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**Potevio**

**中国普天**

**成都普天電纜股份有限公司**

**CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED**

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

(Stock Code: 1202)

## **2018 ANNUAL RESULTS ANNOUNCEMENT**

### **Results**

The board of directors (the “**Board**”) of Chengdu PUTIAN Telecommunications Cable Company Limited (the “**Company**” or “**Chengdu PUTIAN**”) hereby announces the audited consolidated financial information of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2018 (the “**Year**”) together with comparative figures for the corresponding period in 2017 as follows:

**CONSOLIDATED BALANCE SHEET**  
as at 31 December 2018

PREPARED BY: CHENGDU PUTIAN  
TELECOMMUNICATIONS CABLE  
COMPANY LIMITED

*Monetary unit: RMB*

Asset	Note No.	31 December 2018	1 January 2018	31 December 2017
<b>Current assets:</b>				
Cash and bank		<b>441,997,685.40</b>	502,739,979.20	502,739,979.20
Settlement funds				
Lendings to Banks and Other Financial Institutions				
Tradable financial asset				
Financial assets at fair value through profit or loss		Not applicable	Not applicable	Not applicable
Derivative financial assets				
Notes receivable and account receivable	V, (I), I	<b>228,215,477.41</b>	214,534,640.82	221,134,776.61
Advances paid		<b>16,709,878.31</b>	28,522,959.92	28,522,959.92
Insurance premiums receivable				
Reinsurance receivables				
Provisions on reinsurance receivables				
Other receivables		<b>11,674,523.95</b>	24,306,059.80	23,985,338.43
Reverse-REPO financial assets				
Inventories		<b>88,937,485.68</b>	108,342,841.35	108,342,841.35
Contractual asset				Not applicable
Assets classified as held for sale				
Non-current assets due within one year				
Other current assets		<b>14,048,727.80</b>	14,278,091.00	14,278,091.00
<b>Total current assets</b>		<b><u>801,583,778.55</u></b>	<b><u>892,724,572.09</u></b>	<b><u>899,003,986.51</u></b>

Asset	<i>Note No.</i>	<b>31 December 2018</b>	1 January 2018	31 December 2017
<b>Non-current assets:</b>				
Loans and payments on behalf				
Debt investment				Not applicable
Financial assets available for sale		<b>Not applicable</b>	Not applicable	4,215,948.00
Other debt investment				Not applicable
Investment held to maturity		<b>Not applicable</b>	Not applicable	
Long-term receivables				
Long-term equity investments		<b>132,459,948.88</b>	132,661,468.03	132,661,468.03
Other equity investment		<b>4,977,441.00</b>	4,215,948.00	Not applicable
Other non-current financial assets				Not applicable
Investment property		<b>66,508,775.47</b>	47,332,223.22	47,332,223.22
Fixed assets		<b>164,963,313.16</b>	216,333,998.46	216,333,998.46
Construction in progress		<b>30,558,500.50</b>	20,268,614.42	20,268,614.42
Productive biological assets				
Oil & gas assets				
Intangible assets		<b>47,937,324.47</b>	46,988,707.45	46,988,707.45
Development expenditure				
Goodwill				
Loan-term prepayments				
Deferred tax assets			7,230,404.38	7,140,824.38
Other non-current assets		<b>8,667,587.21</b>		
<b>Total non-current assets</b>		<b><u>456,072,890.69</u></b>	<u>475,031,363.96</u>	<u>474,941,783.96</u>
<b>Total assets</b>		<b><u>1,257,656,669.24</u></b>	<u>1,367,755,936.05</u>	<u>1,373,945,770.47</u>

<b>Liabilities &amp; Owners' Equity (or Shareholders' Equity)</b>	<i>Note No.</i>	<b>31 December 2018</b>	1 January 2018	31 December 2017
<b>Current liabilities:</b>				
Short-term borrowing				
Central bank loans				
Loans from other banks				
Transaction financial liabilities				Not applicable
Financial liabilities measured at fair value		Not applicable	Not applicable	
Derivative financial liabilities				
Notes payable and account payable	V, (I) 2	<b>63,251,671.34</b>	103,292,947.56	103,292,947.56
Advances received		<b>381,164.12</b>	511,811.70	28,280,760.70
Financial assets sold for repurchase				
Absorbing deposit and interbank storage				
Agent trading securities				
Agency underwriting securities				
Employee remuneration payables		<b>27,803,822.80</b>	39,199,752.93	39,199,752.93
Tax payables		<b>7,703,317.53</b>	18,973,320.61	18,973,320.61
Other payables		<b>38,411,274.78</b>	40,501,877.44	40,501,877.44
Handling fee and commission payable				
Reinsurance payables				
Contract liability		<b>7,298,184.05</b>	27,768,949.00	Not applicable
Liabilities classified as held for sale				
Non-current liabilities due within 1 year				
Other current liabilities				
<b>Total current liabilities</b>		<b><u>144,849,434.62</u></b>	<u>230,248,659.24</u>	<u>230,248,659.24</u>

<b>Liabilities &amp; Owners' Equity (or Shareholders' Equity)</b>	<i>Note No.</i>	<b>31 December 2018</b>	1 January 2018	31 December 2017
<b>Non-current liabilities:</b>				
Insurance contract reserve				
Long-term borrowings		<b>6,981,019.84</b>	7,409,015.78	7,409,015.78
Bonds payable				
Including: Preference shares				
Perpetual bonds				
Long-term payables				
Long-term employee remuneration payables				
Provisions			650,000.00	650,000.00
Deferred income		<b>60,648,560.16</b>	63,224,691.48	63,224,691.48
Deferred tax liabilities		<b>639,937.30</b>	525,713.35	525,713.35
Other non-current liabilities				
<b>Total non-current liabilities</b>		<b>68,269,517.30</b>	71,809,420.61	71,809,420.61
<b>Total liabilities</b>		<b>213,118,951.92</b>	302,058,079.85	302,058,079.85
<b>Shareholders' equity:</b>				
Share capital		<b>400,000,000.00</b>	400,000,000.00	400,000,000.00
Other equity				
Including: Preference shares				
Perpetual bonds				
Capital reserve		<b>638,760,122.08</b>	651,400,779.83	651,400,779.83
Less: treasury shares				
Other comprehensive income	V, (I),3	<b>3,626,311.39</b>	2,979,042.34	2,979,042.34
Special reserve				
Surplus reserve		<b>8,726,923.61</b>	8,726,923.61	8,726,923.61
General risk reserve				
Undistributed profit		<b>-143,051,630.13</b>	-128,038,712.62	-121,848,878.20
<b>Total equity attributable to the parent company</b>		<b>908,061,726.95</b>	935,068,033.16	941,257,867.58
<b>Non-controlling interest</b>		<b>136,475,990.37</b>	130,629,823.04	130,629,823.04
<b>Total equity</b>		<b>1,044,537,717.32</b>	1,065,697,856.20	1,071,887,690.62
<b>Total liabilities &amp; shareholders' equity</b>		<b>1,257,656,669.24</b>	1,367,755,936.05	1,373,945,770.47

## CONSOLIDATED INCOME STATEMENT

2018 Fiscal year

PREPARED BY: CHENGDU PUTIAN  
TELECOMMUNICATIONS CABLE  
COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period	Prior period
<b>I. Total operating revenue</b>		<b>614,607,551.15</b>	763,966,053.96
Including: operating revenue	V, (II), 1	<b>614,607,551.15</b>	763,966,053.96
Interest proceeds			
Premium earned			
Revenue from handling charges and commission			
<b>II. Total operating cost</b>		<b>581,731,804.83</b>	695,109,815.87
Including: Operating cost	V, (II), 1	<b>471,622,033.44</b>	584,402,123.91
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 & surcharge for operations	V, (II), 2	<b>8,980,331.89</b>	9,852,902.39
Selling cost	V, (II), 3	<b>19,844,839.89</b>	19,357,239.02
Administration cost	V, (II), 4	<b>59,379,163.81</b>	65,660,133.85
Development cost	V, (II), 5	<b>5,559,320.05</b>	6,080,324.55
Financial cost	V, (II), 6	<b>-4,125,891.27</b>	-4,689,260.71
Include: Interest cost		<b>111,020.63</b>	115,291.76
Interest income		<b>6,036,239.44</b>	5,636,863.32
Assets impairment loss		<b>14,292,032.44</b>	14,446,352.86
Credit impairment loss		<b>6,179,974.58</b>	Not applicable
Add: Other income		<b>7,815,628.01</b>	20,340,120.88
Investment income			
(loss, expressed in negative figure)		<b>-201,519.15</b>	8,683,351.35
Including: Investment income from associates and joint ventures		<b>-201,519.15</b>	8,683,351.35
Gains on foreign exchange			
(loss, expressed in negative figure)			
Profit from net exposure to hedging risk			
(or less: losses)			
Gains on changes of fair value			
(loss, expressed in negative figure)			
Gains on asset disposal (or less: losses)		<b>-624,084.22</b>	-2,525,745.35

Items	Note No.	Current period	Prior period
<b>III. Operating profit (loss, expressed in negative figure)</b>		<b>39,865,770.96</b>	95,353,964.97
Add: Non-operating revenue		<b>975,304.18</b>	656,753.99
Less: Non-operating expenditures		<b>675,151.61</b>	1,751,469.31
<b>IV. Total profit (total loss, expressed in negative figure)</b>		<b>40,165,923.53</b>	94,259,249.65
Less: income tax expense	V, (II), 7	<b>22,473,331.46</b>	25,785,237.68
<b>V. Net profit (loss, expressed in negative figure)</b>		<b>17,692,592.07</b>	68,474,011.97
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		<b>17,692,592.07</b>	68,474,011.97
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership			
1. Net profit attributable to owners of parent company (or less: net loss)		<b>-15,012,917.51</b>	30,325,354.80
2. Non-controlling interest (or less: net loss)		<b>32,705,509.58</b>	38,148,657.17
<b>VI. Other comprehensive income after tax</b>		<b>647,269.05</b>	-2,524,777.95
Net other comprehensive income attributable to owners of the parent company		<b>647,269.05</b>	-2,524,777.95
(I) Not reclassified subsequently to profit or loss		<b>647,269.05</b>	
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	V, (I), 3	<b>647,269.05</b>	Not applicable
4. Change on fair value of company's credit risk			Not applicable
5. Others			
(II) To be reclassified subsequently to profit or loss			-2,524,777.95
1. Other comprehensive income transfer to profit and loss under equity method			
2. Change on fair value of other debt investment			Not applicable
3. Profit or loss from changes in fair value of available-for-sale financial assets		<b>Not applicable</b>	-2,524,777.95
4. The amount of financial assets reclassified to other comprehensive income			Not applicable
5. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets		<b>Not applicable</b>	
6. Provision on Credit impairment of other debt investment			Not applicable

Items	<i>Note No.</i>	Current period	Prior period
7. Profit or loss on cash flow hedging			
8. Translation difference of financial statements in foreign currencies			
9. Others			
Net other comprehensive income after tax attributable to non-controlling interest			
<b>VII. Total comprehensive income</b>		<b>18,339,861.12</b>	65,949,234.02
Items attributable to owners of parent company		<b>-14,365,648.46</b>	27,800,576.85
Items attributable to non-controlling interest		<b>32,705,509.58</b>	38,148,657.17
<b>VIII. Earnings per share (“EPS”):</b>			
(I) Basic EPS (RMB/share)		<b>-0.04</b>	0.08
(II) Diluted EPS (RMB/share)		<b>-0.04</b>	0.08



**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 December 2018

PREPARED BY: CHENGDU PUTIAN  
TELECOMMUNICATIONS CABLE  
COMPANY LIMITED

Monetary unit: RMB

Items	Note No.	Current period	Prior period
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods or rendering of services		<b>472,542,223.46</b>	730,974,754.72
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts of 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 received from trading securities by agency			
Receipts of tax refund			
Other cash receipts related to operating activities		<b>88,338,586.23</b>	121,189,373.83
<b>Subtotal of cash inflows from operating activities</b>		<b>560,880,809.69</b>	852,164,128.55
Cash payments for goods purchased and services received		<b>348,321,563.54</b>	496,295,820.85
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payment of insurance indemnities of original insurance contracts			
Net increase on financial assets held for trade			
Net increase of loans from others			
Cash payment of interest, handling charges and commission			
Cash payment of policy bonus			
Cash paid to and on behalf of employees		<b>67,030,703.62</b>	67,490,700.64
Cash payments of taxes and rates		<b>58,113,875.40</b>	48,011,335.18
Other cash payments related to operating activities		<b>129,981,568.35</b>	78,486,084.43
<b>Subtotal cash outflows from operating activities</b>		<b>603,447,710.91</b>	690,283,941.10
<b>Net cash flows from operating activities</b>		<b>-42,566,901.22</b>	161,880,187.45

