

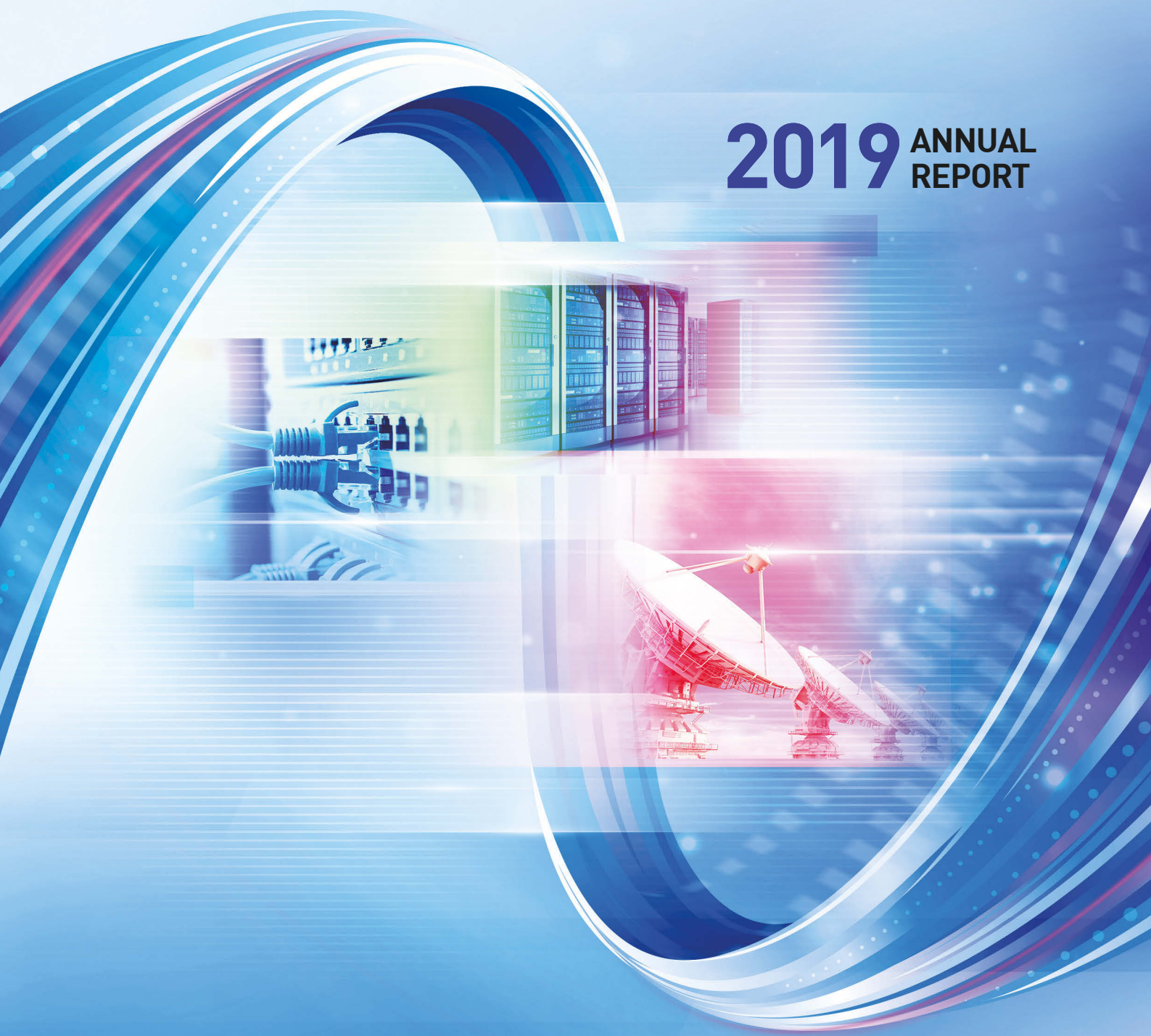
Potevio 中国普天

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

2019 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 Limited ("China Putian" or "Potevio Group"), is the controlling shareholder of the Company.

The business scope of the Group is as follows:

Wires and cables, optical fibers 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), devices and equipment technology research and development, product manufacturing, sales and services, electrical equipment technology development, transfer, consulting and related supporting services;

Design and installation: city and road lighting construction, construction and renovation works for buildings, fire safety facilities construction, electromechanical equipment installation, electroweak system engineering for buildings in communities, computer network engineering and communication engineering and equipment (excluding contracted work for power facilities installation (repair & test));

Wholesale and retail: communications equipment (except radio transmitting equipment), lighting equipment, electrical equipment, instrumentation, electronic measuring instruments, electronic components, transmission, distribution and control equipment, hardware products and electronic products, plastic products, mineral products, building materials and chemical products (except dangerous chemicals products and precursor chemicals), daily necessities, commission agent (except by auction), import and export proprietary goods and similar commodities;

Self-owned real estate, machinery leasing, and property management.

Registered office and office address of the Company in the PRC:

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

Postal Code: 611731

SUMMARY OF OPERATIONS

	2019 RMB'000	2018 RMB'000
Operating revenue	449,256.75	614,607.55
Operating profit/("–" represents loss)	-60,487.81	39,865.77
Share of profit/("–" represents loss) of associates	-7,845.25	-201.52
Profit/("–" represents loss) before income tax	-63,430.88	40,165.92
Profit/("–" represents loss) attributable to equity holders of the Company	-50,135.42	-15,012.92
Basic earnings/("–" represents loss) per share	RMB-0.13	RMB-0.04

SUMMARY OF NET ASSETS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Total liabilities	166,823.07	213,118.95
Total net assets	965,078.79	1,044,537.72
Total assets	1,131,901.85	1,257,656.67
Net assets per share *	RMB2.41	RMB2.61

* As at 31 December 2019, net assets per share is calculated on the basis of net assets attributable to the equity owners of the Company of RMB965,078,789.67 (31 December 2018: RMB1,044,537,717.32) and the total number of issued shares of 400,000,000 shares (31 December 2018: 400,000,000 shares).

CHAIRMAN'S STATEMENT

Wu Changlin
Chairman



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 2019 (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 Group’s loss before tax was RMB63,430,878.69 and loss attributable to Shareholders of the Company amounted to approximately RMB50,135,424.57. Basic earnings per share was approximately RMB-0.13.

In 2019, under the leadership of the Board and the Supervisory Committee and the support of China Putian, and based on the “Seven Improvements and Enhancements”, the Company has promoted innovation to meet market demand, earnestly performed its duties and made considerable achievement. I, on behalf of the Company, would like to express my deepest respect to all of our staff.

In 2019, operations of the Company were under tremendous pressure. With reference to the work targets determined at the beginning of the year, and in accordance with the needs of its business development, the Company emphasized on its core business of optical telecommunication and locomotive cable, made certain adjustments to its business structure, such as, withdrawing from the wire feed cable business, stripping the irradiation and copper processing business and establishing a materials processing division; strengthening its refined management and carrying out stringent expenditure approval procedures to reduce management costs; paying attention to system construction; laying stress on the alignment between information-based procedures and systems, and strengthening basic management; staying ahead of the market and actively exploring new projects to lay a solid foundation and be ready for the next stage of development.

CHAIRMAN'S STATEMENT

In 2020, the Company will operate closely in line with the direction of national policies. Based on the “Seven Improvements and Enhancements” requirements, the Company will set the Party construction as its guidance, set development as its goal, insist on developing business, release idle resources, and enhance its service capabilities. It will carry out its work with focus on team building, target market and product research and development and endeavor to give play to the core technological and business capabilities of enterprises. It will adjust and optimize its business structure and further implement the “practice of austerity” to continue to reduce cost and increase efficiency, optimize and improve internal control, and promote the healthy development of the Company.

In 2020, being concerned with the outbreak of COVID-19, the Company has promptly set up the “Leading Group of Chengdu Putian on Epidemic Prevention and Control” to coordinate epidemic prevention and control and resumption of work. Due to the outbreak, the flow of production elements such as raw materials and labor required for production have been blocked, and normal operating activities such as logistics, production, sales, and payment collection have been severely disrupted. The Company will also face a extremely difficult situation with challenging targets and tasks ahead. We will prepare ourselves for tough days, make concerted efforts, forge ahead in a diligent manner, win in the fight against the epidemic and minimize its impact with more practical and dedicated work, and achieve the targets of operation and development of the Company.

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

Wu Changlin
Chairman

27 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS



Hu Jiangbing
General Manager

REVIEW OF PRINCIPAL BUSINESS

I. Information about major operations

During the Year, under the leadership of the Board and the Supervisory Committee and the support of China Putian, and based on the “Seven Improvements and Enhancements”, the Company has promoted innovation to meet market demand, earnestly performed its duties and made considerable achievement. In 2019, operations of the Company were under tremendous pressure. With an emphasis on its core businesses of optical telecommunication and locomotive cable, the Company made certain adjustments to its business structure, such as, withdrawing from the wire feed cable business, stripping the irradiation and copper processing business and establishing a materials processing division; strengthening its refined management and carrying out stringent expenditure approval procedures to reduce management costs; paying attention to system construction; laying stress on the alignment between information-based procedures and systems, and strengthening basic management; staying ahead of the market and actively exploring new projects to lay a solid foundation and be ready for the next stage of development.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Optical telecommunication business

Due to the slowdown in 5G construction, the demand for optical fibers has decreased. Meanwhile, domestic manufacturers had expanded their production capacities of optical fibers and optical cables, which released the domestic production capacity of optical fibers. This has caused serious imbalance between supply and demand for optical fibers. As a result, prices of optical fiber products of the Company went down and the sales volume decreased. The Company has ramped up its efforts in the sales of optical fiber products with high gross profit, which played an important role in reducing losses throughout the Year; on the other hand, the Company has adjusted its production lines to improve production capacity which laid a sound foundation for subsequent development.

2. Energy transmission cable business

During the Year, in accordance with its business development needs, the Company shut down the wire feed cable business and stripped the irradiation and processing business so as to focus on the locomotive cable business. It made vigorous efforts to dispose inefficient and ineffective assets and inventory and reduced its inventory by approximately 35% compared with the beginning of the Year; made clear the process cost through information-based development of locomotive cable production management system, which facilitated decision-making by leaders of the Company; intensified "Two Funds" reduction internally and recorded a decrease of approximately 20% in account receivables compared with the beginning of the Year; and achieved certain progress in expanding market for track cable business, which laid a foundation for the next stage of operation and development.

II. Strengthening refined management to raise management and control standard

The Company carried out its implementation on all of its operation and management activities, preparation of the list of issues and rectification resolutions. Continuous efforts were made to enhance its standardized and refined management ability to ensure realization of budget targets.

1. Further strengthening Party construction to play the core roles

The Company organized and carried out work in light of its production and operation and completed the annual democratic consultation of the leaders and concept education democratic consultation; carried out education on the concept of Chengdu Putian of "Remain True to Our Original Aspiration and Keep Our Mission Firmly in Mind (不忘初心牢記使命)"; actively coordinated with the sixth research team of the Party committee of the Group for research work of theme-based education; completed the report on the results of concept education and "repeat inspection"; organized its Party members and cadres to complete red theme education under the concept of "Remain True to Our Original Aspiration and Keep Our Mission Firmly in Mind (不忘初心牢記使命)"; organized pop-up events of "celebration of the 70th anniversary of the founding of the PRC".

The Company fulfilled the main responsibilities of Party committee and revised its "Three Key and One Major" systems. The Party committee conducted discussion in advance for the "Three Key and One Major" matters in accordance with the Rules of Procedure of Meeting of the Party committee. It gave play to the role of Party committee in charting development course and crafting overall plans.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Coordinating resource integration and restructuring and guiding business management through development plans

In accordance with the principle of “shutdown, suspension and integration”, the Company withdrew from non-core loss-making enterprises and loss-making enterprises which had no hope of turning around and growth for many years. It completed all the cancellation procedures on tax and business registration for Chongqing Putaifeng Aluminium Co., Ltd., exited the smart electric business and proceeded with the liquidation of Chengdu Yuexin Materials Co., Ltd. (成都月欣材料有限公司).

From the strategic point of view of business development, by starting with the problems of core business development, quality, products and market, the Company conducted analysis on the optical fiber business and locomotive cable business, formulated development plans, determined the direction for its business development and established a platform for technology development.

3. Strengthening internal control and implementing all the requirements of comprehensive risk management

The Company implemented its law-based governance policy and intensified corporate risk prevent consciousness, and gradually established a long-term mechanism for the prevention and control of major risks. The Company conducted comprehensive inspection on the risk management and internal control system, revised a series of rules and regulations on risk management and internal control, and completed the report on comprehensive risk management and the report on internal control evaluation. Through legal risk warning letters, legal opinions and other means, business departments were made aware of relevant risk issues and able to take prompt action to rectify the same. The Company allocated more resources to handling its legal affairs and engaged a new chief legal advisor. The policy of “Giving Consideration to both Internal and External Affairs (內外兼顧)” has been adopted, under which the legal affair department of the Company takes charge of the Company’s daily legal affairs and a law firm was engaged to provide legal service and support for the operating activities of the Company. The Company strengthened its management of major legal disputes, actively responded to litigation disputes and handled its legal affairs based on operation and management. Legal advice in relation to major decisions were received in a timely manner.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company strengthened the “Two Funds” reduction, conducted inspection on all account receivables and inventory, and handle the leftover issues from the previous development. A task force on “Two Funds” reduction was established. All departments inspected particular objects based on data as shown on the financial accounts and reduced the proportion of “Two Funds” in an orderly manner according to the target set at the beginning of the year. The progress of “Two Funds” reduction was taken into account in the annual performance assessment of all the units. Long-term mechanisms such as the “Account Receivables Management System” were established to step up efforts to collect payments and clear inventory, as a result of which both the balance of account receivables and inventory decreased compared with the beginning of the year.

The Company attached great importance to system construction and conducted a comprehensive review of responsibilities, systems and processes to improve information-based processes, such as expense reimbursement and contract approval, and facilitate alignment between systems and processes in time. Management system of the Company such as the “Implementation Rules for Compliance Management”, the “Implementation Measures for Accountability for Illegal Operation” and “Investment and the Measures for Management of Legal Advisors” were formulated, and the “Account Receivables Management System”, the “Implementation Rules for Contract Management” and the “Authorization Management System” were revised. The information-based process of matters to be discussed on the office meeting was also revised and matters related to “Three Key and One Major” decision-making shall be pre-discussed by the Party Committee.

4. Determining the definition of duties and functions and building reserved pool of talents to provide human resources for sustainable development

In accordance with the principle of clearly defined responsibilities and management, the Company adjusted assignment and responsibilities of relevant departments. In view of the actual situation of the Company and the departments, the Company assigned positions with no redundancy in a reasonable and scientific manner and worked out the defined duties and functions. All the departments streamlined their responsibilities and positions, and completed the appointment of personnel. The Company also built its own reserved pool of talents, enhanced cadre training with the use of cloud learning platform and improved its evaluation system of titles, so as to provide human resources for its sustainable development.

The Company continued to carry out placement work for surplus and redundant staff in accordance with the special governance for “Disposing of Zombie Enterprises and Assisting Enterprises with Difficulties”. The placement of surplus and redundant staff were carried out in accordance with relevant measures through negotiation of termination of labor contracts, internal retirement, re-designation (pending for duties) and other manners. In the process of placement, the Company took due care in respect of the actual situation of various types of personnel and various contradictions that have arisen, so as to maintain the stability of employees and avoid group incidents.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Optimizing basic management and improving management standard

The Company has fully advanced the centralized procurement and bidding management work and standardized the bidding procedures through informatization. Information-based procedures consisting of the “Annual Bidding Plan”, “Quarterly Adjustments on Bidding Plan” and “Application for Bids” were added. The Company has implemented the bidding elements in steps pursuant to such plans.

With an aim to enhance communication, 38 general manager’s meetings were held and 170 decisions were made. The Company also held production and operation analysis meetings on a quarterly basis. This has facilitated communication and narrowing of the gap between personnel at various level and helped in solving problems.

The Company has made continuous efforts to improve its QEHS management system. The Company has passed the supervision and verification on environmental management system and occupational health and safety management system. It has submitted applications for quality management system certification and relevant changes. The Company has completed the review on its qualification as a High and New Technology Enterprises and has obtained a new certificate.

While striving for success in its operations, the Company places emphasis on production safety to prevent the occurrence of accidents during production process. Under the guidance and inspection of municipal environment protection bureau and other departments, the Company has carried out training on safety, fire extinguishing and environmental knowledge and formulated its emergency plan for environmental incident in the industrial park, environmental risk assessment report and investigation report on environmental emergency resources. It has also updated the compliance evaluation report, and has comprehensively re-identified the lists of laws and regulations which were applicable to the Company.

6. Promoting compliance awareness and enhancing efforts to combat corruption and maintain integrity

Efforts have been made to strengthen the compliance of operation with laws and regulations and ensure the compliance of the “Three Key and One Major” aspects of the Company. In order to prevent debt risks, each business unit has been required to pay attention to the rate of response to confirmations. The Company has strengthened the control on non-controlling companies to ensure investment returns. It continued to strengthen the management of related party transactions, adhered to the annual transaction planning system, entered into responsibility statements for related party transaction, and issued briefings on related party transaction on a quarterly basis to ensure compliance of transaction process with the Listing Rules. It continued to organize compliance training, especially the continuous training of directors, supervisors and key positions of the Company, and continuously improved its own capability and awareness of compliance.

The Company signed the “Chengdu Putian Integrity Construction Responsibility Statement (成都普天黨風廉政建設主體責任書)”, which clarified the “One Post with Two Responsibilities” of Party members and leading cadres. With unremitting efforts to uphold high standards of Party conduct and Party discipline, and based on key schedule, the Company called attention through special forums, WeChat groups of Party members and cadres, official WeChat account of the Company and other means to keep a close watch on the compliance with spirits of the eight-point frugality code issued by the CPC Central Committee, so as to enhance daily supervision. It also strictly followed work requirements and procedures, standardized the acceptance of complaints and handling of issues, and strictly implemented the system of reporting complaint cases and handling of and investigation on disciplinary issues to the Party committee and the disciplinary inspection group on a monthly basis.

FINANCIAL ANALYSIS

Turnover

During the Year, the turnover of the Group amounted to RMB449,256,750.53, representing a decrease of 26.90% as compared with RMB614,607,551.15 for the year ended 31 December 2018 (the “Previous Year”). The decrease in turnover was due to a decrease in both the domestic unit price of optical fibers and sales volume of the Group.

During the Year, the turnover of the Company was RMB247,868,172.87, representing a decrease of 6.35% as compared to the corresponding period of the Previous Year. Chengdu SEI Optical Fiber Co., Ltd., a company in which the Company owns 60% equity interest, recorded a turnover of optical fiber of RMB189,791,633.07, representing a decrease of 43.12% as compared to the Previous Year. Chengdu Zhongling Radio Communications Co., Ltd., a wholly-owned subsidiary of the Company, recorded a turnover of wire feed cable of RMB34,004,520.73, representing a decrease of 21.85% as compared to the Previous Year.

Profit of the Group attributable to equity holders of the Company for the Year

The net loss attributable to equity holders of the Company for the Year amounted to RMB50,135,424.57, while a net loss attributable to equity holders of the Company of RMB15,012,917.51 was recorded for the Previous Year.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS ANALYSIS

The Group's total assets decreased by 10.00% from RMB1,257,656,669.24 as at 31 December 2018 to RMB1,131,901,854.99 as at 31 December 2019, of which current assets amounted to RMB708,206,008.92, accounting for 62.57% of the total assets and representing a decrease of 11.65% as compared with RMB801,583,778.55 as at 31 December 2018. Property, plant and equipment amounted to RMB249,779,768.10, accounting for 22.07% of the total assets and representing a decrease of 4.68% as compared with RMB262,030,589.13 as at 31 December 2018. As at 31 December 2019, the Group's total liabilities amounted to RMB166,823,065.32; the Group's gearing ratio (total liabilities divided by total assets) was 14.74%; bank and other short-term loans were RMB6,483,910.19, which decreased by 7.12% as compared with RMB6,981,019.84 as at 31 December 2018. During the Year, the Group did not conduct other capital raising activities.

As at 31 December 2019, the Group's bank deposits and cash totaled RMB459,059,145.36, representing an increase of 3.86% as compared with RMB441,997,685.40 as at 31 December 2018. During the Year, the Group's selling expenses, administration expenses, research and development expenses and finance expenses amounted to RMB12,093,142.13, RMB51,866,992.48, RMB10,699,510.81 and RMB-5,514,691.80, representing a decrease of 39.06%, a decrease of 12.65%, an increase of 92.46% and an increase of 33.66% respectively as compared with RMB19,844,839.89, RMB59,379,163.81, RMB5,559,320.05 and RMB-4,125,891.27 respectively in the Previous Year.

As at 31 December 2019, the Group's account receivables and bill receivables amounted to RMB74,162,187.82 and RMB39,263,164.85 respectively, representing a decrease of 35.69% and a decrease of 65.22% respectively as compared with RMB115,319,867.21 and RMB112,895,610.20 respectively as at 31 December 2018.

Analysis of Capital Liquidity

As at 31 December 2019, the Group's current assets amounted to RMB708,206,008.92 (as at 31 December 2018: RMB801,583,778.55), current liabilities were RMB101,956,688.99 (as at 31 December 2018: RMB144,849,434.62), the annual receivables turnover period was 125 days and the annual inventory turnover period was 92 days. The above data indicates that the Company has strong solvency but its liquidity ability and management are yet to be improved.

Analysis of Financial Resources

As at 31 December 2019, the Group's bank and other short-term loans were RMB6,483,910.19. As the Group had comparatively sufficient bank deposits and cash of RMB459,059,145.36, the Group does not have short-term insolvency risk.

MANAGEMENT DISCUSSION AND ANALYSIS

Non-current Liabilities or Loans

As at 31 December 2019, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was RMB6,483,910.19 (equivalent to EUR829,621.93). The loan 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 its profit, proceeds raised, bank and other loans and proceeds from the disposal of the land use rights of the old site of the Company. The use of raised proceeds has strictly complied with the relevant legal requirements. In addition, in order to ensure the proper utilization of capital, the Group has strengthened its existing financial management system. The Group has 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

During the Year, the Group's net cash flow from operating activities amounted to RMB72,143,878.43, representing an increase of RMB114,710,779.65 as compared with RMB-42,566,901.22 in the Previous Year.

During the Year, the Group spent RMB18,496,451.64, representing a decrease of RMB2,123,332.09 as compared with RMB20,619,783.73 in the Previous Year, for the purchase of property, plant and equipment and expenses on the construction in progress.

As at 31 December 2019, the Group's liabilities and shareholders' equity amounted to RMB1,131,901,854.99 (as at 31 December 2018: RMB1,257,656,669.24). The Group's interest expenses amounted to RMB102,087.06 for the Year (for the Previous Year: RMB111,020.63).

Contingent Liabilities

As at 31 December 2019, the Group did not have any contingent liabilities (as at 31 December 2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

In 2020, under the leadership of the Board and the Supervisory Committee, the Company will operate closely in line with the direction of national policies. Based on the “Seven Improvements and Enhancements” requirements of the headquarters of the Group, the Company will set the Party construction as its guidance, set development as its goal, insist on developing business, release idle resources, and enhance its service capabilities. It will carry out its work with focus on target market and product research and development team building and endeavor to give play to the core technological and business capabilities of enterprises. It will adjust and optimize its business structure and further implement the “practice of austerity” to continue to reduce cost and increase efficiency, optimize and improve internal control, and promote the healthy development of the Company.

I. Measures taken under the current epidemic

Since the outbreak of the novel coronavirus epidemic (“COVID-19”) in early December last year and the spread of which nationwide in mid-to-late January, the flow of production elements such as raw materials and labor required for production have been blocked, and normal operating activities such as logistics, production, sales, and payment collection have been severely disrupted. For our businesses, some project constructions have been suspended and market demand and corresponding sales have decreased, leading to a possible further decline in product prices, while depreciation, labor and other fixed costs remained the same. Such suspension has caused declines in output but increases in unit costs, which would result in an increase in loss. There will be tremendous pressure to complete the estimated indicators in 2020.

Being concerned with the outbreak of COVID-19, the Company has set up the “Leading Group of Chengdu Putian on Epidemic Prevention and Control” on 27 January 2020 to coordinate epidemic prevention and control and resumption of work, and has established an accountability system and daily reporting system. On 2 February 2020, the Company held a meeting and mapped out the plan for epidemic prevention and control, and has also set up an epidemic prevention and control work office. The responsible personnels of all joint ventures and functional departments were required to bear responsibility, and place great emphasis on fulfilling their obligations of epidemic prevention and control. With the efforts of the leading group and the work office on epidemic prevention and control, the Company’s headquarter officially resumed work on 13 February 2020 with the approval of the relevant local government departments.

II. **Sticking to the original aspiration and enhancing market awareness to foster business development**

The Company will stick to its original aspiration of the development of its telecommunication business, strengthen its strategic guidance and profit-orientation consciousness, focus on optical telecommunication business, locomotive cable business and steadily push forward the release of idle resources of the industrial park and reinforce management of joint ventures to maximize the efficiency of exploitation of existing assets, proactively, aiming to nurture new growth drivers.

1. **Optical telecommunication business**

Due to the overall surplus of production capacity of optical fibers and cables, along with the fierce competition in the optical telecommunications market as well as the current epidemic, the construction of operator projects and other optical cable projects has suspended. As there is no demand for the optical fiber industry, and sales volume is declining, thus the price of optical fibers is expected to fall further. Meanwhile, there may be an increase in anti-dumping duties this year. In view of such critical circumstances, the Company will make tremendous efforts in respect of its business, projects and building of talent pools. The Company will constantly increase the percentage of production and sales of characteristic optical fibers with high gross profit and boost the sales volume of export optical fibers. The Company will use its best efforts to reduce the adverse effect on profit brought by the sharp decline in the price of optical fibers, seek greater room for improvement of operating revenue, improve the work efficiency of various departments and reduce the comprehensive cost of optical fibers and strive to have the overall cost of optical fibers decrease by more than 5% year-on-year.

2. **Energy transmission cable business**

The Company will carry out its work with a focus on the market and products. As the Company operates in a competitive industry, it will analyze loss-making points and prevent any inefficient and mismanagement so as to do well in respect of products and market, based on the business development approach of “same-rooted technology and same-source market”.

According to its locomotive cable business development plan, the Company will enhance its business competitiveness in the following aspects: firstly, to increase investment in technological research and development, improve product portfolio, expand coverage of rail transit cables products and boost revenue; secondly, to carry out upgrade, transformation and acquisition of key equipment, raise production capacity and stability of equipment; thirdly, to make more efforts in market development to ensure ongoing expansion of the scale of markets; the fourth is to make good use of the production management information-based system, strengthen management and control of procurement and production processes, improve manufacturing gross profit margin; and fifthly to strengthen collection of accounts receivable, invoicing of delivered goods and disposal of inventory.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Electronic information industrial park

Firstly, to strengthen communication with the High-tech Zone Electronic Information Bureau to obtain support from the government. We have presently joined the asset mobilization platform of the High-tech Zone Electronic Information Bureau to further carry out park operations through the government's overall arrangement. Secondly, to further tap the potential and continue to expand property rental income and speed up leasing of vacant factories and office buildings. Thirdly, to consider using information technology to build a smart park, collect information through big data, improve the management level of the park, and explore value-added services for its property. In addition, we will continue to build characteristic parks and introduce high-tech and high value-added emerging enterprises to settle in.

4. Paying attention to research and development and enhancing technological innovation capabilities

In 2020, the Company will focus on the core business of telecommunication, improve the integration of corporate research and development with business development and market demand, establish a market-oriented innovation system based on the principle of research and development project "from the market to the market" and build a technology development platform in alignment with the Company's sales, so as to support business development with technology research and development. Development of new products is a driving force for corporate sustainable development. The Company will pay close attention to the cultivation of core technical capabilities, find the right direction to improve efficiency, and products for research and development based on market acceptance, capacity and difficulty to launch, be pragmatic and avoid being hasty; fully and effectively allocate various resources of the Company and society, secure suitable industrial projects, and gradually increase the proportion of research and development investment in revenue to be at a reasonable level.

In the meantime, the Company will actively seek for government-funded projects, improve its investment management capabilities and utilise the role of functional departments in guiding the investment of joint ventures to enable the Company to respond to the market more quickly and more in line with market competition requirements, so as to benefit the sustainable development of various business segments.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Intensifying the implementation of the “Seven Improvements and Enhancements” to foster progress in various work

The Company will seek improvement in stability, focus on core businesses, address and improve area of weakness, strengthen its intensive operation and refined management, and improve management efficiency and operation quality, thus generating dynamic and momentum for the sustainable development of the Company.

1. Developing strong and solid foundation for Party construction and promoting in-depth integration of branch work and operation work to foster the healthy development of the Company’s operations

By further studying and implementing the spirit of the 19th CPC National Congress and the Second, Third and Fourth Plenary Sessions of the 19th Central Commission for Discipline Inspection, and aiming at improving the quality of Party construction work, the Company will focus on enhancing the scientific level of Party construction, maintain corporate governance in line with Party leadership and combine Party construction with production and operation so as to achieve development led by high-quality Party construction.

The Company has established a long-term mechanism of “Remain True to Our Original Aspiration and Keep Our Mission Firmly in Mind (不忘初心、牢记使命)” to improve the outcomes for concept education and solidify good experience and practice of concept education into the working system and mechanism. The Company will implement accountability system in Party construction, give full play to the leading role of Party committee, do well in decision-making in advance, take enhancements of corporate efficiency and competitiveness and value maintenance and appreciation of state-owned assets as the starting point and foothold of its Party construction works, safeguard the implementation of all the work related to Party construction, and perform its obligations.

The Company will consolidate its establishment of the “Three Basics (三基)”. The Party committee shall be capable of guiding Party branches to carry out works based on the actual situation of production and operation, and reinforce training for the Secretary of the Party Committee and integrate it with operation and management. It shall fully play the role of its Party branches as strongholds in the process of production and operation and play the role of Party members as paragons, so as to take Party construction to a new level.

The Company will prevent the rebound and resurgence of “Four Morales (四風)” by seriously implementing “Two Responsibilities (兩個責任)”, conscientiously supervising enforcement and accountability, strengthening daily supervision and inspection, and seriously implementing the spirit of the eight-point frugality code issued by the CPC Central Committee. It will also do well in ideological work to attain the purpose of promotion and encouragement.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Building an operating concept of “solid development” and enhancing risk control and prevention

The Company will focus on its core business, remain committed to achieve solid business development and adhere to the development principle that takes quality as the top mission and keeps efficiency as the priority with a practical and pragmatic mindset, so as to build an operating concept with the improvement of gross profit margin and operating cash flow as the primary goal. It will not engage in businesses with low gross profit and no proprietary product. Financing trade and idle businesses are prohibited.

The Company will give prominence to its main responsibilities and core businesses and strengthen investment and financing management, focus on businesses in the main course and concentrate various resources in the core businesses; develop business based on the concept of “same-rooted technology and same-source market”, speed up the stripping of non-core businesses and non-advantageous businesses, work on the disposal of inefficient and ineffective assets, equity interests with long periods of no dividend distribution or even making loss and enterprises under liquidation for years which are not included in the consolidated statement. It will seek outbound expansion, improve the image and fundamentals of listed company, and revitalize the financing function of the capital market.

The Company will improve and implement a long-term mechanism to prevent and address major risks, strictly prevent all kinds of operating risks, and keep the bottom line where it is not exposed to any major risk. Instead of post-event actions, pre-event and in-process management will be taken in promoting the improvement of the comprehensive risk management system of the Company with a more focused approach. It will also concentrate its efforts to strengthen the compliance of “Three Key and One Major” systems of the Company with laws and regulations. It will enhance compliance of the listed company, strictly implement the three-meeting approval system, improve the standard of information closure and effectively maintain its positive image.

