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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)**

## **2019 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 2019 (the “**Year**”) together with comparative figures for the corresponding period in 2018 as follows:

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ASSET)***31 December 2019**Monetary unit: RMB Yuan*

<b>Asset</b>	<i>Note No.</i>	<b>31 Dec 2019</b>	31 Dec 2018
<b>Current assets</b>			
Cash and bank		<b>459,059,145.36</b>	441,997,685.40
Settlement funds			
Loans to other banks			
Held-for-trading financial assets			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	<i>V,(I),1</i>	<b>39,263,164.85</b>	112,895,610.20
Accounts receivable	<i>V,(I),2</i>	<b>74,162,187.82</b>	115,319,867.21
Receivables financing	<i>V,(I),3</i>	<b>23,544,919.54</b>	
Advances paid		<b>5,227,159.45</b>	16,709,878.31
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables		<b>9,417,517.89</b>	11,674,523.95
Financial assets under reverse repo			
Inventories		<b>84,117,089.03</b>	88,937,485.68
Contractual asset			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		<b>13,414,824.98</b>	14,048,727.80
<b>Total current assets</b>		<b>708,206,008.92</b>	801,583,778.55

<b>Asset</b>	<i>Note No.</i>	<b>31 Dec 2019</b>	31 Dec 2018
<b>Non-current assets:</b>			
Loans and advances paid			
Debt investment			
Available-for-sale financial assets			
Other debt investment			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		<b>123,928,703.14</b>	132,459,948.88
Other equity instrument investments		<b>4,977,441.00</b>	4,977,441.00
Other non-current financial assets			
Investment property		<b>70,579,366.92</b>	66,508,775.47
Fixed assets		<b>170,358,882.98</b>	164,963,313.16
Construction in progress		<b>8,841,518.20</b>	30,558,500.50
Productive biological assets			
Oil&gas assets			
Right-of-use assets			
Intangible assets		<b>45,009,933.83</b>	47,937,324.47
Development expenditure			
Goodwill			
Loan-term prepayments			
Deferred tax assets			
Other non-current assets			8,667,587.21
<b>Total non-current assets</b>		<b><u>423,695,846.07</u></b>	<u>456,072,890.69</u>
<b>Total assets</b>		<b><u><u>1,131,901,854.99</u></u></b>	<u><u>1,257,656,669.24</u></u>

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

<b>Liabilities and equity</b>	<i>Note No.</i>	<b>31 Dec 2019</b>	31 Dec 2018
<b>Shareholders' equity:</b>			
Share capital		<b>400,000,000.00</b>	400,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		<b>638,760,122.08</b>	638,760,122.08
Less: treasury shares			
Other comprehensive income	V,(I),5	<b>3,626,311.39</b>	3,626,311.39
Special reserve			
Surplus reserve		<b>8,726,923.61</b>	8,726,923.61
General risk reserve			
Undistributed profit		<b><u>-193,187,054.70</u></b>	<u>-143,051,630.13</u>
<b>Total equity attributable to the parent company</b>		<b><u>857,926,302.38</u></b>	<u>908,061,726.95</u>
<b>Non-controlling interest</b>		<b><u>107,152,487.29</u></b>	<u>136,475,990.37</u>
<b>Total equity</b>		<b><u><u>965,078,789.67</u></u></b>	<u><u>1,044,537,717.32</u></u>
<b>Total liabilities &amp; shareholders' equity</b>		<b><u><u>1,131,901,854.99</u></u></b>	<u><u>1,257,656,669.24</u></u>

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

Monetary unit: RMB Yuan

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

Items	Note No.	Current period	Prior period
<b>V. Net profit (or less: net loss)</b>		<b>-63,360,444.07</b>	17,692,592.07
(I) Categorized by the continuity of operations		<b>-63,360,444.07</b>	17,692,592.07
1. Net profit from continuing operations (or less: net loss)		<b>-63,360,444.07</b>	17,692,592.07
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership		<b>-63,360,444.07</b>	17,692,592.07
1. Net profit attributable to owners of parent company (or less: net loss)		<b>-50,135,424.57</b>	-15,012,917.51
2. Non-controlling interest (or less: net loss)		<b>-13,225,019.50</b>	32,705,509.58
<b>VI. Other comprehensive income after tax</b>	V,(I),5		647,269.05
Items attributable to the owners of the parent company			647,269.05
(I) Not to be reclassified subsequently to profit or loss			647,269.05
1.Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			647,269.05
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss			
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from reclassification of financial assets into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5.Cash flow hedging reserve (profit or loss on cash flow hedging)			
6. Translation reserve			
7. Others			
Items attributable to non-controlling shareholders			
<b>VII. Total comprehensive income</b>		<b>-63,360,444.07</b>	18,339,861.12
Items attributable to the owners of the parent company		<b>-50,135,424.57</b>	-14,365,648.46
Items attributable to non-controlling shareholders		<b>-13,225,019.50</b>	32,705,509.58
<b>VIII. Earnings per share("EPS"):</b>			
(I) Basic EPS (RMB/share)		<b>-0.13</b>	-0.04
(II) Diluted EPS (RMB/share)		<b>-0.13</b>	-0.04