Items	Note No.	Current period	Prior period
<b>II. Cash flows from investing activities:</b>			
Cash received from return of investments			
Cash received from return on investments			
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		5,125,526.66	3,384,332.50
Net cash received from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities			
<b>Subtotal of cash inflows from investing activities</b>		<b>5,125,526.66</b>	<b>3,384,332.50</b>
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		20,619,783.73	28,913,873.36
Cash paid for acquiring investments			
Net increase of pledged loans			
Net cash paid for acquiring subsidiaries & other business units			
Other cash payments related to investing activities			
<b>Subtotal of cash outflows from investing activities</b>		<b>20,619,783.73</b>	<b>28,913,873.36</b>
<b>Net cash flows from investing activities</b>		<b>-15,494,257.07</b>	<b>-25,529,540.86</b>
<b>III. Cash flows from financing activities:</b>			
Cash received from investment by others Including: cash received by subsidiaries from non-controlling owners			
Cash received from borrowings			
Cash received from issuing of bonds			
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities			
Cash repayments of borrowings		470,516.54	459,138.58
Cash paid for distribution of dividends or profits and for interest expenses		20,111,020.63	12,115,291.76
Including: cash paid for distribution of dividends or profits by subsidiaries to minority owners		20,000,000.00	12,000,000.00
Other cash payments related to financing activities		19,500,000.00	
<b>Subtotal of cash outflows from financing activities</b>		<b>40,081,537.17</b>	<b>12,574,430.34</b>
<b>Net cash flows from financing activities</b>		<b>-40,081,537.17</b>	<b>-12,574,430.34</b>

<b>Items</b>	<i>Note No.</i>	<b>Current period</b>	Prior period
<b>IV. Effect of foreign exchange rate changes on cash &amp; cash equivalents</b>		<b>563,924.04</b>	-262,803.22
<b>V. Net increase in cash and cash equivalents</b>		<b>-97,578,771.42</b>	123,513,413.03
Add: Opening balance of cash and cash equivalents		<b>454,546,364.92</b>	331,032,951.89
<b>VI. Closing balance of cash and cash equivalents</b>		<b>356,967,593.50</b>	454,546,364.92

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
for the year ended 31 December 2018

PREPARED BY: CHENGDU PUTIAN  
TELECOMMUNICATIONS CABLE  
COMPANY LIMITED

Monetary unit: RMB

Items	Current period										Total shareholders' equity		
	Shareholders' equity attributable to parent company												
	Share capital	Other equity instruments			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				651,400,779.83		2,979,042.34		8,726,923.61		-121,848,878.20	130,629,823.04	1,071,887,690.62
Add: cumulative changes of accounting policies											-6,189,834.42		-6,189,834.42
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		8,726,923.61		-128,038,712.62	130,629,823.04	1,065,697,856.20
III. Current period increase (decrease, expressed in negative figures)					-12,640,657.75		647,269.05				-15,012,917.51	5,846,167.33	-21,160,138.88
(I) Total comprehensive income							647,269.05				-15,012,917.51	32,705,509.58	18,339,861.12
(II) Capital contributed or withdrawn by owners													
1. Capital 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												-20,000,000.00	-20,000,000.00
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners (shareholders)												-20,000,000.00	-20,000,000.00
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. Change on set income carry forward to retained earnings													
5. Other comprehensive income carry forward to retained earnings													
6. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others					-12,640,657.75							-6,859,342.25	-19,500,000.00
IV. Balance at the end of current period	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

Items	Prior period												
	Shareholders' equity attributable to parent company												
	Share capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Non-controlling interests	Total shareholders' equity
Preference shares		Perpetual bonds	Others										
I. Balance at the end of prior year	400,000,000.00				651,400,779.83		5,503,820.29		8,726,923.61		-152,174,233.00	104,481,165.87	1,017,938,456.60
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		5,503,820.29		8,726,923.61		-152,174,233.00	104,481,165.87	1,017,938,456.60
III. Current period increase (decrease, expressed in negative figures)							-2,524,777.95				30,325,354.80	26,148,657.17	53,949,234.02
(I) Total comprehensive income							-2,524,777.95				30,325,354.80	38,148,657.17	65,949,234.02
(ii) Capital contributed or withdrawn by owners													
1. Capital 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												-12,000,000.00	-12,000,000.00
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners (shareholders)												-12,000,000.00	-12,000,000.00
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. Change on set income carry forward to retained earnings													
5. Other comprehensive income carry forward 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				651,400,779.83		2,979,042.34		8,726,923.61		-121,848,878.20	130,629,823.04	1,071,887,690.62

## NOTES TO THE FINANCIAL STATEMENTS

2018 Fiscal year

Currency: 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 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. There are a total of 400,000,000.00 shares in issue with the nominal value of RMB1 each. 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 of the Company have been deliberated and approved by the 5th meeting of the 9th session of the Board of Directors on 22 March 2019.

The Company has brought 4 subsidiaries including Chengdu Zhongling Radio Communications Co., Ltd., Chengdu SEI Optical Fiber Co., Ltd., Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, Chongqing Putaifeng Aluminium Co., Ltd. into the consolidated scope for the current period. Please refer to notes to changes in the consolidated scope and interest in other entities for details.

### II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

#### (I) Preparation basis

The financial statements have been prepared on the basis of going concern. Based on the actual transactions and items occurred, in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of China (the Ministry of Finance Degree No. 33, the amended Degree No. 76), Specific accounting standards of 42 items which are issued and amended after 15 February 2006, Guidelines for application of enterprise accounting standards, Interpretation of enterprise accounting standards and other relevant regulations (the “**Accounting Standards**”).

In accordance with the China Accounting Standards, the Company’s accounting is on an accrual basis. This financial report is based on historical cost, except some financial instruments. If there is an indication of impairment, the Company would make provision for impairment loss of the asset, according to the relevant regulations.

## (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. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

- (I) The Company prepares the 2018 financial statements in accordance with the "Notice of the Ministry of Finance on Amending the Format of the 2018 Annual Financial Statements of the General Enterprise" (Accounting [2018] No. 15) and the interpretation along with the requirement of accounting standards. This accounting policy change adopts the retrospective adjustment method. The report items and amounts that are significantly which affected the 2017 annual financial statements are as follows:

	<b>Items and amounts of the original statement</b>		<b>Items and amounts of the new statement</b>
Notes receivables	98,266,619.18	Notes and account receivables	221,134,776.61
Account receivables	122,868,157.43		
Interest receivables			
Dividend receivable		Other receivables	23,985,338.43
Other receivables	23,985,338.43		
Project under construction	2,149,526.26	Project under construction	20,268,614.42
Engineering materials	18,119,088.16		
Notes payable		Notes and account payables	103,292,947.56
Account payables	103,292,947.56		
Interest payables		Other payables	40,501,877.44
Dividend payables			
Other payables	40,501,877.44		
Administration expense	71,740,458.40	Administration expense	65,660,133.85
		Research and development cost	6,080,324.55
Other income	20,284,061.40	Other income	20,340,120.88
Non-business income	712,813.47	Non-business income	656,753.99

- (II) Since 1 January 2018, the Company has implemented the “revised Accounting Standards for Business Enterprises No. 14 — Income” (hereinafter referred to as the New Income Standard) “the Accounting Standards for Business Enterprises No. 22 — Confirmation of Financial Instruments and Measurement”, “Accounting Standards for Business Enterprises No. 23 — Transfer of Financial Assets”, “Accounting Standards for Business Enterprises No. 24 — Hedging” and “Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments” (hereinafter referred to as the Guidelines for New Financial Instruments). According to the accounting standards convergence rules, the information of the comparable period will not be adjusted. The difference between the implementation of the new standard and the original standard on the first implementation date is retrospectively adjusted to the retained earnings or other comprehensive income at the beginning of the reporting period.

### 1. Implementation of new income standard

The implementation of the new income standard has the following main impact on the Company’s financial statements as at 1 January 2018:

Items	31 December 2017	Balance sheet Impact of adjustment resulted from new income standard	
			1 January 2018
Advances received	28,280,760.70	-27,768,949.00	511,811.70
Contract liability		27,768,949.00	27,768,949.00

### 2. Implementation of new financial instrument standard

The new financial instrument standard has changed the classification and measurement of financial assets, and has identified three major measurement categories: amortized cost; measured at fair value and its changes included in other comprehensive income; measured at fair value and changes included in profit and loss. The company considers its own business model and the contractual cash flow characteristics of financial assets to carry out the above classification. Equity investments are measured at fair value and counted in profit or loss, but they can be measured at fair value and their changes are included in other comprehensive income at the initial recognition (gains or losses at disposal cannot be transferred to profit or loss, dividend income can included in the current period profit or loss), and the choice is irrevocable.

The new financial instrument standard requires that the financial assets impairment measurement be changed from “already loss model” to “expected credit loss model”, which is applicable to financial assets measured at amortized cost, financial assets measured at fair value and its changes included in other comprehensive income, lease receivables.

On 1 January 2018, the Company’s financial assets and financial liabilities are classified and measured according to the new financial instrument standard and the original financial instrument standards. The following table is compared:

Items	Original financial instrument rule		New financial instrument rule	
	Calculate category	Book value	Calculate category	Book value
Bank deposit	Debt and receivables	500,500,027.48	Amortization cost	500,500,027.48
Other monetary funds	Debt and receivables	2,201,588.64	Amortization cost	2,201,588.64
Notes receivables	Debt and receivables	98,266,619.18	Amortization cost	98,213,845.44
Account receivables	Debt and receivables	122,868,157.43	Amortization cost	116,320,795.38
Other receivables	Debt and receivables	23,985,338.43	Amortization cost	24,306,059.80
Other equity instrument	Financial assets ready for sale	4,215,948.00	Measure at fair value and the change will transfer to other comprehensive income	4,215,948.00
Account payables	Other financial liabilities	103,292,947.56	Amortization cost	103,292,947.56
Other payables	Other financial liabilities	40,501,877.44	Amortization cost	40,501,877.44
Long-term loans	Other financial liabilities	7,409,015.78	Amortization cost	7,409,015.78



On 1 January 2018, the book value of the original financial assets and financial liabilities was adjusted to the book value of the new financial assets and financial liabilities classified and measured according to the new financial instrument standards as follows:

Items	Book value shown in accordance with the original financial instruments standards (31 December 2017)	Re-classify	Recalculate	Book value according to the new financial instrument standard (1 January 2018)
Amortization cost				
Bank deposit				
Balance shown in accordance with the original CAS22 and balance shown in accordance with the new CAS22	500,500,027.48			500,500,027.48
Other monetary funds				
Balance shown in accordance with the original CAS22 and balance shown in accordance with the new CAS22	2,201,588.64			2,201,588.64
Notes receivables				
Balance shown in accordance with the original CAS22	98,266,619.18			
Recalculate: provision for expected credit loss			-52,773.74	
Balance shown in accordance with the new CAS22				98,213,845.44
Account receivables				
Balance shown in accordance with the original CAS22 and balance shown in accordance with the new CAS22	122,868,157.43			
Recalculate: provision for expected credit loss			-6,547,362.05	
Balance shown in accordance with the new CAS22				116,320,795.38
Other receivables				
Balance shown in accordance with the original CAS22 and balance shown in accordance with the new CAS22	23,985,338.43			
Recalculate: provision for expected credit loss			320,721.37	
Balance shown in accordance with the new CAS22				24,306,059.80
Total financial assets measured at amortization cost	747,821,731.16		-6,279,414.42	741,542,316.74
Account payables				
Balance shown in accordance with the original CAS22 and balance shown in accordance with the new CAS22	103,292,947.56			103,292,947.56

Items	Book value shown in accordance with the original financial instruments standards (31 December 2017)	Re-classify	Recalculate	Book value according to the new financial instrument standard (1 January 2018)
Other payables				
Balance shown in accordance with the original CAS22 and balance shown in accordance with the new CAS22	40,501,877.44			40,501,877.44
Long-term loans				
Balance shown in accordance with the original CAS22 and balance shown in accordance with the new CAS22	7,409,015.78			7,409,015.78
Total financial liabilities measured at amortization cost	151,203,840.78			151,203,840.78

**Measured at fair value and its changes included in other comprehensive income**

Financial assets ready for sale				
Balance shown in accordance with the original CAS22	4,215,948.00			
Less: transfer to other equity instrument investment		4,215,948.00		
Balance shown in accordance with the new CAS22				
Other equity instrument investment				
Balance shown in accordance with the original CAS22				
Add: Transfer from Saleable category (formerly CAS22) to — Specify		4,215,948.00		
Balance shown in accordance with the new CAS22				4,215,948.00
Total financial assets measured at fair value and its changes included in other comprehensive income	4,215,948.00			4,215,948.00

On 1 January 2018, the closing amount of provision for impairment of original financial assets was adjusted to the new provision for losses classified and measured according to the new financial instrument standards as follows:

<b>Items</b>	<b>Provided for losses in accordance with the original financial instruments standards (31 December 2017)</b>	<b>Re-classify</b>	<b>Recalculate</b>	<b>Provided for losses in accordance with the new financial instruments standards (1 January 2018)</b>
Loans and receivables (original CAS22)/financial assets measured at amortization cost (new CAS22)				
Notes receivables			52,773.74	52,773.74
Account receivables	52,726,764.67		6,547,362.05	59,274,126.72
Other receivables	28,917,319.51		-320,721.37	28,596,598.14
Total	81,644,084.18		6,279,414.42	87,923,498.6
Held to maturity (original CAS22)/financial assets measured at amortization cost (new CAS22)				
Creditors' investment	60,000.00			60,000.00

(III) In 2017, the Ministry of Finance composed the “Accounting Standards for Business Enterprises Interpretation No. 9 — Accounting Treatment of Net Loss of Investment under the Equity Method”, “Enterprise Accounting Standards Interpretation No. 10 — Revenue arising from the use of fixed assets is The basic depreciation method”, “Enterprise Accounting Standards Interpretation No. 11 — Amortization Method Based on Income from the Use of Intangible Assets” and “Enterprise Accounting Standards Interpretation No. 12 — Provision of Key Management Personnel Services and Whether the recipient is a related party”. The Company has implemented the accounting standards since 1 January 2018. The implementation of the above explanation has no impact on the Company’s initial financial data.

