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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)

2017 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 2017 (the “**Year**”) together with comparative figures for the corresponding period of 2016 as follows:

* *For identification purposes only*

CONSOLIDATED BALANCE SHEET
as at 31 December 2017

PREPARED BY: CHENGDU PUTIAN
TELECOMMUNICATIONS CABLE
COMPANY LIMITED

Monetary unit: RMB Yuan

Assets	Note No.	Closing balance of period	Opening balance of period
Current assets:			
Cash and bank balances		502,739,979.20	386,016,134.79
Settlement funds			
Loans to other banks			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	IV.(I).1	98,266,619.18	102,488,405.74
Accounts receivable	IV.(I).2	122,868,157.43	94,950,926.96
Advances paid		28,522,959.92	22,920,549.53
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Interest receivable			
Dividend receivable			
Other receivables		23,985,338.43	26,769,742.43
Reverse-REPO financial assets			
Inventories		108,342,841.35	160,106,903.80
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		14,278,091.00	19,451,948.98
Total current assets		899,003,986.51	812,704,612.23

Assets	<i>Note No.</i>	Closing balance of period	Opening balance of period
Non-current assets:			
Loans and advances paid			
Available-for-sale financial assets		4,215,948.00	7,186,275.00
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments		132,661,468.03	123,978,116.68
Investment property		47,332,223.22	33,556,165.40
Fixed assets		216,333,998.46	260,511,886.18
Construction in progress		2,149,526.26	5,162,289.32
Construction materials		18,119,088.16	
Fixed assets disposal			
Productive biological assets			
Oil & gas assets			
Intangible assets		46,988,707.45	50,230,026.36
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred tax assets		7,140,824.38	14,135,131.52
Other non-current assets			
		<hr/>	<hr/>
Total non-current assets		474,941,783.96	494,759,890.46
		<hr/>	<hr/>
Total assets		1,373,945,770.47	1,307,464,502.69
		<hr/> <hr/>	<hr/> <hr/>

Liabilities & Shareholders' Equity	<i>Note No.</i>	Closing balance of period	Opening balance of period
Current liabilities:			
Short-term borrowings			
Central bank loans			
Absorbing deposit and interbank deposit			
Loans from other banks			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable	<i>IV.(I).3</i>	103,292,947.56	101,691,287.30
Advances received		28,280,760.70	34,255,233.51
Proceeds from sale of repurchase financial assets			
Handling fee and commission payable			
Employee benefits payable		39,199,752.93	45,630,134.59
Taxes and rates payable		18,973,320.61	9,465,096.54
Interest payable			
Dividend payable			
Other payables		40,501,877.44	23,410,432.55
Reinsurance accounts payable			
Provision for insurance contracts			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		230,248,659.24	214,452,184.49

Liabilities & Shareholders' Equity	<i>Note No.</i>	Closing balance of period	Opening balance of period
Non-current liabilities:			
Long-term borrowings		7,409,015.78	7,376,797.32
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term staff remuneration payables			
Special payables			
Provisions		650,000.00	
Deferred income		63,224,691.48	66,725,801.88
Deferred tax liabilities		525,713.35	971,262.40
Other non-current liabilities			
		<hr/>	<hr/>
Total non-current liabilities		71,809,420.61	75,073,861.60
		<hr/>	<hr/>
Total liabilities		302,058,079.85	289,526,046.09
		<hr/> <hr/>	<hr/> <hr/>
Shareholders' equity:			
Share capital		400,000,000.00	400,000,000.00
Other equity			
Including: Preference shares			
Perpetual bonds			
Capital reserve		651,400,779.83	651,400,779.83
Less: treasury shares			
Other comprehensive income	<i>IV.(I).4</i>	2,979,042.34	5,503,820.29
Special reserve			
Surplus reserve		8,726,923.61	8,726,923.61
General risk reserve			
Undistributed profit		-121,848,878.20	-152,174,233.00
Total equity attributable to owners of the parent company		941,257,867.58	913,457,290.73
		<hr/>	<hr/>
Non-controlling interest		130,629,823.04	104,481,165.87
		<hr/>	<hr/>
Total equity		1,071,887,690.62	1,017,938,456.60
		<hr/> <hr/>	<hr/> <hr/>
Total liabilities & shareholders' equity		1,373,945,770.47	1,307,464,502.69
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CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2017

PREPARED BY: CHENGDU PUTIAN
TELECOMMUNICATIONS CABLE
COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period	Prior period
I. Total operating revenue		763,966,053.96	1,332,288,885.28
Including: operating revenue	IV.(II).1	763,966,053.96	1,332,288,885.28
Interest proceeds			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		695,109,815.87	1,329,774,488.75
Including: Operating cost	IV.(II).1	584,402,123.91	1,089,207,359.17
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes & surcharge for operations	IV.(II).2	9,852,902.39	11,633,152.25
Selling expenses	IV.(II).3	19,357,239.02	60,839,009.30
Administrative expenses	IV.(II).4	71,740,458.40	131,851,623.37
Financial expenses	IV.(II).5	-4,689,260.71	5,382,887.85
Assets impairment loss		14,446,352.86	30,860,456.81
Add: gains on changes of fair value (loss, expressed in negative figure)			
Gains/losses on hedging the net exposure (loss, expressed in negative figure)			
Investment income (loss, expressed in negative figure)		8,683,351.35	8,529,454.89
Including: investment income from associates and joint ventures		8,683,351.35	2,147,962.76
Gains on asset disposal (loss, expressed in negative figure)		-2,525,745.35	10,056,398.67
Gains on foreign exchange (loss, expressed in negative figure)			
Other income		20,284,061.40	