3. Effectively promoting sustainable development through improving quality and efficiency

The Company will complete its work for the separation and transfer of “Three Supplies and Estate Management”, the maintenance and transformation work under which was basically completed at the end of 2019. As affected by the outbreak of COVID-19, it is expected to meet the conditions for liquidation and settlement of financial subsidies from the central government by the end of June 2020. It will promote the implementation of the special governance of loss-making enterprises, bring its joint ventures to the goal of reducing losses and achieving turnaround from top to bottom, boost their confidence and determination and put some pressure on them so as to implement governance on the loss-making enterprises in a refined and effective manner. For loss-making businesses with hopes for development, it will control and reduce losses so as to achieve turnaround and positive development as soon as possible. For non-core loss-making businesses with no hope of turnaround for many years, it will follow the principle of “Shutdown, Suspension and Integration” and withdraw as soon as possible with the purpose of revitalizing idle assets, optimizing resource allocation and improving economic efficiency. Governance procedures of loss-making enterprises will be in compliance with laws and regulations and standing various tests. For disposal of property rights and assets, it will conscientiously perform audit and evaluation, market transactions, industrial and commercial registration of changes, property rights registration and other procedures. A sound and long-term mechanism for addressing the source of losses will be established to facilitate development through improving quality and efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company will further reduce costs and increase efficiency comprehensively, impose more rigid budgetary restrictions, reinforce cost control and management of the “Two Funds”, broaden sources of income and reduce expenditure, reduce expenses with no added value, and carry out business operations within its means.

From all aspects of production, operation and management, the Company will identify key areas for cost reduction with careful and accurate budgeting to control costs and expenses and reinforce the management of the same. In line with the principle of matching expenses with revenues, the Company will encourage “incremental” development and increase investments in market-oriented research and development. It will implement stringent budget management, and thus fully play the role of budgets as guidance in production and operation. Out-of-budget expenses shall be matched with out-of-budget revenues. It will also further strengthen its control over monthly budget to put an end to the situation of implementation without budget and avoid the concentrated spending by departments at the end of year. The Company will effectively implement the requirements for the “Three Key and One Major” matters. Significant sum of money shall only be paid upon approval of the prescribed decision-making procedures. In particular, it must play a supervisory role in reducing the asset-liability ratio and cost of joint ventures. It will not only conduct business benchmarking, and prompt analysis and discussion on the budget implementation in terms of monthly and cumulative profits, income, expenses and other indicators, but also thoroughly work out improvement measures.

The Company will continue to reduce “Two Funds” and focus on the collection of accounts receivable. It will improve the whole-process management mechanism for accounts receivables, conduct risk assessment beforehand, improve service quality halfway and strengthen the follow up of collection afterwards, so as to avoid new bad debts and proactively clean up idle account receivables.

4. Promoting reforms, making dynamic adjustments, and strengthening team building

The Company will improve the existing performance appraisal system, by establishing an appraisal system taking into consideration of the market condition and strengthen the profit-oriented performance appraisal system. It will establish a multi-dimensional appraisal system linked to workload, professionalism, and work difficulty, and promote an incentive mechanism of determining remuneration based on performance and relative to the market.

It will further strengthen the building of talent pools by setting up allocation mechanism of human resources that accommodates to the business structure adjustment of the Company, thus providing human resource guarantee for the industrial development of the Company. It will adhere to the principle of management of cadres and talents by the Party and act based on the selection and appointment of personnel on the market. Leading cadres should act responsibly. It will enhance the sense of responsibility of cadres at all levels, in such a way that they will be dutifully dedicated to the Company and its development and planning. Team building includes not only building of cadres, but also team building of staff.

The Company will make the best use of personnel and resources to match talents with positions efficiently, and settle surplus and redundant staff through multi-channel at multilevel.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Strengthening system construction to improve capability and standard of corporate governance

The Company will clarify the division of responsibilities, refine authority, improve rules and regulations implementation mechanism, and further strengthen the construction of rules and systems that accommodates to corporate development. The Company will strengthen the implementation of management system of the Company, and conscientiously streamline its system and procedure to ensure matching system with procedure. The Company will improve the code of conduct for law-based corporate governance and strengthen supervision and inspection; increase the frequency of internal audits, proactively perform cost-efficiency audits on joint ventures to provide a basis for timely decision-making by management. The Company will also continue to improve and revise its internal control manual.

It will improve the overall management level, make up for shortcomings, identify gaps, and stamp out formalism and bureaucracy at work. The management of functional departments has significantly improved last year, but there is still much room for improvement from the requirements of business development. The functional departments will keep an eye on their subordinates and understand the situations through on-site visits to entities, instead of being a “passer”.

The Company will further improve the standard of informatization and enhance management innovation capabilities, modify and improve its self-developed production management ERP system to ensure that the actual data of each process is reflected, which provides a strong basis for reducing waste during the production process and accurately calculating production costs. It will also raise the application level of existing information-based system, align the information-based process with management system in a timely manner, and comprehensively improve the overall standard of informatization of the Company.

6. Strengthening basic management and enhancing operation guarantee capability

The Company will strengthen its centralized procurement management to standardize and consummate its bidding procedures. It will implement centralized procurement in strict accordance with relevant regulations to further improve the centralized procurement and supplier management informatization. It will also continue to carry out the three-system management and identify risks related to quality of product process. The Company will strengthen its safety and environmental protection management. It will adhere to its safety works at all levels to prevent the occurrence of safety related accidents and ensure smooth production and operation of the Company. The Company will contribute to the building of an ecological civilization by further enhancing energy conservation and environmental protection works.

REPORT OF THE DIRECTORS

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

RESULTS AND DISTRIBUTION

1. The results of the Group are set out in the consolidated income statement on pages 71 to 72 of this annual report.
2. The financial position of the Group as at 31 December 2019 is set out in the consolidated balance sheet on pages 66 to 68 of this annual report.
3. The changes in equity of the Group are set out in the consolidated statement of changes in shareholders' equity on page 79 of this annual report.
4. The cash flows of the Group are set out in the consolidated cash flow statement on pages 75 to 76 of this annual report.
5. The Company implemented a profit distribution proposal: the Board does not recommend the payment of a final dividend for the Year (2018: Nil).

BUSINESS REVIEW

A review of the business of the Group and its future business development and outlook are set out in the "Management Discussion and Analysis" on pages 6 to 20 of this annual report. These discussions form a part of the Report of the Directors.

FINANCIAL HIGHLIGHTS

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

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Operating income	449,256.75	614,607.55	763,966.05	1,332,288.89	1,209,522.06
Profit/("–" represents loss) before income tax	-63,430.88	40,165.92	94,259.25	25,242.42	-37,600.80
Income tax expense/("–" represents income)	-70.43	22,473.33	25,785.24	17,984.52	5,491.42
Profit/("–" represents loss) for the Year	-63,360.44	17,692.59	68,474.01	7,257.90	-43,092.22
Of which:					
Profit/("–" represents loss) attributable to equity holders of the Company	-50,135.42	-15,012.92	30,325.35	-16,103.26	-40,628.30
Minority interests	-13,225.02	32,705.51	38,148.66	23,361.17	-2,463.92
Total assets	1,131,901.85	1,257,656.67	1,373,945.77	1,307,464.50	1,893,704.93
Total liabilities	166,823.07	213,118.95	302,058.08	289,526.05	612,105.56
Minority interests	107,152.49	136,475.99	130,629.82	104,481.17	350,697.12
Total net assets	965,078.79	1,044,537.72	1,071,887.69	1,017,938.46	1,281,599.36

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

The principal activities of the Group are electric wire and cable, optical fiber and cable, wire and cable specific materials, irradiation processing, cable accessories, special equipment, equipment and different kinds of information industrial products (except categories restricted or prohibited by the State Council of the PRC) devices and equipment technology research and development, product manufacturing, sales and service. 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 is set out in note XIII to the financial statements on page 185 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Based on the business nature of the Group, the audit, supervision and legal affair department of the Group carries out compliance evaluation annually to identify applicable laws and regulations on quality, environmental protection and occupational and health safety in an effort to ensure continuous compliance with relevant requirements under applicable laws and regulations.

RELATIONSHIPS WITH SUPPLIERS AND CUSTOMERS

The Group strives to maintain fair and co-operating relationship with the suppliers and does not have any major supplier that has significant influence on the operations. Relationship with customers is the fundamental of business. The Group fully understands this principle and has maintained close relationship with customers through various means to fulfill their immediate and long-term needs. 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 (%)	
	2019	2018
Purchase		
Single largest supplier	37.25	27.91
Five largest suppliers	81.57	76.82
Sales		
Single largest customer	38.02	23.84
Five largest customers	47.46	37.66

As far as the directors (the "Directors") of the Company aware, none of the Directors or supervisors (the "Supervisors") or their respective close associates 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.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2019 are set out in note VII to the financial statements on page 167 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 note V to the financial statements on pages 135 to 142 of this annual report respectively.

SHARE CAPITAL

Details of the share capital of the Company are set out in note V to the financial statements on page 151 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 up to the date of this annual report.

BANK BALANCES

Details of changes in bank balances of the Group for the Year are set out in note V to the financial statements on page 116.

UNDISTRIBUTED PROFIT FOR THE YEAR

Undistributed profit for the Year of the Group is set out in the consolidated statement of changes in shareholders' equity. As at 31 December 2019, undistributed profit distributable to shareholders is set out in note V to the financial statements for the Year on page 152.

OVERDUE TIME DEPOSITS

As at 31 December 2019, the Group did not have any deposit and trust deposit with non-banking financial institutions or time deposits that cannot be recovered on maturity.

INCOME TAX

Pursuant to the relevant regulations of the Administrative Methods for the Recognition of High and New Technology Enterprises (Guo Ke Fa Huo [2016] No. 32) and Administrative Guidance with Regard to the Recognition of High and New Technology Enterprises (Guo Ke Fa Huo [2016] No. 195), the Company was recognized as a high-tech enterprise and enjoyed the high-tech enterprises preferential tax rate of 15% for a period of three years from 2018 to 2020.

Pursuant to the relevant regulations of the Administrative Methods for the Recognition of High and New Technology Enterprises (Guo Ke Fa Huo [2016] No. 32) and Administrative Guidance with Regard to the Recognition of High and New Technology Enterprises (Guo Ke Fa Huo [2016] No. 195), the Company's subsidiaries, Chengdu SEI Optical Fiber Co., Ltd. and Chengdu Zhongling Radio Communications Co., Ltd. were recognized as high-tech enterprises and enjoyed the high-tech enterprises preferential tax rate of 15% for a period of three years from 2017 to 2019.

REPORT OF THE DIRECTORS

RISK MANAGEMENT

The Group adheres to the principle that risk management must be in line with its overall business strategies and serve the Group's strategic concept while strengthening the risk classification and identification management and taking risk management as its daily routine. The Group's risk management targets to seek appropriate balance between the risks and benefits and minimize the effects of the risks on the Group's financial performance and maximize the interests of the shareholders and other equity investors. Based on such objectives, the Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor and control risks within a stipulated range in a timely and reliable manner.

1. Risk of strategic goals falling below expectation

As the outbreak of epidemic has resulted in suspension of work, the production and operation will be abnormal for a period of time, which has a significant impact on the attainment of strategic goals pre-determined by the Group. Under the new crown epidemic, the resumption of work is subject to government approval, which will affect the on-schedule implementation of existing contracts. Major customer markets have not yet recovered and abnormal shipment has affected supply and sales. The Group will adjust the overall strategic planning goals for 2020 based on the impact of the epidemic.

2. Foreign exchange rate risk

The Group is exposed to foreign exchange rate risk as an increase in the foreign exchange rate of USD will lead to an increase in cost of import and thus an increase in foreign exchange loss. The Group will closely monitor the trend of the US dollar exchange rate, and if necessary, adopt forward measures to lock in exchange rate.

3. Market risk

The market risk refers to the risk that the decline in the market demand for the products of the Group when it's affected by the communication industry and advance of science and technology and that its market position being threatened by substitute products. The Group constantly and actively focuses on the development of communication industry and energy transmission technology. The information on developments and changes in new technology is timely reported back to technology system and will be handled by technology system as the development trend for product technology analysis; meanwhile, the Group strengthens its market forecasting capabilities, improves its respective management and maintenance for its different customer levels comprising of key customers, major customers and general customers, explores new customers and develops new markets.

4. Supply chain risk

The Group is exposed to supply chain risks associated to the supply of helium, a kind of raw material. As China is short of helium, basically all helium are imported. The intensified monopolisation of helium resources has resulted in a tightening of supply and shortage of stock, which affects production. Increased tariffs as a result of the Sino-US trade disputes have led to increased procurement costs. The Group will strengthen its liaison and enter into long-term stable supply contracts with helium suppliers, and enhance its ability to switch suppliers.

5. Human resources risk

The human resources risk of the Group mainly comprises risk of redundant employees, risk of low salaries and risk of team stability. The Company reduces the number of redundant employees on full compliance with the relevant national policies. It establishes a scientific and reasonable remuneration system in respect of efficiency, size and positions of the Company and promotes a performance-oriented concept for income distribution among its employees. It establishes a training scheme for its reserved talents and sets up a reserved talent pool through the information system so as to provide a basis for the promotion of staff and selection of talents.

NUMBER OF SHAREHOLDERS

Details of the number of Shareholders as recorded in the register of members of the Company as at 31 December 2019 are as follows:

Classification	Number of Shareholders
State-owned legal person shares	1
Overseas listed foreign invested shares — H Shares	185
Total number of Shareholders	186

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the largest Shareholder was China Potevio, holding 240,000,000 issued state-owned legal person shares, and 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 155,956,999 H Shares of the Company, representing 38.99% of the total issued share capital of the Company. At the end of the Year, HKSCC held 156,232,999 H Shares of the Company, representing 39.06% of the total issued share capital of the Company.

As shown in the register of substantial shareholders maintained under Section 336 of the Securities and Futures Ordinance ("SFO"), the Group was notified by the Shareholders holding 5% or more of the Group'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 2019, 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 Hong Kong & Shanghai Banking Corporation Limited	17,313,000	10.82%	4.33%
BOCI Securities Limited	9,933,000	6.20%	2.48%

Save as disclosed above, as at 31 December 2019, the Company was not aware of any other shareholding interests which were required to be disclosed pursuant to the SFO. The Board was not aware of any person holding, directly or indirectly, 5% or more of the interests in the issued H Shares of the Company.

REPORT OF THE DIRECTORS

SUFFICIENT PUBLIC FLOAT

According to public information available to the Company and to the best knowledge of each of the Directors, the Company has confirmed that the public have 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 of the Company are as follows:

Executive Directors

Wu Changlin (*Chairman*)

Hu Jiangbing (*Vice Chairman*)

Han Shu

Wang Micheng

Xu Liying

Liu Yun

Independent Non-executive Directors

Mao Yaping

Xiao Xiaozhou

Feng Gang

Supervisors

Xiong Ting

Liu Jun

PROFILE OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

1. Directors

Executive Directors

Mr. Wu Changlin, aged 54, a bachelor's degree holder, has a bachelor's degree in Economics (majoring Finance and Accounting) from Beijing Vocational College of Finance and Commerce. He is an executive Director and the Chairman of the ninth session of the Board of the Company. He is the general accountant and standing committee member of the party committee of China PUTIAN Corporation Limited, and concurrently serves as an executive director, a member of executive committee and financial controller of China Potevio Company Limited, a director and chairman of Putian New Energy Co., Ltd. (普天新能源有限責任公司), etc. Mr. Wu was previously the manager and deputy general manager of finance department of Wanda Posts and Telecommunications Co., Ltd. (郵電萬達通信有限公司), deputy general manager and general accountant of Beijing Putian Taili Telecommunications Technology Co., Ltd. (北京太力通信技術開發公司), deputy division chief of capital division of finance department of China PUTIAN Corporation Limited, financial controller, general manager of finance department and general manager of capital operation department of China Potevio Company Limited, deputy general accountant of China PUTIAN Corporation Limited, etc. Mr. Wu joined the Company in November 2018. He has nearly 30 years of extensive experience in financial management and capital operation.

Mr. Hu Jiangbing, aged 51, a bachelor's degree holder, has a bachelor's degree in Engineering (majoring Telecommunication Engineering) from Chongqing Institute of Posts and Telecommunications. He is an executive Director and the Vice Chairman of the ninth session of the Board of the Company. He is the Secretary of the Party Committee and General Manager of the Company. Mr. Hu was previously a technician of institute, an engineer of video branch of factory, deputy factory manager of machine branch of factory, general manager and secretary of branch of technical quality department and deputy factory manager of Xi'an Putian Communication Equipment Factory (西安普天通信設備廠), general manager of China Putian Information Industrial Xi'an Company (中國普天信息產業西安公司), and a committee member of party committee and deputy general manager of Xi'an Putian Telecommunication Co., Ltd (西安普天通信有限公司). Mr. Hu joined the Company in November 2018. He has extensive experience in telecommunication technology and corporate management.

Mr. Han Shu, aged 56, a master's degree holder, has a bachelor's degree in Engineering from Nanjing University of Posts and Telecommunications and a master's degree in Engineering from Beijing University of Posts and Telecommunications. He is currently as an executive Director of the ninth session of the Board of the Company and the chairman of Putian Logistics Technology Co., Ltd (普天物流技術有限公司). Mr. Han was previously a technician at the second workshop of Xi'an Microwave Hardware Factory of the Posts and Telecommunications Ministry (郵電部西安微波設備廠), an engineer and the deputy director of head office Xi'an Posts and Telecommunications Equipment Factory Machine Branch (西安郵電通信設備廠整機分廠), deputy factory manager, factory manager and secretary of the party committee of Xi'an Putian Communication Equipment Factory (西安普天通信設備廠) and the deputy general manager of communication business department and general manager of marketing department I and business department I of China Potevio Company Limited. Mr. Han has over twenty years of extensive experience in communication and information technology.

REPORT OF THE DIRECTORS

Mr. Wang Micheng, aged 53, a master's degree holder, has a master's degree in Business Administration from China Europe International Business School and a bachelor's degree in Arts from Hangzhou University. He is currently an executive Director of the ninth session of the Board of the Company, a director, vice chairman, general manager and secretary of the party committee of Hangzhou HONYAR Electrical Co., Ltd (杭州鴻雁電器有限公司). Mr. Wang served at Hangzhou HONYAR Electrical Co., Ltd (杭州鴻雁電器有限公司) as secretary to general manager, deputy manager of the marketing department, deputy manager of the public relations department, office director and manager of the marketing department, assistant to general manager and office director, manager of the public relations department, deputy general manager and manager of the plastic business department, and executive deputy general manager and manager of the plastic business department and general manager of the Company. Mr. Wang has over twenty years of extensive experience in corporate management.

Ms. Xu Liying, aged 49, a master's degree holder, has a bachelor's degree in Economics from Hangzhou College of Commerce and a master's degree in Economics from Shanghai University of Finance and Economics. She is currently an executive Director of the ninth session of the Board of the Company and the general manager of the legal and risk controls department of China PUTIAN Corporation Limited, and concurrently serves as a supervisor and the chairman of the supervisory committee of Beijing Capitel Co., Ltd. (北京首信股份有限公司), and a supervisor and the chairman of the supervisory committee of Hangzhou HONYAR Electrical Co., Ltd (杭州鴻雁電器有限公司). Ms. Xu was previously a cost accountant of finance department, general ledger accountant and the deputy head of finance division of Hangzhou Alkali Pump Factory (杭州城泵廠), cost accountant of finance department, general ledger accountant, finance manager of subsidiaries, senior audit executive of internal audit department, audit manager and the general manager of audit department and office director of supervisory committee of Eastern Communications Co., Ltd. (東方通信股份有限公司), the manager of audit department and manager of accounting department of Beijing Teamsun Technology Co., Ltd. (華勝天成科技股份有限公司), the chief accountant and general manager of finance department of Kunhe Real Estate Corporation Limited (坤和房地產集團有限公司), the general manager of corporate management department of Putian Eastern Communications Group Co., Ltd. (普天東方通信集團有限公司) and the general manager of the finance department of China Potevio Company Limited. Ms. Xu has extensive experience in financial management and internal control management.

Ms. Liu Yun, aged 46, a master's degree holder, has a master's degree in Economics (majoring investment economics) from Central University of Finance and Economics. She is currently an executive Director of the ninth session of the Board of the Company and the general manager of corporate operation department of China PUTIAN Corporation Limited, and concurrently serves as a director of Shanghai Putian Kechuang Electronics Co., Ltd. (上海普天科創電子有限公司), Puxing Mobile Tech Company Limited (普興移動通訊設備有限公司), Hangzhou HONYAR Electrical Co., Ltd (杭州鴻雁電器有限公司), Putian Logistics Technology Co., Ltd (普天物流技術有限公司) and Putian New Energy Co., Ltd. (普天新能源有限責任公司). Ms. Liu had served as general manager assistant of the Investment Department of China National Textiles Import & Export Corporation, general manager assistant of Chinatex International Apparel Co., Ltd., finance director of the Preparatory Office of Infolex LLC Beijing Office, the investment management supervisor, investment management manager and deputy general manager of Enterprise Development Department of China Potevio Company Limited and the deputy general manager of Putian Innovation and Entrepreneurship Management Co., Ltd. (普天創新創業管理有限公司). Ms. Liu has extensive experience in finance, economic management and investment.

Independent Non-executive Directors

Ms. Mao Yaping, aged 53, holds the Certificate of Certified Public Accountants, the Certificate of Expert Reviewer Qualification of Sichuan Province, the Certificate of Expert Reviewer Qualification of Sichuan Provincial Government and the Certificate of Senior Consultant. She is an independent non-executive director of the ninth session of the Board of the Company. She serves as the legal representative and the CPA-in-chief of Sichuan Xieyi Accounting Firm (四川協誼會計師事務所). She has been engaged by the People's Government of Sichuan Province as an expert for engineering and economics and PPP projects. She has been engaged by Sichuan Provincial Finance Department as an expert for economics. Ms. Mao has presided over and accomplished various accounting, auditing, financial and economic analysis, research on regional economy, industry development planning and engineering and construction consultation in Sichuan Province and Chengdu. Ms. Mao has extensive experience in financial, economics and management and project review. Ms. Mao joined the Company in April 2018.

Mr. Xiao Xiaozhou, aged 66, has a bachelor's degree in engineering from Southwest Jiaotong University. He is an independent non-executive director of the ninth session of the Board of the Company. Mr. Xiao served as the deputy chief engineer, the head of production department and the deputy factory head of Liu Zhou Locomotive and Rolling Stock Factory (柳州機車車輛廠), the senior engineer of the operation and sales department of China National Railway Locomotive & Rolling Stock Industry Corporation (中國鐵路機車車輛工業總公司), the head of the marketing department and the marketing and sales division, the general manager of the truck business division and the deputy chief economist of CSR Corporation, the chairman of the board of directors of CSR Investment & Leasing Co. Ltd. (南車投資租賃有限公司) and the assistant to the president of CSR Corporation Limited. Mr. Xiao has over 40 years of experience in business management, production management and marketing management. He was an independent non-executive Director of the seventh and eighth session of the Board of the Company. Mr. Xiao joined the Company in July 2013.

Mr. Feng Gang, aged 54, has a doctor's degree in philosophy from Chinese University of Hong Kong and a master's degree and bachelor's degree in electronics and communication from the University of Electronic Science and Technology of China ("UESTC"). He is an independent non-executive director of the ninth session of the Board of the Company. He is the professor and doctoral advisor of the National Key Laboratory of Science and Technology on Communications of UESTC. Mr. Feng was previously a teaching assistant of the information system office and a lecturer of the department of radio technology of UESTC. Mr. Feng worked at the School of Electrical & Electronic Engineering, division of Information Communication Institute of Singapore ("ICIS") of Nanyang Technological University ("NTU"), and later the associate professor at the Network Technology Research Centre of NTU. Mr. Feng joined the Company in November 2018.

Independence of Independent Non-executive Directors

The Company has received annual written confirmation of independence from all independent non-executive Directors under Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Service Contracts of Directors

Each of the existing Directors appointed or re-elected on 13 November 2018 has entered into a service contract with the Company, with a term of three years commencing from 13 November 2018 to the date when a new session of the Board is elected at an extraordinary general meeting to be held in 2021. Mr. Wu Changlin and Mr. Hu Jiangbing have also entered into service contracts with the Company, with a term commencing from 22 November 2018 to the expiry date of the term of the ninth session of the Board. All the executive Directors will not receive Director's remuneration. Instead, their remuneration will be determined by China Putian with reference to his specific administrative duties and upon assessment by China Putian in accordance with relevant requirements of the PRC and its internal remuneration management regulations. The remuneration for each independent non-executive Director for his/her services provided under his/her service contract is RMB50,000 per annum (before tax).

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

2. Supervisors

Mr. Xiong Ting, aged 57, obtained a bachelor's degree in university. He is the Supervisor of the ninth session of the Supervisory Committee, the deputy secretary of the party committee, the secretary of the Disciplinary Commission and a chairman of the labor 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, sixth, seventh and eighth sessions of the Supervisory Committee of the Company. Mr. Xiong joined the Company in 1982 and has over ten years of experience in corporate administrative management.

Mr. Liu Jun, aged 50. Mr. Liu graduated from Chengdu Radio and Television University with a College degree in property management. He is an assistant engineer. Mr. Liu currently is manager of the Party-Masses Work Department and the vice chairman of the labor union of the Company. Mr. Liu joined the Company in August 1990, and served as a technician, assistant engineer and factory assistant of power plant, assistant manager of the property management department and the deputy director of Party-Masses Work Department. Mr. Liu was democratically elected by the staff of the Company at the labor congress as a staff representative Supervisor of the ninth session of the Supervisory Committee of the Company.

Service Contracts of Supervisors

Each of the existing Supervisors appointed or re-elected on 13 November 2018 has entered into a service contract with the Company, with a term of three years commencing from 13 November 2018 to the date when a new session of the Supervisory Committee is elected at an extraordinary general meeting to be held in 2021. Terms of office of all Supervisors are renewable for re-election or reappointment upon expiration.

None of the Supervisors have entered into any service agreement with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

3. Company Secretary

Mr. Shum Shing Kei, aged 48, joined the Company on 1 August 2017. Mr. Shum holds a Bachelor Degree (Hon) in Accountancy from Hong Kong Polytechnics and a Master Degree in Financial Management from University of London, United Kingdom. Mr. Shum is a fellow member of The Hong Kong Institute of Certified Public Accountants and has extensive working experience in financial management and company secretarial fields.

4. Senior Management

Ms. Yu Qian, aged 51, a postgraduate, is 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.

Mr. Liu Wenzao, aged 53, a bachelor's degree holder, has a bachelor's degree in electrical insulation and cable engineering from Xi'an Jiaotong University. He is currently a deputy general manager of the Company and the general manager of Chengdu SEI Optical Fiber Co., Ltd., a subsidiary of the Company. He has over 20 years of experience in the optical telecommunication industry.

Ms. Dai Xiaoyi, aged 46, has a college degree in fiber-optic communication from faculty of telecommunication engineering of Chongqing Institute of Posts and Telecommunications. Ms. Dai joined the Company in 1995. She served as a technician of quality division, an engineer of examination center, the deputy director and director of Party-Masses Work Department, the vice chairman of the labor union, the deputy secretary of Disciplinary Commission, assistant to general manager, etc.

ENVIRONMENT, EMPLOYEES AND SOCIAL RESPONSIBILITY

Environmental Protection

The Company has established an environmental management system in accordance with the GB/T 24001-2004 (idt ISO 14001:2004). Adhering to the principle of “care for environment”, the Company has identified and evaluated environmental factors and dangerous sources based on the Evaluation and Control Procedures for Environmental Factors and the Evaluation and Control Procedures for Identification of Dangerous Sources. In compliance with laws and regulations, the emission of waste met the relevant requirements. Incidents such as pollution, fire, explosion, electric shock and traffic accidents were prohibited and energy and resources were saved under the requirements of the system. The environmental management system continued to operate effectively.

Employees

In strict compliance with laws and regulations including the Labor Law and the Labor Contract Law of the PRC, the Group has entered into labor contracts with all its staff and contributed to the social insurance for staff in accordance with the regulatory requirements. Sexual or racial discrimination, child labor and forced labor are strictly prohibited, and the remunerations for all male and female staff are solely based on their positions. To protect the rights to participate, express opinions and supervise of our staff, the Company has established a democratic management system with labor congress and labor union as the core. All employees are encouraged to report to the Company at any time for any non-compliance incidents such as employment of child labor and forced labor during the course of recruitment and operation.

Staff and Remuneration Policy of the Group

As at 31 December 2019, the Group had 749 staff members.

The Group has formulated Measures for Employee Performance Management of the Company (《公司員工績效管理辦法》), Measures for Performance Management of Managers (grade III and above) of the Company (《公司三級以上經理績效管理辦法》) and Measures for Remunerations and Incentives Management (《薪酬激勵管理辦法》) and Measures for the Work Plan System Management (《工作計劃系統管理辦法》), by which the Group has established a complete remuneration system and specified the remuneration structure, remuneration standards and remuneration management. Employees are remunerated based on their position levels, working ability and performance levels, and they are awarded with performance bonus and remuneration adjustment according to their results of performance assessment. Other benefits offered to the staff include retirement benefits plans, medical benefits plans and housing fund plans. The Group also provides technical trainings to its staff.

Retirement Benefits Plans for Employees

According to the “Labor Law of the People’s Republic of China” and the relevant laws and regulations, the Company and its subsidiaries shall contribute to basic pension insurance for their employees. Pension will be paid by authorities of social insurances to employees in accordance with the law when such employees reach the retirement age stipulated by the nation or leave the labor force for some reasons. The Group will then be no longer responsible for providing further retirement benefits to the employees.

Basic Medical Insurance Scheme for Employees

The Company has participated in the basic medical insurance scheme for employees in Chengdu since October 2002. The Company made a total contribution amounting to approximately RMB2.9180 million in the Year (Previous Year: approximately RMB2.8885 million). The Board believes that the participation in the basic medical insurance scheme for employees did not have any significant impact on the financial position of the Company.

REPORT OF THE DIRECTORS

Social Responsibility

During the Year, the Company strictly complied with relevant laws, regulations and policies. In particular, the Company paid all taxes in a timely manner, duly fulfilled its responsibility of energy-saving and emission reduction and achieved energy-saving and emission reduction targets. The Company adopted strict accountability for production safety and allocated extra resources to maintain safe production to prevent material safety incidents. The Company also entered into and fulfilled labor contracts with employees in accordance with the law and fully paid social insurance on time. The annual subsidy for students offered by Chengdu SEI Optical Fiber Co., Ltd, a subsidiary of the Company, amounted to RMB30,000 (2018: RMB30,000).

MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the section headed “Continuing Connected Transactions” in this report, there were no other transactions, arrangements and 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 or their associated entity 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 2019, 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 share capital 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.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details about the remuneration of Directors, Supervisors and Senior Management are set out in note X to the financial statements on pages 179 to 181 of this annual report.

FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest paid individuals in the Group during the Year are set out in note X to the financial statements on page 181 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the Year, 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 to the financial statements on page 149 of this annual report.

PLEDGE OF ASSETS

During the Year, due 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 (2018: the Group did not obtain any loan from banks which was secured by the Group's assets). As of 31 December 2019, the Group did not pledge any asset as security (2018: 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.