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

Monetary unit: RMB Yuan

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		368,760,790.17	472,542,223.46
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts from original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Cash receipts from interest, handling charges and commission			
Net increase of loans from others			
Net increase of repurchase			
Net cash receipts from agency security transaction			
Receipts of tax refund		1,984,693.34	
Other cash receipts related to operating activities		130,818,251.25	88,338,586.23
<b>Subtotal of cash inflows from operating activities</b>		<b>501,563,734.76</b>	<b>560,880,809.69</b>
Cash payments for goods purchased and services received		253,856,370.92	348,321,563.54
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payments for insurance indemnities of original insurance contracts			
Net increase of loans to others			
Cash payments for interest, handling charges and commission			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		55,291,251.83	67,030,703.62
Cash payments for taxes and rates		14,997,060.46	58,113,875.40
Other cash payments related to operating activities		105,275,173.12	129,981,568.35
<b>Subtotal of cash outflows from operating activities</b>		<b>429,419,856.33</b>	<b>603,447,710.91</b>



Items	Note No.	Current period	Prior period
<b>Net cash flows from operating activities</b>		<b><u>72,143,878.43</u></b>	<b><u>-42,566,901.22</u></b>
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdrawal of investments			
Cash receipts from investment income		<b>686,000.00</b>	
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		<b>194,485.00</b>	5,125,526.66
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities		<b><u>3,200,000.00</u></b>	
<b>Subtotal of cash inflows from investing activities</b>		<b><u>4,080,485.00</u></b>	<b><u>5,125,526.66</u></b>
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		<b>18,496,451.64</b>	20,619,783.73
Cash payments for investments			
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities			
<b>Subtotal of cash outflows from investing activities</b>		<b><u>18,496,451.64</u></b>	<b><u>20,619,783.73</u></b>
<b>Net cash flows from investing activities</b>		<b><u>-14,415,966.64</u></b>	<b><u>-15,494,257.07</u></b>
<b>III. Cash flows from financing activities:</b>			
Cash receipts from absorbing investments Including: Cash received by subsidiaries from non-controlling shareholders as investments			
Cash receipts from borrowings			
Other cash receipts related to financing activities			
<b>Subtotal of cash inflows from financing activities</b>			
Cash payments for the repayment of borrowings		<b>462,625.23</b>	470,516.54
Cash payments for distribution of dividends or profits and for interest expenses		<b>16,102,087.06</b>	20,111,020.63
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit		<b>16,000,000.00</b>	20,000,000.00

<b>Items</b>	<i>Note No.</i>	<b>Current period</b>	Prior period
Other cash payments related to financing activities		<u>98,483.58</u>	<u>19,500,000.00</u>
<b>Subtotal of cash outflows from financing activities</b>		<u>16,663,195.87</u>	<u>40,081,537.17</u>
<b>Net cash flows from financing activities</b>		<u><b>-16,663,195.87</b></u>	<u><b>-40,081,537.17</b></u>
<b>IV. Effect of foreign exchange rate changes on cash &amp; cash equivalents</b>		<b>400,417.24</b>	563,924.04
<b>V. Net increase in cash and cash equivalents</b>		<b>41,465,133.16</b>	-97,578,771.42
Add: Opening balance of cash and cash equivalents		<b>356,967,593.50</b>	454,546,364.92
<b>VI. Closing balance of cash and cash equivalents</b>		<b>398,432,726.66</b>	356,967,593.50

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2019

Monetary unit: RMB Yuan

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

Items	Shareholders' equity attributable to parent company												
	Other equity instruments					Prior period							
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Non-controlling interests	Total shareholders' equity
I. Balance at the end of prior year	400,000,000.00				651,400,779.83		2,979,042.34		8,726,923.61		-121,848,876.20	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 (or less: decrease)					-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 withdrew by owners													
1. Ordinary shares contributed by owners													
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution													
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners													
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period	400,000,000.00				-12,640,657.75		3,626,311.39		8,726,923.61		-143,051,630.13	136,475,990.37	1,044,537,717.32
					638,760,122.08							-6,859,342.25	-19,500,000.00

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2019

Monetary unit: RMB Yuan

### I. COMPANY PROFILE

Chengdu PUTIAN Telecommunications Cable Company Limited (the “**Company**”) was incorporated and registered with the Chengdu Administration Bureau of Industry and Commerce on 1 October 1994 after its restructuring from Chengdu Cable Plant of the Posts and Telecommunications Ministry of China (now known as “**China PUTIAN Corporation**”), as independent promoter, under the approval of the relevant department of the State Council. The Company is headquartered in Chengdu, Sichuan Province, and holds the Business (License numbered 9151010020193968XY). The registered capital of the Company is RMB400,000,000. There are a total of 400,000,000.00 shares in issue with the nominal value of RMB1 each of which: equity interest of China PUTIAN Corporation amounts to RMB240,000,000, representing 60% of the total shares; equity interest of public holders of ordinary shares (H Shares) listed in Hong Kong amounts to RMB160,000,000, representing 40% of the total shares. The shares have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 December 1994.

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

The financial statements were approved and authorized for issue by the 12th meeting of the 9th session of the Board of Directors dated 27 March 2020.

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. (The current period has been written off and liquidated) into the consolidation scope. Please refer to section VI and VII of notes to financial statements for details.

## 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. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

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

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

- (II) The Company has adopted “CASBE 21 – Leases” revised by Ministry of Finance of PRC (the “revised lease standard”) since January 1, 2019.

1. For the contract existed prior to January 1, 2019, the Company does not assess whether it is, or contains, a lease.
2. The Company doesn’t adopt the retrospective application method for leases in which the Company is the lessor.

- (III) The Company has adopted “CASBE 7 – Non-cash Assets Exchange” since June 10, 2019, and “CASBE 12 – Debt Restructuring” since June 17, 2019, and changes in accounting policies are applicable to prospective application method.