Items	Note No.	Current period	Prior period
III. Operating profit (loss, expressed in negative figure)		95,297,905.49	21,100,250.09
Add: Non-operating revenue		712,813.47	4,564,860.52
Less: Non-operating expenditures		1,751,469.31	422,689.16
IV. Total profit (total loss, expressed in negative figure)		94,259,249.65	25,242,421.45
Less: income tax expense	<i>IV.(II).6</i>	25,785,237.68	17,984,519.81
V. Net profit (net loss, expressed in negative figure)		68,474,011.97	7,257,901.64
(I) Categorized by the continuity of operations:			
1. Net profit from continuing operations (net loss, expressed in negative figure)		68,474,011.97	7,257,901.64
2. Net profit from discontinued operations (net loss, expressed in negative figure)			
(II) Categorized by the portion of equity ownership:			
1. Net profit attributable to owners of the parent company (net loss, expressed in negative figure)		30,325,354.80	-16,103,263.89
2. Non-controlling interest income (net loss, expressed in negative figure)		38,148,657.17	23,361,165.53
VI. Net other comprehensive income after tax		-2,524,777.95	-1,341,690.15
Net other comprehensive income attributable to owners of the parent company		-2,524,777.95	-1,341,690.15
(I) Not reclassified subsequently to profit or loss			
1. Changes in remeasurement on the net defined benefit liability/asset			
2. Items attributable to investees under equity method that will not reclassified to profit or loss			
(II) To be reclassified subsequently to profit or loss		-2,524,777.95	-1,341,690.15
1. Items attributable to investees under equity method that may be reclassified to profit or loss			
2. Profit or loss from changes in fair value of available-for-sale financial assets		-2,524,777.95	-1,341,690.15
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4. Profit or loss on cash flow hedging			
5. Translation difference of financial statements in foreign currencies			
6. Others			
Net other comprehensive income after tax attributable to non-controlling interest			

Items	<i>Note No.</i>	Current period	Prior period
VII. Total comprehensive income		65,949,234.02	5,916,211.49
Items attributable to owners of the parent company		27,800,576.85	-17,444,954.04
Items attributable to non-controlling interest		38,148,657.17	23,361,165.53
VIII. Earnings per share(“EPS”):	<i>VIII.(II).3</i>		
(I) Basic EPS (RMB/share)		0.08	-0.04
(II) Diluted EPS (RMB/share)		0.08	-0.04

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2017

PREPARED BY: CHENGDU PUTIAN
TELECOMMUNICATIONS
CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period	Prior period
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		730,974,754.72	1,184,904,219.18
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts of original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Net increase of disposal of financial assets at fair value through profit or loss			
Cash receipts from interest, handling charges and commission			
Net increase of loans from others			
Net increase of repurchase			
Receipts of tax refund			6,213.49
Other cash receipts related to operating activities		121,189,373.83	85,435,565.69
Subtotal of cash inflows from operating activities		852,164,128.55	1,270,345,998.36
Cash payments for goods purchased and services received		496,295,820.85	822,954,816.49
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payment of insurance indemnities of original insurance contracts			
Cash payment of interest, handling charges and commission			
Cash payment of policy bonus			
Cash paid to and on behalf of employees		67,490,700.64	125,103,593.10
Cash payments of taxes and rates		48,011,335.18	65,662,533.85
Other cash payments related to operating activities		78,486,084.43	217,745,035.66
Subtotal cash outflows from operating activities		690,283,941.10	1,231,465,979.10
Net cash flows from operating activities		161,880,187.45	38,880,019.26

Items	Note No.	Current period	Prior period
II. Cash flows from investing activities:			
Cash received from return of investments			
Cash received from return on investments			
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		3,384,332.50	14,796,071.04
Net cash received from the disposal of subsidiaries & other business units			71,765,474.42
Other cash receipts related to investing activities			60,000,000.00
Subtotal of cash inflows from investing activities		3,384,332.50	146,561,545.46
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		28,913,873.36	35,544,851.99
Cash paid for acquiring investments			
Net increase of pledged loans			
Net cash paid for acquiring subsidiaries & other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		28,913,873.36	35,544,851.99
Net cash flows from investing activities		-25,529,540.86	111,016,693.47
III. Cash flows from financing activities:			
Cash received from investment by others			8,611,800.00
Including: cash received by subsidiaries from non-controlling owners			8,611,800.00
Cash received from borrowings			160,000,000.00
Cash received from issuing of bonds			
Other cash receipts related to financing activities			50,000,000.00
Subtotal of cash inflows from financing activities			218,611,800.00
Cash repayments of borrowings		459,138.58	272,141,706.21
Cash paid for distribution of dividends or profits and for interest expenses		12,115,291.76	16,484,416.08
Including: cash paid for distribution of dividends or profits by subsidiaries to minority owners		12,000,000.00	5,389,720.40
Other cash payments related to financing activities			50,000,000.00
Subtotal of cash outflows from financing activities		12,574,430.34	338,626,122.29
Net cash flows from financing activities		-12,574,430.34	-120,014,322.29