CONVERTIBLE SECURITIES, SHARE OPTIONS, WARRANTS OR RELEVANT ENTITLEMENTS

During the Year, the Group did not issue any convertible securities, share options, warrants or relevant entitlements.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

The Company has purchased and maintained liability insurance for its Directors and Senior Management for any possible legal liabilities arising from the performance of their duties, so that they are secured harmless against all actions, costs, losses, damages and expenses which they may incur or sustain arising from any act of execution of their duties in the Company.

Significant Events

1. Continuing connected transactions

The following connected transactions of the Company are subject to the requirements relating to reporting, announcement, and independent shareholders' approval under Chapter 14A of the Listing Rules. Details of these transactions are set out in the announcement dated 24 May 2017, a supplementary circular dated 16 June 2017, and the announcement dated 28 December 2017. On 30 June 2017, these transactions were passed by way of ordinary resolutions at the 2016 annual general meeting of the Company.

Potevio Framework Sales Agreement

On 24 May 2017, the Company entered into the Potevio Framework Sales Agreement for a term of two years commencing from 1 January 2018, in respect of (i) the sale of certain wire, cables, optical fibers, telecommunication components and parts by the Group to Potevio Group; and (ii) the purchase of electrical products, lighting products, piping products and smart products from Potevio Group.

China Potevio is the controlling shareholder of the Company and a wholly-owned subsidiary of Potevio Group. Therefore, transactions between the Group and the Potevio Group constitute connected transactions of the Company under the Listing Rules.

The principal terms of the sale to Potevio Group under the Potevio Master Framework Agreement are as follows:

Date	:	24 May 2017
Parties	:	The Company and China PUTIAN Corporation Limited
Subject matter	:	The Group shall supply wire, cables, optical fibers, telecommunication components and parts to Potevio Group based on the requirements and demands of Potevio Group from time to time during the tenure of the Potevio Framework Sales Agreement
Tenure	:	1 January 2018 to 31 December 2019

The selling prices of the wire, cables, optical fibers, telecommunication components and parts sold by the Group to the Potevio Group are not fixed and to be determined in accordance with prevailing market prices that is comparable to the price offered by the Group to its other independent customers with similar transaction volume and to be agreed between the parties.

REPORT OF THE DIRECTORS

The annual caps of the sales under the Potevio Master Framework Agreement for the years ended 31 December 2018 and 2019 are RMB170,000,000 and RMB200,000,000, respectively.

During the Year, the aggregate payment received by the Company from Potevio Group was approximately RMB nil.

The principal terms of the purchase from Potevio Group under the Potevio Master Framework Agreement are as follows:

Date : 24 May 2017

Parties : The Company and China PUTIAN Corporation Limited

Subject matter : Potevio Group shall supply electrical products, lighting products, piping products and smart products to the Group based on the requirements and demands of the Group from time to time during the tenure of the Potevio Master Framework Agreement

Tenure : 1 January 2018 to 31 December 2019

The purchase prices of the electrical products, lighting products, piping products and smart products purchased by the Group from Potevio Group are not fixed and to be determined in accordance with prevailing market prices that is comparable to the price offered to the Group by its other independent supplier with similar transaction volume and to be agreed between the parties.

The annual caps of the purchase under the Potevio Master Framework Agreement for the years ended 31 December 2018 and 2019 are RMB140,000,000.00 and RMB160,000,000.00, respectively

During the Year, the aggregate payment made by the Company to Potevio Group was approximately RMB775,000.

Sumitomo Framework Purchase Agreement

On 22 December 2018, the Company entered into the Sumitomo Framework Purchase Agreement for a term of one year commencing from 1 January 2019, in respect of the purchase of optical fiber preform and paints and subscription for related technical services by the Group from Sumitomo Electric Industries, Ltd. ("Sumitomo Electric") and its subsidiaries (collectively, "Sumitomo Electric Group").

REPORT OF THE DIRECTORS

As Sumitomo Electric is a substantial shareholder of a non-wholly owned subsidiary of the Group, Sumitomo Electric is a connected person of the Group at subsidiary level under the Listing Rules. The principal terms under the Sumitomo Framework Purchase Agreement are as follows:

Date	:	22 December 2018
Parties	:	The Company and Sumitomo Electric
Subject matter	:	The Group shall purchase optical fiber preform and paints and subscribe for related technical services from Sumitomo Electric Group from time to time during the tenure of the Sumitomo Framework Purchase Agreement
Tenure	:	1 January 2019 to 31 December 2019

The selling prices of the optical fiber preform and paints sold by Sumitomo Electric Group to the Group are not fixed and to be determined in accordance with prevailing market prices that is comparable to the price offered to the Group by its other independent customers and to be agreed between the parties.

The annual caps under the Sumitomo Framework Purchase Agreement for the Year is RMB260,000,000.

During the Year, the aggregate payment made by the Company to Sumitomo Electric was approximately RMB144,955,000.

Confirmations from the independent non-executive Directors and auditors of the Company

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

- (i) in the ordinary and usual course of the business of the Group;
- (ii) on normal commercial terms; and
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The Auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with the Listing Rules. A copy of the Auditors' letter has been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS

The auditor of the Company has confirmed to the Board that nothing has come to their attention that causes them to believe that the above continuing connected transactions for the Year:

- (i) have not been approved by the Board;
- (ii) were not, in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of goods or services by the Group;
- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iv) have exceeded the relevant annual caps as disclosed in the previous announcements dated 24 May 2017 and 22 December 2018 of the Company.

Confirmations from the Company

The Company has conducted a review of its continuing connected transactions and confirmed that all such transactions have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

2. Related party transactions

Related party transactions of the Company are set out in note X to the financial statements. For those related party transactions which constituted connected transactions or continuing connected transactions under the Listing Rules, they are set out in the paragraph headed "Continuing Connected Transactions" on pages 34 to 37 of this annual report. It has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

3. Contract of significance

Save as disclosed in the section headed "Continuing Connected Transactions" of this Report of the Directors, none of the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder or any of its subsidiaries, and there is no contract of significance in relation to provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

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.

CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE CODE

During the Year, save as disclosed in this annual report, the Company has complied with the provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules. Details are set out in the corporate governance report.

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 to the Listing Rules as the code of conduct regarding securities transactions by the directors and supervisors of the Company.

After specific enquiries to the directors and supervisors of the Company, the Board confirmed that all directors and supervisors had fully complied with the codes as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules during the Year.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE OF THE BOARD (“AUDIT COMMITTEE”) AND REVIEW OF THE ANNUAL RESULTS

The Company established the Audit Committee in accordance with the Listing Rules. The members of the Audit Committee are Ms. Mao Yaping (Chairman of the Audit Committee), Mr. Xiao Xiaozhou and Mr. Feng Gang, all being the independent non-executive directors of the Company. The Audit Committee is responsible for matters such as conducting reviews of the risk management and internal control and financial reports and has reviewed the Company’s audited financial statements and annual results for 2019.

The Audit Committee considered that the audited financial statements and annual results of the Company for 2019 were in full compliance with the requirements of the applicable accounting standards, laws and regulations and appropriate disclosure was made.

AUDITORS

The Company re-appointed Pan-China Certified Public Accountants as the auditors of the Company at the annual general meetings held on 20 June 2019.

The auditors will retire at the forthcoming annual general meeting and is eligible for re-appointment at the forthcoming annual general meeting. 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, Pan-China Certified Public Accountants.

By order of the Board
Wu Changlin
Chairman

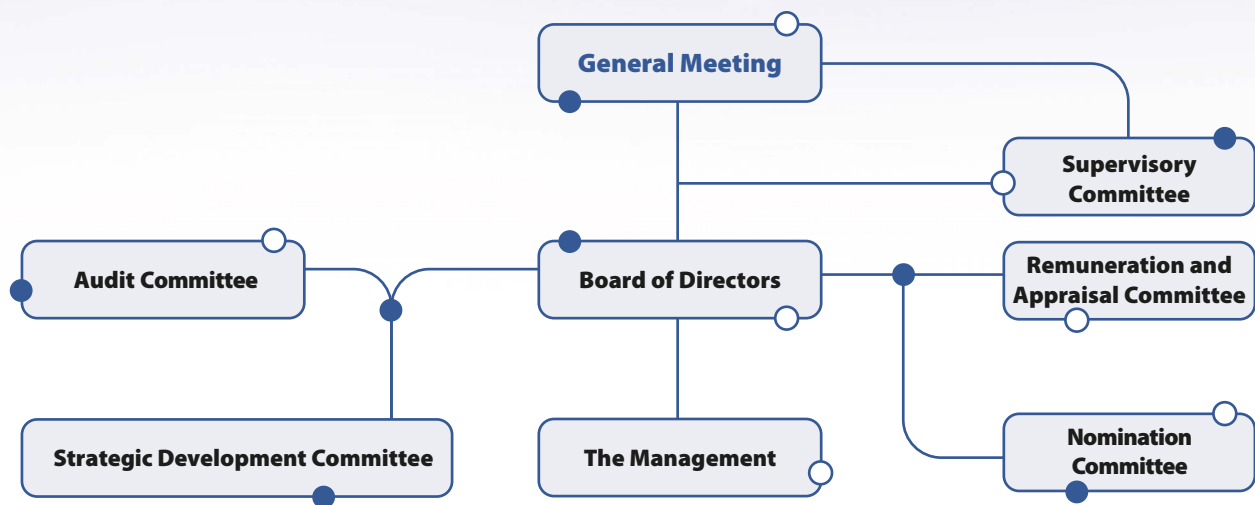
27 March 2020

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 2019 (the "Year").

The Company attaches great importance to corporate governance principles that emphasize 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 maintain a good framework of corporate governance and to comply with applicable statutory and regulatory requirements with a view to assure the conduct of the management of the Company as well as protecting the interests of all Shareholders. The Board mainly 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

GOVERNANCE STRUCTURE

(a) Corporate Governance and Corporate Governance Code

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholder's value. For the Year, the Company had applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Corporate Governance Code (the "CG Code") 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 practices 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") as set out in Appendix 10 of 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.

(c) The Board of Directors

The ninth session of the Board was elected at the first extraordinary general meeting for 2018 held on 13 November 2018 and the annual general meeting for 2018 held on 20 June 2019. The Board currently comprises a total of 9 members, with 6 executive Directors and 3 independent non-executive Directors.

Executive Directors

Mr. Wu Changlin (*Chairman*)

Mr. Hu Jiangbing (*Vice Chairman*)

Mr. Han Shu

Mr. Wang Micheng

Ms. Xu Liying

Ms. Liu Yun

Independent Non-executive Directors

Ms. Mao Yaping

Mr. Xiao Xiaozhou

Mr. Feng Gang

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 2018 has entered into a service contract with the Company, with a term of three years, commencing from 13 November 2018 to the date when a new session of Board is elected at an extraordinary general meeting to be held in 2021. Mr. Wu Changlin and Mr. Hu Jiangbing have also entered into service contracts with the Company, with a term commencing from 22 November 2018 to the date when a new session of Board is elected at an extraordinary general meeting to be held in 2021. 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 is able to fulfill the requirements set out in rules 3.10(1) and (2) of the Listing Rules.

CORPORATE GOVERNANCE REPORT

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, senior executives and employees. Its main duties are to exercise management decisions power with the authority delegated by the general meetings in respect of the Company strategic development and planning, 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 compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors. The Board has 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 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 the Directors and senior management;
- (d) to review and monitor the 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 the CG Code and disclosure in the corporate governance report.

During the Year, seven meetings 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

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

Name of Directors	Board Meeting Attended/Eligible to Attend	2018 Annual General Meeting Attended
Executive Directors		
Mr. Wu Changlin (<i>Chairman</i>)	7/7	
Mr. Hu Jiangbing (<i>Vice Chairman</i>)	7/7	✓
Mr. Han Shu	7/7	
Mr. Wang Micheng	5/7	
Ms. Xu Liying	7/7	
Ms. Liu Yun	7/7	
Independent Non-executive Directors		
Ms. Mao Yaping	6/7	✓
Mr. Xiao Xiaozhou	7/7	✓
Mr. Feng Gang	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 significance to 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 financial position 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.

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 independence of Listing Rules. According to the Listing Rules, each independent non-executive Director had confirmed his/her independence to the Stock Exchange prior to his/her appointment.

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 meetings, either by attending in person or by way of electronic communication, was relatively high.

Board meetings

Meetings of the Board are held regularly and there was satisfactory attendance for Board meetings. 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 committee 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 to review the relevant materials and prepare for the meetings.

Directors are free to express their views in the meetings. Important decisions will only be made after detailed 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.

CORPORATE GOVERNANCE REPORT

Detailed minutes of meetings are compiled for Board meetings or special committees' meetings. Draft minutes are emailed after meeting for circulation among Directors or special committee members for perusal and comments before being endorsed by the Board or the special committees. All Directors are free to communicate with the company secretary who is responsible for ensuring and advising on compliance with all procedures in connection with the Board and all applicable rules and regulations.

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

Minutes of Board meetings or special committees' meetings are to be kept by the secretary to the Board 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 laws and regulations 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. Wu Changlin and Mr. Hu Jiangbing. 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. The Chairman 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.

CORPORATE GOVERNANCE REPORT

(e) Independent Non-Executive Directors

The Company has three independent non-executive Directors, representing one-third of the Board. They are assumed by persons totally independent of Directors, Supervisors, Chief Executives and substantial shareholders (as defined in the Listing Rules). Each of the independent non-executive Directors has a term of office for three years commencing from 13 November 2018. Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang, our independent non-executive Directors, strictly comply with the independent 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.

(f) Professional Trainings Taken by Directors

Directors shall keep abreast of the 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 lawyers' training and in-house trainings for Directors in the form of seminar and reading materials, journals and newsletters. Besides, in view of previous improper handling of continuing connected transactions and information disclosures, the Company has specially arranged training for Directors and relevant senior management on connected transactions and information disclosures. 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	Types of continuous professional training	
	Corporate governance, regulatory development and other related training	Read articles, publications, newsletter and updates relating to director's duty
Executive Directors		
Mr. Wu Changlin (Chairman)	✓	✓
Mr. Hu Jiangbing (Vice Chairman)	✓	✓
Mr. Han Shu	✓	✓
Mr. Wang Micheng	✓	✓
Ms. Xu Liying	✓	✓
Ms. Liu Yun	✓	✓
Independent Non-executive Directors		
Ms. Mao Yaping	✓	✓
Mr. Xiao Xiaozhou	✓	✓
Mr. Feng Gang	✓	✓

CORPORATE GOVERNANCE

REPORT

(g) Remuneration and Appraisal Committee

The remuneration and appraisal committee currently comprises five members, comprising three independent non-executive Directors, Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang and two executive Directors, Mr. Han Shu and Ms. Xu Liying. The committee is chaired by Mr. Xiao Xiaozhou.

The remuneration and appraisal committee has adopted the operation model where it makes 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 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 director 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 compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with 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 and reasonable 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://cdc.com.cn>).

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 duties they undertake in the Company.

During the Year, the committee held one meeting to review the remuneration of senior management.

During the Year, independent non-executive Directors, namely Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang, 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 nomination committee currently comprises five members, including three independent non-executive Directors, Mr. Feng Gang, Ms. Mao Yaping, Mr. Xiao Xiaozhou and two executive Directors, Mr. Wang Micheng and Ms. Liu Yun. The committee is chaired by Mr. Feng Gang. 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. In January 2019, the Company has revised director nomination policy to comply with the new requirement under the Listing Rules. The committee is also responsible for reviewing the structure, size, composition and diversity (including but not limited to gender, ages, cultural and education backgrounds, occupations, experience, skills, knowledge and length of service) 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 supervises the implementation of Board Diversity Policy, reviews such policy at least once a year to ensure its effectiveness, and advise the Board of Directors on any proposed revision of the policy. 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 reappointment of Directors and succession planning for Directors, in particular the chairman and the vice chairman and the chief executive officer of the 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 approved 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://cdc.com.cn>).

During the Year, the nomination committee had convened one meeting to review the composition of the Board and the candidates for senior management.

CORPORATE GOVERNANCE REPORT

(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 Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang, and is chaired by Ms. Mao Yaping.

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 the 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 risk management and internal control systems 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 were revised in January 2019 to comply with the new requirement under the Listing Rules and it shall be made available for inspection on request, details of which are also published at the website of the Company (<http://cdc.com.cn>).

During the Year, the audit committee had convened two meetings. During the meetings, the Audit Committee reviewed the annual results and its corresponding accounts for 2018, the interim results and its corresponding accounts for the six months ended 30 June 2019, discussed the Company's works on internal control matters and other works as required under the CG Code. 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, Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang and two executive Directors, Mr. Wu Changlin and Mr. Hu Jiangbing. The committee is chaired by Mr. Wu Changlin.

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.

The strategic development committee convened meetings and held discussion in accordance with the proposal of management of the Company and submitted discussion results for consideration of the Board and meanwhile, reported the results to the management of the Company.

During the Year, the strategic development committee convened one meeting to review the three-year development plan of the Company.

CORPORATE GOVERNANCE REPORT

During the Year, attendance at audit committee meetings, nomination committee meetings, remuneration and appraisal committee meetings and strategic development committee meetings of the Board are set out as follows:

Name of Directors	Audit Committee Meeting Attended/ Eligible to Attend	Nomination Committee Meeting Attended/ Eligible to Attend	Remuneration and Appraisal Committee Meeting Attended/ Eligible to Attend	Strategic Development Committee Meeting Attended/ Eligible to Attend
Executive Directors				
Mr. Wu Changlin (<i>Chairman</i>)	–	–	–	1/1
Mr. Hu Jiangbing (<i>Vice Chairman</i>)	–	–	–	1/1
Mr. Han Shu	–	–	1/1	–
Mr. Wang Micheng	–	1/1	–	–
Ms. Xu Liying	–	–	1/1	–
Ms. Liu Yun	–	1/1	–	–
Independent Non-executive Directors				
Ms. Mao Yaping	2/2	1/1	1/1	1/1
Mr. Xiao Xiaozhou	2/2	1/1	1/1	1/1
Mr. Feng Gang	2/2	1/1	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 annual audit, the auditor of the Company has also reviewed the interim reports of the Company. Its remuneration was determined by the Board as authorized by the general meeting. During the Year, the remuneration paid by the Company to the auditor totaled RMB860,000.

CORPORATE GOVERNANCE REPORT

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 2018, the 2018 first extraordinary general meeting was held to, among other matters, re-elect Mr. Zheng Zhili and Mr. Xiong Ting as the Supervisors of the Company. The Company held a labor congress on 27 July 2017. At the labor congress, Mr. Liu Jun was democratically elected by the staff of the Company as a staff representative Supervisor of the Supervisory Committee of the Company to take the place of Ms. Dai Xiaoyi. On 29 November 2019, Mr. Zheng Zhili resigned from the positions of the supervisor and chairman of the Supervisory Committee of the Company. The current members of Supervisory Committee are Mr. Xiong Ting and Mr. Liu Jun.

During the Year, the Supervisory Committee convened three 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.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

The Board is responsible for the establishment and maintenance of the Company's risk management and internal control systems 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. For the Year, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered that certain aspects, such as timely internal reporting, should be strengthened. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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.

CORPORATE GOVERNANCE REPORT

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 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.

The Company formulated 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. On 12 November 2015, the Board amended the Implementation Rules of Audit Committee in accordance with the revised Listing Rules in respect of internal control and risk management.

In order to further provide effective risk management, the Company consolidated its management system in 2016 to further strengthen the management functions. At the same time, the Company specified major risk management issues including investment management, capital management, safety management and contract management according to its features in operation and development. The Board made amendments and improvements to the regulations and systems of the Company in respect of legal and comprehensive risk management and formulated the Implementation Measures for the "Three Importance and One Greatness" Decision Making. The Company also established a major risk reporting system such that all risks with respect to legal, employees' life, environment and other areas have to be reported. The Company also set up a risk management working group comprising some of the key senior management, the major persons in charge of departments and the major responsible persons of business operations, which specified the duties and authorities of the personnel and clarified the major responsible units or departments for the working procedures in relation to comprehensive risk management. The finance department of the Company and the person in charge of the financial operations of the subsidiaries of the Company conducted cross-checking on financial operations. The risk management working group has to report to the audit committee and the Board so as to enable them reviewing the risk management system of the Company.

The Board conducted a review to examine whether the risk management and internal control systems of the Company and its subsidiaries are effective and adequate. Subjects of review included the supervision of the Company's finance, operation, compliance and risk management. The Company has set up a comprehensive risk management committee headed by Hu Jiangbing, General Manager, as the team leader and the principal leaders as members in order to strengthen all aspects of monitoring and procedures regarding the compliance of the Listing Rules. The Board also reviewed risk management, accounting and training of internal audit staff in full and ensured the business quality and risk assessment awareness of the staff and that sufficient budget was provided.

CORPORATE GOVERNANCE REPORT

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.

The Company has formulated the Confidentiality Work Regulations for all employees in the Company to handle the disclosure of the relevant confidential documents and trading of securities. The employees shall comply with the relevant policy if they are aware of the confidential or insider information of the Company. The Company has announced such policy on the internal website of the Company and notified such matter to all employees in the Company.

CHIEF FINANCIAL OFFICER

The chief financial officer is in charge of the Company'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 will also review previous insufficient disclosures and ensure the compliance of financial information.

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.

REMUNERATION OF SENIOR MANAGEMENT

Details of the remuneration for Directors and top five persons in respect of remuneration are set out in note X to the financial statements of this annual report. For the year ended 31 December 2019, the scope of remuneration for the senior management of the Company is set out below:

Scope of remuneration (RMB'000)	Number of members of senior management
0-1,000	4

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, 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.

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.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company is allowed to distribute dividends pursuant to the Articles of Association. The Company may distribute profit in the form of cash, shares, or by the combination of cash and shares, and shall adopt cash distribution as the prioritised mean to distribute profit provided that the conditions for cash distribution are satisfied. Subject to the fulfilment of the conditions for declaring cash dividend, in addition to propose a cash dividend proposal, the Board can propose and implement a script dividend proposal if it considers the scale of the share capital and shareholding structure of the Company are reasonable.

Subject to compliance with the principle of profit distribution, and provided that normal operation and long term development of the Company is guaranteed, if the conditions for declaring cash dividends are fulfilled, the Company shall, in principle, declare cash dividends once a year. The Board may also propose to the Company to make interim cash dividends based on the Company's profitability and capital needs.

In formulating a dividend plan, the Board will consider factors including but not limited to: the actual and expected financial results of the Group; the retained earnings and distributable reserves of the Group; the debt-to-equity ratio and return on equity of the Group, and the financial restrictions of the Group; the overall economic situation, the business cycle of the Group's business, and other internal or external factors that may affect the Group's business or financial performance and position, etc. In principle, the dividend pay-out ratio of the Company shall not be less than 25% of the distributable profit.

For the purposes of determining the dividend payable by the Company, the Company's statutory surplus reserve fund and the Company's public welfare fund will not form part of the distributable profit of the Company. The statutory surplus reserve fund of the Company can only be used for making up any losses of the Company by being transformed into share capital of the Company. The distributable profit is based on the net profit attributable to the owner of the parent company in the current interim financial statements audited by the accounting firm or the net profit in the parent company's statement, whichever is higher, after deducting the unrecovered losses of the previous year and the balance of statutory provident fund after allocation.

The profit distribution plan shall be proposed by the Board and finally submitted to the shareholders of the Company for consideration and approval at the shareholders' general meeting. The Company shall actively communicate with shareholders (especially minority shareholders) through various channels to listen to opinions and demands of minority shareholders.

Under the Articles of Association, the cash dividends of H Shares are announced in RMB and will be distributed in Hong Kong dollars to the holders of H Shares, the exchange rate being the average closing exchange rate of designated bank in the previous week prior to distribution. Where the foreign reserve is not sufficient to meet the dividends to be distributed, the Company will make currency exchange in RMB at designated bank to distribute dividends.

For ordinary Shareholders, including holder of Domestic Shares, the dividends of the Company will be distributed in RMB. For holders of H Shares, the dividends of the Company will be distributed in Hong Kong dollars in accordance with the regulations of the State Administration of Foreign Exchanges (SAFE) of the PRC.

COMPANY SECRETARY

The Company engages an external service provider company secretarial services and Mr. Shum Shing Kei is appointed as the Company Secretary. The primary contact person in the Company for Mr. Shum in relation to company secretarial matters is Mr. Hu Jiangbing, 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 he has taken no less than 15 hours of relevant professional training and has complied with the requirements in Rule 3.29.

GENERAL MEETING

The general meeting, as 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 with shareholders 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 2019, the Company convened one annual general meeting.

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 3% 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.
- (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

CORPORATE GOVERNANCE REPORT

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, organization and business.

INFORMATION DISCLOSURE AND INVESTOR RELATION MANAGEMENT

The Company endeavors 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 2019, 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://cdc.com.cn>).

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.

IMPROVEMENT OF CORPORATE GOVERNANCE

The Company will continue to refine the internal supervision and control of its subsidiaries. It will also strengthen the supervision of connected transactions and continuing connected transactions so as to make up for the previous delay in information disclosure due to lack of internal communication, safeguard the interest of all Shareholders and ensure the information disclosures are in compliance with the relevant requirement.

The Company will also continue to endeavor to comply with the requirements of the regulatory authorities in order to improve corporate governance and 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 laws 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 2018, 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 is of the opinion that during 2019, the Company operated in compliance with the Company Law, the Listing Rules, the Articles of Association and other applicable laws and regulations, and 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 implemented properly.

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 laws 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 2019 and considered that the report had objectively and thoroughly reflected various work done by the Company during the Year.

4. 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.

5. OPINIONS ON MANAGEMENT IN AUDITOR'S REPORT

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

REPORT OF THE SUPERVISORY COMMITTEE

6. LITIGATIONS

In 2019, the Company had no other material litigations.

The Supervisory Committee is of the opinion that, in 2019, under the leadership of the Board and the support of China Putian, and based on the “Seven Improvements and Enhancements”, the Company has promoted innovation to meet market demand, earnestly performed its duties and made considerable achievement. In 2019, in accordance with the requirements of the headquarter of the Company, the Company emphasized on its core businesses of optical telecommunication and locomotive cable, and made certain adjustments to its business structure, such as, withdrawing from the wire feed cable business, stripping the irradiation and copper processing business and establishing a materials processing division; strengthening its refined management and carrying out stringent expenditure approval procedures to reduce management costs; paying attention to system construction; laying stress on the alignment between information-based procedures and systems, and strengthening basic management; staying ahead of the market and actively exploring new projects to lay a solid foundation and be ready for the next stage of development. However, due to the slowdown in optical telecommunication market, the demand for optical fibers has decreased. Meanwhile, domestic manufacturers had expanded their production capacities of optical fibers and optical cables, which has caused serious imbalance between supply and demand and a decline in price of optical fibers. As a result, the actual operating income and profits were far below the targets determined at the beginning of the Year,

In 2020, 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 as always in accordance with the Company Law, the Articles of Association and relevant provisions of the Listing Rules to realize the development and improve the operating efficiency of the Company for the protection of the interest of all Shareholders.

Supervisory Committee

26 March 2020



PCCPAAR [2020] No.1-195

To the Shareholders of Chengdu PUTIAN Telecommunications Cable Company Limited:

I. AUDIT OPINION

We have audited the accompanying financial statements of Chengdu PUTIAN Telecommunications Cable Company Limited (**the "Company"**), which comprise the consolidated and parent company balance sheets as at December 31, 2019, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

II. BASIS FOR AUDIT OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

AUDITOR'S REPORT

(I) Net realizable value of inventories

1. Key audit matters

Please refer to section III (XXVII) 3 and V (I) 7 of the notes to the financial statements for details.

As of December 31, 2019, the book balance of inventories amounts to 106,188,782.18 yuan, with provision for bad debts of 22,071,693.15 yuan, and the carrying amount amounts to 84,117,089.03 yuan.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. For inventories held for sale, the estimated selling price is determined based on historical selling price, actual selling price, contractual selling price, market price of identical or similar products, future market trend, etc., and the net realizable value of these inventories is determined based on the amount of the estimated selling price less the cost incurred to completion, estimated selling expenses and relevant taxes and surcharges.

As the amount of inventories is significant and determination of net realizable value involves significant judgment of the Management, we have identified net realizable value of inventories as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for net realizable value of inventories are as follows:

- (1) We obtained understandings of key internal controls related to net realizable value of inventories, assessed the design of these controls, determined whether they have been executed, and tested the effectiveness of their operation;
- (2) We reviewed the net realizable value estimated by the Management in previous years and the actual operating results, and assessed the accuracy of the Management's historical estimations;
- (3) We reviewed the estimation on selling price made by the Management by sampling method and compared the estimated selling price with historical data, subsequent situation, market information, etc.;
- (4) We assessed the reasonableness of estimation on cost to be incurred upon completion, selling expenses and relevant taxes and surcharges made by the Management;
- (5) We tested whether the calculation of net realizable value of inventories made by the Management was accurate;
- (6) We checked whether there existed situations such as inventories with long stock age and obsolete model, decline in production, fluctuation of production cost or selling price, change in technology or market needs, etc. in combination with stocktaking, and assessed whether the net realizable value of inventories made by the Management was reasonable;
- (7) We checked whether information related to net realizable value of inventories had been presented appropriately in the financial statements.

(II) Impairment of accounts receivable

1. Key audit matters

Please refer to section III (IX) 5 and V (II) 3 of the notes to the financial statements for details.

As of December 31, 2019, the book balance of accounts receivable amounts to 130,597,441.26 yuan, with provision for bad debts of 56,435,253.44 yuan, and the carrying amount amounts to 74,162,187.82 yuan.

Based on credit risk features of accounts receivable, the Management measures the provision for bad debts at the amount of expected credit losses during the whole life, either on an individual basis or on a collective basis. For accounts receivable with expected credit losses measured on an individual basis, the Management estimates the expected cash flows, so as to identify the provision for bad debts to be accrued, based on a comprehensive consideration of information with reasonableness and evidence, which is related to the past events, the current situation and the forecast of future economic conditions. For accounts receivable with expected credit losses measured on a collective basis, the Management classifies portfolios on the basis of ages, adjusts them based on historical credit risk loss experience and forward-looking estimations, prepares the comparison table of ages and expected credit loss rate of accounts receivable, so as to calculate the provision for bad debts to be accrued.

As the amount of accounts receivable is significant and the impairment involves significant judgment of the Management, we have identified impairment of accounts receivable as a key audit matter.

AUDITOR'S REPORT

2. Responsive audit procedures

Our main audit procedures for impairment of accounts receivable are as follows:

- (1) We obtained understandings of key internal controls related to impairment of accounts receivable, assessed the design of these controls, determined whether they have been executed, and tested the effectiveness of their operation;
- (2) We reviewed the accounts receivable with provision for bad debts made in previous periods for their subsequent write-off or reversal, and assessed the accuracy of historical estimations made by the Management;
- (3) We reviewed the consideration of the Management on credit risk assessment and objective evidence, and assessed whether the credit risk features of accounts receivable had been appropriately identified by the Management;
- (4) For accounts receivable with expected credit losses measured on an individual basis, we obtained and checked the Management's estimations on the expected future cash flows, assessed the reasonableness of key assumptions and the accuracy of data adopted in the estimations and checked them with acquired external evidence;
- (5) For accounts receivable with expected credit losses measured on a collective basis, we assessed the reasonableness of portfolio classification on the basis of credit risk features; based on the historical credit loss experience of portfolios with similar credit risk features and forward-looking estimations, we assessed the reasonableness of the comparison table of ages and expected credit loss rate of accounts receivable prepared by the Management; we tested the accuracy and completeness of data used by the Management (including ages, historical loss rate, migration rate, etc.) and whether the calculation of provision for bad debts was accurate;
- (6) We checked the subsequent collection of accounts receivable and assessed the reasonableness of provision for bad debts made by the Management;
- (7) We checked whether information related to impairment of accounts receivable had been presented appropriately in the financial statements.