## IV. TAX

### (I) Major taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	17%, 16% <i>notes</i>
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 <sup>2</sup> , RMB8/m <sup>2</sup>

*Note:* According to the Finance and Taxation [2018] No. 32 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 17% and 11% to 16% and 10% respectively since 1 May 2018.

Corporate income tax rate for taxpayers with different tax rates

Taxpayers	Income tax rate
The Company	15%
Chengdu SEI Optical Fiber Co., Ltd.	15%
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	25%
Chengdu Zhongling Radio Communications Co., Ltd.	15%
Chongqing Putaifeng Aluminium Co., Ltd.	25%

### (II) Tax incentives

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 Zhongzhu 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).

## V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

### (I) Notes on consolidated statement of financial position items

#### 1. Notes receivable and accounts receivable

##### (1) Details

##### 1) Details by category

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on an individual basis	22,386,293.35	7.63	22,386,293.35	100.00	
Including: Accounts receivable	22,386,293.35	7.63	22,386,293.35	100.00	
Receivables with provision for bad debts made on a collective basis	271,175,209.67	92.37	42,959,732.26	15.84	228,215,477.41
Including: Notes receivable	113,082,759.28	38.52	187,149.08	0.17	112,895,610.20
Accounts receivable	158,092,450.39	53.85	42,772,583.18	27.06	115,319,867.21
<b>Total</b>	<b>293,561,503.02</b>	<b>100.00</b>	<b>65,346,025.61</b>	<b>22.26</b>	<b>228,215,477.41</b>
Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	156,340,265.40	89.03	33,472,107.97	21.41	122,868,157.43
Receivable of individually insignificant amount but with provision made on an individual basis	19,254,656.70	10.97	19,254,656.70	100.00	
<b>Total</b>	<b>175,594,922.10</b>	<b>100.00</b>	<b>52,726,764.67</b>	<b>30.03</b>	<b>122,868,157.43</b>

2) Receivables and accounts receivable for provision for bad debts at the end of the period

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons
Account receivables				
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	2,580,313.34	2,580,313.34	100.00	Liquidation procedure in process, not expect to be recovered
KABKableprektionAB	2,058,597.74	2,058,597.74	100.00	Aged receivables, not expect to be recovered
Shenyang Hengyuanda Communication Equipment Co., Ltd.	1,621,814.62	1,621,814.62	100.00	Revoked, not expect to be recoverable
Chuandong Electrical and Mechanical Company	1,606,692.41	1,606,692.41	100.00	Aged receivables, not expect to be recovered
Wushi Zhida Electronics Co., Ltd.	1,344,969.65	1,344,969.65	100.00	Revoked, not expect to be recoverable
Zhongnan Company, China Postal and Electrical Material Company	1,116,797.27	1,116,797.27	100.00	Aged receivables, not expect to be recovered
Henan Qingfeng County Industry and Commerce Co., Ltd.	1,007,986.64	1,007,986.64	100.00	Aged receivables, not expect to be recovered
Chengdu Optical Communication Network Development Co., Ltd.	847,136.75	847,136.75	100.00	Aged receivables, not expect to be recovered
Sichuan Xinlong Network Technology Company	767,402.64	767,402.64	100.00	Aged receivables, not expect to be recovered
Shenzhen Alliance Electronics Co., Ltd.	616,075.20	616,075.20	100.00	Aged receivables, not expect to be recovered
Qingyang television	609,572.00	609,572.00	100.00	Aged receivables, not expect to be recovered
Dayuan New Materials Trading Company	592,065.60	592,065.60	100.00	Aged receivables, not expect to be recovered
Others	7,616,869.49	7,616,869.49	100.00	Aged receivables, not expect to be recovered
Subtotal	<u>22,386,293.35</u>	<u>22,386,293.35</u>	<u>100.00</u>	

3) Bad debt provision for Notes receivables with combined method

<b>Items</b>	<b>Book balance</b>	<b>Closing balance Provision for bad debts</b>	<b>Provision proportion (%)</b>
Bank acceptance portfolio	<b>94,566,177.70</b>	<b>94,566.17</b>	<b>0.10</b>
Trade acceptance portfolio	<b>18,516,581.58</b>	<b>92,582.91</b>	<b>0.50</b>
Subtotal	<b><u>113,082,759.28</u></b>	<b><u>187,149.08</u></b>	<b><u>0.17</u></b>

4) In the non-related party portfolio of accounts receivable, the bad debt provision for account receivables are calculated using the aging loss rate comparison table.

<b>Ages</b>	<b>Book balance</b>	<b>Closing balance Provision for bad debts</b>	<b>Provision proportion (%)</b>
Within 1 year	<b>107,377,614.10</b>	<b>6,655,550.47</b>	<b>6.20</b>
1–2 years	<b>3,224,503.30</b>	<b>1,113,663.19</b>	<b>34.54</b>
2–3 years	<b>1,838,736.87</b>	<b>1,351,193.92</b>	<b>73.48</b>
Over 3 years	<b>36,926,396.50</b>	<b>33,608,549.60</b>	<b>91.01</b>
Subtotal	<b><u>149,367,250.77</u></b>	<b><u>42,728,957.18</u></b>	<b><u>28.61</u></b>

- 5) For the related parties accounts receivable, bad debt provision are calculated using the aging loss rate comparison table.

<b>Ages</b>	<b>Book balance</b>	<b>Closing balance Provision for bad debts</b>	<b>Provision proportion (%)</b>
Within 1 year	<u>8,725,199.62</u>	<u>43,626.00</u>	<u>0.50</u>
Subtotal	<u><u>8,725,199.62</u></u>	<u><u>43,626.00</u></u>	<u><u>0.50</u></u>

(2) *Receivables days analysis*

<b>Ages</b>	<b>Book balance</b>	<b>Closing balance Provision for bad debts</b>	<b>Provision proportion (%)</b>
Within 1 year	229,185,573.00	6,886,325.55	3.00
1–2 years	3,224,503.30	1,113,663.19	34.54
2–3 years	4,419,050.21	3,931,507.26	88.97
Over 3 years	<u>56,732,376.51</u>	<u>53,414,529.61</u>	<u>94.15</u>
Total	<u><u>293,561,503.02</u></u>	<u><u>65,346,025.61</u></u>	<u><u>22.26</u></u>

The notes receivable and accounts receivable are accounted based on the month in which the transaction actually occur and follow a first in first out method.

The credit period granted to customers is generally about 1–12 months. The notes generally expire within 6 months from the date of issue. Outstanding receivables will be reviewed by the management on a regular basis.



(3) *Changes in bad debts provision*

Items	1 January 2018	Increase			Decrease			Closing balance
		Provision made	Provision collected	Others	Provision reversed	Provision written off	Others	
Notes receivable	52,773.74	134,375.34						187,149.08
Accounts receivable	<u>59,274,126.72</u>	<u>5,884,749.81</u>						<u>65,158,876.53</u>
Subtotal	<u>59,326,900.46</u>	<u>6,019,125.15</u>						<u>65,346,025.61</u>

(4) *Top 5 account receivables ranking high to low*

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Shenzhen ZTE Kangxun Telecom Company Limited	45,888,947.76	25.43	3,597,693.50
CRRC Zhuzhou Locomotive Co. ,Ltd.	15,492,200.79	8.58	1,214,588.54
China Potevio Company Limited	8,725,199.62	4.83	43,626.00
Jiangsu Ronglian Technology Development Co. ,Ltd.	4,771,707.00	2.64	73,484.29
Zhuzhou CRRC Times Electric Co. ,Ltd.	<u>4,427,976.23</u>	<u>2.45</u>	<u>347,153.34</u>
Subtotal	<u>79,306,031.40</u>	<u>43.93</u>	<u>5,276,545.67</u>

(5) *The Company has endorsed or discounted the notes receivable that have not yet expired on the balance sheet date.*

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	<u>57,324,622.81</u>	
Subtotal	<u>57,324,622.81</u>	

The acceptor of the bank acceptance bill is a commercial bank since a commercial bank has a higher credit, the bank acceptance bill is less likely to be unable to be repaid, so the Company has already terminated the bank acceptance bills which have been endorsed or discounted. However, if the bills are not paid when its due, the Company will still be jointly liable to the notes holder in accordance to “the Bills Act”.

## 2. Notes payable and accounts payable

### (1) Breakdown

<b>Items</b>	<b>Closing balance</b>	Opening balance
Notes payable		
Accounts payable	<b>63,251,671.34</b>	103,292,947.56
Total	<b><u>63,251,671.34</u></b>	<u>103,292,947.56</u>

### (2) Account payables

#### 1) Breakdown

<b>Items</b>	<b>Closing balance</b>	Opening balance
Borrowings	<b>62,625,788.86</b>	103,238,901.56
Payment for project and equipment		49,850.00
Others	<b>625,882.48</b>	4,196.00
Total	<b><u>63,251,671.34</u></b>	<u>103,292,947.56</u>

#### 2) Payable days analysis

<b>Ages</b>	<b>Closing balance</b>	Ages
Within 1 year	<b>53,695,878.49</b>	90,653,206.29
1–2 years	<b>2,231,973.11</b>	2,201,110.27
2–3 years	<b>698,082.51</b>	7,420,684.92
Over 3 years	<b>6,625,737.23</b>	3,017,946.08
Total	<b><u>63,251,671.34</u></b>	<u>103,292,947.56</u>

#### 3) Important accounts payable aged over 1 year

<b>Items</b>	<b>Closing balance</b>	<b>Reasons for unsettlement</b>
Chengdu Huangshi Shuangfeng Cable Co., Ltd.	<b>4,690,289.26</b>	The project is not yet due for settlement
Subtotal	<b><u>4,690,289.26</u></b>	

### 3. *Other comprehensive income*

Items	1 January 2018	Current period cumulative before income tax	Current period cumulative		Attributable to parent company	Attributable to non-controlling shareholders	Closing balance
			Less: OCI carried forward transferred to profit or loss	Less: income tax			
Items not to be reclassified subsequently to profit or loss	<b>2,979,042.34</b>	761,493.00		114,223.95	647,269.05		3,626,311.39
Including: Changes in fair value of other equity instrument investments	<b>2,979,042.34</b>	761,493.00		114,223.95	647,269.05		3,626,311.39
Total	<b>2,979,042.34</b>	761,493.00		114,223.95	647,269.05		3,626,311.39

## (II) Consolidated income statement item notes

### 1. *Operating income/operating costs*

#### (1) *Details*

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	<b>580,793,108.83</b>	<b>448,970,914.08</b>	729,062,261.07	556,664,343.34
Other operations	<b>33,814,442.32</b>	<b>22,651,119.36</b>	34,903,792.89	27,737,780.57
Total	<b>614,607,551.15</b>	<b>471,622,033.44</b>	763,966,053.96	584,402,123.91

(2) Revenue breakdown by major category

Reportable segments	Copper cable and related products	Optical communication products	Cable conduct and related products	Aluminum rod and related products	Subtotal
Main product types					
Optical fiber products		333,655,714.87			333,655,714.87
Heat shrinkable sleeve			355,247.58		355,247.58
Aluminum wire rod				34,584.44	34,584.44
Track cable	29,917,489.19				29,917,489.19
Component Processing and Component Trade	156,054,586.29				156,054,586.29
Electrical equipment	43,939,309.72				43,939,309.72
Feeder	17,142,797.11				17,142,797.11
Lease	14,432,693.36		4,633,363.74		19,066,057.10
Others	11,610,443.56		2,479,303.97	352,017.32	14,441,764.85
Subtotal	<u>273,097,319.23</u>	<u>333,655,714.87</u>	<u>7,467,915.29</u>	<u>386,601.76</u>	<u>614,607,551.15</u>
Revenue recognition time					
Goods (transferred at a point in time)	258,664,625.87	333,655,714.87	2,834,551.55	386,601.76	595,541,494.05
Services (rendered over time)	14,432,693.36		4,633,363.74		19,066,057.10
Subtotal	<u>273,097,319.23</u>	<u>333,655,714.87</u>	<u>7,467,915.29</u>	<u>386,601.76</u>	<u>614,607,551.15</u>

(3) Revenue recognized in the current period including the opening book value at the beginning of the contractual liabilities period is RMB21,782,473.80.

