**287,391**	287,391
Statutory surplus reserve fund	**9,295**	4,648
Statutory public welfare fund	**—**	4,647
Accumulated losses	**(202,356)**	(326,459)
	797,602	673,499