IV. OTHER INFORMATION

The Company's management (the "Management") is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as 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.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern basis of accounting unless the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S REPORT

VI. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. We also:

- (I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in circumstances.
- (III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

AUDITOR'S REPORT

- (V) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain sole responsibility for our audit opinion.

We communicate with those charged with governance regarding the planned audit scope, time schedule and significant audit findings, including any deficiencies in internal control of concern that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP

Chinese Certified Public Accountant: Zhou Zhongkui
(Engagement Partner)

Chinese Certified Public Accountant: Liu Pengyu

Hangzhou · China

Date of Report: 27 March 2020

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year end on 31st December 2019

Form AC-01

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Asset	Note No.	31st Dec 2019	31st Dec 2018
Current assets			
Cash and bank	1	459,059,145.36	441,997,685.40
Settlement funds			
Loans to other banks			
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable	2	39,263,164.85	112,895,610.20
Accounts receivable	3	74,162,187.82	115,319,867.21
Receivables financing	4	23,544,919.54	
Advances paid	5	5,227,159.45	16,709,878.31
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables	6	9,417,517.89	11,674,523.95
Financial assets under reverse repo			
Inventories	7	84,117,089.03	88,937,485.68
Contractual asset			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	8	13,414,824.98	14,048,727.80
Total current assets		708,206,008.92	801,583,778.55
Non-current assets:			
Loans and advances paid			
Debt investment	9		
Other debt investment			
Long-term receivables			
Long-term equity investments	10	123,928,703.14	132,459,948.88
Other equity instrument investments	11	4,977,441.00	4,977,441.00
Other non-current financial assets			
Investment property	12	70,579,366.92	66,508,775.47
Fixed assets	13	170,358,882.98	164,963,313.16
Construction in progress	14	8,841,518.20	30,558,500.50
Productive biological assets			
Oil&gas assets			
Right-of-use assets			
Intangible assets	15	45,009,933.83	47,937,324.47
Development expenditure			
Goodwill			
Loan-term prepayments			
Deferred tax assets	16		
Other non-current assets	17		8,667,587.21
Total non-current assets		423,695,846.07	456,072,890.69
Total assets		1,131,901,854.99	1,257,656,669.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year end on 31st December 2019

Form AC-01

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Liabilities and equity	Note No.	31st Dec 2019	31st Dec 2018
Current liabilities:			
Short-term borrowing			
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	18	50,506,098.62	63,251,671.34
Advanced received	19	254,715.26	381,164.12
Contract liabilities	20	4,161,020.10	7,298,184.05
Financial liabilities under repo			
Absorbing deposit and interbank deposit			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Employee benefits payable	21	24,383,820.96	27,803,822.80
Taxes and rates payable	22	1,485,079.75	7,703,317.53
Other payables	23	21,165,954.30	38,411,274.78
Handling fee and commission payable			
Reinsurance accounts payable			
Liabilities classified as held for sale			
Non-current liabilities due within 1 year			
Other current liabilities			
Total current liabilities		101,956,688.99	144,849,434.62
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	24	6,483,910.19	6,981,019.84
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income	25	57,742,528.84	60,648,560.16
Deferred tax liabilities	16	639,937.30	639,937.30
Other non-current liabilities			
Total non-current liabilities		64,866,376.33	68,269,517.30
Total liabilities		166,823,065.32	213,118,951.92

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year end on 31st December 2019

Form AC-01

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Liabilities and equity	Note No.	31st Dec 2019	31st Dec 2018
Shareholders' equity:			
Share capital	26	400,000,000.00	400,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	27	638,760,122.08	638,760,122.08
Less: treasury shares			
Other comprehensive income	28	3,626,311.39	3,626,311.39
Special reserve			
Surplus reserve	29	8,726,923.61	8,726,923.61
General risk reserve			
Undistributed profit	30	-193,187,054.70	-143,051,630.13
Total equity attributable to the parent company		857,926,302.38	908,061,726.95
Non-controlling interest		107,152,487.29	136,475,990.37
Total equity		965,078,789.67	1,044,537,717.32
Total liabilities & shareholders' equity		1,131,901,854.99	1,257,656,669.24

Legal representative: Wu Changlin

Chief accountant: Yu Qian

Head of the accounting department: Peng Xiaoli

STATEMENT

OF FINANCIAL POSITION OF THE PARENT COMPANY

For the year end on 31st December 2019

Form AF-01

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Asset	Note No.	31st Dec 2019	31st Dec 2018
Current assets:			
Cash and bank balances		323,030,109.04	212,395,927.82
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable		11,027,992.05	51,933,330.76
Accounts receivable	1	42,782,831.45	86,835,092.84
Receivables financing		21,928,377.28	
Advances paid		432,864.23	16,424,828.81
Other receivables	2	35,092,298.50	34,758,304.17
Inventories		14,841,576.60	28,805,643.70
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		7,908,708.27	13,512,979.60
Total current assets		457,044,757.42	444,666,107.70
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivable			
Long-term equity investments	3	298,378,926.88	307,430,172.62
Other equity instrument investments		4,977,441.00	4,977,441.00
Other non-current financial assets			
Investment property		44,846,325.24	66,274,688.65
Fixed assets		70,200,267.11	61,938,279.31
Construction in progress		6,891,761.65	9,312,382.10
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets		31,505,072.91	34,101,463.59
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred tax assets			
Other non-current assets			8,667,587.21
Total non-current assets		456,799,794.79	492,702,014.48
Total assets		913,844,552.21	937,368,122.18

STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY

For the year end on 31st December 2019

Form AF-01

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Liabilities and equity	Note No.	31st Dec 2019	31st Dec 2018
Current liabilities:			
Short-term borrowings			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		15,853,871.62	25,477,569.21
Advances received		254,715.26	381,164.12
Contract liabilities		1,949,181.33	3,565,539.05
Employee benefits payable		15,013,109.80	15,869,424.50
Taxes and rates payable		1,454,617.12	1,521,661.99
Other payables		25,134,802.67	40,938,033.12
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		59,660,297.80	87,753,391.99
Non-current liabilities:			
Long-term borrowings		6,483,910.19	6,981,019.84
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			400,000.00
Deferred tax liabilities		639,937.30	639,937.30
Other non-current liabilities			
Total non-current liabilities		7,123,847.49	8,020,957.14
Total liabilities		66,784,145.29	95,774,349.13
Shareholders' equity:			
Share capital		400,000,000.00	400,000,000.00
Other equity			
Including: Preference shares			
Perpetual bonds			
Capital reserve		648,262,469.64	648,262,469.64
Less: treasury shares			
Other comprehensive income		3,626,311.39	3,626,311.39
Special reserve			
Surplus reserve		8,726,923.61	8,726,923.61
Undistributed profit		-213,555,297.72	-219,021,931.59
Total equity		847,060,406.92	841,593,773.05
Total liabilities & shareholders' equity		913,844,552.21	937,368,122.18

Legal representative: Wu Changlin

Chief accountant: Yu Qian

Head of the accounting department: Peng Xiaoli

CONSOLIDATED INCOME STATEMENT

For the year end on 31st December 2019

Form AC-02

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period	Prior period
I. Total operating revenue		449,256,750.53	614,607,551.15
Including: operating revenue	1	449,256,750.53	614,607,551.15
Interest income			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		506,251,276.90	561,259,797.81
Including: Operating cost	1	430,586,059.59	471,622,033.44
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	2	6,520,263.69	8,980,331.89
Selling expenses	3	12,093,142.13	19,844,839.89
Administrative expenses	4	51,866,992.48	59,379,163.81
R&D expenses	5	10,699,510.81	5,559,320.05
Financial expenses	6	-5,514,691.80	-4,125,891.27
Including: Interest expenses		102,087.06	111,020.63
Interest income		6,717,918.25	6,036,239.44
Add: Other income	7	9,901,962.97	7,815,628.01
Investment income (or less: losses)	8	-7,845,245.74	-201,519.15
Including: Investment income from associates and joint ventures		-7,845,245.74	-201,519.15
Gains from derecognition of financial assets at amortized cost			
Gains on foreign exchange (or less: losses)			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)			
Credit impairment loss	9	8,862,441.79	-6,179,974.58
Assets impairment loss	10	-13,404,534.70	-14,292,032.44
Gains on asset disposal (or less: losses)	11	-1,007,902.95	-624,084.22
III. Operating profit (or less: losses)		-60,487,805.00	39,865,770.96
Add: Non-operating revenue	12	18,281,948.00	975,304.18
Less: Non-operating expenditures	13	21,225,021.69	675,151.61
IV. Profit before tax (or less: total loss)		-63,430,878.69	40,165,923.53
Less: Income tax	14	-70,434.62	22,473,331.46
V. Net profit (or less: net loss)		-63,360,444.07	17,692,592.07
(I) Categorized by the continuity of operations		-63,360,444.07	17,692,592.07
1. Net profit from continuing operations (or less: net loss)		-63,360,444.07	17,692,592.07
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership		-63,360,444.07	17,692,592.07
1. Net profit attributable to owners of parent company (or less: net loss)		-50,135,424.57	-15,012,917.51
2. Non-controlling interest (or less: net loss)		-13,225,019.50	32,705,509.58

CONSOLIDATED INCOME STATEMENT

For the year end on 31st December 2019

Form AC-02
Monetary unit: RMB Yuan

Items	Note No.	Current period	Prior period
VI. Other comprehensive income after tax	15		647,269.05
Items attributable to the owners of the parent company			647,269.05
(I) Not to be reclassified subsequently to profit or loss			647,269.05
1. Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			647,269.05
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss			
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from reclassification of financial assets into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve (profit or loss on cash flow hedging)			
6. Translation reserve			
7. Others			
Items attributable to non-controlling shareholders			
VII. Total comprehensive income		-63,360,444.07	18,339,861.12
Items attributable to the owners of the parent company		-50,135,424.57	-14,365,648.46
Items attributable to non-controlling shareholders		-13,225,019.50	32,705,509.58
VIII. Earnings per share("EPS"):			
(I) Basic EPS (RMB/share)		-0.13	-0.04
(II) Diluted EPS (RMB/share)		-0.13	-0.04

Legal representative: Wu Changlin

Chief accountant: Yu Qian

Head of the accounting department: Peng Xiaoli

INCOME

STATEMENT OF THE PARENT COMPANY

For the year end on 31st December 2019

Form AF-02

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period	Prior period
I. Operating revenue	1	247,868,172.87	264,668,405.04
Less: Operating cost	1	223,630,562.29	250,124,778.55
Taxes & surcharge for operations		4,511,737.06	4,588,898.58
Selling expenses		2,407,645.75	5,570,182.24
Administrative expenses		34,493,304.80	39,335,718.88
R&D expenses	2	1,726,725.16	1,838,139.38
Financial expenses		-4,411,424.33	-3,642,984.24
Including: Interest expenses		102,087.06	111,020.63
Interest income		4,505,507.68	3,835,482.12
Add: Other income		6,037,862.51	4,166,919.38
Investment income (loss, expressed in negative figure)	3	15,700,410.00	29,798,480.85
Including: Investment income from associates and joint ventures		-7,845,245.74	-201,519.15
Gains from derecognition of financial assets at amortized cost			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)			
Gains on asset disposal (or less: losses)			
Credit impairment loss		7,038,024.40	-7,250,061.72
Assets impairment loss		-5,602,460.54	-3,982,374.64
Gains on foreign exchange (or less: losses)		26,003.58	-8,082.17
II. Operating profit (loss, expressed in negative figure)		8,709,462.09	-10,421,446.65
Add: Non-operating revenue		17,867,398.90	
Less: Non-operating expenditures		21,110,227.12	
III. Profit before tax (or less: total loss)		5,466,633.87	-10,421,446.65
Less: income tax			7,006,135.65
IV. Net profit (loss, expressed in negative figure)		5,466,633.87	-17,427,582.30
1. Net profit from continuing operations (or less: net loss)		5,466,633.87	-17,427,582.30
2. Net profit from discontinued operations (or less: net loss)			

INCOME

STATEMENT OF THE PARENT COMPANY

For the year end on 31st December 2019

Form AF-02
Monetary unit: RMB Yuan

Items	Note No.	Current period	Prior period
V. Other comprehensive income after tax			647,269.05
(I) Not reclassified subsequently to profit or loss			647,269.05
1. Changes in remeasurement on the net defined benefit liability/asset			
2. Other comprehensive income can not transfer to profit and loss under equity method			
3. Change on fair value of other equity investment			647,269.05
4. Change on fair value of company's credit risk			
5. others			
(II) To be reclassified subsequently to profit or loss			
1. Other comprehensive income transfer to profit and loss under equity method			
2. Change on fair value of other debt investment			
3. The amount of financial assets reclassified to other comprehensive income			
4. Provision on Credit impairment of other debt investment			
5. Profit or loss on cash flow hedging			
6. Translation difference of financial statements in foreign currencies			
7. Others			
VI. Total comprehensive income		5,466,633.87	-16,780,313.25
VII. Earnings per share("EPS"):			
(I) Basic EPS (RMB/share)			
(II) Diluted EPS (RMB/share)			

Legal representative: Wu Changlin

Chief accountant: Yu Qian

Head of the accounting department: Peng Xiaoli

CONSOLIDATED CASH FLOW STATEMENT

For the year end on 31st December 2019

Form AC-03

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period	Prior period
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		368,760,790.17	472,542,223.46
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts from original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Cash receipts from interest, handling charges and commission			
Net increase of loans from others			
Net increase of repurchase			
Net cash receipts from agency security transaction			
Receipts of tax refund		1,984,693.34	
Other cash receipts related to operating activities	1	130,818,251.25	88,338,586.23
Subtotal of cash inflows from operating activities		501,563,734.76	560,880,809.69
Cash payments for goods purchased and services received		253,856,370.92	348,321,563.54
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payments for insurance indemnities of original insurance contracts			
Net increase of loans to others			
Cash payments for interest, handling charges and commission			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		55,291,251.83	67,030,703.62
Cash payments for taxes and rates		14,997,060.46	58,113,875.40
Other cash payments related to operating activities	2	105,275,173.12	129,981,568.35
Subtotal of cash outflows from operating activities		429,419,856.33	603,447,710.91
Net cash flows from operating activities		72,143,878.43	-42,566,901.22

CONSOLIDATED CASH FLOW STATEMENT

For the year end on 31st December 2019

Form AC-03
Monetary unit: RMB Yuan

Items	Note No.	Current period	Prior period
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments			
Cash receipts from investment income		686,000.00	
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		194,485.00	5,125,526.66
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities		3,200,000.00	
<hr/>			
Subtotal of cash inflows from investing activities		4,080,485.00	5,125,526.66
<hr/>			
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		18,496,451.64	20,619,783.73
Cash payments for investments			
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities			
<hr/>			
Subtotal of cash outflows from investing activities		18,496,451.64	20,619,783.73
<hr/>			
Net cash flows from investing activities		-14,415,966.64	-15,494,257.07
<hr/>			
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			
Including: Cash received by subsidiaries from non-controlling shareholders as investments			
Cash receipts from borrowings			
Other cash receipts related to financing activities			
<hr/>			
Subtotal of cash inflows from financing activities			
<hr/>			
Cash payments for the repayment of borrowings		462,625.23	470,516.54
Cash payments for distribution of dividends or profits and for interest expenses		16,102,087.06	20,111,020.63
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit		16,000,000.00	20,000,000.00
Other cash payments related to financing activities	3	98,483.58	19,500,000.00
<hr/>			
Subtotal of cash outflows from financing activities		16,663,195.87	40,081,537.17
<hr/>			
Net cash flows from financing activities		-16,663,195.87	-40,081,537.17
<hr/>			
IV. Effect of foreign exchange rate changes on cash & cash equivalents		400,417.24	563,924.04
<hr/>			
V. Net increase in cash and cash equivalents		41,465,133.16	-97,578,771.42
Add: Opening balance of cash and cash equivalents		356,967,593.50	454,546,364.92
<hr/>			
VI. Closing balance of cash and cash equivalents		398,432,726.66	356,967,593.50

Legal representative: Wu Changlin

Chief accountant: Yu Qian

Head of the accounting department: Peng Xiaoli

CASH FLOW

STATEMENT OF THE PARENT COMPANY

For the year end on 31st December 2019

Form AF-03

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period	Prior period
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		135,443,636.56	72,108,128.91
Receipts of tax refund		1,170,519.07	
Other cash receipts related to operating activities		66,027,525.36	37,632,164.99
Subtotal of cash inflows from operating activities		202,641,680.99	109,740,293.90
Cash payments for goods purchased and services received		31,241,615.34	93,313,753.95
Cash paid to and on behalf of employees		24,608,429.53	30,402,179.83
Cash payments of taxes and rates		5,314,735.21	5,347,952.71
Other cash payments related to operating activities		56,663,754.72	30,860,663.24
Subtotal cash outflows from operating activities		117,828,534.80	159,924,549.73
Net cash flows from operating activities		84,813,146.19	-50,184,255.83
II. Cash flows from investing activities:			
Cash received from return of investments			30,000,000.00
Cash received from return on investments		24,686,000.00	
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		69,200.00	4,346,040.66
Net cash received from the disposal of subsidiaries & other business units		65,655.74	
Other cash receipts related to investing activities		3,200,000.00	5,000,000.00
Subtotal of cash inflows from investing activities		28,020,855.74	39,346,040.66
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		1,635,108.42	15,216,526.72
Cash payments for investments			19,500,000.00
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		1,635,108.42	34,716,526.72
Net cash flows from investing activities		26,385,747.32	4,629,513.94

CASH FLOW

STATEMENT OF THE PARENT COMPANY

For the year end on 31st December 2019

Form AF-03
Monetary unit: RMB Yuan

Items	Note No.	Current period	Prior period
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			
Cash receipts from borrowings			
Other cash receipts related to financing activities			
<hr/>			
Subtotal of cash inflows from financing activities			
<hr/>			
Cash payments for the repayment of borrowings		462,625.23	470,516.54
Cash payments for distribution of dividends or profits and for interest expenses		102,087.06	111,020.63
Other cash payments related to financing activities			
<hr/>			
Subtotal of cash outflows from financing activities		564,712.29	581,537.17
<hr/>			
Net cash flows from financing activities		-564,712.29	-581,537.17
<hr/>			
IV. Effect of foreign exchange rate changes on cash & cash equivalents			
<hr/>			
V. Net increase in cash and cash equivalents		110,634,181.22	-46,136,279.06
Add: Opening balance of cash and cash equivalents		212,395,927.82	258,532,206.88
<hr/>			
VI. Closing balance of cash and cash equivalents		323,030,109.04	212,395,927.82

Legal representative: Wu Changlin

Chief accountant: Yu Qian

Head of the accounting department: Peng Xiaoli

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year end on 31st December 2019

Items	Share capital		Preference shares		Other equity instruments		Shareholders' equity attributable to parent company		Current period			Total shareholders' equity	
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		Non-controlling interests
I. Balance at the end of prior year	400,000,000.00				638,760,122.08			3,626,311.39	8,726,923.61		-143,051,630.13	136,475,990.37	1,044,537,717.32
Add: cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	400,000,000.00				638,760,122.08		3,626,311.39	8,726,923.61			-143,051,630.13	136,475,990.37	1,044,537,717.32
III. Current period increase (or decrease)													
(I) Total comprehensive income													
(II) Capital contributed or withdrew by owners													
1. Ordinary shares contributed by owners													
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution													
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners													
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period	400,000,000.00				638,760,122.08		3,626,311.39	8,726,923.61			-193,187,054.70	107,152,487.29	965,078,789.67

Legal representative: Wu Changlin Chief accountant: Yu Qian Head of the accounting department: Peng Xiaoli

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year end on 31st December 2019

Form AC-04
Monetary unit: RMB Yuan

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Items	Share capital		Preference shares		Other equity instruments		Shareholders' equity attributable to parent company		Prior period comprehensive income		Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Non-controlling interests	Total shareholders' equity
	Share capital	Perpetual bonds	Preference shares	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Shareholders' equity attributable to parent company	Other comprehensive income							
I. Balance at the end of prior year	400,000,000.00				651,400,779.83			2,979,042.34	8,774,923.61							1,071,887,690.62
Add:																
Cumulative changes of accounting policies																
Error correction of prior period																
Business combination under common control																
Others																
II. Balance at the beginning of current year	400,000,000.00				651,400,779.83		2,979,042.34	8,774,923.61								1,065,697,836.20
III. Current period increase (or less: decrease)					-12,640,657.75		647,269.05	647,269.05								-21,160,188.88
(I) Total comprehensive income																
(II) Capital contributed or withdrawn by owners																
1. Ordinary shares contributed by owners																
2. Capital contributed by holders of other equity instruments																
3. Amount of share-based payment included in equity																
4. Others																
(III) Profit distribution																
1. Appropriation of surplus reserve																
2. Appropriation of general risk reserve																
3. Appropriation of profit to owners																
4. Others																
(IV) Internal carryover within equity																
1. Transfer of capital reserve to capital																
2. Transfer of surplus reserve to capital																
3. Surplus reserve to cover losses																
4. Changes in defined benefit plan carried over to retained earnings																
5. Other comprehensive income carried over to retained earnings																
6. Others																
(V) Special reserve																
1. Appropriation of current period																
2. Application of current period																
(VI) Others																
IV. Balance at the end of current period	400,000,000.00				638,760,122.08		3,626,311.39	8,774,923.61								1,044,537,773.2

Legal representative: Wu Changlin

Chief accountant: Yu Qian

Head of the accounting department: Peng Xiaoli

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

For the year end on 31st December 2019

Items	Other equity instruments				Current period			Total shareholders' equity			
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income		Special reserve	Surplus reserve	Undistributed profit
I. Balance at the end of prior year	400,000,000.00				648,262,469.64		3,626,311.39		8,726,923.61	-219,021,931.59	841,593,773.05
Add: cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	400,000,000.00				648,262,469.64		3,626,311.39		8,726,923.61	-219,021,931.59	841,593,773.05
III. Current period increase (decrease, expressed in negative figures)											
(I) Total comprehensive income											
(II) Capital contributed or withdrawn by owners											
1. Ordinary shares contributed by owner											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners											
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	400,000,000.00				648,262,469.64		3,626,311.39		8,726,923.61	-213,555,297.72	847,060,406.92

Legal representative: Wu Changlin Chief accountant: Yu Qian Head of the accounting department: Peng Xiaoli

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

For the year end on 31st December 2019

Form AF-04
Monetary unit: RMB Yuan

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Items	Share capital	Preference shares	Other equity instruments Perpetual bonds	Others	Capital reserve	Prior period Less: treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
I. Balance at the end of prior year	400,000,000.00				648,262,469.64		2,979,042.34		8,726,923.61	-195,702,861.70	864,265,523.89
Add: cumulative changes of accounting policies										-5,891,467.59	-5,891,467.59
Error correction of prior period											
Others											
II. Balance at the beginning of current year	400,000,000.00				648,262,469.64		2,979,042.34		8,726,923.61	-201,594,349.29	853,774,086.30
III. Current period increase (decrease, expressed in negative figures)											
(I) Total comprehensive income											
(II) Capital contributed or withdrawn by owners											
1. Ordinary shares contributed by owner											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners											
3. Others											
(IV) Internal transfer within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	400,000,000.00				648,262,469.64		3,626,311.39		8,726,923.61	-219,021,931.59	841,593,773.05

Legal representative: Wu Changlin

Chief accountant: Yu Qian

Head of the accounting department: Peng Xiaoli

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

I. COMPANY PROFILE

Chengdu PUTIAN Telecommunications Cable Company Limited (the "Company") was incorporated and registered with the Chengdu Administration Bureau of Industry and Commerce 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"), as independent promoter, under the approval of the relevant department of the State Council. The Company is headquartered in Chengdu, Sichuan Province, and holds the Business (License numbered 9151010020193968XY). The registered capital of the Company is RMB400,000,000. There are a total of 400,000,000.00 shares in issue with the nominal value of RMB1 each of which: equity interest of China PUTIAN Corporation amounts to RMB240,000,000, representing 60% of the total shares; equity interest of public holders of ordinary shares (H Shares) listed in Hong Kong amounts to RMB160,000,000, representing 40% of the total shares. The shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 December 1994.

The Company's business is in the sector of the manufacturing industry. Main business activities: wire and cable, fiber optic cable, cable special materials, radiation processing, cable technology research and development, product production, sales and service, electrical technology development, transfer, consulting and related ancillary services; design and installation: city and road lighting engineering, building construction and decoration engineering, fire safety facilities engineering, mechanical and electrical equipment installation engineering, residential building electroweak system engineering; wholesale and retail: communication equipment (excluding radio transmitters), lighting equipment, electrical equipment, instrumentation, electronic measuring instruments, electronic components, transmission and distribution and control equipment, hardware products and electronic products, plastic products, mineral products, building materials and chemical products (except dangerous chemical products and precursor chemicals), groceries; commission agency (excluding auctions); import and export of self-operated commodities and their similar products; own real estate, machinery and equipment leasing and property management.

The financial statements were approved and authorized for issue by the 11th meeting of the 9th session of the Board of Directors dated 27 March 2020.

The Company has brought 4 subsidiaries including Chengdu Zhongling Wireless Communication Cable Co., Ltd., Chengdu SEI Optical Fiber Co., Ltd., Chengdu PUTIAN New Material Co., Ltd., Chongqing Putaifeng Aluminium Co., Ltd. (The current period has been written off and liquidated) into the consolidation scope. Please refer to section VI and VII of notes to financial statements for details.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

(I) Preparation basis

The financial statements have been prepared on the basis of going concern.

(II) Assessment of the ability to continue as a going concern

The Company has no events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the balance sheet date.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Important note: The Company has set up accounting policies and estimates on transactions or events such as impairment of financial instruments, depreciation of fixed assets, amortization of intangible assets, and revenue recognition, etc. based on the Company's actual production and operation features.

(I) Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

(II) Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

(III) Operating cycle

The Company has a relatively short operating cycle for its business, an asset or a liability is classified as current if it is expected to be realized or due within 12 months.

(IV) Functional currency

The Company's functional currency is Renminbi (RMB) Yuan.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(V) Accounting treatments of business combination under and not under common control

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

(VI) Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into its consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 – Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

(VII) Recognition criteria of cash and cash equivalents

Cash as presented in cash flow statement refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(VIII) Foreign currency translation

Transactions denominated in foreign currency are translated into RMB yuan at *the spot exchange rate/the approximate exchange rate similar to the systematically and rationally determined spot exchange rate* at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with its RMB amount unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1); (4) financial liabilities at amortized cost.

2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

(1) *Recognition criteria and measurement method of financial assets and financial liabilities*

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount. However, at initial recognition, for accounts receivable that do not contain a significant financing component or contracts in which the financing components with associated period less than one year are not considered, the Company measures at their transaction price in accordance with "CASBE14 – Revenues".

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities (Continued)

(2) *Subsequent measurement of financial assets*

1) Financial assets measured at amortized cost

The Company measures its financial assets at the amortized costs using effective interest method. Gains or losses on financial assets that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial assets are derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses.

2) Debt instrument investments at fair value through other comprehensive income

The Company measures its debt instrument investments at fair value. Interests, impairment gains or losses, and gains and losses on foreign exchange that calculated using effective interest method shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into profit or loss when the financial assets are derecognized.

3) Equity instrument investments at fair value through other comprehensive income

The Company measures its equity instrument investments at fair value. Dividends obtained (other than those as part of investment cost recovery) shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into retained earnings when the financial assets are derecognized.

4) Financial assets at fair value through profit or loss

The Company measures its financial assets at fair value. Gains or losses arising from changes in fair value (including interests and dividends) shall be included into profit or loss, except for financial assets that are part of hedging relationships.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities (Continued)

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities (including derivatives that are liabilities) and financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. The amount of changes in the fair value of the financial liabilities that are attributable to changes in the Company's own credit risk shall be included into other comprehensive income, unless such treatment would create or enlarge accounting mismatches in profit or loss. Other gains or losses on those financial liabilities (including interests, changes in fair value that are attributable to reasons other than changes in the Company's own credit risk) shall be included into profit or loss, except for financial liabilities that are part of hedging relationships. Accumulated gains or losses that originally recognized as other comprehensive income should be transferred out into retained earnings when the financial liabilities are derecognized.

2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies "CASBE23 – Transfer of Financial Assets".

3) Financial guarantee contracts not fall within the above categories 1) and 2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category 1)

The Company measures its financial liabilities at the higher of: a. the amount of loss allowances in according to impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with "CASBE14 – Revenues".

4) Financial liabilities at amortized cost

The Company measures its financial liabilities at amortized cost using effective interest method. Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial liabilities are derecognized and through the amortization process.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities (Continued)

(4) Derecognition of financial assets and financial liabilities

- 1) Financial assets are derecognized when:
 1. the contractual rights to the cash flows from the financial assets expire; or
 2. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with “CASBE23 – Transfer of Financial Assets”.
- 2) Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company does not retain its control over the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability; (2) if the Company retains its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carry amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

4. Fair value determination method of financial assets and liabilities

The Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- (2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;
- (3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, and financial forecast developed using the Company's own data, etc.

5. Impairment of financial instruments

- (1) *Measurement and accounting treatment*

The Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost, debt instrument investments, contract assets or lease receivable at fair value through other comprehensive income, loan commitments other than financial liabilities at fair value through profit or loss, financial guarantee contracts not belong to financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Purchased or originated credit-impaired financial assets are discounted at the credit-adjusted effective interest rate.

On the balance sheet date, the Company shall only recognize the cumulative changes in the lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

5. Impairment of financial instruments (Continued)

(1) *Measurement and accounting treatment (Continued)*

For accounts receivable do not contain a significant financing component or contracts in which the financing components with associated period less than one year are not considered, which result from transactions as regulated in "CASBE14 – Revenues", the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For lease receivables, accounts receivable and contract assets that result from transactions as regulated in "CASBE14 – Revenues" and contain a significant financing component, the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than the above, on each balance sheet date, the Company shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. The Company shall measure the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; otherwise, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk on the balance sheet date.

The Company shall estimate expected credit risk and measure expected credit losses on an individual or a collective basis. When the Company adopts the collective basis, financial instruments are grouped with similar credit risk features.

The Company shall remeasure expected credit loss on each balance sheet date, and increased or reversed amounts of loss allowance arising therefrom shall be included into profit or loss as impairment losses or gains. For a financial asset measured at amortized cost, the loss allowance reduce the carrying amount of such financial asset presented in the balance sheet; for a debt investment measured at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of such financial asset.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

5. Impairment of financial instruments (Continued)

- (2) *Financial instruments with expected credit risk assessed and expected credit losses measured on a collective basis*

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Other receivables – Portfolio grouped with deposit receivables	Nature of receivables	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, calculate expected credit loss through exposure at default and 12-month or lifetime expected credit loss rate.
Other receivables – Portfolio grouped with related party receivables		
Other receivables – Other Portfolio		

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

5. Impairment of financial instruments (Continued)

(3) *Accounts receivable and contract assets with expected credit losses measured on a collective basis*

1) Specific portfolios and method for measuring expected credit loss

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Bank acceptance receivable Trade acceptance receivable	Type of notes	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, calculate expected credit loss through exposure at default and lifetime expected credit loss rate.
Accounts receivable – Portfolio grouped with related party receivables	Related party	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, calculate expected credit loss through exposure at default and lifetime expected credit loss rate.
Accounts receivable – Portfolio grouped with non-related party receivables	Overdue ages	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, prepare the comparison table of overdue ages and lifetime expected credit loss rate of accounts receivable, so as to calculate expected credit loss.
Other receivables – Portfolio grouped with leasing receivables	Nature of receivables	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, calculate expected credit loss through exposure at default and lifetime expected credit loss rate.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

5. Impairment of financial instruments (Continued)

(3) *Accounts receivable and contract assets with expected credit losses measured on a collective basis (Continued)*

2) Accounts receivable – comparison table of ages and lifetime expected credit loss rate of non-related party portfolio

Ages	Expected credit loss rate (%)
Within 1 year (inclusive, the same hereinafter)	3.40
1-2 years	27.53
2-3 years	70.07
Over 3 years	85.07

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred asset and the associated liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Inventories

1. Classification of inventories

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, and materials or suppliers etc. to be consumed in the production process or in the rendering of services.