2. Taxes and surcharges

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	1,609,094.64	2,113,110.75
Education surcharge	689,611.99	901,720.60
Local Education Surcharges	459,741.36	607,588.26
Stamp duty	436,241.91	357,180.70
Housing property tax	3,377,232.83	3,471,853.46
Land use tax	2,396,164.60	2,396,168.62
Vehicle and vessel use tax	4,560.00	5,280.00
Environmental Protection Tax	7,505.10	
Resources tax	179.46	
Total	<u>8,980,331.89</u>	<u>9,852,902.39</u>

### 3. *Cost of sales*

<b>Items</b>	<b>Current period cumulative</b>	Preceding period comparative
Staff salaries	<b>5,739,264.66</b>	6,689,638.69
Transportation cost	<b>4,554,771.12</b>	4,676,648.95
Packing expenses	<b>1,478,625.34</b>	1,732,250.39
Business expenses	<b>2,000,015.51</b>	2,725,763.06
Advertising and promotion expenses	<b>1,735,877.87</b>	971,587.97
Office and travelling expenses	<b>506,535.35</b>	402,173.22
Sales service expenses	<b>2,773,969.56</b>	1,435,990.41
Others	<b>1,055,780.48</b>	723,186.33
	<hr/>	<hr/>
Total	<b><u>19,844,839.89</u></b>	<b><u>19,357,239.02</u></b>

### 4. *Administration expense*

#### (1) *Break down*

<b>Items</b>	<b>Current period cumulative</b>	Preceding period comparative
Staff salaries	<b>29,517,287.28</b>	36,223,319.61
Depreciation and amortisation	<b>11,373,381.04</b>	14,194,587.64
Business entertainment	<b>636,663.35</b>	618,926.65
Office and travelling expenses	<b>2,119,811.11</b>	2,659,911.02
Taxes	<b>235,188.25</b>	192,941.27
Agency fee	<b>2,512,481.50</b>	1,757,952.68
Repairs and maintenance	<b>1,939,087.86</b>	1,728,257.82
Water and electricity	<b>2,541,919.30</b>	3,217,344.71
Leasing fee	<b>641,283.59</b>	678,138.71
Others	<b>7,862,060.53</b>	4,388,753.74
	<hr/>	<hr/>
Total	<b><u>59,379,163.81</u></b>	<b><u>65,660,133.85</u></b>

(2) The administration expense for the year includes the auditor fee RMB860,000.00 (2017: RMB880,000.00).

**5. Development expense**

<b>Items</b>	<b>Current period cumulative</b>	Preceding period comparative
I. Staff salaries	<b>4,432,735.39</b>	3,025,950.22
Including: Wage	<b>3,281,208.53</b>	2,212,500.52
Welfare payments	<b>164,264.88</b>	163,669.59
Social insurance	<b>939,334.92</b>	627,482.33
Others	<b>47,927.06</b>	22,297.78
II. Depreciation of fixed assets	<b>844,323.20</b>	2,782,718.86
III. Others	<b>282,261.46</b>	271,655.47
	<hr/> <b>5,559,320.05</b> <hr/>	<hr/> 6,080,324.55 <hr/>
Total	<b>5,559,320.05</b>	6,080,324.55

**6. Financial expenses**

<b>Items</b>	<b>Current period cumulative</b>	Preceding period comparative
Interest expenditures	<b>111,020.63</b>	115,291.76
Less: Interest income	<b>6,036,239.44</b>	5,636,863.32
Gains & losses on foreign exchange	<b>1,407,077.52</b>	403,970.52
Handling charges	<b>392,250.02</b>	428,340.33
	<hr/> <b>-4,125,891.27</b> <hr/>	<hr/> -4,689,260.71 <hr/>
Total	<b>-4,125,891.27</b>	-4,689,260.71

**7. Income tax expenses**

(1) *Details*

<b>Items</b>	<b>Current period cumulative</b>	Preceding period comparative
Current period income tax expenses	<b>15,242,927.08</b>	18,790,930.54
Deferred income tax expenses	<b>7,230,404.38</b>	6,994,307.14
	<hr/> <b>22,473,331.46</b> <hr/>	<hr/> 25,785,237.68 <hr/>
Total	<b>22,473,331.46</b>	25,785,237.68

(2) *Adjustment process for accounting profit and income tax*

<b>Items</b>	<b>Current period cumulative</b>	<b>Preceding period comparative</b>
Profit before tax	<b>40,165,923.53</b>	94,259,249.65
Income tax expenses based on tax rate adopted by the parent company	<b>6,024,888.53</b>	14,138,887.45
Effect of different tax rate applicable to subsidiaries	<b>-239,402.71</b>	-459,307.90
Effect of prior income tax reconciliation	<b>-49,527.70</b>	-59,096.87
Effect of non-deductible costs, expenses and losses	<b>158,374.20</b>	182,170.13
Utilization of deductible losses not previously recognized		-1,759,267.73
Effect of deducible temporary differences or deductible losses not recognized	<b>17,728,994.63</b>	14,862,281.23
Others	<b>-1,149,995.49</b>	-1,120,428.63
Income tax expenses	<b>22,473,331.46</b>	25,785,237.68

**(III) Others**

**1. Assets with restricted ownership or use rights**

<b>Items</b>	<b>Closing carrying amount</b>	<b>Reasons for restrictions</b>
Cash in bank	<b>70,221,892.81</b>	Pledge
Other cash and bank balances	<b>14,808,199.09</b>	L/C, deposits of bank guarantee
Total	<b><u>85,030,091.90</u></b>	

**VI. RIGHTS IN OTHER ENTITIES**

**(1) Interests in important subsidiaries**

**1. Composition of important subsidiaries**

**(1) General information**

<b>Subsidiaries</b>	<b>Main operating place</b>	<b>Place of registration</b>	<b>Business nature</b>	<b>Holding proportion (%)</b>		<b>Acquisition method</b>
				<b>Direct</b>	<b>Indirect</b>	
Chengdu Zhongling Radio Communications Co., Ltd.	Chengdu City	Chengdu City	Manufacture	100.00		Business combination not under common control
Chengdu PUTIAN New Material Co., Ltd.	Chengdu City	Chengdu City	Manufacture	100.00		Business combination not under common control
Chengdu SEI Optical Fiber Co., Ltd.	Chengdu City	Chengdu City	Manufacture	60.00		Business combination not under common control
Chongqing Putaifeng Aluminium Co., Ltd.	Chongqing City	Chongqing City	Manufacture	40.00		Investment

- (2) *The basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee*

The Company holds 40% shares of Chongqing Putaifeng Aluminum Co., Ltd., and holds majority voting rights in its board of directors. It can enjoy variable returns through control over its financial and operating decisions. Therefore, the Company will include Chongqing Putaifeng Aluminum Co., Ltd. in the consolidated financial statements.

## 2. *Important non-wholly owned subsidiaries*

### (1) *Breakdown*

<b>Subsidiaries</b>	<b>Holding proportion of non-controlling interest</b>	<b>Profit or loss attributable to non-controlling interest</b>	<b>Dividend declared to non-controlling interest</b>	<b>Closing balance of non-controlling interest</b>
Chengdu SEI Optical Fiber Co., Ltd.	40.00	35,195,593.61	20,000,000.00	136,370,117.47
Chongqing Putaifeng Aluminum Co., Ltd.	60.00	-2,227,702.03		105,872.90

### (2) *Other description*

The minority shareholders hold 60% shares of Chongqing Putaifeng Aluminum Co., Ltd. And the voting rights for Minority shareholders is 40% in board of directors.

## 3. *Key financial information of important non-wholly owned subsidiaries*

### (1) *Assets and liabilities*

*Currency unit: RMB10,000*

<b>Subsidiaries</b>	<b>Current assets</b>	<b>Non-current assets</b>	<b>Closing balance</b>			<b>Total liabilities</b>
			<b>Total assets</b>	<b>Current liabilities</b>	<b>Non-current liabilities</b>	
Chengdu SEI Optical Fiber Co., Ltd.	33,575.86	5,561.05	39,136.91	4,953.78	90.60	5,044.38
Chongqing Putaifeng Aluminium Co., Ltd.	25.30		25.30	7.65		7.65
<b>Subsidiaries</b>	<b>Current assets</b>	<b>Non-current assets</b>	<b>Opening balance</b>			<b>Total liabilities</b>
			<b>Total assets</b>	<b>Current liabilities</b>	<b>Non-current liabilities</b>	
Chengdu SEI Optical Fiber Co., Ltd.	32,073.32	5,739.25	37,812.57	7,518.94		7,518.94
Chongqing Putaifeng Aluminium Co., Ltd.	429.65	698.33	1,127.98	674.05	65.00	739.05



## (2) Profit &amp; loss and cash flow

Currency unit: RMB10,000

Subsidiaries	Operating revenue	Current period cumulative		
		Net profit	Total comprehensive income	Cash flows from operating activities
Chengdu SEI Optical Fiber Co., Ltd.	33,365.57	8,798.90	8,798.90	606.00
Chongqing Putaifeng Aluminium Co., Ltd.	38.66	-371.28	-371.28	6.28
Preceding period comparative				
Subsidiaries	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Chongqing Putaifeng Aluminium Co., Ltd.	9,178.37	-1,279.24	-1,279.24	-257.87

**(II) Changes in the share of the owner's shares in the subsidiary but still control the transactions from the subsidiary****1. Description of changes in the share of the owner's shares in the subsidiary**

Subsidiaries	Date of change	Holding proportion before change	Holding proportion after change
Chengdu Zhongling Radio Communications Co., Ltd.	2018/3/31	66.67%	100.00%
Chengdu PUTIAN New Material Co., Ltd.	2018/3/31	96.67%	100.00%

**2. The impact on minority shareholders' rights and the owners right of the parent company by the transaction**

Items	Chengdu PUTIAN New Material Co., Ltd.	Chengdu Zhongling Radio Communications Co., Ltd.
Acquisition costs	19,500,000.00	
Cash	19,500,000.00	
Total acquisition costs	19,500,000.00	
Less: Share in subsidiaries' net assets based on acquired/disposed net assets proportion	5,466,886.60	1,392,455.65
Balance	12,640,657.75	
Including: Capital reserve adjusted	12,640,657.75	

*Note:* The Company acquired 33.33% shares of Chengdu Putian New Materials Co., Ltd. held by minority shareholders for 19.5 million. Since Chengdu Putian New Materials Co., Ltd. holds 10.00% shares of Chengdu Zhongling Wireless Communication Cable Co., Ltd., the Company has also completed the acquisition of 3.33% shares in Chengdu Zhongling Wireless Communication Cable Co., Ltd indirectly held by minority shareholder of the Company.

### (III) Interests in joint ventures or associates

#### 1. Important joint ventures

Joint ventures or associates	Main operating place	Place of registration	Business nature	Holding proportion (%)		Accounting treatment
				Direct	Indirect	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu City	Chengdu City	Manufacture	35.00		Equity method
Chengdu Bada Connector Co., Ltd.	Chengdu City	Chengdu City	Manufacture	49.00		Equity method
Putian Fasten Cable Telecommunication Co., Ltd.	Jiangyin City	Jiangyin City	Manufacture	22.50		Equity method

#### 2. Key financial information of important associates

Items	Closing balance/Current period		
	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 joint ventures received in current period			

Items	Closing balance/Current period		
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu Bada Connector Co., Ltd.	Putian Fasten Cable Telecommunication Co., Ltd.
Current assets	10,128,114.53	78,690,741.37	964,393,152.63
Non-current assets	2,810,859.13	2,922,962.69	279,077,517.99
Total assets	12,938,973.66	81,613,704.06	1,243,470,670.62
Current liabilities	9,007,290.60	71,069,892.87	654,026,798.48
Non-current liabilities			44,375,298.03
Total liabilities	9,007,290.60	71,069,892.87	698,402,096.51
Non-controlling interest		110,156.92	
Equity attributable to owners of parent company	3,931,683.06	10,433,654.27	545,068,574.11
Proportionate share in net assets	1,376,089.07	5,112,490.59	122,640,429.17
Adjustments			
Goodwill			3,190,746.07
Others	109,955.56	-0.03	231,757.60
Carrying amount of investments in associates	1,486,044.63	5,112,490.56	126,062,932.84
Fair value of equity investments in associates in association with quoted price			
Operating revenue	23,052,966.01	131,689,472.37	1,013,283,014.35
Net profit	2,039.28	700,949.01	37,062,989.31
Net profit of discontinued operations			
Other comprehensive income			
Total comprehensive income	2,039.28	700,949.01	37,062,989.31
Dividend from joint ventures received in current period			

## VII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (1) Related party situation

#### 1. The parent company of the Company

##### (1) The parent company of the Company

Parent company	Place of registration	Business nature	Registered capital (RMB'000)	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
China Potevio Company Limited	Beijing	Manufacture of telecommunication products	1,903,050	60.00	60.00

(2) The ultimate controlling party of the Company is China Putian Information Industry Group Co., Ltd.

2. For details of the subsidiaries of the Company, please refer to the notes on the interests of other entities in the notes of the financial statements.

3. *The Company's joint ventures and associates*

For the important joint ventures or associates of the Company, please refer to the notes on the interests of other entities in the notes to the financial statements.