Items	<i>Note No.</i>	Current period	Prior period
IV. Effect of foreign exchange rate changes on cash & cash equivalents		-262,803.22	-9,029.14
V. Net increase in cash and cash equivalents		123,513,413.03	29,873,361.30
Add: Opening balance of cash and cash equivalents		331,032,951.89	301,159,590.59
VI. Closing balance of cash and cash equivalents		454,546,364.92	331,032,951.89

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the year ended 31 December 2017

PREPARED BY: CHENGDU PUTIAN
TELECOMMUNICATIONS CABLE
COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Current period											Non-controlling interests	Total shareholders' equity	
	Shareholders' equity attributable to parent company										Others			
	Share capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve				Undistributed profit
Preference shares		Perpetual bonds	Others											
I. Balance at the end of prior year	400,000,000.00			651,400,779.83		5,503,820.29		8,726,923.61			-152,174,233.00		104,481,165.87	1,017,938,456.60
Add: cumulative changes of accounting policies														
Error correction of prior period														
Business combination under common control														
Others														
II. Balance at the beginning of current year	400,000,000.00			651,400,779.83		5,503,820.29		8,726,923.61			-152,174,233.00		104,481,165.87	1,017,938,456.60
III. Current period increase (decrease, expressed in negative figures)														
(I) Total comprehensive income						-2,524,777.95					30,325,354.80		26,148,657.17	53,949,234.02
(II) Capital contributed or withdrew by owners						-2,524,777.95					30,325,354.80		38,148,657.17	65,949,234.02
1. Capital contributed by owners														
2. Capital contributed by holders of other equity instruments														
3. Amount of share-based payment included in equity														
4. Others														
(III) Profit distribution													-12,000,000.00	-12,000,000.00
1. Appropriation of surplus reserve														
2. Appropriation of general risk reserve														
3. Appropriation of profit to owners (shareholders)													-12,000,000.00	-12,000,000.00
4. Others														
(IV) Internal carry-over within equity														
1. Transfer of capital reserve to capital														
2. Transfer of surplus reserve to capital														
3. Surplus reserve to cover losses														
4. Others														
(V) Special reserve														
1. Appropriation of current period														
2. Application of current period														
(VI) Others														
IV. Balance at the end of current period	400,000,000.00			651,400,779.83		2,979,042.34		8,726,923.61			-121,848,878.20		130,629,823.04	1,071,887,690.62

Items	Prior period													Non-controlling interests	Total shareholders' equity
	Shareholders' equity attributable to parent company														
	Share capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others			
		Preference shares	Perpetual bonds	Others											
I. Balance at the end of prior year	400,000,000.00			651,400,779.83		6,845,510.44		8,726,923.61			-136,070,969.11		350,697,119.25	1,281,599,364.02	
Add: cumulative changes of accounting policies															
Error correction of prior period															
Business combination under common control															
Others															
II. Balance at the beginning of current year	400,000,000.00			651,400,779.83		6,845,510.44		8,726,923.61			-136,070,969.11		350,697,119.25	1,281,599,364.02	
III. Current period increase (decrease, expressed in negative figures)															
(I) Total comprehensive income						-1,341,690.15					-16,103,263.89		-246,215,953.38	-263,660,907.42	
(II) Capital contributed or withdrew by owners						-1,341,690.15					-16,103,263.89		23,361,165.53	5,916,211.49	
1. Capital contributed by owners													-264,187,398.51	-264,187,398.51	
2. Capital contributed by holders of other equity instruments													12,000,000.00	12,000,000.00	
3. Amount of share-based payment included in equity															
4. Others													-276,187,398.51	-276,187,398.51	
(III) Profit distribution													-5,389,720.40	-5,389,720.40	
1. Appropriation of surplus reserve															
2. Appropriation of general risk reserve															
3. Appropriation of profit to owners (shareholders)													-5,389,720.40	-5,389,720.40	
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. Others															
(V) Special reserve															
1. Appropriation of current period															
2. Application of current period															
(VI) Others															
IV. Balance at the end of current period	400,000,000.00			651,400,779.83		5,503,820.29		8,726,923.61			-152,174,233.00		104,481,165.87	1,017,938,456.60	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

Monetary unit: RMB Yuan

I. COMPANY PROFILE

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 Limited”), as an independent promoter, under the approval of the relevant department of the State Council. The Company is headquartered in Chengdu, Sichuan Province of The People’s Republic of China (The “**PRC**”), and holds a social credit code numbered 9151010020193968XY. The registered capital of the Company is RMB400,000,000 of which: equity interest of China Potevio Company Limited amounts to RMB240,000,000, representing 60% of the total shares; equity interest of public holders of ordinary shares (H Shares) listed in Hong Kong amounts to RMB160,000,000, representing 40% of the total shares. There are a total of 400,000,000 shares in issue with the nominal value of RMB1 each. The shares of the Company were listed on the Stock Exchange of Hong Kong on 13 December 1994.