2. Accounting method for dispatching inventories

Inventories include raw materials, finished goods, revolving materials are accounted for planned cost, the difference in cost shall be calculated and taken up at the end of each period, and adjust the budget cost of inventory to historical cost.

3. Basis for determining net realizable value

At the balance sheet date, inventories are measured at the lower of cost or net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value is determined separately and is compared with their costs to set the provision for inventory write-down to be made or reversed.

4. Inventory system

Perpetual inventory method is adopted.

5. Amortization method of low-value consumables and packages

(1) *Low-value consumables*

Low-value consumables are amortized with one-off method.

(2) *Packages*

Packages are amortized with one-off method.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XI) Contract costs

Assets related to contract costs including costs of obtaining a contract and costs to fulfil a contract.

The Company recognizes as an asset the incremental costs of obtaining a contract if it expects to recover those costs. The costs of obtaining a contract shall be included into profit or loss when incurred if the amortization period of the asset is one year or less.

If the costs incurred in fulfilling a contract are not within the scope of standards related to inventories, fixed assets or intangible assets, etc., the Company shall recognize the costs to fulfil a contract as an asset on if all the following criteria are satisfied:

1. The costs relate directly to a contract or to an anticipated contract, including direct labor, direct materials, manufacturing overhead cost (or similar cost), cost that are explicitly chargeable to the customer under the contract, and other costs that are only related to the contract;
2. The costs enhance resources of the Company that will be used in satisfying performance obligations in the future; and
3. The costs are expected to be recovered.

An asset related to contract costs shall be amortized on a systematic basis that is consistent with related goods or services, with amortization included into profit or loss.

The Company shall make provision for impairment and recognize an impairment loss to the extent that the carrying amount of an asset related to contract costs exceeds: a. the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates; less b. the costs expected to be incurred. The Company shall recognize a reversal of an impairment loss previously recognized in profit or loss when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the amount that would have been determined on the reversal date if no provision for impairment had been made previously.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XII) Non-current assets or disposal groups classified as held for sale

1. Classification of non-current assets or disposal groups as held for sale

Non-current assets or disposal groups are accounted for as held for sale when the following conditions are all met: a. the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets or disposal groups; b. its sales must be highly probable, i.e., the Company has made a decision on the sale plan and has obtained a firm purchase commitment, and the sale is expected to be completed within one year.

When the Company acquires a non-current asset or disposal group with a view to resale, it shall classify the non-current asset or disposal group as held for sale at the acquisition date only if the requirement of "expected to be completed within one year" is met at that date and it is highly probable that other criteria for held for sale will be met within a short period (usually within three months).

An asset or a disposal group is still accounted for as held for sale when the Company remains committed to its plan to sell the asset or disposal group in the circumstance that non-related party transactions fail to be completed within one year due to one of the following reasons: a. a buyer or others unexpectedly set conditions that will extend the sale period, while the Company has taken timely actions to respond to the conditions and expects a favorable resolution of the delaying factors within one year since the setting; (2) a non-current asset or disposal group classified as held for sale fails to be sold within one year due to rare cases, and the Company has taken action necessary to respond to the circumstances during the initial one-year period and the criteria for held for sale are met.

2. Measurement of non-current assets or disposal groups as held for sale

(1) Initial measurement and remeasurement

For initial measurement and remeasurement as at the balance sheet date of a non-current asset or disposal group as held for sale, where the carrying amount is higher than the fair value less costs to sell, the carrying amount is written down to the fair value less costs to sell, and the write-down is recognized in profit or loss as assets impairment loss, meanwhile, provision for impairment of assets as held for sale shall be made.

For a non-current asset or disposal group classified as held for sale at the acquisition date, the asset or disposal group is measured on initial recognition at the lower of its initial measurement amount had it not been so classified and fair value less costs to sell. Apart from the non-current asset or disposal group acquired through business combination, the difference arising from the initial recognition of a non-current asset or disposal group at the fair value less costs to sell shall be included into profit or loss.

The assets impairment loss recognized for a disposal group as held for sale shall reduce the carrying amount of goodwill in the disposal group first, and then reduce its carrying amount based on the proportion of each non-current asset's carrying amount in the disposal group.

No provision for depreciation or amortization shall be made on non-current assets as held for sale or non-current assets in disposal groups as held for sale, while interest and other expenses attributable to the liabilities of a disposal group as held for sale shall continue to be recognized.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XII) Non-current assets or disposal groups classified as held for sale (Continued)

2. Measurement of non-current assets or disposal groups as held for sale (Continued)

(2) *Reversal of assets impairment loss*

When there is a subsequent increase in fair value less costs to sell of a non-current asset as held for sale at the balance sheet date, the write-down shall be recovered, and shall be reversed not in excess of the impairment loss that has been recognized after the non-current asset was classified as held for sale. The reversal shall be included into profit or loss. Assets impairment loss that has been recognized before the classification is not reserved.

When there is a subsequent increase in fair value less costs to sell of a disposal group as held for sale at the balance sheet date, the write-down shall be recovered, and shall be reversed not in excess of the non-current assets impairment loss that has been recognized after the disposal group was classified as held for sale. The reversal shall be included into profit or loss. The reduced carrying amount of goodwill and non-current assets impairment loss that has been recognized before the classification is not reserved.

The subsequent reversal of the impairment loss that has been recognized in a disposal group as held for sale, the carrying amount is increased based on the proportion of carrying amount of each non-current assets (excluding goodwill) in the disposal group.

(3) *Non-current asset or disposal group that is no longer classified as held for sale and derecognized*

A non-current asset or disposal group that does not meet criteria for held for sale and no longer classified as held for sale, or a non-current asset that removed from a disposal group as held for sale shall be measured at the lower of: a. its carrying amount before it was classified as held for sale, adjusted for any depreciation. Amortization or impairment that would have been recognized had it not been classified as held for sale; and b. its recoverable amount.

When a non-current asset or disposal group classified as held for sale is derecognized, unrecognized gains or losses shall be included into profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIII) Long-term equity investments

1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

2. Determination of investment cost

- (1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investments and the carrying value of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included in the consolidated financial statements of the ultimate controlling party. The difference between the acquisition-date investment cost of long-term equity investments and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIII) Long-term equity investments (Continued)

2. Determination of investment cost (Continued)

- (2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

When long-term equity investments are obtained through business combination not under common control achieved in stages, the Company determined whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

- 1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.
- 2) In the case of consolidated financial statements, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, the carrying value of the acquirer’s previously held equity interest in the acquire is re-measured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer’s previously held equity interest in the acquire involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from remeasurement of defined benefit plan of the acquiree.
- (3) Long-term equity investments obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to “CASBE12 – Debt Restructuring”; and that obtained through non-cash assets exchange is determined according to “CASBE7 – Non-cash Assets Exchange”.

3. Subsequent measurement and recognition method of gain or loss

For long-term equity investments with control relationship, it is accounted for with cost method; for long-term equity investments with joint control or significant influence relationship, it is accounted for with equity method.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIII) Long-term equity investments (Continued)

4. Disposal of a subsidiary in stages resulting in the Company's loss of control

(1) *Stand-alone financial statements*

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company's loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant influence, the remained equity is accounted for according to "CASBE 22 – Financial Instruments: Recognition and Measurement".

(2) *Consolidated financial statements*

- 1) Disposal of a subsidiary in stages not qualified as "bundled transaction" resulting in the Company's loss of control

Before the Company's loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When the Company loses control, the remained equity is re-measured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company's loss of control.

- 2) Disposal of a subsidiary in stages qualified as "bundled transaction" resulting in the Company's loss of control

In case of "bundled transaction", stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. Before the Company loses control, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIV) Investment property

1. Investment property includes land use right of rent-out property and of property held for capital appreciation and buildings that have been leased out.
2. The initial measurement of investment property is based on its cost, and subsequent measurement is made using the cost model, the depreciation or amortization method is the same as that of fixed assets and intangible assets.

(XV) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	15-30	3	3.23-6.47
General equipment	Straight-line method	5-18	3	5.39-19.40
Transport facilities	Straight-line method	4-6	3	16.17-24.25
Other equipment	Straight-line method	4-15	3	6.47-24.25

(XVI) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.
2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designed usable conditions. When the construction completion cost reaches final estimating and auditing of the construction in progress was not finished while it reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVII) Borrowing costs

1. Recognition principle of borrowing costs capitalization

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

2. Borrowing costs capitalization period

- (1) The borrowing costs are not capitalized unless they following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.
- (2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.
- (3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

3. Capitalization rate and capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings at the present period minus the income of interests earned on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVIII) Intangible assets

1. Intangible asset includes land use right, patent right and non-patented technology etc. The initial measurement of intangible asset is based its cost.
2. For intangible assets with finite useful lives, its amortization amount is amortized within its useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Land use right	50
Patent right	10-15
Others	10-15

Intangible assets with uncertain service life are not amortized, and the company reviews the useful life of the intangible assets during each accounting period. For intangible assets with uncertain service life, the judgment of the service life is based on:

- (1) From contractual rights or other statutory rights, but there are no clear years of use in contractual or legal provisions.
- (2) It is still impossible to judge the period in which intangible assets bring economic benefits to the company by synthesizing the same industry situation or related expert arguments.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVIII) Intangible assets

3. Expenditures on the research phase of an internal project are recognized as profit or loss when it is incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Criteria for distinguishing the research phase from the development phase of an internal project to create an intangible asset: research stage involves activities carried out for 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 pin-pointing and high probability of concluding results.

(XIX) Impairment of part of non-current assets

For non-current assets such as long-term equity investments, investment property at cost model, fixed assets, construction in progress, intangible assets with finite useful life, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is estimated. For goodwill recognized in business combination and intangible assets with indefinite useful life, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related group of assets or a portfolio of groups of assets.

When the recoverable amount of such non-current assets is lower than their carrying amount, the difference is recognized as assets impairment loss through profit or loss.

(XX) Employee benefits

- 1. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.**
- 2. Short-term employee benefits**

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XX) Employee benefits (Continued)

3. Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

- (1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.
- (2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:
 - 1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. The Company discounts obligations under the defined benefit plan using the discount rate to determine the present value of the defined benefit plan obligations and the current service cost;
 - 2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the present value of the defined benefit plan obligation from the fair value of defined benefit plan assets as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;
 - 3) At the end of reporting period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. Changes as a result of remeasurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

4. Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: a. when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or b. when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XX) Employee benefits (Continued)

5. Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan. The Company recognizes and measures the net liability or net asset of other long-term employee benefits in accordance with the requirements relation to defined benefit plan. At the end of the reporting period, the Company recognizes the components of cost of employee benefits arising from other long-term employee benefits as the followings: a. service cost; b. net interest on the net liability or net assets of other long-term employee benefits; and c. changes as a result of remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts are recognized in profit or loss or included in the cost of a relevant asset.

(XXI) Revenue

1. Revenue recognition principles

At contract inception, the Company shall assess the contracts and shall identify each performance obligation in the contracts, and determine whether the performance obligation should be satisfied over time or at a point in time.

The Company satisfies a performance obligation over time if one of the following criteria is met, otherwise, the performance obligation is satisfied at a point in time: (1) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; (2) the customer can control goods or services as they are created by the Company's performance; (3) the Company's performance does not create goods or services with an alternative uses and the Company has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, the Company shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. In the circumstance that the progress cannot be measured reasonably, but the costs incurred in satisfying the performance obligation are expected to be recovered, the Company shall recognize revenue only to the extent of the costs incurred until it can reasonably measure the progress. To determine whether the customer has obtained control of goods, the Company shall consider the following indicators: (1) the Company has a present right to payment for the goods, i.e., the customer is presently obliged to pay for the goods; (2) the Company has transferred the legal title of the goods to the customer, i.e., the customer has legal title to the goods; (3) the Company has transferred physical possession of the goods, i.e., the customer has physically possessed the goods; (4) the Company has transferred significant risks and rewards of ownership of the goods, i.e., the customer has obtained significant risks and rewards of ownership of the goods; (5) the customer has accepted the goods; (6) other indicators showing the customer has obtained control over the goods.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXI) Revenue(Continued)

2. Measurement principle

- (1) Revenue is measured at the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer.
- (2) If the consideration promised in a contract includes a variable amount, the Company shall estimate the amount of consideration at expected value or the most likely amount. The Company shall include in the transaction price the amount of variable consideration only to the extent that it is high probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
- (3) In the circumstance that the contract contains a significant financing component, the Company shall determine the transaction price based on the price that a customer would have paid for if the customer had paid cash for obtaining control over those goods or services. The difference between the transaction price and the amount of promised consideration is amortized under effective interest method over contractual period. The effects of a significant financing component shall not be considered if the Company expects, at the contract inception, that the period between when the customer obtains control over goods or services and when the customer pays consideration will be one year or less.
- (4) For contracts containing two or more performance obligations, the Company shall determine the stand-alone selling price at contract inception of the distinct good underlying each performance obligation and allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

3. Revenue recognition method

Revenue recognized based on the time point

The company's main products are copper cable and related products, optical cable and related products, wire bushing and related products, it satisfies the performance obligation at a point in time. Revenue from domestic sales is recognized if, and only if, the following conditions are all met: the Company has delivered goods to the customer based on contractual agreements and the customer has accepted the goods; goods payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; significant risks and rewards of ownership of the goods has been transferred; and the legal title of the goods has been transferred. Revenue from overseas sales is recognized if, and only if, the following conditions are all met: the Company has declared goods to the customs based on contractual agreements and has obtained a bill of lading; goods payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; significant risks and rewards of ownership of the goods has been transferred; and the legal title of the goods has been transferred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXII) Government grants

1. Government grants shall be recognized if, and only if, the following conditions are all met: (1) the Company will comply with the conditions attaching to the grants; (2) the grants will be received. Monetary government grants are measured at the amount received or receivable. Non-monetary government grants are measured at fair value, and can be measured at nominal amount in the circumstance that fair value can't be assessed.

2. **Government grants related to assets**

Government grants related to assets are government grants with which the Company construct or otherwise acquire long-term assets under requirements of government. In the circumstances that there is no specific government requirement, the Company shall determine based on the primary condition to acquire the grants and government grants related to assets are government grants whose primary condition is to construct or otherwise acquire long-term assets. They offset carrying amount of relevant assets or recognized as deferred income. If recognized as deferred income, they are included in profit or loss on a systematic basis over the useful lives of the relevant assets. Those measured at notional amount is directly included into profit or loss. For assets sold, transferred, disposed or damaged within the useful lives, balance of unamortized deferred income is transferred into profit or loss of the year in which the disposal occurred.

3. **Government grants related to income**

Government grants related to income are government grants other than those related to assets. For government grants that contain both parts related to assets and parts related to income, in which those two parts are blurred and thus collectively classified as government grants related to income. For government grants related to income used for compensating the related future cost, expenses or losses of the Company are recognized as deferred income and are included in profit or loss or offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for government grants related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or directly offset relevant cost.

4. Government grants related to the ordinary course of business shall be included into other income or offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXIII) Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.
2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.
3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.
4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (a) business combination; and (b) the transactions or items directly recognized in equity.

(XXIV) Leases

1. Identification of a lease

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, the customer has both of the following: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

2. Identification of separate leases

For a contract that contains more than one lease component, the Company separates the components and accounts for each lease component separately. The right to use an underlying asset is a separate lease component if both: (a) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee; and (b) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXIV) Leases (Continued)

3. The Company as lessee

At the commencement date, the Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option; the Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

For all short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or loss with straight-line method over the lease term.

Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate shall be used. Unrecognized financing expenses, calculated at the difference between the lease payment and its present value, are recognized as interest expenses over the lease term using the discount rate which has been used to determine the present value of lease payment and included in profit or loss. Variable lease payments not included in the measurement of lease liabilities are included in profit or loss in the periods in which they are incurred.

After the commencement date, the Company remeasures the lease liability to reflect changes to the lease payments, if there is a change in the following items: (a) fixed payments; (b) amounts expected to be payable under residual value guarantees; (c) an index or a rate used to determine lease payments; (d) assessment result or exercise of purchase option, extension option or termination option.

4. The Company as lessor

At the commencement date, the Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is classified as an operating lease.

Operating lease

Lease receipts are recognized as lease income with straight-line method over the lease term. Initial direct costs incurred shall be capitalized and recognized as profit or loss over the lease term on the same basis as the lease income. Variable lease payments related to operating lease which are not included in the measurement of the lease payment are charged as profit or loss in the periods in which they are incurred.

The Company accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXIV) Leases (Continued)

5. Accounting treatments for lease modifications

(1) *A lease modification as a separate lease*

The Company accounts for a lease modification as a separate lease if both: (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope.

(2) *A lease modification not as a separate lease*

The Company as lessor

If the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Company accounts for the lease modification as a new lease from the effective date of the modification, and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification. Otherwise, the Company applies "CASBE 22 – Financial Instruments: Recognition and Measurement".

(XXV) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. An operating segment is a component of the Company that:

- (1) engages in business activities from which it may earn revenues and incur expenses;
- (2) whose financial performance are regularly reviewed by Management to make decisions about resource to be allocated to the segment and assess its performance; and
- (3) for which financial information regarding financial position, financial performance and cash flows is available.

(XXVI) Recognition criteria and accounting treatment of discontinued operations

A component of the Company that has been disposed of, or is classified as held for sale and can be clearly distinguished is recognized as a discontinued operation when it fulfills any of the following conditions:

- (1) it represents a separate major line of business or a separate geographical area of operations;
- (2) it is part of a related plan to dispose of a separate major line of business or a separate geographical area of operations; or
- (3) it is a subsidiary acquired exclusively with a review to resale.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXVII) Critical accounting judgments and estimates

In the course of preparing financial statements, the Company has used estimates and assumptions, which may have effects on the application of accounting policies and amount of assets, liabilities, revenue and expenses. Concerning the discrepancy in practice, the Company performs ongoing assessment on key assumptions and key sources of estimation uncertainty. Effects arising from changes in accounting estimates are recognized at the period when such change occurs and subsequent period onwards.

Key sources of estimation uncertainty are:

1. Recognition of deferred tax assets

As stated in section III (XXIII) of the notes to financial statement, deferred tax assets are recognized based on the deductible temporary difference (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) between the carrying amount and the tax base of assets or liabilities and the applicable tax rate at the time when such asset is collected or such liability is liquidated. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference.

2. Impairment of financial instruments and contract assets

As stated in section III (IX) of the notes to financial statement, the Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost (notes receivable, accounts receivable, other receivables, debt investments, long-term receivables)/debt instrument investments (other debt investments)/contract assets/lease receivable at fair value through other comprehensive income.

3. Provision for inventory write-down

As stated in section III (X) of the notes to financial statement, at the balance sheet date, inventories are measured at the lower of cost or net realizable value; provision for inventory write-down is made on the difference between the cost and the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value is determined separately and is compared with their costs to set the provision for inventory write-down to be made or reversed.

4. Impairment of non-current assets

As stated in section III (XIX) of the notes to financial statement, for non-current assets such as long-term equity investments, investment property at cost model, fixed assets, construction in progress, intangible assets with finite useful life, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is estimated. For goodwill recognized in business combination and intangible assets with indefinite useful life, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related group of assets or a portfolio of group of assets. When the measurement result indicates that the recoverable amount of such non-current assets is lower than their carrying amount, the carrying amount is reduced to the recoverable amount, and the difference is recognized as assets impairment loss through profit or loss, and provision for impairment loss of assets is made accordingly.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Currency Unit: RMB

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXVIII) Significant changes in accounting policies

Changes in accounting policies arising from changes in CASBEs

- The Company prepared the financial statements for the year ended December 31, 2019 in accordance with "Notice of the Ministry of Finance on Revising and Issuing Financial Statement Templates for General Enterprises" (numbered Cai Kuai [2019] 6), "Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Edition)" (Cai Kuai [2019] 16), and CASBEs, and changes in accounting policies are applicable to retrospective application method. Items of financial statement for the year ended December 31, 2018 significantly affected and their amounts are as follows:

Original financial statement items and amounts		Revised financial statement items and amounts	
Notes receivable and accounts receivable	228,215,477.41	Notes receivable	112,895,610.20
		Accounts receivable	115,319,867.21
		Receivables financing	
Notes payable and accounts payable	63,251,671.34	Notes payable	
		Accounts payable	63,251,671.34

- The Company has adopted "CASBE 21 – Leases" revised by Ministry of Finance of PRC (the "revised lease standard") since January 1, 2019.
 - For the contract existed prior to January 1, 2019, the Company does not assess whether it is, or contains, a lease.
 - The Company doesn't adopt the retrospective application method for leases in which the Company is the lessor.
- The Company has adopted "CASBE 7 – Non-cash Assets Exchange" since June 10, 2019, and "CASBE 12 – Debt Restructuring" since June 17, 2019, and changes in accounting policies are applicable to prospective application method.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

IV. TAXES

(I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	16%, 13% (Note)
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	1.2%, 12%
Urban maintenance and construction tax	Turnover tax payable	7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	15%, 25%
Urban and township land use tax	Actual area of land occupied	RMB6/m ² , RMB8/m ²

Note: According to the Finance and Taxation [2019] No. 39 issued by the Ministry of Finance and the State Administration of Taxation. Taxpayers who have incurred VAT sales shall adjusted the original tax rates from 16% to 13% respectively since 1 April 2019.

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
The Company	15%
Chengdu SEI Optical Fiber Co., Ltd.	15%
Chengdu PUTIAN New Material Co., Ltd.	25%
Chengdu Zhongling Wireless Communication Cable Co., Ltd.	15%

(II) Tax preferential policies

According to the "Management for the High-tech Enterprises" (GUOKEFAHUO [2016] No. 32) and the "Guidelines for the Management of High-tech Enterprises Certification" (GUOKEFAHUO [2016] No. 195), the Company which was recognized as a high-tech enterprise are entitled to a 15% preferential income tax rate valid for three years (2018 to 2020).

According to the "Management for the High-tech Enterprises" (GUOKEFAHUO [2016] No. 32) and the "Guidelines for the Management of High-tech Enterprises Certification" (GUOKEFAHUO [2016] No. 195), the subsidiary company Chengdu SEI Optical Fiber Co., Ltd. and Chengdu Zhongling Wireless Communication Cable Co., Ltd. have been recognized as high-tech enterprises, they were entitled to a 15% preferential income tax rate, valid for three years (2017-2019).

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

Remarks: "Opening balance" in this report refers to balances as at January 1, 2019, adjusted by balances as at December 31, 2018 according to the new lease criteria.

(I) Notes to items of the consolidated balance sheet

1. Cash and bank balances

(1) Details

Items	Closing balance	Closing balance of the preceding period
Cash on hand	5,969.18	19,963.86
Cash in bank	445,329,592.05	427,169,522.44
Other cash and bank balances	13,723,584.13	14,808,199.10
Total	459,059,145.36	441,997,685.40

(2) Other remarks

At the end of the period, other cash and bank balances of RMB13,723,584.13 are the deposit for the letter of credit, and cash in bank include the pledged fixed deposits of RMB46,902,834.58. The above are the status of the restricted use currency funds.

2. Notes receivable

(1) Details

1) Details of different categories

Categories	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	39,322,586.97	100.00	59,422.12	0.15	39,263,164.85
Including:					
Bank acceptance	27,438,163.04	69.78			27,438,163.04
Trade acceptance	11,884,423.93	30.22	59,422.12	0.50	11,825,001.81
Total	39,322,586.97	100.00	59,422.12	0.15	39,263,164.85

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

2. Notes receivable (Continued)

(1) Details (Continued)

1) Details of different categories (Continued)

Categories	Closing balance of the preceding period		Amount	Provision proportion (%)	Carrying amount
	Book balance	Provision for bad debts			
	Amount	% to total			
Receivables with provision for bad debts made on a collective basis	113,082,759.28	100.00	187,149.08	0.17	112,895,610.20
Including:					
Bank acceptance	94,566,177.70	83.63	94,566.17	0.10	94,471,611.53
Trade acceptance	18,516,581.58	16.37	92,582.91	0.50	18,423,998.67
Total	113,082,759.28	100.00	187,149.08	0.17	112,895,610.20

2) Notes receivable with provision for bad debts made on a collective basis

Items	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Bank acceptance portfolio	27,438,163.04		
Trade acceptance portfolio	11,884,423.93	59,422.12	0.50
Subtotal	39,322,586.97	59,422.12	0.15

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

2. Notes receivable (Continued)

(2) Changes in provision for bad debts

1) Details

Items	Opening balance	Increase			Decrease		Closing balance
		Accrual	Recovery	Others	Written- off	Others	
Bank acceptance	94,566.17	-94,566.17					
Trade acceptance	92,582.91	-33,160.79					59,422.12
Subtotal	187,149.08	-127,726.96					59,422.12

(3) Notes receivable written off in current period

Notes receivable actually written off in current period totaled 0 yuan.

(4) Pledged notes

Items	Closing balance of pledged notes
Bank acceptance	13,329,148.00
Subtotal	13,329,148.00

(5) Endorsed or discounted but undue notes at the balance sheet date

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	18,346,525.86	
Subtotal	18,346,525.86	

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company derecognized the endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company still holds joint liability on such acceptance, according to the China Commercial Instrument Law.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

3. Accounts receivable

(1) Details

1) Details on categories

Categories	Book balance		Closing balance		Carrying amount
	Amount	% to total	Amount	Provision for bad debts Provision proportion (%)	
Receivables with provision made on an individual basis	44,443,123.40	34.03	44,443,123.40	100.00	
Receivables with provision made on a collective basis	86,154,317.86	65.97	11,992,130.04	13.92	74,162,187.82
Total	130,597,441.26	100.00	56,435,253.44	43.21	74,162,187.82

Categories	Book balance		Closing balance of the preceding period		Carrying amount
	Amount	% to total	Amount	Provision for bad debts Provision proportion (%)	
Receivables with provision made on an individual basis	22,386,293.35	12.40	22,386,293.35	100.00	
Receivables with provision made on a collective basis	158,092,450.39	87.60	42,772,583.18	27.06	115,319,867.21
Total	180,478,743.74	100.00	65,158,876.53	36.10	115,319,867.21

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

3. Accounts receivable (Continued)

(1) Details (Continued)

2) Accounts receivable with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd	2,580,313.34	2,580,313.34	100.00	The company is going bankruptcy, not expect to be recoverable
KABKableprektionAB	2,058,597.74	2,058,597.74	100.00	Not expect to be recoverable
Shenyang Hengyuanda Communication Equipment Co., Ltd.	1,621,814.62	1,621,814.62	100.00	Not expect to be recoverable
Chuandong Electrical and Mechanical Company	1,606,692.41	1,606,692.41	100.00	Not expect to be recoverable
Chongqing Xiongying Communication Co., Ltd.	1,414,724.47	1,414,724.47	100.00	Not expect to be recoverable
Wu Zhida Electronics Co., Ltd.	1,344,969.65	1,344,969.65	100.00	Not expect to be recoverable
Hangzhou hanyi plastic pipe Co., Ltd.	1,156,614.94	1,156,614.94	100.00	Not expect to be recoverable
Zhongnan Company, China Postal and Electrical Material Company	1,116,797.27	1,116,797.27	100.00	Not expect to be recoverable
Sales branch of Chengdu Cable Factory	1,062,382.43	1,062,382.43	100.00	Not expect to be recoverable
Henan Qingfeng County Industry and Commerce Co., Ltd.	1,007,986.64	1,007,986.64	100.00	Not expect to be recoverable
Sichuan Huiyuan Optical Communication Co., Ltd.	1,007,072.46	1,007,072.46	100.00	Not expect to be recoverable
Others	28,465,157.43	28,465,157.43	100.00	Not expect to be recoverable
Subtotal	44,443,123.40	44,443,123.40	100.00	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

3. Accounts receivable (Continued)

(1) Details (Continued)

3) Accounts receivable with provision for bad debts made on a collective basis

Items	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Related party portfolio	1,631,872.60	8,159.36	0.50
Non-related party portfolio	84,522,445.26	11,983,970.68	14.18
Subtotal	86,154,317.86	11,992,130.04	13.92

4) In non-related party portfolios, accounts receivable with provision made on a collective basis based on the comparison table of age and expected credit loss rate

Ages	Book balance	Closing balance Provision for bad debts	Expected credit loss rate (%)
Within 1 year	65,721,595.57	2,236,578.61	3.40
1-2 years	10,357,244.63	2,850,889.63	27.53
2-3 years	1,910,611.41	1,338,766.94	70.07
Over 3 years	6,532,993.65	5,557,735.50	85.07
Subtotal	84,522,445.26	11,983,970.68	14.18

5) Accounts receivable with provision made on a collective basis based on related party portfolios

Items	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Related party portfolio	1,631,872.60	8,159.36	0.50
Subtotal	1,631,872.60	8,159.36	0.50

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

3. Accounts receivable (Continued)

(2) Age analysis

Ages	Closing balance			Closing balance of the preceding period		
	Book balance	Provision for bad debts	Provision proportion (%)	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	66,290,153.35	2,401,540.51	3.62	116,102,813.72	6,699,176.47	5.77
1-2 years	11,583,493.23	2,857,020.87	24.66	3,224,503.30	1,113,663.19	34.54
2-3 years	1,934,821.41	1,362,976.94	70.44	4,419,050.21	3,931,507.26	88.97
Over 3 years	50,788,973.27	49,813,715.12	98.08	56,732,376.51	53,414,529.61	94.15
Total	130,597,441.26	56,435,253.44	43.21	180,478,743.74	65,158,876.53	36.10

Accounts receivable shall be analyzed by age since the month when such receivables are accrued and shall be settled by time sequence.

The credit terms granted to customers are generally 3 months. A few customers have credit terms of 1 or 12 months. Accounts receivable that past due are reviewed by the Management on a regular basis.