4. *Other related parties of the Company*

(1) *Other related parties of the Company*

<b>Related parties</b>	<b>Relationships with the Company</b>
Nanjing Putian Telege Intelligent Building Ltd.	Controlled by the same parent company
Putian International Trade Co. Ltd.	Controlled by the same parent company
Chengdu Branch of China Potevio Company Limited	Controlled by the same parent company
Nanjing 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 Huangshishuangfeng 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 Yishi Lighting Engineering Design 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

## (II) Related party transactions

### 1. Related transactions for the purchase and sale of goods, provide and acceptance of services

#### (1) Details

##### 1) Related transactions in purchasing goods and receiving services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Chengdu Bada Connector Co., Ltd.	Purchase of goods and receiving of services	139,954,368.96	119,935,239.74
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Purchase of goods	7,000,268.54	20,988,172.03
China Potevio Company Limited	Purchase of goods and receiving of services	155,672.64	33,281.13
Sumitomo Electric Industries Ltd.	Purchase of goods	1,951,330.48	20,095,585.02
Sumitomo Electric Asia Ltd.	Purchase of goods	133,669,024.79	130,717,076.34
Sumitomo Electric Industries Ltd.	Receiving of services	460,193.67	467,283.85
Chengdu Huangshishuangfeng Cable Co., Ltd.	Purchase of goods		556,840.28
Chongqing Taishan Cable Co., Ltd.	Receiving of services	203,136.79	
Hangzhou Honyar Electrical Co., Ltd.	Purchase of goods	4,808,906.33	34,573.06
Hangzhou Yishi Lighting Engineering Design Co. Ltd.	Purchase of goods		730,604.94
Hangzhou Honyar Cable Co., Ltd.	Purchase of goods		832,905.48
Hangzhou Honyar Trade Co., Ltd.	Purchase of goods	38,459,601.31	23,498,363.25
Putian Fasten Cable Telecommunication Co., Ltd.	Purchase of goods	11,598.40	

##### 2) Related transactions for the sale of goods and provide labor 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	62,060,953.00
Chengdu Bada Connector Co., Ltd.	Sale of electrical equipment	2,233,671.33	688,448.05
Chongqing Taishan Cable Co., Ltd.	Sale of aluminum rods	34,584.44	43,694,304.32
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Sale of compound steel strip		424,011.85
Putian Fasten Cable Telecommunication Co., Ltd.	Sale of water and electricity	2,180,059.95	3,942,179.82

## 2. Related party lease

Lessees	Types of asset leased	Lease income for current period	Lease income for the preceding period
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Plant	644,320.40	652,416.58
Putian Fasten Cable Telecommunication Co., Ltd.	Plant	3,678,672.00	3,424,800.00
Chengdu Bada Connector Co., Ltd.	Plant	250,660.69	

## 3. Related party guarantee

*The Company as the guarantor*

Guarantors	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
China PUTIAN Corporation Limited	6,981,019.84	1997/2/21	2033/2/21	No

## 4. Related party lending

Related parties	Amount	Commencement date	Maturity date	Remarks
Call loans to related parties Chengdu Bada Connector Co., Ltd.	10,000,000.00	2018/1/1	2018/1/31	Interest income for the current period totaled RMB55,031.44.

## 5. Transfer of related party assets

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	

## 6. Key management remuneration

Items	Current period cumulative	Preceding period comparative
Emoluments	150,000.12	150,000.12
Wage, bonus, allowance and subsidy	1,822,249.02	1,165,853.66
Payment of pension plan	236,860.14	202,803.65
Housing provident fund	74,954.52	62,303.00
Other interest	107,328.54	93,611.50
Total	<u>2,391,392.34</u>	<u>1,674,571.93</u>

7. *Directors' and supervisors' remuneration*

Items	Emoluments	Current period cumulative				Physical welfare	Total
		Wage, bonus, allowance and subsidy	Payment of pension plan	Housing provident fund	Other interest		
<b>Executive directors:</b>							
Wu Changlin ( <i>Note V</i> )							
Zhang Xiaocheng ( <i>Note V</i> )							
Hu Jiangbing ( <i>Note VI</i> )		13,817.00	2,824.20	1,694.52	1,233.52		19,569.24
Han Shu							
Wang Micheng							
Xu Liying							
Liu Yun ( <i>Note I</i> )							
Fan Xu ( <i>Note VI</i> )							
<b>Independent non-executive directors:</b>							
Cai Sicong ( <i>Note II</i> )	8,333.34						8,333.34
Mao Yaping ( <i>Note III</i> )	37,500.03						37,500.03
Xiao Xiaozhou	50,000.04						50,000.04
Lin Zulun ( <i>Note IV</i> )	45,833.37						45,833.37
Feng Gang ( <i>Note IV</i> )	8,333.34						8,333.34
<b>Supervisors:</b>							
Zheng Zhili							
Xiong Ting		336,133.50	40,830.24	9,600.00	17,031.37		403,595.11
Liu Jun		151,016.73	20,257.80	7,896.00	9,294.99		188,465.52
Total	<u>150,000.12</u>	<u>500,967.23</u>	<u>63,912.24</u>	<u>19,190.52</u>	<u>27,559.88</u>		<u>761,629.99</u>

Items	Emoluments	Wage, bonus, allowance and subsidy	Preceding period comparative			Physical welfare	Total
			Payment of pension plan	Housing provident fund	Other interest		
<b>Executive directors:</b>							
Zhang Xiaocheng (Note 5)							
Wang Micheng							
Wang Feng (Note 1)							
Liu Yun (Note 1)							
Han Shu							
Xu Liying							
Fan Xu (Note 6)							
<b>Independent non-executive directors:</b>							
Cai Sicong (Note 2)	50,000.04						50,000.04
Xiao Xiaozhou	50,000.04						50,000.04
Lin Zulun (Note 4)	50,000.04						50,000.04
<b>Supervisors:</b>							
Zheng Zhili							
Xiong Ting		233,825.60	33,032.64	9,600.00	14,489.49		290,947.73
Dai Xiaoyi		169,025.75	24,183.96	8,622.00	10,659.64		212,491.35
Liu Jun		106,621.50	17,229.96	6,726.00	7,800.81		138,378.27
Total	<u>150,000.12</u>	<u>509,472.85</u>	<u>74,446.56</u>	<u>24,948.00</u>	<u>32,949.94</u>		<u>791,817.47</u>

*Note 1:* On 13 January 2017, Mr. Wang Feng resigned as executive director to invest more time in personal affairs, and appointed Ms. Liu Yun as executive director.

*Note 2:* 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. .

*Note 3:* On 13 April 2018, the Board appointed Ms. Mao Yaping as an independent non-executive 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.

*Note 5:* 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 6:* 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.



**8. Top five employees with the highest salaries**

The top five employees with the highest salary this year include 0 (0 person in year 2017) directors whose remuneration details can refer to the Note 10(II), No.7 in the financial statements, and the details of the remaining 5 (5 person in year 2017) non-directors employees' compensation are as follows:

<b>Items</b>	<b>Current period cumulative</b>	Preceding period comparative
Wages, bonus, allowance and subsidy	<b>1,362,474.18</b>	1,121,412.02
Payment of pension plan	<b>179,801.58</b>	166,945.14
Housing provident fund	<b>55,764.00</b>	49,419.00
Other interest	<b>82,101.21</b>	78,078.08
Total	<b><u>1,680,140.97</u></b>	<u>1,415,854.24</u>

The salary ranges for 5 (2017: 5) non-directors are as follows:

<b>Items</b>	<b>Number of individuals (2018)</b>	Number of individuals (2017)
HK\$nil–HK\$1 million	<b>5</b>	5

9. 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 above transactions above were defined as continuous related transaction in Chapter 14A of the Listing Rules, this kind of have been disclosed in the section on continuing connected transactions in the report of the Board of Directors required by Chapter 14A of the Listing Rules.

### (III) Related party receivables and payables

#### 1. Amount due from related parties

Items	Related parties	Closing balance		Opening balance		
		Book balance	Provision for bad debts	Book balance	Provision for bad debts	
Notes receivable and accounts receivable	Nanjing Putian Telege Intelligent Building Ltd.	93,192.96	93,192.96	93,192.96	93,192.96	
	China Potevio Company Limited	8,725,199.62	43,626.00	42,233,063.23		
	Chengdu Branch of China Potevio Company Limited	304,891.23	304,891.23	304,891.23	304,891.23	
	Chengdu Bada Connector Co., Ltd.	278,603.82	1,393.02	88,912.03		
	Chongqing Taishan Cable Co., Ltd.			249,178.73		
	Chengdu Huangshishuangfeng Cable Co., Ltd.			3,416,171.88		
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	980,123.69	4,900.62			
	Subtotal		<u>10,382,011.32</u>	<u>448,003.83</u>	<u>46,385,410.06</u>	<u>398,084.19</u>
	Advances paid	Sumitomo Electric Asia Ltd.	2,142,188.56		718,900.36	
		China Potevio Company Limited			78,300.00	
Hangzhou Honyar Electrical Co., Ltd.				21,293,666.17		
Hangzhou Honyar Trade Co., Ltd.		9,009,887.98		4,698,187.24		
Subtotal		<u>11,152,076.54</u>		<u>26,789,053.77</u>		
Other receivables	China Potevio Company Limited	1,680,942.76	8,404.71	2,452,740.84		
	Chengdu Bada Connector Co., Ltd.	1,336,288.87	6,681.45	10,212,371.31		
	Chongqing Taishan Cable Co., Ltd.			496,822.86		
	Chengdu Huangshishuangfeng Cable Co., Ltd.	236,822.86	1,184.11	496,822.86		
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	93,260.79	466.30	4,568.95		
	Putian Intelligent Lighting Research Institute Co., Ltd.	100,000.00	500.00	5,564,655.38	556,465.54	
	Putian Fasten Cable Telecommunication Co., Ltd.	671,778.78	3,358.90	1,855,990.64		
	China PUTIAN Corporation Limited	3,470,000.00	17,350.00			
Subtotal		<u>7,589,094.06</u>	<u>37,945.47</u>	<u>21,083,972.84</u>	<u>556,465.54</u>	

## 2. Payable to related parties

Items	Related parties	Closing balance	Opening balance
Notes payable and accounts receivable	Chengdu Bada Connector Co., Ltd.	<b>4,510,433.34</b>	23,236,034.91
	Chengdu Yuexin Telecommunications Materials Co., Ltd.		3,134,113.95
	Sumitomo Electric Asia Ltd.	<b>29,241,458.29</b>	27,877,989.45
	Sumitomo Electric Industries Ltd.		393,228.16
	Hangzhou Honyar Cable Co., Ltd.	<b>106,893.69</b>	106,893.69
	Hangzhou Honyar Electrical Co., Ltd.	<b>289,908.93</b>	122,822.80
	Hangzhou Honyar Trade Co., Ltd.	<b>2,175,020.99</b>	3,531,999.14
	Chengdu Huangshishuangfeng Cable Co., Ltd.	<b>4,690,289.26</b>	8,121,852.90
	Subtotal		<b><u>41,014,004.50</u></b>
Advances received	Sumitomo Electric Industries Ltd.	<b>139,139.59</b>	211,887.01
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	<b>100,000.00</b>	100,000.00
	Putian Intelligent Lighting Research Institute Co., Ltd.		100,000.00
	Hangzhou Honyar Electrical Co., Ltd.	<b>1,727,168.49</b>	61,917.96
	Chengdu Bada Connector Co., Ltd.	<b>58,716.00</b>	
	China PUTIAN Corporation Limited	<b>18,660,000.00</b>	
Subtotal		<b><u>20,685,024.08</u></b>	<b><u>473,804.97</u></b>

## VIII. OTHER IMPORTANT MATTERS

### (I) Debt restructuring

#### *The Company as a debtor*

##### (1) Breakdown

Debt restructuring manner	Proceeds from debt restructuring	The increased amount in share capital caused by converting debt into capital	Contingent payables
Debt being repaid by assets	650,000.00		

(2) During the current period, Chongqing Putaifeng Aluminium Co., Ltd., a subsidiary of the Company, has reached an agreement with Chongqing Dexun Property Management Co., Ltd. Pursuant to which, the penal sum related to early termination of house lease contract has been waived.

## (II) Segment information

### 1. Determine the factors considered in the reporting segment

The Company determines the report segment based on internal organizational structure, management requirements, internal reporting system, etc., and determines the report segment based on the product segment.