The Company engages in the manufacturing industry. Business scope includes: electric wire and cable, optical fiber and cable, wire and cable specific materials, irradiation processing, cable accessories, special equipment, equipment and different kinds of information industrial products (except categories restricted or prohibited by the State) devices and equipment technology research and development, product manufacturing, sales and service, electrical technology development, transfer, consultation and related supporting services; design and installation: city and road lighting construction, construction and renovation works for buildings, fire safety facilities construction, electromechanical equipment installation, electroweak system engineering for buildings in communities, computer network engineering and communication engineering and equipment (excluding contracted work for power facilities installation (repair & test)); wholesale and retail: communications equipment (except radio transmitting equipment), lighting equipment, electrical equipment, instrumentation, electronic measuring instruments, electronic components, transmission, distribution and control equipment, hardware products and electronic products, plastic products, mineral products, building materials and chemical products (except dangerous chemicals products and precursor chemicals), daily necessities, commission agency (except by auction), import and export proprietary goods and similar commodities; owned real estate, machinery leasing, and property management.

These financial statements have been approved by the Board on 23 March 2018 at the 25th meeting of the 8th session.

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 and Chongqing Putaifeng Aluminium Co., Ltd., into the consolidated financial statements of the current period. Please refer to notes to changes in the consolidated scope and interest in other entities for details.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

(I) Preparation basis

The financial statements have been prepared on the basis of going concern and based on the actual transactions and events occurred, in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of China (the Ministry of Finance Regulation No. 33, the amended Regulation No. 76), 41 specified accounting standards which were issued on 15 February 2006 and amended from time to time, guidelines for application of enterprise accounting standards, interpretation of enterprise accounting standards and other relevant regulations (the “**Accounting Standards**”).

In accordance with the 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. TAXES

(I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Enterprise income tax	Taxable income	15%, 25%
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	17%
Urban maintenance and construction tax	Turnover tax payable	7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
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 and township land use tax	Actual area of land occupied	RMB6/m ² , RMB8/m ²

Different enterprise income tax rates applicable to different taxpayers

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

(II) Tax preferential policies

Pursuant to the document of High-tech Enterprises Recognition Committee of Sichuan Province (Chuangaoqiren [2015] No. 7), the Company was recognised as a high-tech enterprise and enjoyed the high-tech enterprises preferential tax rate of 15% for a period of three years from 2015 to 2017.

Pursuant to the Administrative Measures for Determination of High and New Tech Enterprises (Guokefahuo [2008] No.172), Administrative Guides of Determination of High and New Tech Enterprises (Guokefahuo [2008] No.362) and the document of High-tech Enterprises Recognition Committee of Sichuan Province (Chuangaoqiren [2014] No.6), the Company's subsidiaries, namely, Chengdu SEI Optical Fiber Co., Ltd., Chengdu Zhongling Radio Communications Co., Ltd. were recognised 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.

IV. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Notes to items of the consolidated balance sheet

1. Notes receivable

(1) Details

Items	Book balance	Closing balance	Carrying amount
		Provision for bad debts	
Bank acceptance	94,319,558.49		94,319,558.49
Trade acceptance	3,947,060.69		3,947,060.69
Total	<u>98,266,619.18</u>		<u>98,266,619.18</u>

Items	Book balance	Opening balance	Carrying amount
		Provision for bad debts	
Bank acceptance	101,514,684.31		101,514,684.31
Trade acceptance	973,721.43		973,721.43
Total	<u>102,488,405.74</u>		<u>102,488,405.74</u>

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

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	29,348,803.24	_____
Subtotal	<u>29,348,803.24</u>	<u>_____</u>

Due to the fact that the acceptor of bank acceptance is a 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 is still jointly liable to the holder of bank acceptance, according to the Negotiable Instruments Law.

2. Accounts receivable

(1) *Details*

1) Details of different categories of accounts receivable

Categories	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables of individually significant amount with provision for bad debts made on an individual basis					
Receivables with provision for bad debts made on a collective basis using portfolios with similar credit risk features	156,340,265.40	89.03	33,472,107.97	21.41	122,868,157.43
Receivable of individually insignificant amount with provision for bad debts made on an individual basis	19,254,656.70	10.97	19,254,656.70	100.00	_____
Total	<u>175,594,922.10</u>	<u>100.00</u>	<u>52,726,764.67</u>	<u>30.03</u>	<u>122,868,157.43</u>

Categories	Book balance		Opening balance		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Receivables of individually significant amount with provision for bad debts made on an individual basis					
Receivables with provision for bad debts made on a collective basis using portfolios with similar credit risk features	128,296,232.31	87.40	33,345,305.35	25.99	94,950,926.96
Receivable of individually insignificant amount with provision for bad debts made on an individual basis	18,499,628.06	12.60	18,499,628.06	100.00	
Total	146,795,860.37	100.00	51,844,933.41	35.32	94,950,926.96

- 2) In portfolios, accounts receivable with provision for bad debts made under age analysis method

Ages	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Within 1 year	104,951,589.51		
1–2 years	5,137,470.45	513,747.05	10.00
2–3 years	17,025,879.98	5,107,763.98	30.00
3–5 years	6,873,642.58	5,498,914.06	80.00
Over 5 years	22,351,682.88	22,351,682.88	100.00
Subtotal	156,340,265.40	33,472,107.97	21.41