(3) Changes in provision for bad debts

Items	Opening balance	Increase			Decrease		Closing balance
		Accrual	Recovery	Others	Written off	Others	
Receivables with provision made on an individual basis	22,386,293.35	22,056,830.05					44,443,123.40
Receivables with provision made on a collective basis	42,772,583.18	-30,780,453.14					11,992,130.04
Subtotal	65,158,876.53	-8,723,623.09					56,435,253.44

(4) Accounts receivable written off in current period

Accounts receivable actually written off in current period totaled 0 yuan.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

3. Accounts receivable (Continued)

(5) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Shenzhen ZTE Kangxun Telecom Company Limited	17,957,049.57	13.75	896,056.77
Zhongtian Technology Optical Fiber Co., Ltd.	5,282,226.87	4.04	26,411.13
CRRC Zhuzhou Locomotive Co., Ltd.	5,022,244.68	3.85	250,610.01
Jiangsu Zerong Communication Technology Co., Ltd.	4,592,987.71	3.52	105,179.42
Jiangsu Ronglian Technology Development Co., Ltd.	3,221,989.97	2.47	390,505.18
Subtotal	36,076,498.80	27.63	1,668,762.51

4. Receivables financing

(1) Details

1) Details on categories

Items	Initial cost	Interest adjustment	Closing balance		Carrying amount	Provision for impairment
			Interest accrued	Changes in fair value		
Notes receivable	23,544,919.54				23,544,919.54	
Total	23,544,919.54				23,544,919.54	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

4. Receivables financing (Continued)

(1) Details (Continued)

2) Receivables financing with provision for impairment made on a collective basis

Items	Book balance	Closing balance Provision for impairment	Provision proportion (%)
Bank acceptance portfolio	23,544,919.54		
Subtotal	23,544,919.54		

(2) Endorsed or discounted but undue notes at the balance sheet date

Items	Closing balance derecognized
Bank acceptance	53,345,590.48
Subtotal	53,345,590.48

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company derecognized the endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company still holds joint liability on such acceptance, according to the China Commercial Instrument Law.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

5. Advances paid

(1) Age analysis

Ages	Closing balance			Closing balance of the preceding period		
	Book balance	% to total	Provision for impairment Carrying amount	Book balance	% to total	Provision for impairment Carrying amount
Within 1 year	5,054,193.01	96.69	5,054,193.01	16,543,059.23	99.00	16,543,059.23
1-2 years	6,147.36	0.12	6,147.36	10,925.00	0.07	10,925.00
2-3 years	10,925.00	0.21	10,925.00	43,564.76	0.26	43,564.76
Over 3 years	155,894.08	2.98	155,894.08	112,329.32	0.67	112,329.32
Total	5,227,159.45	100.00	5,227,159.45	16,709,878.31	100.00	16,709,878.31

(2) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Qingbaijiang customs of the People's Republic of China	1,888,056.21	36.12
Sumitomo Electric Asia Ltd.	1,567,825.16	29.99
The central Treasury	1,123,997.38	21.50
China railway inspection and certification center co., LTD	191,620.00	3.67
Tongling Dingke tinned wire Co., LTD	71,757.32	1.37
Subtotal	4,843,256.07	92.65

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

6. Other receivables

(1) Details

1) Details on categories

Categories	Book balance		Closing balance		Carrying amount
	Amount	% to total	Amount	Provision for bad debts Provision proportion (%)	
Receivables with provision made on an individual basis	4,320,646.95	11.32	4,320,646.95	100.00	
Receivables with provision made on a collective basis	33,843,226.77	88.68	24,425,708.88	72.17	9,417,517.89
Total	38,163,873.72	100.00	28,746,355.83	75.32	9,417,517.89

Categories	Book balance		Closing balance of the preceding period		Carrying amount
	Amount	% to total	Amount	Provision for bad debts Provision proportion (%)	
Receivables with provision made on an individual basis	4,320,646.95	10.69	4,320,646.95	100.00	
Receivables with provision made on a collective basis	36,111,324.57	89.31	24,436,800.62	67.67	11,674,523.95
Total	40,431,971.52	100.00	28,757,447.57	71.13	11,674,523.95

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

6. Other receivables (Continued)

(1) Details (Continued)

2) Other receivables with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons for provision made
Sichuan Tianxin Investment Group Co., LTD	500,000.00	500,000.00	100.00	Aged receivables, not expect to be recoverable
Chengdu Pike Power Co., LTD	248,940.91	248,940.91	100.00	Aged receivables, not expect to be recoverable
XIACHADE	3,000,000.00	3,000,000.00	100.00	Aged receivables, not expect to be recoverable
Others	571,706.04	571,706.04	100.00	Aged receivables, not expect to be recoverable
Subtotal	4,320,646.95	4,320,646.95	100.00	

3) Other receivables with provision made on a collective basis

Portfolios	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Lease receivable	4,713,685.10	23,568.43	0.50
Deposit, reserve, assurance	6,884,639.35	5,745,364.35	83.45
Related party	3,052,320.45	15,261.60	0.50
Others	19,192,581.87	18,641,514.50	97.13
Subtotal	33,843,226.77	24,425,708.88	72.17

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

6. Other receivables (Continued)

(2) Age analysis

Items	Closing book balance
Within 1 year	6,990,299.30
1-2 years	2,203,076.61
2-3 years	221,716.19
3-4 years	50,000.00
4-5 years	118,775.92
Over 5 years	28,580,005.70
Subtotal	38,163,873.72

(3) Changes in provision for bad debts

Items	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses (credit not impaired)	Phase III Lifetime expected credit losses (credit impaired)	Total
Opening balance	58,665.95		28,698,781.62	28,757,447.57
Opening balance in the current period				
- Transferred to phase II				
- Transferred to phase III				
- Reversed to phase II				
- Reversed to phase I				
Provision made in the current period	-11,341.74		250.00	-11,091.74
Provision recovered in current period				
Provision reversed in current period				
Provision written-off in current period				
Other changes				
Closing balance	47,324.21		28,699,031.62	28,746,355.83

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

6. Other receivables (Continued)

(4) Other receivables categorized by nature

Nature of receivables	Closing balance	Closing balance of the preceding period
Lease receivable	4,713,685.10	4,212,269.51
Deposit, reserve, assurance	7,542,771.74	8,146,076.28
Proceeds on disposal of long-term asset	1,374,780.00	1,474,780.00
Temporary advance payment receivable	24,532,636.88	23,128,845.73
Government subsidies		3,470,000.00
Total	38,163,873.72	40,431,971.52

(5) Details of the top 5 debtors with largest balances

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Tazishan Material Factory	Temporary payment receivable	8,391,138.00	Over 5 years	21.99	8,391,138.00
Tianyun Technology (Suzhou) Co., Ltd.	Deposit	4,786,324.75	Over 5 years	12.54	4,786,324.75
Shenzhen Fuyu Industrial Co., Ltd.	Temporary payment receivable	3,566,915.53	Over 5 years	9.35	3,566,915.53
XIACHADE	Temporary payment receivable	3,000,000.00	Over 5 years	7.86	3,000,000.00
China Putian Information Industry Group Co., Ltd.	Deposit	1,630,942.76	Within 1 year	4.27	8,154.71
Subtotal		21,375,321.04		56.01	19,752,532.99

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

7. Inventories

(1) Details

Items	Book balance	Closing balance Provision for write-down	Carrying amount
Raw materials	52,818,759.10	3,131,739.63	49,687,019.47
Semi-finished goods and work in process	8,199,307.44	1,347,228.23	6,852,079.21
Goods on hand	45,170,715.64	17,592,725.29	27,577,990.35
Total	106,188,782.18	22,071,693.15	84,117,089.03

Items	Closing balance of the preceding period		
	Book balance	Provision for write-down	Carrying amount
Raw materials	33,500,215.83	2,367,366.02	31,132,849.81
Semi-finished goods and work in process	9,548,784.17	1,778,873.37	7,769,910.80
Goods on hand	70,485,682.36	20,450,957.29	50,034,725.07
Total	113,534,682.36	24,597,196.68	88,937,485.68

(2) Provision for inventory write-down

1) Details

Items	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Reversal or written-off	Others	
Raw materials	2,367,366.02	2,357,835.50		2,689.92	1,590,771.97	3,131,739.63
Semi-finished goods and work in process	1,778,873.37	544,540.44		109,603.15	866,582.43	1,347,228.23
Goods on hand	20,450,957.29	5,874,791.78			8,733,023.78	17,592,725.29
Subtotal	24,597,196.68	8,777,167.72		112,293.07	11,190,378.18	22,071,693.15

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

7. Inventories (Continued)

(2) Provision for inventory write-down (Continued)

- 2) The provision for impairment in this period is mainly due to the decline of the optical fibers price, resulting that the realized value of some optical fiber raw materials, semi-finished goods and work in process, products declines. The reasons for determining the net realizable value of the net realizable value, and the reasons for the reversal or resale of inventory depreciation in the current period are as follows:

Items	Determination basis of net realizable value	Reasons for reversal of provision for inventory write-down	Reasons for written-off of provision for inventory write-down
Raw materials	Estimated selling price of relevant finished goods less cost to be incurred upon completion, estimated selling expenses, and taxes and surcharges	Net realizable value of inventories with provision for inventory write-down made in preceding period increased	Inventories with provision for inventory write-down made in preceding period were consumed in current period
Work in process	Estimated selling price of relevant finished goods less cost to be incurred upon completion, estimated selling expenses, and taxes and surcharges	Net realizable value of inventories with provision for inventory write-down made in preceding period increased	Inventories with provision for inventory write-down made in preceding period were produced in current period
Goods on hand	Estimated selling price of relevant finished goods less cost to be incurred upon completion, estimated selling expenses, and taxes and surcharges		Inventories with provision for inventory write-down made in preceding period were sold in current period

8. Other current assets

Items	Closing balance	Closing balance of the preceding period
VAT input tax for deduction	13,349,729.41	14,048,727.80
Prepaid tax	65,095.57	
Total	13,414,824.98	14,048,727.80

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

9. Debt investments

(1) Details

Items	Initial cost	Closing balance		Provision for impairment	Carrying amount
		Interest adjustment	Interest accrued		
Corporate bond	60,000.00			60,000.00	
Total	60,000.00			60,000.00	

Items	Initial cost	Closing balance of the preceding period		Provision for impairment	Carrying amount
		Interest adjustment	Interest accrued		
Corporate bond	60,000.00			60,000.00	
Total	60,000.00			60,000.00	

(2) Provision for impairment of debt investments

Items	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance			60,000.00	60,000.00
Opening balance in current period				
- Transferred to phase II				
- Transferred to phase III				
- Reversed to phase II				
- Reversed to phase I				
Provision made in current period				
Provision recovered in current period				
Provision reversed in current period				
Provision written-off in current period				
Other changes				
Closing balance			60,000.00	60,000.00

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

10. Long-term equity investments

(1) Categories

Items	Book balance	Closing balance Provision for impairment	Carrying amount
Investments in associates	124,054,606.49	125,903.35	123,928,703.14
Total	124,054,606.49	125,903.35	123,928,703.14

Items	Book balance	Closing balance of the preceding period Provision for impairment	Carrying amount
Investments in associates	132,585,852.23	125,903.35	132,459,948.88
Total	132,585,852.23	125,903.35	132,459,948.88

(2) Details

Investees	Opening balance	Investments increased	Investments decreased	Increase/Decrease	
				Investment income recognized under equity method	Adjustment in other comprehensive income
Associates					
Chengdu Cable Material Factory	125,903.35				
Chengdu Bada Connector Co., Ltd.	4,732,379.12			841,146.51	
Chengdu Yuexin Communication Materials Co., Ltd.	638,416.68			-465,760.31	
Putian Farr Sheng Optical communication Co., Ltd.	127,089,153.08			-8,220,631.94	
Total	132,585,852.23			-7,845,245.74	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

10. Long-term equity investments (Continued)

(2) Details (Continued)

Investees	Changes in other equity	Increase/Decrease		Others	Closing balance	Closing balance of provision for impairment
		Cash dividend/ profit declared for distribution	Provision for impairment			
Associates						
Chengdu Cable Material Factory					125,903.35	125,903.35
Chengdu Bada Connector Co., Ltd.		686,000.00			4,887,525.63	
Chengdu Yuexin Communication Materials Co., Ltd.					172,656.37	
Putian Farr Sheng Optical communication Co., Ltd.					118,868,521.14	
Total		686,000.00			124,054,606.49	125,903.35

11. Other equity instrument investments

(1) Details

Items	Closing balance	Opening balance	Dividend income	Accumulated amount of gains or losses transferred from other comprehensive income to retained earnings	
				Amount	Reasons
Chengdu High-tech Development Co., Ltd.	4,977,441.00	4,977,441.00			
Subtotal	4,977,441.00	4,977,441.00			

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

11. Other equity instrument investments (Continued)

(2) *Reasons for equity instrument investments designated as at fair value through other comprehensive income*

The Company's equity instrument investment is a long-term investment that the Company plans to hold for strategic purposes. Therefore, the Company designates it as a financial asset measured at fair value through other comprehensive income.

12. Investment property

(1) *Details*

Items	Buildings and structures	Total
Cost		
Opening balance	100,237,385.62	100,237,385.62
Increase	16,138,582.03	16,138,582.03
1) Transferred in from fixed assets	16,138,582.03	16,138,582.03
Decrease	8,969,679.50	8,969,679.50
1) Transfer out to fixed assets	8,969,679.50	8,969,679.50
Closing balance	107,406,288.15	107,406,288.15
Accumulated depreciation and amortization		
Opening balance	33,728,610.15	33,728,610.15
Increase	7,774,463.74	7,774,463.74
1) Accrual	3,719,632.40	3,719,632.40
2) Transferred in from fixed assets	4,054,831.34	4,054,831.34
Decrease	4,676,152.66	4,676,152.66
1) Transfer out to fixed assets	4,676,152.66	4,676,152.66
Closing balance	36,826,921.23	36,826,921.23
Carrying amount		
Closing balance	70,579,366.92	70,579,366.92
Opening balance	66,508,775.47	66,508,775.47

(2) *Investment property with certificate of titles being unsettled*

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	38,284,728.77	Fire control not yet accepted due to change on fire regulations
Subtotal	38,284,728.77	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

13. Fixed assets

(1) Details

Items	Buildings and structures	General equipment	Transport facilities	Other equipment	Total
Cost					
Opening balance	153,454,272.26	288,482,102.51	5,407,232.94	22,836,873.08	470,180,480.79
Increase	8,969,679.50	33,131,875.41	346,784.48	3,233,401.94	45,681,741.33
1) Acquisition		89,364.61	346,784.48	10,844.83	446,993.92
2) Transferred in from construction in progress		33,042,510.80		3,222,557.11	36,265,067.91
3) Transferred in from investment property	8,969,679.50				8,969,679.50
Decrease	17,449,641.04	12,492,332.43	1,017,767.00	597,741.68	31,557,482.15
1) Disposal/scrap	1,311,059.01	12,492,332.43	1,017,767.00	597,741.68	15,418,900.12
2) Transferred out to investment property	16,138,582.03				16,138,582.03
Closing balance	144,974,310.72	309,121,645.49	4,736,250.42	25,472,533.34	484,304,739.97
Accumulated depreciation					
Opening balance	59,098,111.25	206,132,018.15	4,606,199.48	17,233,674.12	287,070,003.00
Increase	9,286,917.73	13,640,537.53	216,858.97	1,701,158.94	24,845,473.17
1) Accrual	4,610,765.07	13,640,537.53	216,858.97	1,701,158.94	20,169,320.51
2) Transferred in from investment property	4,676,152.66				4,676,152.66
Decrease	4,894,319.06	11,392,497.96	758,083.30	537,967.52	17,582,867.84
1) Disposal/scrap	839,487.72	11,392,497.96	758,083.30	537,967.52	13,528,036.50
2) Transferred out to investment property	4,054,831.34				4,054,831.34
Closing balance	63,490,709.92	208,380,057.72	4,064,975.15	18,396,865.54	294,332,608.33
Provision for impairment					
Opening balance		18,119,799.59		27,365.04	18,147,164.63
Increase		1,265,115.00		230,969.03	1,496,084.03
1) Provision made		1,265,115.00		230,969.03	1,496,084.03
Decrease		30,000.00			30,000.00
1) Disposal/scrap		30,000.00			30,000.00
Closing balance		19,354,914.59		258,334.07	19,613,248.66
Carrying amount					
Closing balance	81,483,600.80	81,386,673.18	671,275.27	6,817,333.73	170,358,882.98
Opening balance	94,356,161.01	64,230,284.77	801,033.46	5,575,833.92	164,963,313.16

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

13. Fixed assets (Continued)

(2) *Fixed assets with certificate of titles being unsettled*

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	18,538,747.72	Fire control not yet accepted due to change on fire regulations
Subtotal	18,538,747.72	

14. Construction in progress

(1) *Details*

Items	Closing balance	Closing balance of the preceding period
Construction in progress	8,841,518.20	12,439,412.34
Construction materials		18,119,088.16
Total	8,841,518.20	30,558,500.50

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

14. Construction in progress (Continued)

(2) Construction in progress

1) Details

Projects	Book balance	Closing balance Provision for impairment	Carrying amount
Comprehensive technical transformation	6,576,797.90	5,919,118.11	657,679.79
China Putian Chengdu Industrial Base supporting plant	5,422,798.74		5,422,798.74
Aluminum rod production line PK2300AG	3,499,183.32	3,243,576.02	255,607.30
Aluminum rolling 01 PK8000	1,188,820.65	780,081.05	408,739.60
B07# Utility Engineering	1,949,756.55		1,949,756.55
Air compressor Chengdu Putian Shuangchuang Park Planning and Construction Project	105,122.64		105,122.64
Sporadic Projects	41,813.58		41,813.58
Total	18,784,293.38	9,942,775.18	8,841,518.20

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

14. Construction in progress (Continued)

(2) Construction in progress (Continued)

1) Details (Continued)

Projects	Closing balance of the preceding period		Carrying amount
	Book balance	Provision for impairment	
Comprehensive technical transformation	6,576,797.90	5,919,118.11	657,679.79
China Putian Chengdu Industrial Base supporting plant	4,050,129.23		4,050,129.23
Aluminum rod production line	3,499,183.32		3,499,183.32
PK2300AG	1,638,554.80		1,638,554.80
Aluminum rolling 01	1,188,820.65	780,081.05	408,739.60
PK8000	757,590.61		757,590.61
B07# Utility Engineering	620,129.16		620,129.16
Air compressor	110,755.67		110,755.67
Chengdu Putian Shuangchuang Park Planning and Construction Project	105,122.64		105,122.64
Sporadic Projects	591,527.52		591,527.52
Total	19,138,611.50	6,699,199.16	12,439,412.34

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

14. Construction in progress (Continued)

(2) Construction in progress (Continued)

2) Changes in significant projects

Projects	Budgets (Unit:10,000)	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Comprehensive technical transformation	700.00	6,576,797.90				6,576,797.90
China Putian Chengdu Industrial Base supporting plant	733.00	4,050,129.23	1,372,669.51			5,422,798.74
Aluminum rod production line	450.00	3,499,183.32				3,499,183.32
PK2300AG	230.00	1,638,554.80	173,479.05	1,812,033.85		
Aluminum rolling 01	120.00	1,188,820.65				1,188,820.65
PK8000	100.00	757,590.61	80,208.55	837,799.16		
B07# Utility Engineering	741.00	620,129.16	4,991,479.28	3,661,851.89		1,949,756.55
Air compressor	12.00	110,755.67		110,755.67		
Chengdu Putian Shuangchuang Park Planning and Construction Project	14,000.00	105,122.64				105,122.64
Sporadic Projects	80.00	591,527.52	47,316.95	597,030.89		41,813.58
B07#Wire drawing line	1,308.00		13,084,032.39	13,084,032.39		
B08#Tower	504.00		5,035,055.77	5,035,055.77		
B08#Wire drawing line	1,200.00		10,062,504.93	10,062,504.93		
B08# Utility Engineering	10.00		88,464.66	88,464.66		
High voltage distribution	100.00		639,383.29	639,383.29		
Fire safety facilities	183.00		336,155.41	336,155.41		
Subtotal	20,471.00	19,138,611.50	35,910,749.79	36,265,067.91		18,784,293.38

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

14. Construction in progress (Continued)

(2) Construction in progress (Continued)

2) Changes in significant projects (Continued)

Projects	Accumulated investment to budget (%)	Completion percentage(%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in current period	Annual capitalization rate (%)	Fund source
Comprehensive technical transformation	93.95	100.00				Self-raising
China Putian Chengdu Industrial Base supporting plant	73.98	95.00				Self-raising
Aluminum rod production line	77.76	75.00				Self-raising
PK2300AG	78.78	100.00				Self-raising
Aluminum rolling 01	99.07	90.00				Self-raising
PK8000	83.78	100.00				Self-raising
B07# Utility Engineering	75.73	75.00				Self-raising
Air compressor	92.30	100.00				Self-raising
Chengdu Putian Shuangchuang Park Planning and Construction Project	0.08	1.00				Self-raising
Sporadic Projects	79.86	90.00				Self-raising
B07#Wire drawing line	100.03	100.00				Self-raising
B08#Tower	99.90	100.00				Self-raising
B08#Wire drawing line	83.85	100.00				Self-raising
B08# Utility Engineering	88.46	100.00				Self-raising
High voltage distribution	63.94	100.00				Self-raising
Fire safety facilities	18.37	20.00				Self-raising
Subtotal						

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

14. Construction in progress (Continued)

(2) Construction in progress (Continued)

3) Provisions for impairment of construction in progress

Items	Provision made in current period	Reasons for provision made
Aluminum rod production line	3,243,576.02	Recoverable amount is less than book balance
Subtotal	3,243,576.02	

(3) Construction materials

Items	Closing balance	Closing balance of the preceding period
Special equipment		18,119,088.16
Subtotal		18,119,088.16

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

15. Intangible assets

Items	Land use right	Patent right	Others	Total
Cost				
Opening balance	58,005,842.45	1,071,672.28	6,984,071.38	66,061,586.11
Increase				
Decrease				
Closing balance	58,005,842.45	1,071,672.28	6,984,071.38	66,061,586.11
Accumulated amortization				
Opening balance	13,148,250.01	1,071,672.28	3,904,339.35	18,124,261.64
Increase	1,282,310.28		1,645,080.36	2,927,390.64
1) Accrual	1,282,310.28		1,645,080.36	2,927,390.64
Decrease				
Closing balance	14,430,560.29	1,071,672.28	5,549,419.71	21,051,652.28
Carrying amount				
Closing balance	43,575,282.16		1,434,651.67	45,009,933.83
Opening balance	44,857,592.44		3,079,732.03	47,937,324.47

(2) Analysis of carrying amount of land use right

Items	Closing balance	Closing balance of the preceding period
Outside Hong Kong	43,575,282.16	44,857,592.44
Including: Mid-term lease (Note)	43,575,282.16	44,857,592.44
Subtotal	43,575,282.16	44,857,592.44

Note: The remaining lease term is 43 years.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

16. Deferred tax assets and deferred tax liabilities

(1) *Deferred tax liabilities before offset*

Items	Closing balance		Closing balance of the preceding period	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Changes in fair value of other equity instrument investments	4,266,248.68	639,937.30	4,266,248.68	639,937.30
Total	4,266,248.68	639,937.30	4,266,248.68	639,937.30

(2) *Details of unrecognized deferred tax assets*

Items	Closing balance	Closing balance of the preceding period
Deductible temporary difference	137,054,651.73	150,357,937.00
Deductible losses	290,257,928.88	207,386,132.95
Subtotal	427,312,580.61	357,744,069.95

(3) *Maturity years of deductible losses of unrecognized deferred tax assets*

Maturity years	Closing balance	Closing balance of the preceding period	Remarks
Year 2020	61,607,997.54	61,607,997.54	
Year 2021	54,576,698.48	54,576,698.48	
Year 2022	28,463,226.14	28,463,226.14	
Year 2023	62,738,210.79	62,738,210.79	
Year 2024	82,871,795.93		
Subtotal	290,257,928.88	207,386,132.95	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

17. Other non-current assets

Items	Closing balance	Closing balance of the preceding period
Prepaid project payment		8,667,587.21
Total		8,667,587.21

18. Accounts payable

(1) Details

Items	Closing balance	Closing balance of the preceding period
Material purchase	50,129,194.54	62,625,788.86
Payable operating expenses	376,904.08	625,882.48
Total	50,506,098.62	63,251,671.34

(2) Age analysis

Ages	Closing balance
Within 1 year	45,393,414.90
1-2 years	122,836.39
2-3 years	1,388,479.21
Over 3 year	3,601,368.12
Subtotal	50,506,098.62

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

18. Accounts payable (Continued)

(3) Significant accounts payable with age over one year

Items	Closing balance	Reasons for unsettlement
Chengdu Huangshi Shuangfeng Cable Co., Ltd.	3,426,822.79	The project is not yet due for settlement
Subtotal	3,426,822.79	

19. Advances received

Items	Closing balance	Closing balance of the preceding period
Lease payment	254,715.26	381,164.12
Total	254,715.26	381,164.12

20. Contract liabilities

Items	Closing balance	Closing balance of the preceding period
Goods	4,161,020.10	7,298,184.05
Total	4,161,020.10	7,298,184.05

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

21. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	22,541,492.06	44,048,449.73	47,126,123.57	19,463,818.22
Post-employment benefits – defined contribution plan	266,066.10	6,802,932.37	6,802,932.37	266,066.10
Termination benefits	4,996,264.64	1,628,927.24	1,971,255.24	4,653,936.64
Total	27,803,822.80	52,480,309.34	55,900,311.18	24,383,820.96

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	16,097,838.88	32,822,164.55	35,713,526.09	13,206,477.34
Employee welfare fund		2,357,386.65	2,345,452.65	11,934.00
Social insurance premium	82,894.95	3,351,988.65	3,351,988.65	82,894.95
Including: Medicare premium	77,475.74	2,917,974.20	2,917,974.20	77,475.74
Occupational injuries premium	327.29	119,471.90	119,471.90	327.29
Maternity premium	5,091.92	314,542.55	314,542.55	5,091.92
Housing provident fund	-823.00	2,569,137.20	2,567,820.20	494.00
Trade union fund and employee education fund	6,361,581.23	794,091.94	993,655.24	6,162,017.93
Others		2,153,680.74	2,153,680.74	
Subtotal	22,541,492.06	44,048,449.73	47,126,123.57	19,463,818.22

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

21. Employee benefits payable (Continued)

(3) Details of defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium	266,908.23	6,567,778.41	6,567,778.41	266,908.23
Unemployment insurance premium	-842.13	235,153.96	235,153.96	-842.13
Subtotal	266,066.10	6,802,932.37	6,802,932.37	266,066.10

Pursuant to the Labor Law of the People's Republic of China and relevant laws and regulations, the Company and its subsidiaries in the People's Republic of China participated in defined contribution retirement schemes for its employees. The local government authorities are responsible for the entire pension obligations payable to retired employees who reach retirement age pursuant to relevant regulations or quit the work force due to other reasons. The Company and its subsidiaries have no other obligation to make payment in respect of pension benefits.

22. Taxes and rates payable

Items	Closing balance	Closing balance of the preceding period
Enterprise income tax	1,358,819.55	7,421,274.33
Individual income tax withheld for tax authorities	19,295.00	161,928.86
Urban maintenance and construction tax	2,307.78	8,608.07
Housing property tax	26,593.22	732.40
Education surcharge	989.04	3,689.18
Local education surcharge	659.37	2,459.45
Stamp duty	76,415.79	104,625.24
Total	1,485,079.75	7,703,317.53

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

23. Other payables

Items	Closing balance	Closing balance of the preceding period
Deposits	3,455,565.27	2,966,207.38
Temporary receipts payable	12,098,843.04	28,974,062.36
Others	5,611,545.99	6,471,005.04
Total	21,165,954.30	38,411,274.78

24. Long-term borrowings

(1) Details

Items	Closing balance	Closing balance of the preceding period
Secured borrowings	6,483,910.19	6,981,019.84
Total	6,483,910.19	6,981,019.84

(2) Analysis of long-term borrowings maturity dates

Items	Closing balance	Closing balance of the preceding period
Due on demand or within one year	468,820.11	470,727.67
More than one year but not exceeding two years	468,820.11	470,727.67
More than two years but not exceeding five years	1,406,460.34	1,412,183.01
Over five years	4,139,809.63	4,627,381.49
Subtotal	6,483,910.19	6,981,019.84
Including: Long-term borrowings due within one year	468,820.11	470,727.67
Long-term borrowings due more than one year	6,015,090.08	6,510,292.17

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

24. Long-term borrowings (Continued)

(3) Other remarks

The annual interest rate of the loan is 0.5%.

25. Deferred income

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	60,648,560.16	1,008,000.00	3,914,031.32	57,742,528.84	
Total	60,648,560.16	1,008,000.00	3,914,031.32	57,742,528.84	

(2) Details of government grants

Items	Opening balance	Increase	Grants included into profit or loss (Note)	Closing balance	Related to assets/income
Shuangliu Land Acquisition Compensation	59,342,560.16		3,482,131.32	55,860,428.84	Related to assets
Chengdu High-tech Zone Electronic Information Industry Policy Fund	906,000.00		15,100.00	890,900.00	Related to assets
Provincial industrial development funds for technical renovation		1,008,000.00	16,800.00	991,200.00	Related to assets
Nuclear grade special cable development and application subsidies	400,000.00		400,000.00		Related to income
Subtotal	60,648,560.16	1,008,000.00	3,914,031.32	57,742,528.84	

Note: Please refer to section V (IV) 3 of notes to financial statements for details on grants included into profit or loss.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

25. Deferred income (Continued)

(3) *Other remarks*

According to the Supreme County People's Government of Chengdu City, "Reply on the Approval of the Acquisition of Real Estate of Chengdu Cable Shuangliu Heat Shrinking Products Factory" (Shuangfutu [2008] No. 129) and "Management Measures for Land Acquisition and Reserve of Shuangliu County", March 2009, Subsidiary Chengdu Cable Shuangliu Heat Shrinking Products Factory (now known as Chengdu Putian New Materials Co., Ltd.) signed the "State-Owned Land Acquisition Agreement" with Shuangliu County Land Reserve Center, and agreed to Shuangliu County Government to recover the Baijia Town in Shuangliu County, Chengdu for RMB87.2043 million. Nearly the village has 47,767.75 square meters of state-owned land use rights.