### 2. Reporting segment financial information

Items	Closing balance/current period cumulative		
	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/current period cumulative		
	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

Items	Opening balance/preceding period comparative		
	Copper cable and related products	Optical communication products	Cable conduct and related products
Revenue from main operations	287,231,983.21	366,375,903.97	635,208.71
Cost of main operations	273,495,945.02	215,468,318.24	413,838.44
Assets impairment loss	17,472,975.33		2,539,901.12
Total assets	1,089,058,722.05	378,125,665.17	102,337,249.13
Total liabilities	180,852,150.80	75,189,355.51	85,360,084.30

Items	Opening balance/preceding period comparative		
	Aluminum rod and related products	Inter-segment offsetting	Total
Revenue from main operations	90,911,776.51	16,092,611.33	729,062,261.07
Cost of main operations	93,474,749.79	26,188,508.15	556,664,343.34
Assets impairment loss	4,476,970.79	10,043,494.38	14,446,352.86
Total assets	11,279,798.01	206,855,663.89	1,373,945,770.47
Total liabilities	7,390,506.46	46,734,017.22	302,058,079.85

**(III) Other financial information**

Items	Closing balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
Net current assets	656,734,343.93	356,912,715.71	668,755,327.27	395,404,231.21
Total assets less current liabilities	1,112,807,234.62	849,614,730.19	1,143,697,111.23	872,600,303.02

**IX. OTHER SUPPLEMENTARY INFORMATION****(I) Non-recurring gains and losses**

Items	Amount	Remarks
Gains on disposal of non-current assets, including written-off of provision for impairment	-624,084.22	
Government grant included in profit or loss (excluding those closely related to operating activities, or regular government grants)	7,815,628.01	
Fund possession charge from non-financial entities and included in profit or loss	55,031.44	
Gains on debt restructuring	650,000.00	
Other non-operating revenue or expenditures	<u>-349,847.43</u>	
Subtotal	<u>7,546,727.80</u>	
Less: enterprise income tax affected	13,154.30	
Non-controlling interest affected (after tax)	-255,436.82	
Net non-recurring profit or loss attributable to shareholders of the parent company	<u>7,789,010.32</u>	

**(II) Return on equity and earnings per share****1. Details**

Profit of the reporting period	Weighted average RONA (%)	EPS (RMB/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	-1.63	-0.04	-0.04
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	-2.48	-0.06	-0.06

2. *The process of calculating the weighted average return on equity*

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	-15,012,917.51
Non-recurring profit or loss	B	7,789,010.32
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-22,801,927.83
Opening balance of net assets attributable to shareholders of ordinary shares	D	935,068,033.16
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	
Equity instrument investments designated as at fair value through other comprehensive income	I1	647,269.05
Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period	J1	6.00
Changes in capital reserve caused by the acquisition of minority shareholders' equity	I2	-12,640,657.75
Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period	J2	9.00
Number of months in the reporting period	K	12.00
Weighted average net assets	$L = D + A/2 + E \times F /$ $K - G \times H / K \pm I \times J / K$	927,885,208.93
Weighted average RONA	$M = A / L$	-1.63
Weighted average RONA after deducting non-recurring profit or loss	$N = C / L$	-2.48

### 3. Calculation process of basic earnings per share and diluted earnings per share

#### (1) Calculation process of basic earnings per share

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	-15,012,917.51
Non-recurring profit or loss	B	7,789,010.32
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-22,801,927.83
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	12.00
Weighted average of outstanding ordinary shares	$L=D+E+F \times G /$ $K-H \times I / K-J$	400,000,000.00
Basic EPS	$M=A/L$	-0.04
Basic EPS after deducting non-recurring profit or loss	$N=C/L$	-0.06

#### (2) Diluted earnings per share calculation process

The process of calculating the diluted earnings per share is same as the calculation of the basic earnings per share.

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF PRINCIPAL BUSINESS

#### I. Information about major operations

During the Year, the Company being under the leadership of China Potevio Company Limited (“**China Potevio**”), the Board and the Supervisory Committee, it continued to implement the series of reform documents relating to the deepening of reforms on state-owned enterprise promulgated by the Central Committee of the CPC and the State Council to vigorously promote supply-side structural reform. Combined with issues addressed in the list of issues, the Company continuously adjusts and improves its reforms to attain certain achievements.

##### 1. *Optical telecommunication business*

Due to the dramatic changes in the optical fibers market in the second half of 2018, the business of the Company was also affected. Nevertheless, the Company reduced the impact of market changes on the Company by arranging reasonable production levels and devoting efforts in selling optical fiber products with higher gross profit margin.

##### 2. *Copper cable business*

Since the construction of 5th generation wireless systems (5G) has been put on the agenda, all the major operators have significantly reduced their investments in the construction of 4th generation wireless systems (4G), which caused a year-on-year decline of around 50% in the market demand for wire feed cables in 2018. As a result, the Company recorded a year-on-year decrease in the revenue generated from the sales of wire feed cables.



## II. Further improving 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 professional and standardized management ability to ensure realization of budget targets.

1. *Implementing rectification measures with respect to the list of issues and facilitating reform and development of the Company.*

With respect to the 62 issues on the list of issues and 8 rectification resolutions, the Company vigorously carried out its rectification work during the Year. Up to now, the Company has completed the rectification of 36 issues listed on the list of issues and made staged achievements on rectification work. Meanwhile, the Company actively boosted special governance of enterprises in dire straits. To solve core problems such as extensive management model, overstaffing and low labor productivity, the Company enhanced its business management and improved its operation efficiency by improving management standard, tapping potential and reducing costs, revitalizing idle assets, placement of surplus and redundant staff and other measures.

2. *Accelerating placement of surplus and redundant staff, and consolidating and promoting special governance of enterprises in dire straits.*

The Company seriously implemented each project in accordance with the requirements of the SASAC and headquarters of the Company on special governance for “disposing of zombie enterprises and assisting enterprises with difficulties”. During the Year, as required by relevant requirements, the headquarters of the Company and former Shuangliu Heat Shrinkable have accepted 3 inspections and audits conducted by the Enterprise Development Department of headquarters of the Company and the audit team of SASAC on the performance of special governance for “disposing of zombie enterprises and assisting enterprises with difficulties”. Meanwhile, with respect to current situation of production and operation and the progress of industrial restructuring of the Company and current situation of some positions where surplus and redundant staff are left, the Company has drafted the 2018 Measures for the Placement of Surplus and Redundant Staff (Trial) (《2018年公司富餘人員安置辦法》(試行)) in accordance with the relevant new requirements of the SASAC on special governance for “disposing of zombie enterprises and assisting enterprises with difficulties”. The Company has intensified its efforts to accelerate the placement of surplus and redundant staff.

3. *Accelerating the separation and transfer of “Three Supplies and Estate Management” and concentrating on developing its core business.*

As required by the SASAC and to accelerate the separation and transfer of “Three Supplies and Estate Management”, the Company and state-owned Sichuan Energy Industry Investment Runjia Property Co., Ltd.\* (四川能投潤嘉置業有限公司) entered into an agreement on the separation and transfer of property management function of workers’ family living areas of the Company; the Company and Chengdu Environmental Investment Group Co., Ltd. and Chengdu Municipal Waterworks Co., Ltd. entered into an agreement on the separation and transfer of water supply function of workers’ family living areas of the Company; the Company and Chengdu High-Tech Zone Electricity Supply Branch of State Grid Sichuan Electric Power Company (國網四川電力公司成都市高新供電分公司) entered into an agreement on the separation and transfer of electricity supply function of workers’ family living areas of the Company. Besides, the Company submitted materials to the headquarters of the Group to apply for advance funding of budgets of stated-owned capital.

4. *Implementing the planning of innovation and entrepreneurship platform and exploring more development channels.*

As required by Potevio Group, the Company actively promoted the economic development in the park, striving to transform the Company from a manufacturer into a manufacturing and service-type enterprise. After numerous communications with Economic Operation and Safety Production Supervision Bureau, Planning and Lands Bureau, Electronic Information Industrial Development Bureau and other government departments of Chengdu High-Tech Zone, the industrial park in which Chengdu PUTIAN based has been positioned as an electronic information industrial park, and its preliminary planning program has been accomplished.

5. *Coordinating resource integration and restructuring to enhance strategic investment management.*

In order to further promote the liquidation of Putaifeng, the Company has established Putaifeng liquidation group and has officially entered the stage of liquidation. To minimize losses arisen therefrom, the Company has carried out numerous rounds of negotiations with shareholders of relevant parties. The liquidation is currently conducted according to the liquidation and disposal plan. The Company has completed the equity acquisition and business changes of Heat Shrinkable Plant and the reform of its company system. The original name of “Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant” has been changed to “Chengdu Putian New Material Co., Ltd. (成都普天新材料有限公司)”. After the reform of system, new adjustments were made to the organizational structure and post allocation, and the general-manager responsibility system under the leadership of the Board was implemented. The Company has facilitated the equity transfer of Chengdu Bada Connector Co., Ltd. and collaborated with it to complete its business changes.

The Company has provided a basis for the decomposition of strategic implementation measures and subsequent assessment by organizing various industrial and functional sectors to complete internal and external analysis, formulating relevant industrial and functional strategic plans, and summarizing to complete its Development Strategy and Plan for 2018 to 2020 (《2018–2020年發展戰略與規劃》).

6. *Strengthening supervision and management of audit and legal affairs, and enhancing risk prevention and control capabilities.*

The headquarters of the Company and its holding companies have been organized to conduct comprehensive inspection on the risk management and internal control system. The Company revised a series of rules and regulations on risk management and control as well as internal control, and completed the Annual Report of Chengdu Putian on Comprehensive Risk Management 2018 (《成都普天2018年度全面風險管理報告》) and the Report of Chengdu Putian on Internal Control Evaluation 2017(《成都普天2017內部控制評價報告》). As for internal audit, the Company carried out 2 off-office audits and 1 performance audit. The Company has improved the authorization system of the Group, improved the level of customer credit management, reduced the risk of legal proceedings, and prepared the Measures of Chengdu Putian on Authorization Management (《成都普天授權管理制度》). Advance audit of contracts on economic businesses was strengthened. Written comments were made on contracts in questions and doubts with a contract review rate of 100%. The Company has coordinated with the Audit Team of National Audit Office in Putian for support and coordination in the process of special audit investigation.

The Company has further strengthened the management of related party transactions, and organized the business units to sign the Related Party Transactions Responsibility Statement (《關聯交易責任書》) in 2018. The Company has required business units to carry out self-check and reporting of the potential related party transactions each month on the basis of preparing and publishing the related party transaction briefings in each quarter, thus ensuring its management of related party transactions is in compliance with the Listing Rules. The Company has also sorted out the approval procedures of contracts for related party transactions for the early realization of informatization management.

7. *Optimizing basic management and improving management standard.*

The Company advances the construction of an institutionalised system and combines the requirements established by the Supervisory Committee to continuously improve the overall management of the Company. Up to now, the Company (including its subsidiaries) has abolished 102 systems, revised 29 systems and formulated 35 new systems. The Company has adopted a sound systematic management system to provide system guarantee for law-based governance of the Company.

The Company has fully advanced the 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. Up to now, a total of 10 biddings have been accomplished.

The Company further pushed forward the comprehensive informatization management and optimized its workflow, so as to gradually improve its information system, promote informatization management standard and facilitate application of informatization. The Company gradually improved its decision-making analysis system to help leaders keep abreast of the operation status of the Company and to provide powerful support for decision-making. The mobile application named Chenglan Yunshang (成纜雲商) has been officially put into online operation since February 2018. It is comprised of three modules, including integrated work plan, OA collaborative office and decision-making analysis system, which can facilitate the staff of the Company to promptly handle relevant affairs.

In accordance with the requirements of Potevio Group for a unified fund system, the Company has entered into relevant agreements with various banks to make good preparations for a unified fund system. The Company actively sorted out its accounts, and the headquarters of Chengdu PUTIAN has sorted out 3 bank accounts.

Adhering to technological innovation, the Company has obtained 13 patent licenses in 2018. It actively strove for government rewards, and focused on project applications. The Company has made continuous efforts to improve its QEHS management system. The contents of the management manuals for quality, environment and occupational health and safety management system of the Company have been updated according to the requirements of the new certification standards and organization adjustments of the Company.

The Company has attached great importance to work safety, energy conservation and environmental protection, identified major hazards and important environmental factors and developed the control lists. The Company has signed a safety responsibility contract with relevant responsible units of the Company, and conducted emergency response drills for “Emergency Environmental Incident of Industrial Sewage (突發工業排污環境事故)” in the industrial park. The Company has organized safety management training, on-site fire extinguishing, and security against terrorism, in which over 200 staffs from different enterprises in the industrial park participated.

## 8. *Further strengthening Party construction to play the core roles*

In accordance with the deployment of the Group's Party Committee and State-owned Assets Supervision and Administration Commission of Chengdu Municipal People's Government, the Company has organized and completed the annual democratic appraisal of members of the leaders. It has organized the Party branches to complete the "Two Studies, One Action (兩學一做)" democratic consultation and democratic appraisal of Party members. Such Party branches of the Company were also organized to conduct the "Complying with, Learning and Narrating the Party Constitution (遵黨章、學黨章、講黨章)" activities, which improved the awareness of Party members on the nature of the Party. The Company has consolidated and improved the role of its Party branches as strongholds through "Three Classifications, Three Upgrading (三分類三升級)" evaluation.

The Company seriously put into practice the spirit of the Party meetings on integrity construction of China Potevio, and the Party members were organized to study "Four Patterns (四種形態)" measures for China Potevio to put into practice supervision and discipline and implementation measures on building "Couldn't Commit Corruption (不能腐)" system and mechanism. The Company took measures including utilizing new publicity channels such as WeChat group to intensify anti-corruption consciousness of Party members and cadres.

The Company conducted a series of commemorative activities on its 60th anniversary, produced corporate videos and history review videos, and sorted out and saved certain historical materials. The Company organized artistic performance and seminars with former leaders and current colleagues, and enhanced the sense of honor and cohesion of new and current colleagues of the Company.

## **FINANCIAL ANALYSIS**

### **Turnover**

During the Year, the turnover of the Group amounted to RMB614,607,551.15, representing a decrease of 19.55% as compared with RMB763,966,053.96 for the year ended 31 December 2017 (the "**Previous Year**"). (The decrease in turnover was due to a decrease of 99.58% in the turnover of Chongqing Putaifeng as compared to the corresponding period of the Previous Year as the Group's decision to exit the business of aluminium rods and related products; a decrease of 56.44% in the turnover of Chengdu Zhongling as compared to the corresponding period of the Previous Year due to a drop in market demand for wire feed cable; a decrease of 9.56% in the turnover of Chengdu SEI as compared to the corresponding period of the Previous Year due to a decline in the optical fibers market in the second half of 2018.)