## IV. TAXES

### (I) Main taxes and tax rates

<b>Taxes</b>	<b>Tax bases</b>	<b>Tax rates</b>
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	16%, 13% <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 [2019] No. 39 issued by the Ministry of Finance and the State Administration of Taxation. Taxpayers who have incurred VAT sales shall adjusted the original tax rates from 16% to 13% respectively since 1 April 2019.

Different enterprise income tax rates applicable to different taxpayers:

<b>Taxpayers</b>	<b>Income tax rate</b>
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%

### (II) Tax preferential policies

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

According to the “Management for the High-tech Enterprises” (GUOKEFAHUO [2016] No. 32) and the “Guidelines for the Management of High-tech Enterprises Certification” (GUOKEFAHUO [2016] No. 195), the subsidiary company Chengdu 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

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

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

#### I. Notes receivable

##### (1) Details

##### 1) Details of different categories

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

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



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

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

(2) *Changes in provision for bad debts*

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

(3) *Notes receivable written off in current period*

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

(4) *Pledged notes*

<b>Items</b>	<b>Closing balance of pledged notes</b>
Bank acceptance	<u>13,329,148.00</u>
Subtotal	<u><u>13,329,148.00</u></u>

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

<b>Items</b>	<b>Closing balance derecognized</b>	<b>Closing balance not yet derecognized</b>
Bank acceptance	<u>18,346,525.86</u>	
Subtotal	<u><u>18,346,525.86</u></u>	

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

## 2. *Accounts receivable*

### (1) *Details*

#### 1) Details on categories

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

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

2) Accounts receivable with provision made on an individual basis

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

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

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

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

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

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

Ages	Book balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year	<u>1,631,872.60</u>	<u>8,159.36</u>	<u>0.50</u>
Subtotal	<u>1,631,872.60</u>	<u>8,159.36</u>	<u>0.50</u>

(2) Age analysis

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

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

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

(3) *Changes in provision for bad debts*

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

(4) *Accounts receivable written off in current period*

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

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

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

### 3. *Receivables financing*

#### (1) *Details*

##### 1) Details on categories

Items	Initial cost	Closing balance		Carrying amount	Provision for impairment
		Interest adjustment	Interest accrued		
Notes receivable	<u>23,544,919.54</u>	_____	_____	<u>23,544,919.54</u>	_____
Total	<u>23,544,919.54</u>	=====	=====	<u>23,544,919.54</u>	=====

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

Items	Book balance	Closing balance Provision for impairment	Provision proportion (%)
Bank acceptance portfolio	<u>23,544,919.54</u>	_____	_____
Subtotal	<u>23,544,919.54</u>	=====	=====

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

Items	Closing balance derecognized
Bank acceptance	<u>53,345,590.48</u>
Subtotal	<u>53,345,590.48</u>

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

#### 4. *Accounts payable*

##### (1) *Details*

Items	Closing balance	Closing balance of the preceding period
Borrowings	<b>50,129,194.54</b>	62,625,788.86
Others	<b><u>376,904.08</u></b>	<u>625,882.48</u>
Total	<b><u>50,506,098.62</u></b>	<u>63,251,671.34</u>

##### (2) *Age analysis*

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

##### (3) *Significant accounts payable with age over one year*

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

5. *Other comprehensive income (OCI)*

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

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

1. *Operating revenue/Operating cost*

(1) *Details*

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



(2) Breakdown of revenue by main categories

Segments	Copper cable and related products	Optical communication products	Cable conduct and related products	Subtotal
Main product types				
Optical fiber products		189,791,633.07		189,791,633.07
Heat shrinkable sleeve			368,916.86	368,916.86
Track cable	20,797,539.51			20,797,539.51
Component Processing and Component Trade	178,593,142.16			178,593,142.16
Electrical equipment	11,705,477.99			11,705,477.99
Feeder line	14,032,706.54			14,032,706.54
Lease	15,011,199.74		7,205,179.54	22,216,379.28
Others	9,809,684.76		1,941,270.36	11,750,955.12
Subtotal	<u>249,949,750.70</u>	<u>189,791,633.07</u>	<u>9,515,366.76</u>	<u>449,256,750.53</u>
Revenue recognition time				
Goods (transferred at a point in time)	234,938,550.96	189,791,633.07	2,310,187.22	427,040,371.25
Services (rendered over time)	15,011,199.74		7,205,179.54	22,216,379.28
Subtotal	<u>249,949,750.70</u>	<u>189,791,633.07</u>	<u>9,515,366.76</u>	<u>449,256,750.53</u>

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

2. Taxes and surcharges

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

### 3. *Selling expenses*

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

### 4. *Administrative expenses*

#### (1) *Details*

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

(2) *Current period administrative expenses of RMB820,000.00 (2018: RMB860,000.00) is the auditor's remuneration.*

5. *R&D expenses*

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

6. *Financial expenses*

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

7. *Income tax expenses*

(1) *Details*

<b>Items</b>	<b>Current period cumulative</b>	Preceding period comparative
Current period income tax expenses	<b>-70,434.62</b>	15,242,927.08
Deferred income tax expenses	<hr/>	<hr/>
	<hr/>	<hr/>
Total	<b><u>-70,434.62</u></b>	<b><u>22,473,331.46</u></b>

(2) *Reconciliation of accounting profit to income tax expenses*

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

**(III) Others**

*Assets with title or use right restrictions*

Items	Closing carrying amount	Reasons for restrictions
Cash and bank balances	<b>60,626,418.70</b>	Pledge, deposits of bank guarantee
Notes receivable	<b>13,329,148.00</b>	Pledge
Total	<b><u>73,955,566.70</u></b>	