26. Share capital

Items	Opening balance	Issue of new shares	Bonus shares	Movements Reserve transferred to shares	Others	Subtotal	Closing balance
Non-tradable shares							
Held by domestic legal persons	240,000,000.00						240,000,000.00
Held by domestic natural persons							
Unrestricted shares							
A shares							
H shares	160,000,000.00						160,000,000.00
Total	400,000,000.00						400,000,000.00

27. Capital reserve

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	302,343,510.57			302,343,510.57
Other capital reserve	336,416,611.51			336,416,611.51
Total	638,760,122.08			638,760,122.08

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(I) Notes to items of the consolidated balance sheet (Continued)

28. Other comprehensive income (OCI)

Items	Opening balance	Current period cumulative before income tax	Less: OCI carried forward to profit or loss	Current period cumulative			Attributable to non-controlling shareholders	Closing balance
				Less: OCI carried forward to retained earnings	Less: income tax	Attributable to parent company		
Items not to be reclassified subsequently to profit or loss	3,626,311.39							3,626,311.39
Including: Changes in fair value of other equity instrument investments	3,626,311.39							3,626,311.39
Total	3,626,311.39							3,626,311.39

29. Surplus reserve

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	8,726,923.61			8,726,923.61
Total	8,726,923.61			8,726,923.61

30. Undistributed profit

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	-143,051,630.13	-121,848,878.20
Add: Increase due to adjustment (or less: decrease)		-6,189,834.42
Opening balance after adjustment	-143,051,630.13	-128,038,712.62
Add: Net profit attributable to owners of the parent company	-50,135,424.57	-15,012,917.51
Closing balance	-193,187,054.70	-143,051,630.13

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(II) Notes to items of the consolidated income statement

1. Operating revenue/Operating cost

(1) Details

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	413,650,510.79	410,288,605.83	580,793,108.83	448,970,914.08
Other operations	35,606,239.74	20,297,453.76	33,814,442.32	22,651,119.36
Total	449,256,750.53	430,586,059.59	614,607,551.15	471,622,033.44

(2) Breakdown of revenue by main categories

Segments	Copper cable and related products	Optical communication products	Wire bushings and related products	Subtotal
Main product types				
Fiber optic products		189,791,633.07		189,791,633.07
Thermal casing			368,916.86	368,916.86
Track cable	20,797,539.51			20,797,539.51
Component processing and component trade	178,593,142.16			178,593,142.16
Electrical equipment	11,705,477.99			11,705,477.99
Feeder	14,032,706.54			14,032,706.54
Lease	15,011,199.74		7,205,179.54	22,216,379.28
Others	9,809,684.76		1,941,270.36	11,750,955.12
Subtotal	249,949,750.70	189,791,633.07	9,515,366.76	449,256,750.53
Revenue recognition time				
Goods (transferred at a point in time)	234,938,550.96	189,791,633.07	2,310,187.22	427,040,371.25
Services (rendered over time)	15,011,199.74		7,205,179.54	22,216,379.28
Subtotal	249,949,750.70	189,791,633.07	9,515,366.76	449,256,750.53

(3) Revenue recognized as included in the opening balance of carrying amount of contract liabilities totaled 4,719,459.02 yuan.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(II) Notes to items of the consolidated income statement (Continued)

2. Taxes and surcharges

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	199,883.62	1,609,094.64
Education surcharge	85,664.40	689,611.99
Local education surcharge	57,109.59	459,741.36
Stamp duty	292,534.75	436,241.91
Housing property tax	3,470,377.62	3,377,232.83
Land use tax	2,396,164.60	2,396,164.60
Vehicle and vessel use tax	5,640.00	4,560.00
Resources tax	12,885.10	179.46
Environmental Protection Tax	4.01	7,505.10
Total	6,520,263.69	8,980,331.89

3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Staff salaries	3,927,567.43	5,739,264.66
Transportation cost	2,755,498.37	4,554,771.12
Packaging expenses	1,269,941.92	1,478,625.34
Business expenses	1,064,288.18	2,000,015.51
Advertising promotion fee	699,758.11	1,735,877.87
Office and travelling expenses	315,954.68	506,535.35
Sales service expenses	1,533,803.27	2,773,969.56
Others	526,330.17	1,055,780.48
Total	12,093,142.13	19,844,839.89

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(II) Notes to items of the consolidated income statement (Continued)

4. Administrative expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Staff salaries	29,618,616.75	29,517,287.28
Depreciation and amortisation	10,683,852.49	11,373,381.04
Business entertainment	498,880.44	636,663.35
Office and travelling expenses	1,400,539.24	2,119,811.11
Agency fee	2,714,746.77	2,512,481.50
Disability person protection	451,929.14	235,188.25
Repairs and maintenance	1,460,219.94	1,939,087.86
Water and electricity	944,642.40	2,541,919.30
Shutdown loss	1,169,547.06	
Leasing fee		641,283.59
Others	2,924,018.25	7,862,060.53
Total	51,866,992.48	59,379,163.81

(2) Current period administrative expenses of 820,000.00 yuan (2018: 860,000.00yuan) is the auditor's remuneration.

5. R&D expenses

Items	Current period cumulative	Preceding period comparative
Staff salaries	6,353,497.83	4,432,735.39
Including: Wage	4,409,710.95	3,281,208.53
Welfare payments	170,183.24	164,264.88
Social insurance	1,700,260.36	939,334.92
Others	73,343.28	47,927.06
Depreciation of fixed assets	1,451,593.91	844,323.20
Materials	2,726,488.65	
Others	167,930.42	282,261.46
Total	10,699,510.81	5,559,320.05

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(II) Notes to items of the consolidated income statement (Continued)

6. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenditures	102,087.06	111,020.63
Less: Interest income	6,717,918.25	6,036,239.44
Gains & losses on foreign exchange	703,896.32	1,407,077.52
Handling charges	397,243.07	392,250.02
Total	-5,514,691.80	-4,125,891.27

7. Other income

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants related to assets (Note)	3,514,031.32	3,482,131.32	3,514,031.32
Government grants related to income (Note)	6,278,378.49	4,273,068.68	6,278,378.49
VAT input tax additional deduction by 10%	22,832.23		22,832.23
Refund of handling fees for withholding individual income tax	86,720.93	60,428.01	
Total	9,901,962.97	7,815,628.01	9,815,242.04

Note: Please refer to notes to government grants for details on grants included into other income.

8. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	-7,845,245.74	-201,519.15
Total	-7,845,245.74	-201,519.15

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(II) Notes to items of the consolidated income statement (Continued)

9. Credit impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts	8,862,441.79	-6,179,974.58
Total	8,862,441.79	-6,179,974.58

10. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Inventory write-down loss	-8,664,874.65	-13,395,670.99
Impairment loss of fixed assets	-1,496,084.03	-845,408.74
Impairment loss of construction in progress	-3,243,576.02	-50,952.71
Total	-13,404,534.70	-14,292,032.44

11. Gains on asset disposal

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of fixed assets	-1,007,902.95	-624,084.22	-1,007,902.95
Total	-1,007,902.95	-624,084.22	-1,007,902.95

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(II) Notes to items of the consolidated income statement (Continued)

12. Non-operating revenue

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on debt restructuring		650,000.00	
Government grants (Note 1)	9,130,000.00		9,130,000.00
Gains on damage or retirement of non-current assets	100.00		100.00
Payments not required	188,547.49	323,580.30	188,547.49
Fine	283,250.00		283,250.00
Group subsidies for water, electricity, heating supply and property management	5,480,000.00		5,480,000.00
Compensation for associates during the transition period (Note 2)	3,200,000.00		3,200,000.00
Others	50.51	1,723.88	50.51
Total	18,281,948.00	975,304.18	18,281,948.00

Note 1: Please refer to section V (IV) 3 of notes to financial statements for details on grants included into non-operating revenue.

Note 2: In 2016, the Group signed an equity transfer agreement with Fasten Group, and transferred the 22.5% equity held by Putian Fasten Cable Telecommunication Co., Ltd. The income generated from the base date of assets evaluation (October 31, 2015) to the equity delivery date (November 30, 2016) agreed in the agreement shall still be enjoyed by shareholders before the delivery date in accordance with the equity proportion. During this period, the Group received the compensation payment from Fasten Group.

13. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Donation expenditures	130,000.00	30,000.00	130,000.00
Forfeit penalty	329.76	29,466.12	329.76
Water, electricity, heating supply and property management asset allocation expenditure	286,176.86		286,176.86
Water, electricity, heating supply and property management transformation expenditure	20,508,613.46		20,508,613.46
Quality penalty	299,788.81	112,213.96	299,788.81
Others	112.80	503,471.53	112.80
Total	21,225,021.69	675,151.61	21,225,021.69

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(II) Notes to items of the consolidated income statement (Continued)

14. Income tax expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	-70,434.62	15,242,927.08
Deferred income tax expenses		7,230,404.38
Total	-70,434.62	22,473,331.46

(2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
Profit before tax	-63,430,878.69	40,165,923.53
Income tax expenses based on tax rate applicable to the parent company	-9,514,631.80	6,024,888.53
Effect of different tax rate applicable to subsidiaries	494,321.95	-239,402.71
Effect of prior income tax reconciliation	-70,434.62	-49,527.70
Effect of non-taxable income	-102,900.00	
Effect of non-deductible costs, expenses and losses	117,621.01	158,374.20
Effect of deductible temporary differences or deductible losses not recognized	9,881,829.73	17,728,994.63
Others	-876,240.89	-1,149,995.49
Income tax expenses	-70,434.62	22,473,331.46

15. Other comprehensive income, net of income tax

Please refer to section V (I) 28 of notes to financial statements for details.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(III) Notes to items of the consolidated cash flow statement

1. Other cash receipts related to operating activities

Items	Current period cumulative	Preceding period comparative
Other government subsidy income received in addition to tax refunds	19,573,099.42	1,769,496.69
Interest income	6,717,918.25	6,036,239.44
Cash received from operating rental fixed assets (investment real estate)	30,504,051.79	29,287,923.56
Recovered notes and letter of credit deposit	67,270,623.56	48,193,614.28
Others	6,752,558.23	3,051,312.26
Total	130,818,251.25	88,338,586.23

2. Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Payment of notes and letter of credit deposit	42,866,950.36	85,030,091.90
Administrative expenses	11,400,480.18	18,563,667.25
R&D expenses	183,030.22	
Sales expenses	7,107,289.13	12,479,703.88
Financial expenses	397,243.07	392,250.02
Others	43,320,180.16	13,515,855.30
Total	105,275,173.12	129,981,568.35

3. Other cash receipts related to investing activities

Items	Current period cumulative	Preceding period comparative
Compensation for associates during the transition period	3,200,000.00	
Total	3,200,000.00	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(III) Notes to items of the consolidated cash flow statement (Continued)

4. Other cash payments related to financing activities

Items	Current period cumulative	Preceding period comparative
Purchase minority shareholders' equity		19,500,000.00
Liquidation subsidiary payment to minority shareholders	98,483.58	
Total	98,483.58	19,500,000.00

5. Supplement information to the cash flow statement

(1) Supplement information to the cash flow statement

Supplement information	Current period cumulative	Preceding period comparative
(1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	-63,360,444.07	17,692,592.07
Add: Provision for assets impairment loss	13,404,534.70	14,292,032.44
Provision for credit impairment loss	-8,862,441.79	6,179,974.58
Depreciation of fixed assets, oil and gas assets, productive biological assets	23,888,952.91	24,017,483.61
Amortization of intangible assets	2,927,390.64	2,296,666.01
Amortization of long-term prepayments		
Loss on disposal of fixed assets, intangible assets and other non-current assets (Less: gains)	9,675,490.16	624,084.22
Fixed assets retirement loss (Less: gains)	286,076.86	
Losses on changes in fair value (Less: gains)		
Financial expenses (Less: gains)	-640,704.80	-680,264.37
Investments losses (Less: gains)	7,845,245.74	201,519.15
Decrease of deferred tax assets (Less: increase)		7,230,404.38
Increase of deferred tax liabilities (Less: decrease)		
Decrease in inventories (Less: increase)	-3,844,478.00	6,009,684.68
Decrease in operating receivables (Less: increase)	137,512,309.67	-32,930,482.62
Increase of operating payables (Less: decrease)	-43,488,053.59	-87,500,595.37
Others	-3,200,000.00	
Net cash flow from operating activities	72,143,878.43	-42,566,901.22

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(III) Notes to items of the consolidated cash flow statement (Continued)

5. Supplement information to the cash flow statement (Continued)

(1) Supplement information to the cash flow statement (Continued)

Supplement information	Current period cumulative	Preceding period comparative
(2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into share capital		
Convertible bonds due within one year		
Fixed assets rented in under finance leases		
(3) Net changes in cash and cash equivalents:		
Cash at the end of the period	398,432,726.66	356,967,593.50
Less: Cash at the beginning of the period	356,967,593.50	454,546,364.92
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	41,465,133.16	-97,578,771.42

(2) Cash and cash equivalents

Items	Closing balance	Opening balance
1) Cash	398,432,726.66	356,967,593.50
Including:		
Cash on hand	5,969.18	19,963.86
Cash in bank on demand for payment	398,426,757.47	356,947,629.63
Other cash and bank balances on demand for payment	0.01	0.01
Central bank deposit on demand for payment		
Deposit in other banks		
Loans to other banks		
2) Cash equivalents		
Including: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	398,432,726.66	356,967,593.50
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(III) Notes to items of the consolidated cash flow statement (Continued)

5. Supplement information to the cash flow statement (Continued)

(3) Amount of endorsed commercial acceptance not involving cash receipts and payments

Items	Current period cumulative	Preceding period comparative
Amount of endorsed commercial acceptance	209,081,998.45	169,781,490.63
Including: Payment for goods	209,081,998.45	169,781,490.63

(IV) Others

1. Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Cash and bank balances	60,626,418.70	Pledge, deposit
Notes receivable	13,329,148.00	Pledge
Total	73,955,566.70	

2. Monetary items in foreign currencies

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank balances			
Including: USD	776,503.18	6.9762	5,417,041.49
Accounts receivable			
Including: USD	221,532.83	6.9762	1,545,457.33
Accounts payable			
Including: USD	4,280,800.04	6.9762	29,863,717.24
Long-term borrowings			
Including: EUR	829,621.93	7.8155	6,483,910.19

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(IV) Others (Continued)

3. Government grants

(1) Details

1) Government grants related to assets

Items	Opening balance of deferred income	Increase	Amortization	Closing balance of deferred income	Amortization presented under	Remarks
Demolition compensation	59,342,560.16		3,482,131.32	55,860,428.84	Other income	Note 1
Production line intelligent transformation	906,000.00		15,100.00	890,900.00	Other income	Note 2
Provincial industrial development funds for technical renovation		1,008,000.00	16,800.00	991,200.00	Other income	Note 3
Subtotal	60,248,560.16	1,008,000.00	3,514,031.32	57,742,528.84		

Note 1: Please refer to section V (I) 25 of notes to financial statements for details.

Note 2: According to the notice [2018] No. 1, "Detailed rules for the implementation of several policies on supporting the development of electronic information industry in Chengdu high-tech zone", which issued by Electronic Information Industry Development bureau of Chengdu high-tech zone, Chengdu SEI Optical Fiber Co., Ltd., a subsidiary of the Company, received RMB906,000 for intelligent transformation of the production line in 2018.

Note 3: According to the notice of Sichuan Provincial Economic and Information Technology Commission on organizing the collection of provincial industrial development fund projects in 2019, Chengdu SEI Optical Fiber Co., Ltd., a subsidiary of the Company, received RMB1,008,000 for provincial industrial development and technological transformation in 2019.

2) Government grants related to income and used to compensate future relevant costs, expenses or losses

Items	Opening balance of deferred income	Increase	Amounts carried forward	Closing balance of deferred income	Amounts carried forward presented under	Remarks
Nuclear grade special cable development and application subsidies	400,000.00		400,000.00		Other income	
Subtotal	400,000.00		400,000.00			

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(IV) Others (Continued)

3. Government grants (Continued)

(1) Details (Continued)

- 3) Government grants related to income and used to compensate incurred relevant costs, expenses or losses

Items	Amounts	Presented under	Remarks
Subsidies for water, electricity, heating supply and property management	9,130,000.00	Non-operating revenue	According to the "Notice on Guiding Opinions on the Separation and Handover of 'water, electricity, heating supply and property management' in the family area of employees of State-owned Enterprises" (General Office of the State Council [2016] No. 45), the Company received RMB9.13 million of subsidies for water, electricity, heating supply and property management.
Hardship enterprise subsidy	5,220,000.00	Other income	According to the "Notice of the Ministry of Finance on Distributing the Special Governance Subsidy Funds for Central Specially Poor Enterprises in the Central State-owned Capital Operating Budget for 2019" (Cai Zi [2019] No. 13), the company received RMB5.22 million in subsidies for special poor enterprises in November 2019.
Stable post subsidies	156,623.77	Other income	
Certification fee subsidy from Bureau of Economic Operation and Work Safety Supervision in Chengdu high-tech industrial development zone	89,900.00	Other income	Chuan Cai (2018) No. 112, "Notice of the Sichuan Provincial Department of Finance's Department of Commerce on Distributing the 2018 Central Foreign Trade and Economic Development Special Fund"

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(IV) Others (Continued)

3. Government grants (Continued)

(1) Details (Continued)

3) Government grants related to income and used to compensate incurred relevant costs, expenses or losses (Continued)

Items	Amounts	Presented under	Remarks
Subsidies for 2018 German exhibitors from Sichuan International Business Development Promotion Association	87,200.00	Other income	Cheng Business [2017] No. 149, Notice of Chengdu Municipal Commission of Commerce, Chengdu Municipal Finance Bureau on "Chengdu Accelerating Development Support Policy for Service Industry"
Subsidies for use of science and technology insurance from the Finance bureau of the high-tech development zone	22,400.00	Other income	Detailed rules for the implementation of several policies of Chengdu high-tech zone on accelerating the construction of international innovation center of science, technology and finance [2017] No. 22
Export credit insurance subsidy	20,754.72	Other income	Chengdu municipal financial industry development special fund implementation plan in 2019 [2019] No. 42
Subsidies for optimizing service to promote innovation and development of enterprises from Chengdu High-tech Zone Economic Operation Bureau	20,000.00	Other income	Notice on Issuing the Detailed Rules for Implementation of Several Policy Opinions (Trial Implementation) of the Chengdu High-tech Industrial Development Zone on Optimizing Industrial Services and Promoting Enterprise Innovation and Development [2019] No. 2
Others	261,500.00	Other income	
Subtotal	15,008,378.49		

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

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

(IV) Others (Continued)

3. Government grants (Continued)

(2) In the current period, government grants included into profit or loss total 18,922,409.81 yuan.

VI. CHANGES IN THE CONSOLIDATION SCOPE

Changes in consolidation scope due to other reasons

Chongqing Putaifeng Aluminium Co., Ltd. has completed the industrial and commercial cancellation registration on January 22, 2019, and the remaining property has been distributed according to the liquidation group meeting in October, 2019, and the liquidation has been completed.

VII. INTEREST IN OTHER ENTITIES

(I) Interest in significant subsidiaries

1. Composition of significant subsidiaries

Subsidiaries	Main operating place	Place of registration	Business nature	Registered Capital (Unit:10,000)	Holding proportion (%)		Acquisition method	Type of legal entity
					Direct	Indirect		
Chengdu Zhongling Wireless Communication Cable Co., Ltd	Chengdu City, the PRC	Chengdu City, the PRC	Production and sales of wireless communication system cables, components and accessories	RMB8,210.00	100.00		Business combination not under common control	Limited Liability Company
Chengdu PUTIAN New Material Co., Ltd.	Chengdu City, the PRC	Chengdu City, the PRC	Production and sales of heat-shrinkable casing, cold-shrinkable tube and accessories, irradiation processing and derivative technology applications and consulting	RMB5,982.00	100.00		Business combination not under common control	Limited Liability Company
Chengdu SEI Optical Fiber Co., Ltd.	Chengdu City, the PRC	Chengdu City, the PRC	Production and sales of optical fiber and related materials	USD1,700.00	60.00		Business combination not under common control	Limited Liability Company

2. Significant not wholly-owned subsidiaries

Subsidiaries	Holding proportion of non-controlling shareholders	Non-controlling shareholders' profit or loss	Dividend declared to non-controlling shareholders	Closing balance of non-controlling shareholders' profit or loss
Chengdu SEI Optical Fiber Co., Ltd.	40.00	-13,217,630.18	16,000,000.00	107,152,487.29

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

VII. INTEREST IN OTHER ENTITIES (CONTINUED)

(I) Interest in significant subsidiaries (Continued)

3. Main financial information of significant not wholly-owned subsidiaries

(1) Assets and liabilities

Currency unit: RMB10,000

Subsidiaries	Closing balance		Total assets	Current liabilities	Non-current liabilities	Total liabilities
	Current assets	Non-current assets				
Chengdu SEI Optical Fiber Co., Ltd.	24,487.65	6,664.57	31,152.22	4,175.89	188.21	4,364.10

Subsidiaries	Closing balance of the preceding period		Total assets	Current liabilities	Non-current liabilities	Total liabilities
	Current assets	Non-current assets				
Chengdu SEI Optical Fiber Co., Ltd.	33,575.86	5,561.05	39,136.91	4,953.78	90.60	5,044.38

(2) Profit or loss and cash flows

Currency unit: RMB10,000

Subsidiaries	Operating revenue	Current period cumulative		Cash flows from operating activities
		Net profit	Total comprehensive income	
Chengdu SEI Optical Fiber Co., Ltd.	18,979.16	-3,304.41	-3,304.41	-1,249.23

Subsidiaries	Preceding period comparative		Total comprehensive income	Cash flows from operating activities
	Operating revenue	Net profit		
Chengdu SEI Optical Fiber Co., Ltd.	33,365.57	8,798.90	8,798.90	606.00

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

VII. INTEREST IN OTHER ENTITIES (CONTINUED)

(II) Interest in associates

1. Significant associates

Associates	Main operating place	Place of registration	Business nature	Registered Capital (Unit:10,000)	Holding proportion (%)		Accounting treatment	Type of legal entity
					Direct	Indirect		
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu City, the PRC	Chengdu City, the PRC	Production and processing, sales of cable used polyethylene material and related polyethylene products; Composite metal strip and related metal strip products; Hot bonded film and related film products	RMB300.00	35.00		Equity method	Limited Liability Company
Chengdu Bada Connector Co., Ltd.	Chengdu City, the PRC	Chengdu City, the PRC	Production and sales of wire and cable and all kinds of connectors, network communication system supporting products, computer hardware and software products and plastic products	RMB500.00	49.00		Equity method	Limited Liability Company
Putian Fasten Cable Telecommunication Co., Ltd.	Jiangyin City, the PRC	Jiangyin City, the PRC	Production and sales of communications optical fiber, optical cable and related products	RMB50,000.00	22.50		Equity method	Limited Liability Company

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

VII. INTEREST IN OTHER ENTITIES (CONTINUED)

(II) Interest in associates (Continued)

2. Main financial information of significant associates

Items	Closing balance/current period cumulative		
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu Bada Connector Co., Ltd.	Putian Fasten Cable Telecommunication Co., Ltd.
Current assets	2,850,446.27	74,409,388.86	1,164,982,958.92
Non-current assets	2,197,031.78	6,935,149.06	225,294,332.09
Total assets	5,047,478.05	81,344,537.92	1,390,277,291.01
Current liabilities	4,868,332.87	70,645,965.11	692,283,590.97
Non-current liabilities			184,900,289.07
Total liabilities	4,868,332.87	70,645,965.11	877,183,880.04
Non-controlling interest		724,030.65	
Equity attributable to owners of parent company	179,145.18	9,974,542.16	513,093,410.97
Proportionate share in net assets	62,700.81	4,887,525.66	115,446,017.47
Adjustments			
Goodwill			3,190,746.07
Others	109,955.56	-0.03	231,757.60
Carrying amount of investments in associates	172,656.37	4,887,525.63	118,868,521.14
Fair value of equity investments in associates in association with quoted price			
Operating revenue	5,458,377.53	188,569,853.27	816,815,118.02
Net profit	-1,330,743.75	1,716,625.53	-36,536,141.97
Net profit of discontinued operations			
Other comprehensive income			
Total comprehensive income	-1,330,743.75	1,716,625.53	-36,536,141.97
Dividend from associates received in current period		686,000.00	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

VII. INTEREST IN OTHER ENTITIES (CONTINUED)

(II) Interest in associates (Continued)

2. Main financial information of significant associates (Continued)

Items	Closing balance of the preceding period/preceding period comparative		
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu Bada Connector Co., Ltd.	Putian Fasten Cable Telecommunication Co., Ltd.
Current assets	4,805,921.29	64,429,747.92	1,239,576,852.53
Non-current assets	2,418,671.24	4,818,528.49	255,175,462.18
Total assets	7,224,592.53	69,248,276.41	1,494,752,314.71
Current liabilities	5,714,703.60	59,493,589.27	741,671,724.73
Non-current liabilities			203,451,037.04
Total liabilities	5,714,703.60	59,493,589.27	945,122,761.77
Non-controlling interest		96,770.51	
Equity attributable to owners of parent company	1,509,888.93	9,657,916.63	549,629,552.94
Proportionate share in net assets	528,461.12	4,732,379.15	123,666,649.41
Adjustments			
Goodwill			3,190,746.07
Others	109,955.56	-0.03	231,757.60
Carrying amount of investments in associates	638,416.68	4,732,379.12	127,089,153.08
Fair value of equity investments in associates in association with quoted price			
Operating revenue	8,646,287.41	164,271,429.83	812,327,865.99
Net profit	-2,421,794.13	-775,737.64	4,560,978.83
Net profit of discontinued operations			
Other comprehensive income			
Total comprehensive income	-2,421,794.13	-775,737.64	4,560,978.83
Dividend from associates received in current period			

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance. Based on such objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. Management have deliberated and approved policies concerning such risks, and details are:

(I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk (Continued)

1. Credit risk management practice

(1) Evaluation method of credit risk

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When assessing whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, which is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. The Company determines the changes in default risk of financial instruments during the estimated lifetime through comparison of the default risk at the balance sheet date and the initial recognition date, on an individual basis or a collective basis.

The Company considers the credit risk on a financial instrument has increased significantly when one or more of the following qualitative and quantitative standards are met:

- 1) Quantitative standard mainly relates to the scenario in which, on the balance sheet date, the probability of default in the remaining lifetime has risen by more than a certain percentage compared with the initial recognition;
- 2) Qualitative standard mainly relates to significant adverse changes in the debtor's operation or financial position, present or expected changes in technology, market, economy or legal environment that will have significant adverse impact on the debtor's repayment ability;

(2) Definition of default and credit-impaired asset

A financial asset is credit-impaired when one or more following events have occurred:

- 1) significant financial difficulty of the debtor;
- 2) a breach of binding clause of contract;
- 3) it is very likely that the debtor will enter bankruptcy or other financial reorganization;
- 4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

2. Measurement of expected credit losses

The key factors in the measurement of expected credit loss include the probability of default, loss rate of default, and exposure to default risk. The Company develops a model of the probability of default, loss rate of default, and exposure to default risk on the basis of quantitative analysis of historical data (e.g. counterparty rating, guarantee measures and collateral type, payment method, etc.) and forward-looking information.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk (Continued)

3. Please refer to section V (I) 2, 3, 4, 6, and 9 for details on the reconciliation table of opening balance and closing balance of provision for losses of financial instrument.

4. Exposure to credit risk and concentration of credit risk

The Company's credit risk is primarily attributable to cash and bank balances and receivables. In order to control such risks, the Company has taken the following measures:

(1) *Cash and bank balances*

The Company deposits its bank balances and other cash and bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

(2) *Receivables*

The Company performs credit assessment on customers who uses credit settlement on a continuous basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on receivables, to avoid significant risks in bad debts.

As the Company only conducts business with credible and well-reputed third parties, normally, does not obtain collateral from customers. The Company manages credit risk aggregated by customers. As of December 31, 2019, the Company has certain concentration of credit risk, and 27.63% (December 31, 2018: 43.93%) of the total accounts receivable was due from the five largest customers of the Company. The Company held no collateral or other credit enhancement on balance of receivables.

The maximum amount of exposure to credit risk of the Company is the carrying amount of each financial asset on the balance sheet.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company utilized financing tools such as notes settlement, bank borrowings, etc. and adopts long and short financing methods to optimizing financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(II) Liquidity risk (Continued)

Financial instruments classified based on remaining time period till maturity

Items	Carrying amount	Contract amount not yet discounted	Closing balance		
			Within 1 year	1-3 years	Over 3 years
Accounts payable	50,506,098.62	50,506,098.62	50,506,098.62		
Other payables	21,165,954.30	21,165,954.30	21,165,954.30		
Long-term borrowings	6,483,910.19	6,483,910.19	468,820.11	937,640.22	5,077,449.86
Subtotal	78,155,963.11	78,155,963.11	72,140,873.03	937,640.22	5,077,449.86

Items	Carrying amount	Closing balance of the preceding period Contract amount not yet discounted	Within 1 year	1-3 years	Over 3 years
Other payables	38,411,274.78	38,411,274.78	38,411,274.78		
Long-term borrowings	6,981,019.84	6,981,019.84	470,727.67	941,455.34	5,568,836.83
Subtotal	108,643,965.96	108,643,965.96	102,133,673.79	941,455.34	5,568,836.83

(III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market price. Market risk mainly includes interest risk and foreign currency risk.

1. Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market interest. The Company's fair value interest risks arise from fixed-rate financial instruments, while the cash flow interest risks arise from floating interest financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating interest rate financial instruments based on the market environment, and maintains a proper financial instruments portfolio through regular review and monitoring.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(III) Market risk (Continued)

2. Foreign currency risk

Foreign currency risk is the risk arising from changes in fair value or future cash flows of financial instrument resulted from changes in exchange rate. The Company's foreign currency risk relates mainly to foreign currency monetary assets and liabilities. When short-term imbalance occurred to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level.

Please refer to section V (IV) 2 of notes to financial statements for details in foreign currency financial assets and liabilities at the end of the period.

IX. FAIR VALUE DISCLOSURE

(I) Details of fair value of assets and liabilities at fair value at the balance sheet date

Items	Fair value as of the balance sheet date			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurement				
Other equity instrument investments	4,977,441.00			4,977,441.00
Total assets at recurring fair value measurement	4,977,441.00			4,977,441.00

(II) Basis for determining level 1 fair value at recurring and non-recurring fair measurement

The quotation of the same assets or liabilities in an active market (unadjusted).

(III) Fair value of financial assets and liabilities not at fair value

Financial assets and liabilities not measured at fair value mainly include cash and bank balances, accounts receivable, short-term borrowings, and accounts payable. The fair value of each project is close to the book value

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(I) Related party relationships

1. Parent company

1) *Parent company of the company*

Parent company	Place of registration	Business nature	Registered capital	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
China Potevio Company Limited	Beijing	Manufacture of telecommunication products	190,305.00	60.00	60.00

(2) *The Company's ultimate controlling party is China Putian Information Industry Group Co., Ltd.*

2. Please refer to the notes on the interests of other entities in the notes of the financial statements for details on the Company's subsidiaries.

3. Joint ventures and associates of the Company

Please refer to the notes on the interests of other entities in the notes to the financial statements for details on the Company's significant joint ventures and associates.