Ages	Book balance	Opening balance Provision for bad debts	Provision proportion (%)
Within 1 year	64,492,134.27		
1–2 years	24,922,210.97	2,492,221.11	10.00
2–3 years	9,903,491.47	2,971,047.44	30.00
3–5 years	5,481,793.97	4,385,435.17	80.00
Over 5 years	23,496,601.63	23,496,601.63	100.00
Subtotal	128,296,232.31	33,345,305.35	25.99

(2) *Age analysis*

Ages	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Within 1 year	104,951,589.51		
1–2 years	5,137,470.45	513,747.05	10.00
2–3 years	17,025,879.98	5,107,763.98	30.00
3–5 years	6,873,642.58	5,498,914.06	80.00
Over 5 years	41,606,339.58	41,606,339.58	100.00
Total	<u>175,594,922.10</u>	<u>52,726,764.67</u>	<u>30.03</u>

Ages	Book balance	Opening balance Provision for bad debts	Provision proportion (%)
Within 1 year	64,492,134.27		
1–2 years	24,922,210.97	2,492,221.11	10.00
2–3 years	9,903,491.47	2,971,047.44	30.00
3–5 years	5,481,793.97	4,385,435.17	80.00
Over 5 years	<u>41,996,229.69</u>	<u>41,996,229.69</u>	<u>100.00</u>
Total	<u>146,795,860.37</u>	<u>51,844,933.41</u>	<u>35.32</u>

The analysis of aging of accounts receivable is based on the month of offering credit to clients. The early accounts receivable will be collected firstly, when clients turn over capital.

The credit terms granted to customers are generally 1 to 12 months. Accounts receivable that past due are reviewed by Management on a regular basis.

(3) *Provisions for bad debts made, collected or reversed in current period*

Provision for bad debts made in current period totaled RMB881,831.26. There were no provisions for bad debts collected or reversed in current period.

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

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
China Potevio Company Limited	42,233,063.23	24.05	
Shenzhen ZTE Kangxun Telecom Company Limited	25,585,818.17	14.57	
Zhuzhou CRRC Times Electric Company Limited	6,306,334.35	3.59	
Jiangsu Ronglian Technology Development Co., Ltd.	4,905,776.40	2.79	
Jiangsu Hengtong Fiber Optics Technology Co., Ltd.	3,716,307.55	2.12	
Subtotal	<u>82,747,299.70</u>	<u>47.12</u>	

3. Accounts payable

(1) *Details*

Items	Closing balance	Opening balance
Borrowings	103,238,901.56	99,868,127.80
Payment for project and equipment	49,850.00	1,189,410.25
Others	4,196.00	633,749.25
Total	<u>103,292,947.56</u>	<u>101,691,287.30</u>

(2) *Age analysis*

Ages	Closing balance	Opening balance
Within 1 year	90,653,206.29	88,026,688.95
1-2 years	2,201,110.27	10,302,231.14
2-3 years	7,420,684.92	387,727.62
Over 3 year	3,017,946.08	2,974,639.59
Total	<u>103,292,947.56</u>	<u>101,691,287.30</u>

The analysis of aging of accounts payable is based on the time of purchasing materials or goods or receiving services.

The credit terms granted by suppliers are generally 1 to 12 months.

4. Other comprehensive income

Items	Opening balance	Current period cumulative before income tax	Current period cumulative			Attributable to non-controlling interest	Closing balance
			Less: OCI carried forward transferred to profit or loss	Less: income tax	Attributable to parent company		
Items to be reclassified subsequently to profit or loss							
Including: Gains/losses on changes in fair value of available-for-sale financial assets	5,503,820.29	-2,970,327.00		-445,549.05	-2,524,777.95		2,979,042.34
Total	<u>5,503,820.29</u>	<u>-2,970,327.00</u>		<u>-445,549.05</u>	<u>-2,524,777.95</u>		<u>2,979,042.34</u>

(II) Notes to items of the consolidated income statement

1. Operating revenue/cost

Items	Current period cumulative		Prior period comparative	
	Income	Cost	Income	Cost
Revenue from main operation	729,062,261.07	556,664,343.34	1,310,935,419.63	1,075,737,745.08
Revenue from other operation	34,903,792.89	27,737,780.57	21,353,465.65	13,469,614.09
Total	<u>763,966,053.96</u>	<u>584,402,123.91</u>	<u>1,332,288,885.28</u>	<u>1,089,207,359.17</u>

2. Taxes and surcharges

Items	Current period cumulative	Prior period comparative
Business tax		277,346.97
Urban maintenance and construction tax	2,113,110.75	3,395,165.97
Education surcharge	901,720.60	1,446,568.25
Local education surcharges	607,588.26	964,378.84
Stamp tax (Note)	357,180.70	686,655.96
Housing property tax (Note)	3,471,853.46	3,264,413.69
Urban land use tax (Note)	2,396,168.62	1,594,662.57
Vehicle and vessel tax (Note)	5,280.00	3,960.00
Total	<u>9,852,902.39</u>	<u>11,633,152.25</u>

Note: Pursuant to the Provisions Concerning the Accounting Treatments on VAT (Cai Kuai [2016] No.22) and Interpretation on Several Issues about Provisions Concerning the Accounting Treatments on VAT of the Ministry of Finance, the Company reported the amount of housing property tax, vehicle and vessel tax, land use tax and stamp duty for May to December 2016 and year of 2017 through the “taxes and surcharge” item and the amount prior to May 2016 was reported through “administrative expenses” item.