**VI. CHANGES IN THE CONSOLIDATION SCOPE**

**Changes in consolidation scope due to other reasons**

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

## VII. INTEREST IN OTHER ENTITIES

### (I) Interest in significant subsidiaries

#### 1. Basis information

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method	Type of Corporation
				Direct	Indirect		
Chengdu Zhongling Radio Communications Co., Ltd.	Chengdu City	Chengdu City	Manufacture	100.00		Business combination not under common control	Company Limited
Chengdu PUTIAN New Material Co., Ltd.	Chengdu City	Chengdu City	Manufacture	100.00		Business combination not under common control	Company Limited
Chengdu SEI Optical Fiber Co., Ltd.	Chengdu City	Chengdu City	Manufacture	60.00		Business combination not under common control	Company Limited

#### 2. Significant not wholly-owned subsidiaries

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

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

##### (1) Assets and liabilities

*Currency unit: RMB10,000*

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

  

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

(2) Profit or loss and cash flows

*Currency unit: RMB10,000*

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

**(II) Interest in associates**

*1. Significant associates*

Associates	Main operating place	Place of registration	Business nature	Holding proportion (%)		Accounting treatment	Type of Corporation
				Direct	Indirect		
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu City	Chengdu City	Manufacture	35.00		Equity method	Company Limited
Chengdu Bada Connector Co., Ltd.	Chengdu City	Chengdu City	Manufacture	49.00		Equity method	Company Limited
Putian Fasten Cable Telecommunication Co., Ltd.	Chengdu City	Chengdu City	Manufacture	22.50		Equity method	Company Limited

2. *Main financial information of significant associates*

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

Items	Closing balance of the preceding period/ preceding period comparative		
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu Bada Connector Co., Ltd.	Putian Fasten Cable Telecommunication Co., Ltd.
Current assets	4,805,921.29	64,429,747.92	1,239,576,852.53
Non-current assets	2,418,671.24	4,818,528.49	255,175,462.18
Total assets	7,224,592.53	69,248,276.41	1,494,752,314.71
Current liabilities	5,714,703.60	59,493,589.27	741,671,724.73
Non-current liabilities			203,451,037.04
Total liabilities	5,714,703.60	59,493,589.27	945,122,761.77
Non-controlling interest		96,770.51	
Equity attributable to owners of parent company	1,509,888.93	9,657,916.63	549,629,552.94
Proportionate share in net assets	528,461.12	4,732,379.15	123,666,649.41
Adjustments			
Goodwill			3,190,746.07
Others	109,955.56	-0.03	231,757.60
Carrying amount of investments in joint ventures	638,416.68	4,732,379.12	127,089,153.08
Fair value of equity investments in joint ventures 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			

## VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (I) Related party relationships

#### 1. Parent company

##### (1) Parent company

Parent company	Place of registration	Business nature	Registered capital	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
China Potevio Company Limited	Beijing	Manufacture of telecommunication products	190,305.00	60.00	60.00

(2) *The Company's ultimate controlling party is China Putian Information Industry Group Co., Ltd.*



2. *Please refer to the notes on the interests of other entities in the notes of the financial statements for details on the Company's subsidiaries*

3. *Joint ventures and associates of the Company*

Please refer to the notes on the interests of other entities in the notes to the financial statements for details on the Company's significant joint ventures and associates.

4. *Other related parties of the Company*

<b>Related parties</b>	<b>Relationships with the Company</b>
Nanjing Putian Telege Intelligent Building Ltd.	Controlled by the same parent company
Chengdu Branch of China Potevio Company Limited	Controlled by the same parent company
Xi'an PUTIAN Telecommunications Company Limited	Controlled by the same parent company
Sumitomo Electric Industries Ltd.	Shareholder holding more than 5% of the subsidiary's shares
Sumitomo Electric Asia Ltd	Entity controlled by ultimate controller of shareholder holding more than 5% of the subsidiary's shares
Chengdu Huangshi shuangfeng Cable Co., Ltd.	Shareholder holding more than 5% of the subsidiary's shares
Chongqing Taishan Cable Co., Ltd.	Shareholder holding more than 5% of the subsidiary's shares
Hangzhou Honyar Electrical Co., Ltd.	Controlled by the same parent company
Hangzhou Honyar Cable Co., Ltd.	Controlled by the same parent company
Hangzhou Honyar Trade Co., Ltd.	Controlled by the same parent company
Putian Intelligent Lighting Research Institute Co., Ltd.	Controlled by the same parent company

## (II) Related party transactions

### 1. Purchase and sale of goods, rendering and receiving services

#### (1) Purchase of goods and receiving of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Chengdu Bada Connector Co., Ltd.	Purchase of goods and receiving of services	<b>167,396,243.00</b>	139,954,368.96
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Purchase of goods	<b>4,792,171.02</b>	7,000,268.54
China Potevio Company Limited	Purchase of goods and receiving of services		155,672.64
Sumitomo Electric Industries Ltd.	Purchase of goods		1,951,330.48
Sumitomo Electric Asia Ltd.	Purchase of goods	<b>135,287,198.10</b>	133,669,024.79
Sumitomo Electric Industries Ltd.	Purchase of equipment	<b>9,567,358.56</b>	
Sumitomo Electric Industries Ltd.	Receiving of services	<b>100,914.86</b>	460,193.67
Chongqing Taishan Cable Co., Ltd.	Receiving of services		203,136.79
Hangzhou Honyar Electrical Co., Ltd.	Purchase of goods	<b>774,587.64</b>	43,268,507.64
Putian Fasten Cable Telecommunication Co., Ltd.	Purchase of goods	<b>15,403.28</b>	11,598.40