4. Other related parties of the Company

Related parties	Relationships with the Company
Nanjing Putian Telege Intelligent Building Ltd.	Controlled by the same parent company
Chengdu Branch of China Potevio Company Limited	Controlled by the same parent company
Xi'an PUTIAN Telecommunications Company Limited	Controlled by the same parent company
Sumitomo Electric Industries Ltd.	Shareholder holding more than 5% of the subsidiary's shares
Sumitomo Electric Asia Ltd	Entity controlled by ultimate controller of shareholder holding more than 5% of the subsidiary's shares
Chengdu Huangshi shuangfeng Cable Co., Ltd.	Shareholder holding more than 5% of the subsidiary's shares
Chongqing Taishan Cable Co., Ltd.	Shareholder holding more than 5% of the subsidiary's shares
Hangzhou Honyar Electrical Co., Ltd.	Controlled by the same parent company
Hangzhou Honyar Cable Co., Ltd.	Controlled by the same parent company
Hangzhou Honyar Trade Co., Ltd.	Controlled by the same parent company
Putian Intelligent Lighting Research Institute Co., Ltd.	Controlled by the same parent company

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions

1. Purchase and sale of goods, rendering and receiving services

1) Purchase of goods and receiving of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Chengdu Bada Connector Co., Ltd.	Purchase of goods and receiving of services	167,396,243.00	139,954,368.96
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Purchase of goods	4,792,171.02	7,000,268.54
China Potevio Company Limited	Purchase of goods and receiving of services		155,672.64
Sumitomo Electric Industries Ltd.	Purchase of goods		1,951,330.48
Sumitomo Electric Asia Ltd.	Purchase of goods	135,287,198.10	133,669,024.79
Sumitomo Electric Industries Ltd.	Purchase of equipment	9,567,358.56	
Sumitomo Electric Industries Ltd.	Receiving of services	100,914.86	460,193.67
Chongqing Taishan Cable Co., Ltd.	Receiving of services		203,136.79
Hangzhou Honyar Electrical Co., Ltd.	Purchase of goods	774,587.64	43,268,507.64
Putian Fasten Cable Telecommunication Co., Ltd.	Purchase of goods	15,403.28	11,598.40

2) Sale of goods and rendering of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
China Potevio Company Limited	Sale of wire feed cables		3,890,818.79
Chengdu Bada Connector Co., Ltd.	Sale of electrical Equipment and supplying of services	1,014,656.04	2,233,671.33
Sumitomo Electric Industries Ltd.	Sale of goods	58,197.87	
Hangzhou Honyar Electrical Co., Ltd.	Sale of goods	37,147.31	
Chongqing Taishan Cable Co., Ltd.	Sale of aluminum rods		34,584.44
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Sale of water and electricity	115,617.84	
Putian Fasten Cable Telecommunication Co., Ltd.	Sale of water and electricity	1,400,418.59	2,180,059.95
Chengdu Bada Connector Co., Ltd.	Sale of water and electricity	131,820.93	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

2. Related party leases

The Company as the lessor

Lessees	Types of asset leased	Lease income for current period	Lease income for the preceding period
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Plant	305,107.73	644,320.40
Putian Fasten Cable Telecommunication Co., Ltd.	Plant	2,177,998.65	3,678,672.00
Chengdu Bada Connector Co., Ltd.	Plant, equipment	306,995.51	250,660.69

3. Related party guarantees

The Company as guaranteed parties

Guarantors	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
China PUTIAN Corporation Limited	6,483,910.19	1997/2/21	2033/2/21	No

4. Assets transfer of the related parties

Related parties	Content of related party transactions	Current period cumulative	Preceding period comparative
Chengdu Bada Connector Co., Ltd.	Disposal of fixed assets		1,640,417.79
Hangzhou Honyar Electrical Co., Ltd.	Purchase of intangible assets		3,245,283.03
Xi'an PUTIAN Telecommunications Company Limited	Disposal of fixed assets	107,741.21	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

5. Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Emoluments	150,000.12	150,000.12
Wage, bonus, allowance and subsidy	1,455,270.82	1,822,249.02
Payment of pension plan	214,694.26	236,860.14
Housing provident fund	81,056.48	74,954.52
Other interest	110,456.99	107,328.54
Total	2,011,478.67	2,391,392.34

6. Directors' and supervisors' emoluments

Items	Current period cumulative						Total
	Fees	Wage, bonus, allowance, and subsidy	Housing provident fund	Payment of pension plan	Other social insurance premiums	Benefit in kind	
Executive directors:							
Wu Changlin (Note I)							
Hu Jiangbing (Note II)		251,329.80	32,451.80	25,260.48	18,992.68		328,034.76
Han Shu							
Wang Micheng (Note II)							
Xu Liying							
Liu Yun							
Independent non-executive directors							
Mao Yaping (Note III)	50,000.04						50,000.04
Xiao Xiaozhou	50,000.04						50,000.04
Feng Gang (Note IV)	50,000.04						50,000.04
Supervisors:							
Zheng Zhili (Note V)							
Xiong Ting		268,460.15	35,997.28	9,600.00	17,698.95		331,756.38
Liu Jun		135,464.81	25,673.40	9,066.00	13,179.68		183,383.89
Total	150,000.12	655,254.76	94,122.48	43,926.48	49,871.31		993,175.15

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

6. Directors' and supervisors' emoluments (Continued)

Items	Fees	Wage, bonus, allowance, and subsidy	Preceding period comparative		Other social insurance premiums	Benefit in kind	Total
			Housing provident fund	Payment of pension plan			
Executive directors:							
Wu Changlin (Note I)							
Zhang Xiaocheng (Note I)							
Hu Jiangbing (Note II)		13,817.00	1,694.52	2,824.20	1,233.52		19,569.24
Han Shu							
Wang Micheng (Note II)							
Xu Lijiang							
Liu Yun							
Fan Xu (Note II)							
Independent non-executive directors							
Cai Sicong (Note VI)	8,333.34						8,333.34
Mao Yaping (Note III)	37,500.03						37,500.03
Xiao Xiaozhou	50,000.04						50,000.04
Lin Zulun (Note IV)	45,833.37						45,833.37
Feng Gang (Note IV)	8,333.34						8,333.34
Supervisors:							
Zheng Zhili							
Xiong Ting		336,133.50	9,600.00	40,830.24	17,031.37		403,595.11
Liu Jun		151,016.73	7,896.00	20,257.80	9,294.99		188,465.52
Total	150,000.12	500,967.23	19,190.52	63,912.24	27,559.88		761,629.99

Note 1: On 22 November 2018, Mr. Zhang Xiaocheng resigned as executive director, chairman of the board of directors, legal representative of the Company and chairman of the strategic development committee of the Company due to his wish to spend more time on his personal affairs. At the same time, Mr. Wu Changlin was appointed as an executive Director and chairman of the Company and a legal representative of the Company.

Note 2: On 22 November 2018, Mr. Fan Xu resigned as an executive director and a member of the nomination committee of the Company. Mr. Wang Micheng resigned as the vice chairman of the Board, and member of Strategic Development Committee but remained as executive Director. At the same time, Mr. Hu Jiangbing was appointed as an executive Director and vice chairman of the Company and a member of the Strategic Development Committee, and Mr. Wang Micheng was appointed as a member of the Nomination Committee.

Note 3: On 13 April 2018, the Board appointed Ms. Mao Yaping as an independent nonexecutive Director, serving as the Chairman of the Audit Committee of the Company and a member of each of the Nomination Committee, the Remuneration and Appraisal Committee and the Strategic Development Committee.

Note 4: On 13 November 2018, Mr. Lin Zulun no longer served as a member of each of the Remuneration and Appraisal Committee, the Audit Committee, the Strategic Development Committee, and the Chairman of the Nomination Committee because he needed more time to handle personal affairs. At the same time, Mr. Feng Gang was appointed as an independent non-executive director of the Company.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

6. Directors' and supervisors' emoluments (Continued)

Note 5: On 29 November 2019, Mr. Zheng Zhili resigned as supervisor and chairman of the board of supervisors of the company due for retirement reasons.

Note 6: On 13 January 2018, Mr. Cai Sicong resigned as an independent non-executive director, chairman of the audit committee, chairman of the nomination committee, member of the strategic development committee and member of the remuneration and appraisal committee in order to give more time on personal career development.

7. Five highest paid employees

The five employees whose emoluments were the highest for the year include 1 (2018: 0) directors whose emoluments are reflected in the analysis presented above. The total emoluments payable to the remaining 4 (2018: 5) employees during the year are as follows:

Items	Current period cumulative	Preceding period comparative
Wage, bonus, allowance, and subsidy	951,443.84	1,362,474.18
Payment of pension plan	143,989.12	179,801.58
Housing provident fund	38,400.00	55,764.00
Other interest	70,400.06	82,101.21
Total	1,204,233.02	1,680,140.97

The ranges of emoluments payable to 4 (2018: 5) employees during the year are as follows:

Items	Number of individuals (2019)	Number of individuals (2018)
HK\$ nil – HK\$1,000,000	4	5

8. The Company purchases goods from Hangzhou Hongyan Electric Co., Ltd., Sumitomo Electric Industries Co., Ltd. and Sumitomo Electric Asia Ltd.; the Company sells goods to China Putian Information Industry Co., Ltd. The related party transactions listed above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on HKSE.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(III) Balance due to or from related parties

1. Balance due from related parties

Items	Related parties	Closing balance		Closing balance of the preceding period	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Nanjing Putian Telege Intelligent Building Ltd.	93,192.96	93,192.96	93,192.96	93,192.96
	China Potevio Company Limited	1,226,248.60	6,131.24	8,725,199.62	43,626.00
	Chengdu Branch of China Potevio Company Limited	304,891.23	304,891.23	304,891.23	304,891.23
	Chengdu Bada Connector Co., Ltd.	345,624.00	1,728.12	278,603.82	1,393.02
	Chengdu Yuexin Telecommunications Materials Co., Ltd.			980,123.69	4,900.62
	Xi'an PUTIAN Telecommunications Company Limited	60,000.00	300.00		
Subtotal		2,029,956.79	406,243.55	10,382,011.32	448,003.83
Advances paid	Sumitomo Electric Asia Ltd	1,567,825.16		2,142,188.56	
	Hangzhou Honyar Trade Co., Ltd.			9,009,887.98	
Subtotal		1,567,825.16		11,152,076.54	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(III) Balance due to or from related parties (Continued)

1. Balance due from related parties (Continued)

Items	Related parties	Closing balance		Closing balance of the preceding period	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables	China Potevio Company Limited	1,680,942.76	8,404.71	1,680,942.76	8,404.71
	Chengdu Bada Connector Co., Ltd.	1,382,957.53	6,914.79	1,336,288.87	6,681.45
	Chengdu Huangshi shuangfeng Cable Co., Ltd.			236,822.86	1,184.11
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	22,832.36	114.16	93,260.79	466.30
	Putian Intelligent Lighting Research Institute Co., Ltd.			100,000.00	500.00
	Putian Fasten Cable Telecommunication Co., Ltd.			671,778.78	3,358.90
	China PUTIAN Corporation Limited			3,470,000.00	17,350.00
Subtotal		3,086,732.65	15,433.66	7,589,094.06	37,945.47

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(III) Balance due to or from related parties (Continued)

2. Balance due to related parties

Items	Related parties	Closing balance	Closing balance of the preceding period	
Accounts payable	Chengdu Bada Connector Co., Ltd.	777,210.69	4,510,433.34	
	Sumitomo Electric Asia Ltd.	29,863,717.23	29,241,458.29	
	Hangzhou Honyar Cable Co., Ltd.		106,893.69	
	Hangzhou Honyar Electrical Co., Ltd.		289,908.93	
	Hangzhou Honyar Trade Co., Ltd.		2,175,020.99	
	Chengdu Huangshi shuangfeng Cable Co., Ltd.	3,426,822.79	4,690,289.26	
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	993,304.33		
	Nanjing Putian Telege Intelligent Building Ltd.	65,000.00		
	Subtotal		35,126,055.04	41,014,004.50
	Advances received	Chengdu Bada Connector Co., Ltd.	5,550.00	
Subtotal		5,550.00		
Other payables	Sumitomo Electric Industries Ltd.	34,181.73	139,139.59	
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	100,000.00	100,000.00	
	Hangzhou Honyar Electrical Co., Ltd.		1,727,168.49	
	Chengdu Bada Connector Co., Ltd.	58,716.00	58,716.00	
	China PUTIAN Corporation Limited		18,660,000.00	
Subtotal		192,897.73	20,685,024.08	

XI. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

As of the balance sheet date, the company does not have any important commitments that need to be disclosed.

(II) Contingencies

As of the balance sheet date, the company has no contingent events that need to be disclosed.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XII. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of approval of the financial statements, the company has no material events after the balance sheet date to be disclosed.

XIII. OTHER SIGNIFICANT EVENTS

(I) Segment information

1. Identification basis for reportable segments

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system.

2. Financial information of reportable segments

Items	Closing balance/current period cumulative		
	Copper cable and related products	Optical communication products	Cable conduct and related products
Revenue from main operations	239,198,776.40	188,361,303.00	368,916.86
Cost of main operations	233,946,694.55	196,296,780.33	1,284,788.50
Assets impairment loss	-9,028,067.93	-4,378,809.23	2,342.46
Credit impairment loss	6,217,139.61	-35,713.90	2,628,246.08
Total assets	955,587,515.49	311,522,244.85	82,962,477.09
Total liabilities	102,229,616.62	43,641,026.59	63,812,388.80

Items	Closing balance/current period cumulative		Total
	Aluminum rod and related products	Inter-segment offsetting	
Revenue from main operations		14,278,485.47	413,650,510.79
Cost of main operations		21,239,657.55	410,288,605.83
Assets impairment loss			-13,404,534.70
Credit impairment loss	1,184.11	-51,585.89	8,862,441.79
Total assets		218,170,382.44	1,131,901,854.99
Total liabilities		42,859,966.69	166,823,065.32

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(I) Segment information (Continued)

Items	Closing balance of the preceding period/ preceding period comparative		
	Copper cable and related products	Optical communication products	Cable conduct and related products
Revenue from main operations	266,383,330.52	332,165,124.34	355,247.58
Cost of main operations	269,982,610.34	203,330,511.66	661,511.62
Assets impairment loss	-12,230,569.28	-497,275.92	-667,825.79
Credit impairment loss	-7,476,659.90	-83,595.88	1,444,894.53
Total assets	1,002,235,141.41	391,369,090.92	91,176,550.52
Total liabilities	137,111,724.30	50,443,797.21	72,880,576.14

Items	Closing balance of the preceding period/ preceding period comparative		
	Aluminum rod and related products	Inter-segment offsetting	Total
Revenue from main operations	34,584.44	18,145,178.05	580,793,108.83
Cost of main operations	36,206.56	25,039,926.10	448,970,914.08
Assets impairment loss		896,361.45	-14,292,032.44
Credit impairment loss	-1,184.11	63,429.22	-6,179,974.58
Total assets	252,954.84	227,377,068.45	1,257,656,669.24
Total liabilities	76,500.00	47,393,645.73	213,118,951.92

(II) Leases

The Company as lessor

(1) Operating lease

1) Lease income

Items	Current period cumulative
Lease income	20,616,362.18
Including: Income relating to variable lease payments not included in the measurement of the lease liability	

2) Please refer to section V (I) 12 of notes to financial statements for details on buildings rented-out under operating leases

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(II) Leases (Continued)

The Company as lessor (Continued)

(1) Operating lease (Continued)

3) Undiscounted lease payments to be received arising from non-cancellable leases

Remaining years	Amount
Within 1 year	15,253,645.00
1-2 years	8,978,065.00
2-3 years	5,930,194.00
Over 3 years	3,753,891.00
Total	33,915,795.00

(2) Other information

Nature of leasing activities

Categories of underlying assets	Amount	Lease term	Whether the lease contains renewal option or not
Plant, offices	132,780.92 m ²	From 1/1/2019 to 31/12/2025	YES

(III) Other financial information

Items	Closing balance		Closing balance of the preceding period	
	Consolidated	Parent company	Consolidated	Parent company
Net current assets	606,249,319.93	397,384,459.62	656,734,343.93	356,912,715.71
Total assets less current liabilities	1,029,945,166.00	854,184,254.41	1,112,807,234.62	849,614,730.19

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS

(I) Notes to items of parent company balance sheet

1. Accounts receivable

(1) Details

1) Details on categories

Categories	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	37,559,690.51	41.86	37,559,690.51	100.00	
Receivables with provision made on a collective basis	52,163,969.04	58.14	9,381,137.59	17.98	42,782,831.45
Total	89,723,659.55	100.00	46,940,828.10	52.32	42,782,831.45

(Continued)

Categories	Book balance		Closing balance of the preceding period Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	21,998,340.36	15.63	21,998,340.36	100.00	
Receivables with provision made on a collective basis	118,747,243.27	84.37	31,912,150.43	26.87	86,835,092.84
Total	140,745,583.63	100.00	53,910,490.79	38.30	86,835,092.84

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

1. Accounts receivable (Continued)

(1) Details (Continued)

2) Accounts receivable with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons for provision made
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd	2,580,313.34	2,580,313.34	100.00	The company is going bankruptcy, unexpect to be recovered
KABKableprektionAB	2,058,597.74	2,058,597.74	100.00	Unexpect to be recovered
Shenyang Hengyuanda Communication Equipment Co. Ltd.	1,621,814.62	1,621,814.62	100.00	Unexpect to be recovered
Chuangdong Electrical and Mechanical Company	1,606,692.41	1,606,692.41	100.00	Unexpect to be recovered
Wu Zhida Electronics Co. Ltd.	1,344,969.65	1,344,969.65	100.00	Unexpect to be recovered
Zhongnan Company, China Postal and Electrical Material Company	1,116,797.27	1,116,797.27	100.00	Unexpect to be recovered
Sales branch of Chengdu Cable Factory	1,062,382.43	1,062,382.43	100.00	Unexpect to be recovered
Henan Qingfeng County Industry and Commerce Co. Ltd.	1,007,986.64	1,007,986.64	100.00	Unexpect to be recovered
Sichuan Huiyuan Optical Communication Co. Ltd.	1,007,072.46	1,007,072.46	100.00	Unexpect to be recovered
Others	24,153,063.95	24,153,063.95	100.00	Unexpect to be recovered
Subtotal	37,559,690.51	37,559,690.51		

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

1. Accounts receivable (Continued)

(1) Details (Continued)

3) Accounts receivable with provision for bad debts made on a collective basis

Items	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Related party portfolio	2,472,373.64	12,361.87	0.50
Non-related party portfolio	49,691,595.40	9,368,775.72	18.85
Subtotal	52,163,969.04	9,381,137.59	17.98

4) In non-related party portfolios, accounts receivable with provision made on a collective basis based on the comparison table of age and expected credit loss rate

Ages	Book balance	Closing balance Provision for bad debts	Expected credit loss rate (%)
Within 1 year	38,648,975.66	1,928,583.89	4.99
1-2 years	4,764,831.53	2,170,380.76	45.55
2-3 years	1,788,909.68	1,268,873.64	70.93
Over 3 years	4,488,878.53	4,000,937.43	89.13
Subtotal	49,691,595.40	9,368,775.72	18.85

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

1. Accounts receivable (Continued)

(1) Details (Continued)

- 5) Accounts receivable with provision made on a collective basis based on related party portfolios

Items	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Related party portfolio	2,472,373.64	12,361.87	0.50
Subtotal	2,472,373.64	12,361.87	0.50

(2) Age analysis

Ages	Closing balance			Closing balance of the preceding period		
	Book balance	Provision for bad debts	Provision proportion (%)	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	39,619,563.40	1,933,436.83	4.88	85,390,333.36	6,357,943.33	7.45
1-2 years	4,764,831.53	2,170,380.76	45.55	7,123,259.69	939,410.74	13.19
2-3 years	3,290,695.58	1,276,382.57	38.79	4,139,946.79	3,816,478.81	92.19
Over 3 years	42,048,569.04	41,560,627.94	98.84	44,092,043.79	42,796,657.91	97.06
Total	89,723,659.55	46,940,828.10	52.32	140,745,583.63	53,910,490.79	38.30

Age analysis should be taken based on the month where amounts incurred. Amounts incurred first should be settled in the first priority when relevant receivables are collected.

The credit terms granted to customers are generally 3 months. A few customers have credit terms of 1 or 12 months. Accounts receivable that past due are reviewed by the Management on a regular basis.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

1. Accounts receivable (Continued)

(3) Changes in provision for bad debts

Items	Opening balance	Accrual	Increase Recovery	Others	Reversal	Decrease Written off	Others	Closing balance
Receivables with provision made on an individual basis	21,998,340.36	15,561,350.15						37,559,690.51
Receivables with provision made on a collective basis	31,912,150.43	-22,531,012.84						9,381,137.59
Subtotal	53,910,490.79	-6,969,662.69						46,940,828.10

Remarks on significant changes in book balance of accounts receivable with changes in provision for bad debts:

The management of the company comprehensively considers the debtor's industry status, operating status, financial status, litigation situation, repayment record and other factors, estimates the present value of future cash flows, part of receivables with provision made on a collective basis are assessed expected credit risk and measured expected credit losses on an individual basis during the current year.

In 2019, the Company increased the efforts of reminding accounts receivable by sending lawyer letters, filing arbitrations, prosecuting litigation, and signing repayment agreements. In 2019, the company collected RMB5,792,885.59 receivables aged over three years at the end of 2018.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

1. Accounts receivable (Continued)

(4) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Shenzhen ZTE Kangxun Electronics Co., Ltd.	17,957,049.57	20.01	896,056.77
Zhuzhou CRRC Times Electric Co., LTD	5,022,244.68	5.60	250,610.01
CRRC Ziyang locomotive Co., LTD	2,581,295.51	2.88	128,806.65
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd	2,580,313.34	2.88	2,580,313.34
CRRC logistics Co., LTD	2,300,031.98	2.56	2,300,031.98
Subtotal	30,440,935.08	33.93	6,155,818.75

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

2. Other receivables

(1) Details

1) Details on categories

Categories	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	4,320,646.95	6.88	4,320,646.95	100.00	
Receivables with provision made on a collective basis	58,434,926.03	93.12	23,342,627.53	39.95	35,092,298.50
Total	62,755,572.98	100.00	27,663,274.48	44.08	35,092,298.50

(Continued)

Categories	Book balance		Closing balance of the preceding period Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	4,320,646.95	6.92	4,320,646.95	100.00	
Receivables with provision made on a collective basis	58,099,253.34	93.08	23,340,949.17	40.17	34,758,304.17
Total	62,419,900.29	100.00	27,661,596.12	44.32	34,758,304.17

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

2. Other receivables (Continued)

(1) Details (Continued)

2) Other receivables with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons for provision made
Sichuan Tianxin Investment Group Co., LTD	500,000.00	500,000.00	100.00	Aged receivables, not expect to be recoverable
Chengdu Pike Power Co., LTD	248,940.91	248,940.91	100.00	Aged receivables, not expect to be recoverable
XIACHADE	3,000,000.00	3,000,000.00	100.00	Aged receivables, not expect to be recoverable
Others	571,706.04	571,706.04	100.00	Aged receivables, not expect to be recoverable
Subtotal	4,320,646.95	4,320,646.95	100.00	

3) Other receivables with provision made on a collective basis

Portfolios	Closing balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Lease receivable	3,080,500.28	15,402.50	0.50
Deposit, reserve, assurance	5,944,324.75	4,805,049.75	80.83
Related party	30,489,304.88	152,446.53	0.50
Others	18,920,796.12	18,369,728.75	97.09
Subtotal	58,434,926.03	23,342,627.53	39.95

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

2. Other receivables (Continued)

(2) Ages

Items	Closing carrying amount
Within 1 year	12,566,287.32
1-2 years	15,248,471.12
2-3 years	7,403,883.27
3-4 years	50,000.00
4-5 years	13,181.24
Over 5 years	27,473,750.03
Subtotal	62,755,572.98

(3) Changes in provision for bad debts

Items	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses (credit not impaired)	Phase III Lifetime expected credit losses (credit impaired)	Total
Opening balance	174,664.85		27,486,931.27	27,661,596.12
Opening balance in current period				
--Transferred to phase II				
--Transferred to phase III				
--Reversed to phase II				
--Reversed to phase I				
Provision made in current period	1,678.36			1,678.36
Provision recovered in current period				
Provision reversed in current period				
Provision written-off in current period				
Other changes				
Closing balance	176,343.21		27,486,931.27	27,663,274.48

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

2. Other receivables (Continued)

(4) Other receivables categorized by nature

Nature of receivables	Closing balance	Closing balance of the preceding period
Lease receivable	3,080,500.28	3,126,852.39
Deposit, reserve, assurance	6,602,457.14	5,558,718.92
Proceeds on disposal of long-term asset	1,374,780.00	1,474,780.00
Temporary payment receivable	51,697,835.56	48,789,548.98
Government subsidies (Except for tax refund)		3,470,000.00
Total	62,755,572.98	62,419,900.29

(5) Details of the top 5 debtors with largest balances

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Chengdu Zhongling Wireless Communication Cable Co., Ltd.	Temporary payment receivable	29,067,927.19	Within 1 year, 1-2 years, 2-3 years	46.32	145,339.64
Tazishan Material Factory	Temporary payment receivable	8,391,138.00	Over 5 years	13.37	8,391,138.00
Tianyun Technology (Suzhou) Co., Ltd.	Deposit	4,786,324.75	Over 5 years	7.63	4,786,324.75
Shenzhen Fuyu Industrial Co., Ltd.	Temporary payment receivable	3,566,915.53	Over 5 years	5.68	3,566,915.53
XIACHADE	Temporary payment receivable	3,000,000.00	Over 5 years	4.78	3,000,000.00
Subtotal		48,812,305.47		77.78	19,889,717.92

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

3. Long-term equity investments

(1) Categories

Items	Closing balance			Closing balance of the preceding period		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	177,640,969.81		177,640,969.81	185,640,969.81	7,480,000.00	178,160,969.81
Investments in associates and joint ventures	120,863,860.42	125,903.35	120,737,957.07	129,395,106.16	125,903.35	129,269,202.81
Total	298,504,830.23	125,903.35	298,378,926.88	315,036,075.97	7,605,903.35	307,430,172.62

(2) Investments in subsidiaries

Investees	Opening balance	Change		Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
		Increase	Decrease			
Chengdu PUTIAN New Material Co., Ltd.	34,513,376.15			34,513,376.15		
Chengdu Zhongling Wireless Communication Cable Co., Ltd.	72,702,773.95			72,702,773.95		
Chengdu SEI Optical Fiber Co., Ltd.	70,424,819.71			70,424,819.71		
Chongqing Putaifeng Aluminium Co., Ltd.	8,000,000.00		8,000,000.00			
Subtotal	185,640,969.81		8,000,000.00	177,640,969.81		

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

3. Long-term equity investments

(3) Investments in associates

Investees	Opening balance	Investments increased	Increase/Decrease		
			Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Chengdu Cable Material Factory	125,903.35				
Chengdu Bada Connector Co., Ltd.	4,732,379.12			841,146.51	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	638,416.68			-465,760.31	
Putian Fasten Cable Telecommunication Co., Ltd.	123,898,407.01			-8,220,631.94	
Total	129,395,106.16			-7,845,245.74	

(Continued)

Investees	Changes in other equity	Increase/Decrease			Others	Closing balance	Closing balance of provision for impairment
		Cash dividend/ profit declared for distribution	Provision for impairment				
Chengdu Cable Material Factory					125,903.35	125,903.35	
Chengdu Bada Connector Co., Ltd.		686,000.00			4,887,525.63		
Chengdu Yuexin Telecommunications Materials Co., Ltd.					172,656.37		
Putian Fasten Cable Telecommunication Co., Ltd.					115,677,775.07		
Total		686,000.00			120,863,860.42	125,903.35	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items of the parent company income statement

1. Operating revenue/cost

(1) Details

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	211,778,294.82	206,175,059.37	228,557,712.47	231,347,931.18
Other operations	36,089,878.05	17,455,502.92	36,110,692.57	18,776,847.37
Total	247,868,172.87	223,630,562.29	264,668,405.04	250,124,778.55

(2) Breakdown of revenue by main categories

Segment	Copper cable and related products	Subtotal
Main product categories		
Track cable	20,148,654.41	20,148,654.41
Component processing and component trade	178,593,142.16	178,593,142.16
Electrical equipment	11,705,477.99	11,705,477.99
Lease	21,014,479.11	21,014,479.11
Others	16,406,419.20	16,406,419.20
Subtotal	247,868,172.87	247,868,172.87
Revenue recognition time		
Goods (transferred at a point in time)	226,853,693.76	226,853,693.76
Services (rendered over time)	21,014,479.11	21,014,479.11
Subtotal	247,868,172.87	247,868,172.87

(3) Revenue recognized as included in the opening balance of carrying amount of contract liabilities totaled 1,501,661.60 yuan.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items of the parent company income statement (Continued)

2. R&D expenses

Items	Current period cumulative	Preceding period comparative
Staff salaries	1,568,318.53	1,459,406.43
Including: Wage	1,083,202.12	1,107,543.21
Welfare payments		4,612.50
Social insurance	461,489.12	325,099.85
Others	23,627.29	22,150.87
Depreciation of fixed assets	125,656.01	256,790.38
Materials	10,619.46	
Others	22,131.16	121,942.57
Total	1,726,725.16	1,838,139.38

3. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	-7,845,245.74	-201,519.15
Investment income from long-term equity investments under cost method	24,000,000.00	30,000,000.00
Gains on disposal of long-term equity investments	-454,344.26	
Total	15,700,410.00	29,798,480.85

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XV. OTHER SUPPLEMENTARY INFORMATION

(I) Non-recurring profit or loss

1. Schedule of non-recurring profit or loss of current period

(1) Details

Items	Amount	Remarks
Gains on disposal of non-current assets, including written-off of provision for impairment	-9,961,567.02	
Government grant included in profit or loss (excluding those closely related to operating activities, or regular government grants)	18,922,409.81	
Other non-operating revenue or expenditures	-3,119,409.62	
Other profit or loss satisfying the definition of non-recurring profit or loss	22,832.23	
Subtotal	5,864,265.40	
Less: enterprise income tax affected		
Non-controlling interest affected (after tax)	14,577.76	
Net non-recurring profit or loss attributable to shareholders of the parent company	5,849,687.64	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(II) RONA and EPS

1. Details

Profit of the reporting period	Weighted average RONA (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	-5.68	-0.13	-0.13
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	-6.34	-0.14	-0.14

2. Calculation process of weighted average RONA

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	-50,135,424.57
Non-recurring profit or loss	B	5,849,687.64
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-55,985,112.21
Opening balance of net assets attributable to shareholders of ordinary shares	D	908,061,726.95
Net assets attributable to shareholders of ordinary shares increased due to offering of new shares or conversion of debts into shares	E	
Number of months counting from the next month when the net assets were increased to the end of the reporting period	F	
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation	G	
Number of months counting from the next month when the net assets were decreased to the end of the reporting period	H	
Number of months in the reporting period	K	12
Weighted average net assets	$L = D + A \times 1/2 +$ $E \times F / K - G \times H / K$	882,994,014.67
Weighted average RONA	M=A/L	-5.68%
Weighted average RONA after deducting non-recurring profit or loss	N=C/L	-6.34%

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2019 Monetary unit: RMB Yuan

XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(II) RONA and EPS (Continued)

3. Calculation process of basic EPS and diluted EPS

(1) Calculation process of basic EPS

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	-50,135,424.57
Non-recurring profit or loss	B	5,849,687.64
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-55,985,112.21
Opening balance of total shares	D	400,000,000.00
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	
Number of shares increased due to offering of new shares or conversion of debts into shares	F	
Number of months counting from the next month when the share was increased to the end of the reporting period	G	
Number of shares decreased due to share repurchase	H	
Number of months counting from the next month when the share was decreased to the end of the reporting period	I	
Number of shares decreased in the reporting period	J	
Number of months in the reporting period	K	12
Weighted average of outstanding ordinary shares	$L=D+E+F \times G / K - H \times I / K - J$	400,000,000.00
Basic EPS	$M=A / L$	-0.13
Basic EPS after deducting non-recurring profit or loss	$N=C / L$	-0.14

(2) Calculation process of diluted EPS

The process of calculating the diluted earnings per share is same as the calculation of the basic earnings per share.

Chengdu PUTIAN Telecommunications Cable Co., Ltd.

27 March 2020

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

Wu Changlin

EXECUTIVE DIRECTORS

Wu Changlin (*Chairman*)

Hu Jiangbing (*Vice Chairman*)

Han Shu

Wang Micheng

Xu Liying

Liu Yun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mao Yaping

Xiao Xiaozhou

Feng Gang

SUPERVISORS

Zheng Zhili

Xiong Ting

Liu Jun

COMPANY SECRETARY

Shum Shing Kei

QUALIFIED ACCOUNTANT

Yu Qian

AUTHORIZED REPRESENTATIVES

Hu Jiangbing

Shum Shing Kei

BOARD COMMITTEES

AUDIT COMMITTEE

Mao Yaping (*Chairman*)

Xiao Xiaozhou

Feng Gang

REMUNERATION AND APPRAISAL COMMITTEE

Xiao Xiaozhou (*Chairman*)

Mao Yaping

Feng Gang

Han Shu

Xu Liying

NOMINATION COMMITTEE

Feng Gang (*Chairman*)

Mao Yaping

Xiao Xiaozhou

Wang Micheng

Liu Yun

STRATEGIC DEVELOPMENT COMMITTEE

Wu Changlin (*Chairman*)

Hu Jiangbing

Mao Yaping

Xiao Xiaozhou

Feng Gang

REGISTERED ADDRESS AND OFFICE ADDRESS OF THE COMPANY IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CORPORATE INFORMATION

BUSINESS REGISTRATION NUMBER

No. 1972 of Qi He Chuan Rong Zong Zi

SOCIAL CREDIT CODE

9151010020193968XY

PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited
Stock Code: 1202

AUDITOR

Pan-China Certified Public Accountants
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THE PRC (HONG KONG)

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PRINCIPAL BANKERS

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The PRC

H SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Rooms 1712-1716, 17th Floor,
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Wan Chai,
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ADDRESS FOR INSPECTION OF CORPORATE DATA

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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 7001

THE COMPANY'S WEBSITE AND EMAIL

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