3. *Selling expenses*

Items	Current period cumulative	Preceding period comparative
Staff salaries	6,689,638.69	11,405,161.89
Transportation cost	4,676,648.95	21,051,415.92
Packing expenses	1,732,250.39	2,458,217.06
Business expenses	2,725,763.06	11,758,175.34
Advertising and promotion expenses	971,587.97	234,702.98
Office and travelling expenses	402,173.22	2,957,588.86
Sales service expenses	1,435,990.41	4,090,898.27
Others	723,186.33	6,882,848.98
Total	<u>19,357,239.02</u>	<u>60,839,009.30</u>

4. *Administrative expenses*

Items	Current period cumulative	Preceding period comparative
Staff salaries	36,223,319.61	62,979,004.22
Depreciation and amortisation	14,194,587.64	17,575,573.08
Business entertainment	618,926.65	3,053,880.59
Office and travelling expenses	2,659,911.02	3,939,098.11
Research and development costs	6,080,324.55	18,948,613.12
Taxes	192,941.27	2,258,456.16
Agency fee	1,757,952.68	2,966,795.19
Repairs and maintenance	1,728,257.82	4,186,093.54
Water and electricity	3,217,344.71	1,680,193.22
Others	5,066,892.45	14,263,916.14
Total	<u>71,740,458.40</u>	<u>131,851,623.37</u>

(2) Of current period administrative expenses, auditor's remuneration totaled RMB880,000.00 (2016: RMB1,080,000.00).

5. *Financial expenses*

Items	Current period cumulative	Preceding period comparative
Interest expenditures	115,291.76	11,096,073.96
Including: Interest on bank borrowing, overdraft and other borrowings wholly repayable within five years	115,291.76	11,096,073.96
Less: Interest income	5,636,863.32	8,575,509.23
Exchange gain/loss	403,970.52	2,062,501.81
Handling charges	428,340.33	799,821.31
Total	<u>-4,689,260.71</u>	<u>5,382,887.85</u>

6. *Income tax expenses*

(1) *Details*

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	18,790,930.54	17,578,117.78
Deferred income tax expenses	6,994,307.14	406,402.03
Total	<u>25,785,237.68</u>	<u>17,984,519.81</u>

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

Items	Current period cumulative	Preceding period comparative
Total profit	94,259,249.65	25,242,421.45
Income tax expenses based on applicable tax rate	14,138,887.45	3,786,363.22
Effect of different tax rate applicable to subsidiaries	-459,307.90	419,043.35
Effect of prior income tax reconciliation	-59,096.87	-238,453.00
Effect of non-taxable income		
Effect of non-deductible costs, expenses and losses	182,170.13	2,109,873.51
Effect of utilization of deductible losses of deferred income tax assets not previously recognized	-1,759,267.73	-1,788,909.69
Effect of deducible temporary differences or deductible losses of deferred income tax assets not recognized in current period	14,862,281.23	14,036,740.12
Others	-1,120,428.63	-340,137.70
Income tax expenses	25,785,237.68	17,984,519.81

(III) Others

1. Monetary items in foreign currencies

(1) Details

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank balances			
Including: USD	1,009,831.91	6.5342	6,598,443.67
Accounts receivable			
Including: USD	226,394.40	6.5342	1,479,306.28
Accounts payable			
Including: USD	4,326,653.24	6.5342	28,271,217.61
Long-term borrowings			
Including: EUR	949,593.81	7.8023	7,409,015.78

V. INTEREST IN OTHER ENTITIES

(I) Equity in significant subsidiaries

1. Significant subsidiaries

(1) Basis information

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
				Chengdu Zhongling Radio Communications Co., Ltd.	Chengdu City	
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	Chengdu City	Chengdu City	Manufacture	66.67		Business combination not under common control
Chengdu SEI Optical Fiber Co., Ltd.	Chengdu City	Chengdu City	Manufacture	60.00		Business combination not under common control
Chongqing Putaifeng Aluminium Co., Ltd.	Chongqing City	Chongqing City	Manufacture	40.00		Investment

(2) Other remarks

- 1) Basis of holding half or below voting rights but still controlling the investee and holding more than half voting rights but not controlling the investee

As the Company holds 40% equity of Chongqing Putaifeng Aluminium Co., Ltd., and holds majority of voting right in the Board of Directors, and could control its financial and operation decision, and has a privileged variable return, the Company brought the financial statements of Chongqing Putaifeng Aluminium Co., Ltd., into the consolidation scope.

2) Basis for determining an entity being acting as an agent or a principal

In determining whether the Company is an agent or a principal, the Company exercises comprehensive consideration of the relationship among the decision-maker, invested party and other parties, including the following four major factors:

- 1 Scope of decision-making of the decision-maker in the invested party.
- 2 Substantive rights of other parties.
- 3 Remuneration level of the decision-maker.
- 4 Risk of variable returns of the decision-maker due to other interests held in the invested party.