(2) *Sale of goods and rendering of services*

<b>Related parties</b>	<b>Content of transaction</b>	<b>Current period cumulative</b>	<b>Preceding period comparative</b>
China Potevio Company Limited	Sale of wire feed cables		3,890,818.79
Chengdu Bada Connector Co., Ltd.	Sale of electrical Equipment and supplying of services	<b>1,014,656.04</b>	2,233,671.33
Sumitomo Electric Industries Ltd.	Sale of goods	<b>58,197.87</b>	
Hangzhou Honyar Electrical Co., Ltd.	Sale of goods	<b>37,147.31</b>	
Chongqing Taishan Cable Co., Ltd.	Sale of aluminum rods		34,584.44
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Sale of water and electricity	<b>115,617.84</b>	
Putian Fasten Cable Telecommunication Co., Ltd.	Sale of water and electricity	<b>1,400,418.59</b>	2,180,059.95
Chengdu Bada Connector Co., Ltd.	Sale of water and electricity	<b>131,820.93</b>	

2. *Related party leases*

<b>Lessees</b>	<b>Types of asset leased</b>	<b>Lease income for current period</b>	<b>Lease income for the preceding period</b>
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Plant	<b>305,107.73</b>	644,320.40
Putian Fasten Cable Telecommunication Co., Ltd.	Plant	<b>2,177,998.65</b>	3,678,672.00
Chengdu Bada Connector Co., Ltd.	Plant, equipment	<b>306,995.51</b>	250,660.69

3. *Related party guarantees*

*The Company as guarantor*

Guaranteed parties	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
China PUTIAN Corporation Limited	6,483,910.19	1997/2/21	2033/2/21	No

4. *Assets transfer and debt restructuring of the related parties*

Related parties	Content of related party transactions	Current period cumulative	Preceding period comparative
Chengdu Bada Connector Co., Ltd.	Disposal of fixed assets		1,640,417.79
Hangzhou Honyar Electrical Co., Ltd.	Purchase of intangible assets		3,245,283.03
Xi'an PUTIAN Telecommunications Company Limited	Disposal of fixed assets	<b>107,741.21</b>	

5. *Key management's emoluments*

Items	Current period cumulative	Preceding period comparative
Emoluments	<b>150,000.12</b>	150,000.12
Wage, bonus, allowance and subsidy	<b>1,455,270.82</b>	1,822,249.02
Payment of pension plan	<b>214,694.26</b>	236,860.14
Housing provident fund	<b>81,056.48</b>	74,954.52
Other interest	<b>110,456.99</b>	107,328.54
Total	<b><u>2,011,478.67</u></b>	<b><u>2,391,392.34</u></b>

6. *Directors' and supervisors' emoluments*

Items	Fees	Wage, bonus, allowance, and subsidy	Current period cumulative			Benefit in kind	Total
			Housing provident fund	Payment of pension plan	Other social insurance premiums		
<b>Executive directors:</b>							
Wu Changlin (Note IV)							
Hu Jiangbing (Note V)		251,329.80	32,451.80	25,260.48	18,992.68		328,034.76
Han Shu							
Wang Micheng (Note V)							
Xu Liying							
Liu Yun							
<b>Independent non-executive directors</b>							
Mao Yaping (Note II)	50,000.04						50,000.04
Xiao Xiaozhou	50,000.04						50,000.04
Feng Gang (Note III)	50,000.04						50,000.04
<b>Supervisors:</b>							
Zheng Zhili (Note V I)							
Xiong Ting		268,460.15	35,997.28	9,600.00	17,698.95		331,756.38
Liu Jun		135,464.81	25,673.40	9,066.00	13,179.68		183,383.89
Total	<u>150,000.12</u>	<u>655,254.76</u>	<u>94,122.48</u>	<u>43,926.48</u>	<u>49,871.31</u>		<u>993,175.15</u>

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

*Note 1:* 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 2:* On 13 April 2018, the Board appointed Ms. Mao Yaping as an independent nonexecutive Director, serving as the Chairman of the Audit Committee of the Company and a member of each of the Nomination Committee, the Remuneration and Appraisal Committee and the Strategic Development Committee.

*Note 3:* 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 4:* 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 5:* On 22 November 2018, Mr. Fan Xu resigned as an executive director and a member of the nomination committee of the Company. Mr. Wang Micheng resigned as the vice chairman of the Board, and member of Strategic Development Committee but remained as executive Director. At the same time, Mr. Hu Jiangbing was appointed as an executive Director and vice chairman of the Company and a member of the Strategic Development Committee, and Mr. Wang Micheng was appointed as a member of the Nomination Committee.