During the Year, the turnover of the Company was RMB264,668,405.04, representing an increase of 12.24% as compared to the corresponding period of the Previous Year. Chengdu SEI, a company in which the Company owns 60% equity interest, recorded a turnover of optical fiber of RMB333,655,714.87, representing a decrease of 9.56% as compared to the corresponding period of the Previous Year. Chengdu Zhongling, a company in which the Company owns 96.67% equity interest, recorded a turnover of wire feed cable of RMB43,513,039.31, representing a decrease of 56.44% as compared to the corresponding period of the Previous Year.



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

The loss of the Group attributable to equity holders of the Company for the Year amounted to RMB15,012,917.51, while a profit of the Group attributable to equity holders of the Company of RMB30,325,354.80 was recorded for the Previous Year.

## **RESULTS ANALYSIS**

As at 31 December 2018, the Group's total assets decreased by 8.46% from RMB1,373,945,770.47 as at the end of the Previous Year to RMB1,257,656,669.24, of which current assets amounted to RMB801,583,778.55, accounting for 63.74% of the total assets and representing a decrease of 10.84% as compared with RMB899,003,986.51 as at the end of the Previous Year. Property, plant and equipment amounted to RMB231,472,088.63, accounting for 18.41% of the total assets and representing a decrease of 12.21% as compared with RMB263,666,221.68 as at the end of the Previous Year.

As at 31 December 2018, the Group's total liabilities amounted to RMB213,118,951.92; total liability-to-total asset ratio was 16.95%; bank and other short-term loans were RMB6,981,019.84, which decreased by 5.78% as compared with RMB7,409,015.78 as at the end of the Previous Year. During the Year, the Group did not conduct other capital raising activities.

As at 31 December 2018, the Group's bank deposits and cash totaled RMB441,997,685.40, representing a decrease of 12.08% as compared with RMB502,739,979.20 as at the end of the Previous Year.

During the Year, the Group's selling expenses, administration expenses, research and development expenses and finance expenses amounted to RMB19,844,839.89, RMB59,379,163.81, RMB5,559,320.05 and RMB-4,125,891.27, respectively, representing an increase of 2.52%, a decrease of 9.57%, a decrease of 8.57% and a decrease of RMB563,369.44 respectively as compared with RMB19,357,239.02, RMB65,660,133.85, RMB6,080,324.55 and RMB-4,689,260.71 respectively in the Previous Year.

As at 31 December 2018, the Group's account receivables and bill receivables amounted to RMB115,319,867.21 and RMB112,895,610.20 respectively, representing a decrease of 6.14% and an increase of 14.89% respectively as compared with RMB122,868,157.43 and RMB98,266,619.18 respectively as at the end of Previous Year.

### **Analysis of Capital Liquidity**

As at 31 December 2018, the Group's current assets amounted to RMB801,583,778.55 (Previous Year: RMB899,003,986.51), current liabilities were RMB144,849,434.62 (Previous Year: RMB230,248,659.24), the annual receivables turnover period was 69.76 days and the annual inventory turnover period was 75.29 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 2018, the Group's bank and other short-term loans were RMB6,981,019.84. As the Group had comparatively sufficient bank deposits and cash of RMB441,997,685.40, the Group does not have short-term insolvency risk.

## **Non-current Liabilities or Loans**

As at 31 December 2018, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was RMB6,981,019.84 (equivalent to EUR889,607.87). 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 RMB-42,566,901.22, representing a decrease of RMB204,447,088.67 as compared with RMB161,880,187.45 in the Previous Year.

During the Year, the Group spent RMB20,619,783.73, representing a decrease of RMB8,294,089.63 as compared with RMB28,913,873.36 in the Previous Year, for the purchase of property, plant and equipment and expenses on the construction in progress.

As at 31 December 2018, the Group's liabilities and shareholders' equity amounted to RMB1,257,656,669.24 (as at 31 December 2017: RMB1,373,945,770.47). The Group's interest expenses amounted to RMB111,020.63 for the Year (for Previous Year: RMB115,291.76).

## **Contingent Liabilities**

As at 31 December 2018, the Group did not have any contingent liabilities (as at 31 December 2017: Nil).

## **BUSINESS OUTLOOK**

In 2019, with the support from China Potevio and under the leadership of the Board and the Supervisory Committee, the Company will further put into practice the principles of the 19th National Congress, and operate closely in line with the direction of national policies. It will further study the development trend of the industry. Based on the “Seven Improvements and Enhancements” requirements of the headquarters of the Group, and adhering to Xi Jinping’s “Thought on Socialism with Chinese Characteristics for a New Era”, the Company will place political construction as its top priority, set the Party construction as its guidance, set development as its goal, deepen reform and innovation, and explore transformation and development. The Company will promote the market-oriented allocation of various resources and enhance quality and efficiency.

The operational principles of the Company for 2019 are adhering to strategic direction of driving growth by business and capital, shaping concepts for business development, promoting capital operation, making use of idle resources, further strengthening refined management, optimizing and improving internal control, resolving difficulties in development of the Company.

### **I. Development and deployment of principal operations**

The Company will accelerate its organizational restructuring, boost business transformation and upgrading, focus on optical telecommunication business, locomotive cable business and industrial park planning, aiming to nurture new growth drivers and further enhance its core competitiveness and capacity for sustainable development.

1. *Optical telecommunication business*: The price of optical fibers has sharply dropped since July 2018, and the Company will face more intense competition in optical fiber market in 2019. Confronted with such situation, the Company will dig into Fiber To The X (“FTTX”) construction market segment. It will realize reasonable profits from business operation by implementing the strategy of marketization at each step, product differentiation and pursuing steady growth. (i) It will further expand its production capacity of optical fibers and remedy the weak spot of small production scale, in order to enhance its competitiveness and profitability. (ii) It will improve its product portfolio, develop new optical fibers such as small-diameter optical fibers, and promote the sales of characteristic optical fibers with high gross profit margin. (iii) It will further promote the sales of characteristic optical fibers and relevant derivative products and utilize its established brand awareness in FTTX construction market segment, aiming to gradually increase the market share of operators.



2. *Energy transmission cable business:* In light of the decline in wire feed cables market, the Company intends to shut down its wire feed cables business. It will continue its transformation and upgrades, and optimize its industrial structure by focusing on developing its locomotive cable business. It will improve its marketing capacity and production & operation capacity by ramping up its efforts in the sales of locomotive cables, strengthening the collection of accounts receivable and payment for goods and proactive sales of inventory, and formulating specific appraisal targets, measures and requirements; it will strengthen the cost and quality control to form a manufacturing system with production ordered, quality stabilized and delivery guaranteed, and ensure to avoid more overstock goods and additional provision for bad debts. The Company will improve its technological innovation capabilities to meet the specialized market demand, and strengthen the research and development of specialty and high-end products such as rail transit and new energy cables.
3. *Electronic information industrial park:* On the one hand, the Company will further explore its potential by promoting the utilization rate of its existing plant. On the other hand, the Company will actively seize the opportunity of the West Park of Hi-tech Development Zone being defined as an electronic information industrial park, and consolidate its industrial and economic growth drivers by developing service industry in the industrial park in a practical and measured manner with existing resources of China Potevio, local government and the Company. It will prudently and properly conduct the feasibility study and report on electronic information industrial park and actively seek capital investments and develop a cooperation programme to operate its business in the industrial park.

## **II. Supporting measure to be adopted for operation and management**

The Company will 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. *Setting the Party construction as its guidance and promoting the operation of the Company by strictly administering its Party branches.*

The Company will set the Party as its guidance and set development as its goal. The improvement in operation efficiency, enhancement in the competitiveness of enterprises, and realization of value maintenance and appreciation of state-owned assets will be set by the Company as the starting point and foothold of its Party construction works. The Company will make efforts to safeguard the implementation of all the work related to Party construction, aiming to achieve high-quality development led by high-quality Party construction.

By further studying and implementing the spirit of the 19th CPC National Congress, adhering to the principle of strictly administering its Party branches in all aspects, and aiming at improving the quality of Party construction work, the Company will improve the establishment of “learning-oriented, service-oriented and innovation-oriented” Party organizations and focus on enhancing the scientific level of Party construction. It will further promote “Four Integrations (四個融合)” to effectively implement the accountability system in Party construction. 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. The Company will prevent the rebound and resurgence of “Four Morales (四風)” by intensifying its efforts to strictly administer its Party branches in all aspects, 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.

2. *Boosting comprehensive risk management and enhancing risk management and control.*

The Company will boost its comprehensive risk management, further implement the requirements of the rules of the SASAC on strengthening the internal control systems of central enterprises, and complete the streamlining of external compliance and internal control. The Company will improve its scientific management and risk prevention and control standard by strengthening its leadership, consummating its system, intensifying its internal control, regularly carrying out inspection and assessment, and rigorously making appraisals. It will adopt dynamic monitoring for issues involving significant risks. The Company will strengthen its internal audit function, and continue to improve and revise the internal control manual of the Company. The Company will intensify “Two Funds” reduction and focus on the collection of accounts receivable. It will continue to strengthen its compliance with the Listing Rules, and effectively maintain its good image. It will strengthen its centralized procurement management to standardize and consummate its bidding procedures. It will implement centralized procurement in strict accordance with relevant regulations. It will further improve the informatization of centralized procurement and supplier management, and undertake and use the electronic procurement platform of China Potevio in a timely manner. It will 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.

3. *Maintaining the essence and rejecting the dross in resources allocation and enhance its competitiveness in the industry.*

The Company will strengthen its strategic guidance and profit-orientation consciousness. It will enhance its core competitiveness in the industry by deeply optimizing its resources allocation with the principle of maintaining the essence and rejecting the dross. It will reinforce its management in its joint ventures and resources integration to release the efficiency of its existing assets to the utmost extent. The Company will moderately formulate its plan for irradiation businesses; implement equity incentive measures to improve the profitability of Bada; advance the equity disposal of Yuexin; selectively withdraw from business with no hope of profit-making and poor management. The Company will finish the liquidation and cancellation of Putaifeng. According to the management requirements of “innovation and entrepreneurship (雙創)”, the Company will reinforce its management in the Putian industrial park, promote the strength of the industrial park, strive to introduce high-technology and high value-added emerging enterprises into the industrial park. In the meanwhile, the Company will actively seek government-funded projects.

4. *Improving organizational structure and strengthening human resources management.*

The Company will vigorously promote managerial innovation, carry out adjustments to its organization, and improve the efficiency of each position in each functional department. Based on the development plan of the Company and work practice, the Company will further optimize the organizational structure of the Company, standardize management function and improve comprehensive management efficiency.

The Company will improve the existing performance appraisal system, and strengthen the profit-oriented performance assessment system. It will strengthen the assessments of staff at all levels. It will further strengthen the building of the talent pool by setting up allocation mechanism of human resources that accommodates to the industrial restructuring and development of the Company, thus provide human resource guarantee for the industrial development of the Company. The Company will select and appoint cadres in strict accordance with the standards and procedures for selecting and employing candidates. It will make more efforts to select young cadres and improve the building of the talent pool. The Company will reserve knowledge for promoting its high-quality transformation and development by intensifying the study and training of cadres and staff at all levels and constantly improving capabilities in operation and management.

5. *Deepening enterprise reform and advancing loss management.*

The Company will re-streamline all the businesses of Zhongling and plan to shut down its wire feed cable business; vigorously control the losses, compare with industry average, and make efforts to achieve the key improvement goals of improving product acceptance rate and material utilization rate. The Company will exploit the potential in track cable market and make more efforts in developing external processing market. The Company will improve its production efficiency and reduce its labor costs by strengthening its human resource management, consummating its assessment system, and optimizing its personnel structure. The Company will reduce its financial costs by strengthening its control over period charges, enhancing its management of inventory and accounts receivable and reasonably arranging its funds. The Company will strive to achieve its established annual targets and make breakthroughs.

6. *Strengthening basic management and enhancing operation guarantee capability.*

The Company will further streamline and rectify issues on the list of issues, improve the comprehensive budget management and financial internal control system, and implement special tasks such as “Two Funds” reduction, loss management and disposal of inefficient and ineffective assets, strictly follow the time schedule for rectification and regularly report the rectification affairs to the Supervisory Committee and China Potevio. The Company will further strengthen its control over monthly budget by timely analysis the budget implementation in terms of monthly and cumulative profits, income, expenses and other indicators, thus fully play the role of budgets as guidance in production and operation. The Company will strive to increase the concentration of funds and reduce the number of bank accounts. The Company will urge its subsidiaries to reduce the asset-liability ratio and the ratio of profit to cost.

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 continue to improve its technology innovation and quality management system and enhance the operation standard of new media.

## **BASIC MEDICAL INSURANCE SCHEME FOR EMPLOYEES**

The Company has participated in the basic medical insurance scheme for employees in Chengdu since October 2002. The Group made a total contribution amounting to approximately RMB2.90 million during the Year (Previous Year: approximately RMB2.91 million). The Board considered that the implementation of the basic medical insurance scheme for employees had no material impact on the financial status of the Company.

## **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.

## **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 (Previous Year: the Group did not obtain any loan from banks which was secured by the Group's assets).