2. *Significant non-wholly owned subsidiaries*

Subsidiaries	Holding proportion of non-controlling interest	Profit or loss attributable to non-controlling interest	Dividend declared to non-controlling interest	Closing balance of non- controlling interest
Chengdu Zhongling Radio Communications Co., Ltd.	3.33	-183,932.71		1,463,235.21
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	33.33	2,732,832.14		5,658,489.04
Chengdu SEI Optical Fiber Co., Ltd.	40.00	43,275,194.97	12,000,000.00	121,174,523.86
Chongqing Putaifeng Aluminium Co., Ltd.	60.00	-7,675,437.23		2,333,574.93

3. Main financial information of significant non-wholly owned subsidiaries

(1) Assets and liabilities

Expressed in RMB10,000.00

Subsidiaries	Current assets	Non-current assets	Closing balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Chengdu Zhongling Radio Communications Co., Ltd.	9,196.10	615.72	9,811.82	5,417.72		5,417.72
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	1,440.57	8,793.15	10,233.72	2,253.54	6,282.47	8,536.01
Chengdu SEI Optical Fiber Co., Ltd.	32,073.32	5,739.25	37,812.57	7,518.94		7,518.94
Chongqing Putaifeng Aluminium Co., Ltd.	429.65	698.33	1,127.98	674.05	65.00	739.05
Subsidiaries	Current assets	Non-current assets	Opening balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Chengdu Zhongling Radio Communications Co., Ltd.	7,584.97	1,014.80	8,599.77	3,653.32		3,653.32
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	1,927.02	9,849.91	11,776.93	4,266.57	6,632.58	10,899.15
Chengdu SEI Optical Fiber Co., Ltd.	25,492.71	4,115.02	29,607.73	7,132.90		7,132.90
Chongqing Putaifeng Aluminium Co., Ltd.	2,473.51	998.08	3,471.59	1,803.43		1,803.43

(2) Profit or loss and cash flows

Expressed in RMB10,000.00

Subsidiaries	Operating revenue	Current period cumulative		
		Net profit	Total comprehensive income	Cash flows from operating activities
Chengdu Zhongling Radio Communications Co., Ltd.	9,988.21	-552.35	-552.35	214.84
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	565.09	819.93	819.93	1,741.92
Chengdu SEI Optical Fiber Co., Ltd.	36,891.80	10,818.80	10,818.80	13,232.49
Chongqing Putaifeng Aluminium Co., Ltd.	9,178.37	-1,279.24	-1,279.24	-257.87
Subsidiaries	Operating revenue	Preceding period comparative		
		Net profit	Total comprehensive income	Cash flows from operating activities
Chengdu Zhongling Radio Communications Co., Ltd.	3,780.33	-940.44	-940.44	-436.29
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	488.99	-3,258.81	-3,258.81	-209.30
Chengdu SEI Optical Fiber Co., Ltd.	27,717.05	6,483.48	6,483.48	7,978.28
Putian Fasten Cable Telecommunication Co., Ltd.	74,420.40	1,926.00	1,926.00	3,335.28
Chongqing Putaifeng Aluminium Co., Ltd.	8,012.96	-331.83	-331.83	-594.55

(II) Equity in joint venture or associates

1. Significant associates

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

2. 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	10,128,114.53	78,690,741.37	964,393,152.63
Non-current assets	2,810,859.13	2,922,962.69	279,077,517.99
Total assets	12,938,973.66	81,613,704.06	1,243,470,670.62
Current liabilities	9,007,290.60	71,069,892.87	654,026,798.48
Non-current liabilities			44,375,298.03
Total liabilities	9,007,290.60	71,069,892.87	698,402,096.51
Non-controlling interest		110,156.92	
Equity attributable to owners of parent company	3,931,683.06	10,433,654.27	545,068,574.11
Proportionate share in net assets	1,376,089.07	5,112,490.59	122,640,429.17
Adjustments			
Goodwill			3,190,746.07
Others	109,955.56	-0.03	231,757.60
Carrying amount of investments in associates	1,486,044.63	5,112,490.56	126,062,932.84
Fair value of equity investments in associates with quoted price			
Operating revenue	23,052,966.01	131,689,472.37	1,013,283,014.35
Net profit	2,039.28	700,949.01	37,062,989.31
Net profit of discontinued operations			
Other comprehensive income			
Total comprehensive income	2,039.28	700,949.01	37,062,989.31
Dividend from associates received in current period			
Items	Opening balance/preceding period comparative		
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu Bada Connector Co., Ltd.	Putian Fasten Cable Telecommunication Co., Ltd.
Current assets	9,754,992.75	57,708,427.94	673,496,691.11
Non-current assets	2,920,748.09	2,399,158.48	293,665,617.49
Total assets	12,675,740.84	60,107,586.42	967,162,308.60
Current liabilities	8,746,097.06	50,272,883.63	448,782,742.83
Non-current liabilities			10,373,980.97
Total liabilities	8,746,097.06	50,272,883.63	459,156,723.80
Non-controlling interest		101,997.53	
Equity attributable to owners of parent company	3,929,643.78	9,732,705.26	508,005,584.80
Proportionate share in net assets	1,375,375.32	4,769,025.58	114,301,256.58
Adjustments			
Goodwill			3,190,746.07
Others	109,955.56	-0.03	231,757.60
Carrying amount of investments in associates	1,485,330.88	4,769,025.55	117,723,760.25
Fair value of equity investments in associates with quoted price			
Operating revenue	27,754,882.02	126,760,209.69	78,248,133.03
Net profit	529,648.61	847,603.06	6,876,712.23
Net profit of discontinued operations			
Other comprehensive income			
Total comprehensive income	529,648.61	847,603.06	6,876,712.23
Dividend from associates received in current period			