*Note 6:* On 29 November 2019, Mr. Zheng Zhili resigned as supervisor and chairman of the board of supervisors of the company due for retirement reasons

#### 7. *Five highest paid employees*

The five employees whose emoluments were the highest for the year include 1 (2018: 0) directors whose emoluments are reflected in the analysis presented above. The total emoluments payable to the remaining 4 (2018: 5) employees during the year are as follows:

<b>Items</b>	<b>Current period cumulative</b>	Preceding period comparative
Wage, bonus, allowance, and subsidy	<b>951,443.84</b>	1,362,474.18
Payment of pension plan	<b>143,989.12</b>	179,801.58
Housing provident fund	<b>38,400.00</b>	55,764.00
Other interest	<b>70,400.06</b>	82,101.21
Total	<b><u>1,204,233.02</u></b>	<u>1,680,140.97</u>

The ranges of emoluments payable to 4 (2018: 5) employees during the year are as follows:

<b>Items</b>	<b>Number of individuals (2019)</b>	Number of individuals (2018)
HK\$ nil – HK\$1,000,000	<b>4</b>	5

8. The Company purchases goods from Hangzhou Hongyan Electric Co., Ltd., Sumitomo Electric Industries Co., Ltd. and Sumitomo Electric Asia Ltd.; the Company sells goods to China Putian Information Industry Co., Ltd. The 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) Balance due to or from related parties

#### 1. Balance due from related parties

Items	Related parties	Closing balance		Closing balance of the preceding period	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Nanjing Putian Telege Intelligent Building Ltd.	93,192.96	93,192.96	93,192.96	93,192.96
	China Potevio Company Limited	1,226,248.60	6,131.24	8,725,199.62	43,626.00
	Chengdu Branch of China Potevio Company Limited	304,891.23	304,891.23	304,891.23	304,891.23
	Chengdu Bada Connector Co., Ltd.	345,624.00	1,728.12	278,603.82	1,393.02
	Chengdu Yuexin Telecommunications Materials Co., Ltd.			980,123.69	4,900.62
	Xi'an PUTIAN Telecommunications Company Limited	60,000.00	300.00		
Subtotal		<u>2,029,956.79</u>	<u>406,243.55</u>	<u>10,382,011.32</u>	<u>448,003.83</u>
Advances paid	Sumitomo Electric Asia Ltd	1,567,825.16		2,142,188.56	
	Hangzhou Honyar Trade Co., Ltd.			9,009,887.98	
Subtotal		<u>1,567,825.16</u>		<u>11,152,076.54</u>	
Other receivables	China Potevio Company Limited	1,680,942.76	8,404.71	1,680,942.76	8,404.71
	Chengdu Bada Connector Co., Ltd.	1,382,957.53	6,914.79	1,336,288.87	6,681.45
	Chengdu Huangshi shuangfeng Cable Co., Ltd.			236,822.86	1,184.11
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	22,832.36	114.16	93,260.79	466.30
	Putian Intelligent Lighting Research Institute Co., Ltd.			100,000.00	500.00
	Putian Fasten Cable Telecommunication Co., Ltd.			671,778.78	3,358.90
	China PUTIAN Corporation Limited			3,470,000.00	17,350.00
Subtotal		<u>3,086,732.65</u>	<u>15,433.66</u>	<u>7,589,094.06</u>	<u>37,945.47</u>



2. *Balance due to related parties*

<b>Items</b>	<b>Related parties</b>	<b>Closing balance</b>	Closing balance of the preceding period
Accounts payable	Chengdu Bada Connector Co., Ltd.	<b>777,210.69</b>	4,510,433.34
	Sumitomo Electric Asia Ltd.	<b>29,863,717.23</b>	29,241,458.29
	Hangzhou Honyar Cable Co., Ltd.		106,893.69
	Hangzhou Honyar Electrical Co., Ltd.		289,908.93
	Hangzhou Honyar Trade Co., Ltd.		2,175,020.99
	Chengdu Huangshi shuangfeng Cable Co., Ltd.	<b>3,426,822.79</b>	4,690,289.26
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	<b>993,304.33</b>	
	Nanjing Putian Telege Intelligent Building Ltd.	<b>65,000.00</b>	
Subtotal		<b><u>35,126,055.04</u></b>	<b><u>41,014,004.50</u></b>
Advances received	Chengdu Bada Connector Co., Ltd.	<b>5,550.00</b>	
Subtotal		<b><u>5,550.00</u></b>	
Other payables	Sumitomo Electric Industries Ltd.	<b>34,181.73</b>	139,139.59
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	<b>100,000.00</b>	100,000.00
	Hangzhou Honyar Electrical Co., Ltd.		1,727,168.49
	Chengdu Bada Connector Co., Ltd.	<b>58,716.00</b>	58,716.00
	China PUTIAN Corporation Limited		18,660,000.00
Subtotal		<b><u>192,897.73</u></b>	<b><u>20,685,024.08</u></b>

## IX. OTHER SIGNIFICANT EVENTS

### (I) Segment information

#### 1. Identification basis for reportable segments

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system.

#### 2. Financial information of reportable segments

Items	Closing balance/current period cumulative		
	Copper cable and related products	Optical communication products	Cable conduct and related products
Revenue from main operations	239,198,776.40	188,361,303.00	368,916.86
Cost of main operations	233,946,694.55	196,296,780.33	1,284,788.50
Assets impairment loss	-9,028,067.93	-4,378,809.23	2,342.46
Credit impairment loss	6,217,139.61	-35,713.90	2,628,246.08
Total assets	955,587,515.49	311,522,244.85	82,962,477.09
Total liabilities	102,229,616.62	43,641,026.59	63,812,388.80

Items	Closing balance/current period cumulative		
	Aluminum rod and related products	Inter-segment offsetting	Total
Revenue from main operations		14,278,485.47	413,650,510.79
Cost of main operations		21,239,657.55	410,288,605.83
Assets impairment loss			-13,404,534.70
Credit impairment loss	1,184.11	-51,585.89	8,862,441.79
Total assets		218,170,382.44	1,131,901,854.99
Total liabilities		42,859,966.69	166,823,065.32