## **RISK MANAGEMENT**

The Group adheres to the principle that risk management must be in line with its strategies and serve its strategic concept while strengthening the risk classification and identification management and taking risk management as daily routine. The Group's risk management targets to seek the 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. Cash flow risk**

The cash flow risk of the Group is primarily attributable to receivables. In strict accordance with the account receivables management system, the Group regularly prepares quarterly breakdown for aging of account receivables and issues it to each department for reconciliation in a timely manner, so as to improve the turnover rate of account receivables. The Group brings the reduction indicators of account receivables into the appraisal.

## **2. Investment risk**

The investment risk of the Group is primarily due to the losses made by its associates caused by factors such as policies and market and failure to realize the expected investment return set out in the feasibility report. The Group actively strengthens control over its investments and follows up the progress of projects. The Group shall timely take withdrawal measures such as streamlining and liquidation once significant losses occur.

## **3. Market demand risk**

The market demand 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 management and maintenance in customer levels divided into key customer, major customer and general customer, explores new customers and develops new markets.

## **4. Management system operation risk**

The Group has established its quality, environment and occupational health and safety management system. However, there may be major or regional disqualification due to management defects during the operation of the system. The Group regularly organizes relevant staff to attend to internal and external training. It also elaborately designs and organizes internal audit, increases the frequency of daily supervision, makes efforts to monitor relevant links. It timely makes improvements whenever issues are identified, makes suggestions for improvement by way of statistical analysis and supervises the results of improvement.

## **5. Public opinion risk**

The public opinion risk is the risk that the Group fails to implement relevant procedures as required by the Listing Rules and internal control requirements due to tardy or inaccurate information disclosure caused by tardy report of relevant information attributable to the shortfall in the implementation of internal control manual system within the Group. The Group actively carries out compliance training and improves the implementation and management process of internal control system, aiming to promote its information disclosure standard.

## **6. Safety risk**

The Group is a manufacturing enterprise. Safety risk lies in the probability of occurring accidents where accidents mean the events which causes casualties or major property damages. The Group further refines its safe production responsibility contracting management system. It also formulates a list of major hazard sources and critical environmental factors for key monitoring. It strengthens safety training as well as inspection and rectification on potential safety hazards. It has zero tolerance to potential safety hazards and ensures production safety during operation according to the laws.



## **STAFF AND REMUNERATION POLICY OF THE GROUP**

As at 31 December 2018, the Group had 875 staff members.

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

## **SHAREHOLDING AND CHANGE IN SHARE CAPITAL STRUCTURE**

### **1. Share capital structure**

During the year ended 31 December 2018, the Company had not made any arrangements for bonus issue, share placing and issuance of new shares. There was no change in the Company's share capital structure. The total number of shares issued by the Company was 400,000,000 shares, of which China Potevio Company Limited held 240,000,000 issued state-owned legal person shares, representing 60% of the issued share capital of the Company and the overseas shareholders of H shares held 160,000,000 shares, representing 40% of the issued share capital of the Company.

### **2. Shareholdings of the directors and supervisors**

As at 31 December 2018, none of the directors, supervisors and chief executives of the Company nor their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong)) as recorded in the register required to be kept by the Company under Section 352 of the SFO or which were otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

### **3. Purchase, sale or redemption of listed securities of the Company**

For the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### **4. Convertible securities, share options, warrants or relevant entitlements**

During the year ended 31 December 2018, the Group did not issue any convertible securities, share options, warrants or relevant entitlements.

### **5. Sufficient public float**

According to public information available to the Company and to the best knowledge of each director, the Company confirmed that the public held sufficient shares during the year ended 31 December 2018 and as at the date of this announcement.

## FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2018 (Previous Year: Nil).

## IMPORTANT EVENT

### 1. Resignation of independent non-executive director

On 31 January 2018, Mr. Choy Sze Chung, Jojo resigned as an independent non-executive director, chairman of the audit committee and the nomination committee and member of the strategic development committee and the remuneration and appraisal committee of the Company as he wished to dedicate more time to his personal developments. In addition, Mr. Lin Zulun, the independent non-executive director, was appointed and acted as the chairman of the nomination committee on the same day.

Subsequent to the resignation of Mr. Choy Sze Chung, Jojo, the number of independent non-executive directors and members of the audit committee of the Company falls below the minimum number requirement under Rules 3.10(1) and 3.21 of the Listing Rules, and the required composition of the remuneration and appraisal committee and nomination committee fails to meet the requirements under Rule 3.25 and code provision A.5.1 of Appendix 14 to the Listing Rules. The Company had a vacancy of independent non-executive director until a suitable candidate was identified. Ms. Mao Yaping was duly appointed as an independent non-executive director of the Company on 13 April 2018. Upon the appointment, the Company met the requirements of the Listing Rules in relation to the minimum number of independent non-executive directors and their proportion in the Board.

### 2. Publication of press release by the Stock Exchange to censure the Company and to censure or criticize a number of current and former directors of the Company

Reference is made to the press release (the “**Press Release**”) published by the Stock Exchange on 5 July 2018, in relation to, among other things, (i) the Company’s breaches of the then Rules 14A.35, 14A.37 to 14A.40, 14A.46 to 14A.48 (in effect before 1 July 2014), and the current Rules 14A.35 and 14A.36 (equivalent to the then Rules 14A.47 and 14A.48 respectively) of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”); and (ii) the censure or criticism of a number of current and former directors of the Company for failing to use their best endeavours to procure the Company’s Listing Rules compliance, breaching their obligations under the declarations and undertakings with regard to directors given to the Stock Exchange.

Pursuant to the Press Release, the Listing Committee of the Stock Exchange directed the Company to (i) retain an independent professional adviser satisfactory to the Listing Committee and/or the Listing Department of the Stock Exchange (the “**Department**”) to conduct a thorough review of and make recommendations to improve the Company’s internal controls to ensure compliance with the Listing Rules (the “**Internal Review**”); and (ii) appoint an independent compliance adviser (as defined under Rule 3A.01 of the Listing Rules) satisfactory to the Department on an ongoing basis for consultation on the Listing Rules compliance for two years.



The Company has appointed Gram Capital Limited (“**Gram Capital**”), being a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO (Chapter 571 of the Laws of Hong Kong) to be its (i) professional adviser for the Internal Review (the “**Professional Adviser**”); and (ii) compliance adviser (the “**Compliance Adviser**”) for a term of two years with effect from 13 July 2018 to 12 July 2020.

### 3. Election of new session of the Board and the Supervisory Committee and change in executive directors

According to the Articles of Association, each session of the Board shall have a term of three years and each director shall be eligible for re-election. Directors are elected at the general meeting of the Company from candidates who are current directors or are nominated by shareholders holding 3% or more of shares in issue of the Company. The term of three years of the eighth session of the Board of the Company from 2015 had expired. The eighth session of the Board of the Company was elected at the first 2018 extraordinary general meeting on 12 November 2018. Mr. Zhang Xiaocheng, Mr. Wang Micheng, Mr. Han Shu, Ms. Xu Liying, Mr. Fan Xu and Ms. Liu Yun were elected as directors of the ninth session of the Board. Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang were elected as independent non-executive directors of the ninth session of the Board. Meanwhile, Mr. Zheng Zhili and Mr. Xiong Ting were elected as Supervisors of the ninth session of the Supervisory Committee. In addition, Mr. Liu Jun was elected as the staff representative by one-third of the staff representative Supervisors of the Supervisory Committee through a democratic election on 27 July 2017.

On 22 November 2018, due to their wish to devote more time in their personal commitments, Mr. Zhang Xiaocheng (“**Mr. Zhang**”) has resigned as an executive director, the chairman of the Board (the “**Chairman**”), legal representative of the Company and the chairman of the strategic development committee of the Company (the “**Strategic Development Committee**”); Mr. Wang Micheng (“**Mr. Wang**”) has resigned as the vice chairman of the Board, and member of Strategic Development Committee but remained as an executive director; and Mr. Fan Xu (“**Mr. Fan**”) has resigned as an executive director and member of the nomination committee of the Company (the “**Nomination Committee**”). Mr. Wu Changlin has been appointed as an executive director and the Chairman of the Company and the legal representative of the Company, and Mr. Hu Jiangbing has been appointed as an executive director and the vice chairman of the Company, with effect from 22 November 2018 until the conclusion of the next annual general meeting of the Company.

## CODE ON CORPORATE GOVERNANCE

Although the Company attached great importance to corporate governance and strives to comply with the Listing Rules and other relevant regulations, the Company failed to act according to the Listing Rules to make announcements and seek shareholders' approval for some continuing connected transactions in the financial years of 2013 and 2014 and the first half of the financial year of 2015. Most of such continuing connected transactions were related to purchase or sales of optic fiber and relevant commodities from or to connected persons. Hence, during the Year, the Company adopted remedial measures including publishing announcement, and seeking shareholders' approval to ensure that information was announced in a timely manner. During the Year, the Board tried hard to improve disclosure about information and compliance matters of the Company.

Reference is made to the press release (the "**Press Release**") published by The Stock Exchange on 5 July 2018, in relation to, among other things, (i) the Company's breaches of the then Rules 14A.35, 14A.37 to 14A.40, 14A.46 to 14A.48 (in effect before 1 July 2014), and the current Rules 14A.35 and 14A.36 (equivalent to the then Rules 14A.47 and 14A.48 respectively) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"); and (ii) the censure or criticism of a number of current and former directors of the Company for failing to use their best endeavours to procure the Company's Listing Rules compliance, breaching their obligations under the declarations and undertakings with regard to directors given to the Stock Exchange.

Pursuant to the Press Release, the Listing Committee of the Stock Exchange directed the Company to (i) retain an independent professional adviser satisfactory to the Listing Committee and/or the Listing Department of the Stock Exchange (the "**Department**") to conduct a thorough review of and make recommendations to improve the Company's internal controls to ensure compliance with the Listing Rules (the "**Internal Review**"); and (ii) appoint an independent compliance adviser (as defined under Rule 3A.01 of the Listing Rules) satisfactory to the Department on an ongoing basis for consultation on the Listing Rules compliance for two years.

The Company has appointed Gram Capital Limited ("**Gram Capital**"), being a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO (Chapter 571 of the Laws of Hong Kong) to be its (i) professional adviser for the Internal Review (the "**Professional Adviser**"); and (ii) compliance adviser (the "**Compliance Adviser**") for a term of two years with effect from 13 July 2018 to 12 July 2020.

Subsequent to the resignation of Mr. Choy Sze Chung, Jojo as an independent non-executive director of the Company with effect from 31 January 2018, the number of independent non-executive directors and members of the Audit Committee of the Company were not in compliance with the minimum number requirements under Rules 3.10(1) and 3.21 of the Listing Rules. The proportion of independent non-executive directors in the Board also fell below the minimum requirement under Rule 3.10A of the Listing Rules, and the compositions of the Remuneration and Appraisal Committee and the Nomination Committee were not in compliance with Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. During the period, the Board has been seeking suitable candidates. Effective from 13 April 2018, Ms. Mao Yaping has been appointed as an independent non-executive director and a member of various Board committees to fill the relevant vacancies. The Company will strive to maintain a high standard of corporate governance and transparency of the Company and to safeguard the interest of Shareholders and the Company as a whole. Save as disclosed above, 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.

#### **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.

#### **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 Mr. Xiao Xiaozhou and Mr. Lin Zulun, both being the independent non-executive directors of the Company. The Audit Committee is responsible for matters such as conducting reviews of risk management, internal control and financial reports and has reviewed the Company’s audited financial statements and annual results for the Year.

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

## ANNUAL REPORT AND ANNUAL GENERAL MEETING

The annual general meeting (“AGM”) for the Year will be held on Friday, 21 June 2019 at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC. Notice of the AGM will be announced separately. The Group’s annual report for the financial year ended 31 December 2018 and the notice of the AGM will be dispatched to its shareholders as soon as possible and will also be published on the Stock Exchange’s website (<http://www.hkexnews.hk>) and the Company’s website (<http://www.cdc.com.cn>).

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2019 to 21 June 2019 (both days inclusive), during which period no transfer of shares will be registered.

In order to be qualified for attending and voting at the 2018 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H share registrar, Hong Kong Registrars Limited at Rooms 1712-16, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for the holders of H shares; or the registered office of the Company at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC (postal code: 611731) for the holders of domestic shares for registration by 4: 30 p.m. on 21 May 2019.

### ACKNOWLEDGEMENT

I would like to thank the Board, the Supervisory Committee, the management and all of our staff for their hard work and dedication, as well as our shareholders and customers for their continuous support to the Group.

*Notes:*

1. This results announcement is prepared in both Chinese and English. Should there be any discrepancies between the two versions, the Chinese version shall prevail.
2. This results announcement will be published on the Stock Exchange’s website (<http://www.hkexnews.hk>) and the Company’s website (<http://www.cdc.com.cn>) in due course.

By order of the Board  
**Chengdu PUTIAN Telecommunications Cable Company Limited\***  
**Wu Changlin**  
*Chairman*

Chengdu, the PRC, 22 March 2019

*As at the date of this announcement, the Board of the Company comprises:*

*Executive Directors:*

Mr. Wu Changlin (*Chairman*)  
Mr. Hu Jiangbing  
Mr. Han Shu  
Mr. Wang Micheng  
Ms. Xu Liying  
Ms. Liu Yun

*Independent Non-executive Directors:*

Mr. Xiao Xiaozhou  
Ms. Mao Yaping  
Mr. Feng Gang