Items	Closing balance of the preceding period/ preceding period comparative		
	Copper cable and related products	Optical communication products	Cable conduct and related products
Revenue from main operations	266,383,330.52	332,165,124.34	355,247.58
Cost of main operations	269,982,610.34	203,330,511.66	661,511.62
Assets impairment loss	-12,230,569.28	-497,275.92	-667,825.79
Credit impairment loss	-7,476,659.90	-83,595.88	1,444,894.53
Total assets	1,002,235,141.41	391,369,090.92	91,176,550.52
Total liabilities	137,111,724.30	50,443,797.21	72,880,576.14

Items	Closing balance of the preceding period/ preceding period comparative		
	Aluminum rod and related products	Inter-segment offsetting	Total
Revenue from main operations	34,584.44	18,145,178.05	580,793,108.83
Cost of main operations	36,206.56	25,039,926.10	448,970,914.08
Assets impairment loss		896,361.45	-14,292,032.44
Credit impairment loss	-1,184.11	63,429.22	-6,179,974.58
Total assets	252,954.84	227,377,068.45	1,257,656,669.24
Total liabilities	76,500.00	47,393,645.73	213,118,951.92

## (II) Leases

### *The Company as lessor*

#### 1. Operating lease

##### (1) Lease income

Items	Current period cumulative
Lease income	20,616,362.18
Including: Income relating to variable lease payments not included in the measurement of the lease liability	

##### (2) Undiscounted lease payments to be received arising from non-cancellable leases

Remaining years	Amount
Within 1 year	15,253,645.00
1-2 years	8,978,065.00
2-3 years	5,930,194.00
Over 3 years	<u>3,753,891.00</u>
Total	<u><u>33,915,795.00</u></u>

##### (2) Other information

Nature of leasing activities

Categories of underlying assets	Amount	Lease term	Whether the lease contains renewal option or not
Plant, offices	132,780.92m <sup>2</sup>	From 1/1/2019 to 31/12/2025	YES

**(III) Other financial information**

Items	Closing balance		Closing balance of the preceding period	
	Consolidated	Parent company	Consolidated	Parent company
Net current assets	606,249,319.93	397,384,459.62	656,734,343.93	356,912,715.71
Total assets less current liabilities	1,029,945,166.00	854,184,254.41	1,112,807,234.62	849,614,730.19

**X. OTHER SUPPLEMENTARY INFORMATION****(I) Non-recurring profit or loss**

Items	Amount	Remarks
Gains on disposal of non-current assets, including written-off of provision for impairment	-9,961,567.02	
Government grant included in profit or loss (excluding those closely related to operating activities, or regular government grants)	18,922,409.81	
Other non-operating revenue or expenditures	-3,119,409.62	
Other profit or loss satisfying the definition of non-recurring profit or loss	<u>22,832.23</u>	
Subtotal	<u>5,864,265.40</u>	
Less: enterprise income tax affected		
Non-controlling interest affected (after tax)	14,577.76	
Net non-recurring profit or loss attributable to shareholders of the parent company	<u>5,849,687.64</u>	

**(II) RONA and EPS****1. Details**

Profit of the reporting period	Weighted average RONA (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	-5.68	-0.13	-0.13
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	-6.34	-0.14	-0.14

## 2. Calculation process of weighted average RONA

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	-50,135,424.57
Non-recurring profit or loss	B	5,849,687.64
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-55,985,112.21
Opening balance of net assets attributable to shareholders of ordinary shares	D	908,061,726.95
Net assets attributable to shareholders of ordinary shares increased due to offering of new shares or conversion of debts into shares	E	
Number of months counting from the next month when the net assets were increased to the end of the reporting period	F	
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation	G	
Number of months counting from the next month when the net assets were decreased to the end of the reporting period	H	
Others		
Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period		
Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period		6
Number of months in the reporting period	K	12
Weighted average net assets	$L = \frac{D+A}{2} + \frac{E \times F}{K - G \times H / K \pm I \times J / K}$	882,994,014.67
Weighted average RONA	$M = A / L$	-5.68%
Weighted average RONA after deducting non-recurring profit or loss	$N = C / L$	-6.34%

### 3. Calculation process of basic EPS and diluted EPS

#### (1) Calculation process of basic EPS

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	-50,135,424.57
Non-recurring profit or loss	B	5,849,687.64
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-55,985,112.21
Opening balance of total shares	D	400,000,000.00
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	
Number of shares increased due to offering of new shares or conversion of debts into shares	F	
Number of months counting from the next month when the share was increased to the end of the reporting period	G	
Number of shares decreased due to share repurchase	H	
Number of months counting from the next month when the share was decreased to the end of the reporting period	I	
Number of shares decreased in the reporting period	J	
Number of months in the reporting period	K	12.00
Weighted average of outstanding ordinary shares	$L=D+E+F \times G / K - H \times I / K - J$	400,000,000.00
Basic EPS	$M=A/L$	-0.13
Basic EPS after deducting non-recurring profit or loss	$N=C/L$	-0.14

#### (2) Calculation process of diluted EPS

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

**Chengdu PUTIAN Telecommunications Cable Co., Ltd.**

27 March 2020

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF PRINCIPAL BUSINESS

#### *I. Information about major operations*

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

#### *1. Optical telecommunication business*

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

#### *2. Energy transmission cable business*

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

## *II. Strengthening refined management to raise management and control standard*

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

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

The Company organized and carried out work in light of its production and operation and completed the annual democratic consultation of the leaders and concept education democratic consultation; completed inspection on Party construction by the working team for Party construction of the Group and the third inspection team of the Party committee of the Group; carried out education on the concept of Chengdu Putian of “Remain True to Our Original Aspiration and Keep Our Mission Firmly in Mind (不忘初心牢記使命)” and organized its Party members and cadres to complete red theme education, under which 15 major issues in 6 aspects were identified and 33 rectification measures were formulated; actively coordinated with the sixth research team of the Party committee of the Group for research work of theme-based education; completed the report on the results of concept education and “repeat inspection”; organized pop-up events of “celebration of the 70th anniversary of the founding of the PRC”; and studied and implemented the spirit of the 4th Plenary Session of the 19th CPC Central Committee and knowledge contest, etc.

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

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

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

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



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

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

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

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

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

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

The Company continued to carry out placement work for surplus and redundant staff in accordance with the special governance for “Disposing of Zombie Enterprises and Assisting Enterprises with Difficulties”. The placement of surplus and redundant staff were carried out in accordance with relevant measures through negotiation of termination of labor contracts, internal retirement, re-designation (pending for duties) and other manners. In the process of placement, the Company took due care in respect of the actual situation of various types of personnel and various contradictions that have arisen, so as to maintain the stability of employees and avoid group incidents. A total of 373 surplus and redundant staff have been settled since the commencement of the work of “Disposing of Zombie Enterprises and Assisting Enterprises with Difficulties”, which reached the expected target.

5. *Optimizing basic management and improving management standard*

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

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

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

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

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

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

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

## FINANCIAL ANALYSIS

### *Turnover*

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

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

### *Net loss attributable to equity holders of the Company for the Year*

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

## RESULTS ANALYSIS

The Group’s total assets decreased by 10.00% from RMB1,257,656,669.24 as at 31 December 2018 to RMB1,131,901,854.99 as at 31 December 2019, of which current assets amounted to RMB708,206,008.92, accounting for 62.57% of the total assets and representing a decrease of 11.65% as compared with RMB801,583,778.55 as at 31 December 2018. Property, plant and equipment amounted to RMB249,779,768.10, accounting for 22.07% of the total assets and representing a decrease of 4.68% as compared with RMB262,030,589.13 as at 31 December 2018.

As at 31 December 2019, the Group’s total liabilities amounted to RMB166,823,065.32; total liability-to-total asset ratio was 14.74%; bank and other short-term loans were RMB6,483,910.19, which decreased by 7.12% as compared with RMB6,981,019.84 as at 31 December 2018. During the Year, the Group did not conduct other capital raising activities.

As at 31 December 2019, the Group’s bank deposits and cash totaled RMB459,059,145.36, representing an increase of 3.72% as compared with RMB441,997,685.40 as at 31 December 2018.

During the Year, the Group's selling expenses, administration expenses, research and development expenses and finance expenses amounted to RMB12,093,142.13, RMB51,866,992.48, RMB10,699,510.81 and RMB-5,514,691.80, representing a decrease of 39.06%, a decrease of 12.65%, an increase of 92.46% and a decrease of RMB1,388,800.53 respectively as compared with RMB19,844,839.89, RMB59,379,163.81, RMB5,559,320.05 and RMB-4,125,891.27 respectively in the Previous Year.

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

### **Analysis of Capital Liquidity**

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

### **Analysis of Financial Resources**

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

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

As at 31 December 2019, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was RMB6,483,910.19 (equivalent to EUR829,621.93). The loan is a French government loan at an interest rate of 0.5% per annum. The loan denominated in Euro is subject to exchange rate risks resulting from fluctuations of the exchange rate in the international foreign exchange market. This long-term loan is an instalment loan in respect of which the maximum repayment period is thirty-six years. As the outstanding amount of the long-term loan is relatively small, there is no material impact on the operations of the Group.

### ***Capital Structure of the Group***

The Group's capital is derived from its profit, proceeds raised, bank and other loans and proceeds from the disposal of the land use rights of the old site of the Company. The use of raised proceeds has strictly complied with the relevant legal requirements. In addition, in order to ensure the proper utilization of capital, the Group has strengthened its existing financial management system. The Group has also paid attention to avoiding high risks and to improving its return on investments. During the Year, debts and obligations were repaid and performed when due in accordance with the relevant contractual terms.

### *Liquidity and Source of Funds*

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

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

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

### *Contingent Liabilities*

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

## **BUSINESS OUTLOOK**

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

### **I. Measures taken under the current epidemic**

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

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

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

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

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

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

## **2. Energy transmission cable business**

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

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

## **3. Electronic information industrial park**

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **3. Effectively promoting sustainable development through improving quality and efficiency**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **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 RMB2.9180 million during the Year (Previous Year: approximately RMB2.8885 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. Risk of strategic goals falling below expectation**

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

## **2. Foreign exchange rate risk**

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

## **3. Market risk**

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

## **4. Supply chain risk**

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

## 5. Human resources risk

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

### STAFF AND REMUNERATION POLICY OF THE GROUP

As at 31 December 2019, the Group had 749 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, 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 2019, 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, 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, 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 and as at the date of this announcement.

## **FINAL DIVIDEND**

The Board did not recommend the payment of final dividend for the Year (Previous Year: Nil).

## **CODE ON CORPORATE GOVERNANCE**

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. 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 Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang, 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, 26 June 2020 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 2019 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 27 May 2020 to 26 June 2020 (both days inclusive), during which period no transfer of shares will be registered.

In order to be qualified for attending and voting at the 2019 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 26 May 2020.

## 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, 27 March 2020

*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:*

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