VI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(I) Balance due to or from related parties

1. Balance due from related parties

Items	Related parties	Closing balance		Opening balance	
		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
Accounts receivable	China Potevio Company Limited	42,233,063.23		11,698,366.06	
Accounts receivable	Chengdu Branch of China Potevio Company Limited	304,891.23	304,891.23	304,891.23	304,891.23
Accounts receivable	Chengdu Bada Connector Co., Ltd.	88,912.03			
Accounts receivable	Chongqing Taishan Cable Co., Ltd.	249,178.73			
Accounts receivable	Chengdu Huangshishuangfeng Cable Co., Ltd.	3,416,171.88			
Accounts receivable	Putian Fasten Cable Telecommunication Co., Ltd.			2,753,034.81	
Subtotal		<u>46,385,410.06</u>	<u>398,084.19</u>	<u>14,849,485.06</u>	<u>398,084.19</u>
Advances paid	Sumitomo Electric Asia Ltd.	718,900.36		1,261,692.79	
Advances paid	China Potevio Company Limited	78,300.00			
Advances paid	Hangzhou Honyar Electrical Co., Ltd.	21,293,666.17		15,090,449.79	
Advances paid	Hangzhou Honyar Trade Co., Ltd.	4,698,187.24			
Subtotal		<u>26,789,053.77</u>		<u>16,352,142.58</u>	
Other receivables	China Potevio Company Limited	2,452,740.84		1,522,740.84	
Other receivables	Chengdu Bada Connector Co., Ltd.	10,212,371.31		10,520,502.79	
Other receivables	Chongqing Taishan Cable Co., Ltd.	496,822.86		496,822.86	
Other receivables	Chengdu Huangshishuangfeng Cable Co., Ltd.	496,822.86		496,822.86	
Other receivables	Chengdu Yuexin Telecommunications Materials Co., Ltd.	4,568.95		51,722.43	
Other receivables	Putian Intelligent Lighting Research Institute Co., Ltd.	5,564,655.38	556,465.54	7,906,650.54	
Other receivables	Putian Fasten Cable Telecommunication Co., Ltd.	1,855,990.64		2,171,013.16	
Subtotal		<u>21,083,972.84</u>	<u>556,465.54</u>	<u>23,166,275.48</u>	

2. Balance due to related parties

Items	Related parties	Closing balance	Opening balance
Accounts payable	Chengdu Bada Connector Co., Ltd.	23,236,034.91	12,479,056.19
Accounts payable	Chengdu Yuexin Telecommunications Materials Co., Ltd.	3,134,113.95	2,444,645.31
Accounts payable	Sumitomo Electric Asia Ltd.	27,877,989.45	24,599,543.75
Accounts payable	Sumitomo Electric Industries, Ltd.	393,228.16	
Accounts payable	Chongqing Taishan Cable Co., Ltd.		9,000,000.00
Accounts payable	Hangzhou Honyar Cable Co., Ltd.	106,893.69	
Accounts payable	Hangzhou Honyar Electrical Co., Ltd.	122,822.80	
Accounts payable	Hangzhou Honyar Trade Co., Ltd.	3,531,999.14	
Accounts payable	Chengdu Huangshishuangfeng Cable Co., Ltd.	8,121,852.90	
Subtotal		<u>66,524,935.00</u>	<u>48,523,245.25</u>
Other payables	Sumitomo Electric Industries, Ltd.	211,887.01	154,313.62
Other payables	Chengdu Yuexin Telecommunications Materials Co., Ltd.	100,000.00	
Other payables	Putian Intelligent Lighting Research Institute Co., Ltd.	100,000.00	
Other payables	Hangzhou Honyar Electrical Co., Ltd.	61,917.96	
Subtotal		<u>473,804.97</u>	<u>154,313.62</u>

VII. OTHER SIGNIFICANT EVENTS

(I) Segment information

1. Identification basis for reportable segments

Reportable segments are identified based on the structure of the Company's internal organization, management requirements and internal reporting system. The Company identified reportable segments based on products.

2. *Financial information of reportable segments*

Items	Current period cumulative/closing balance		
	Copper cable and related products	Optical communication products	Cable conduct and related products
Revenue from main operations	287,231,983.21	366,375,903.97	635,208.71
Cost of main operations	273,495,945.02	215,468,318.24	413,838.44
Total assets	1,089,058,722.05	378,125,665.17	102,337,249.13
Total liabilities	180,852,150.80	75,189,355.51	85,360,084.30

Items	Current period cumulative/closing balance		
	Aluminum rod and related products	Inter-segment offsetting	Total
Revenue from main operations	90,911,776.51	16,092,611.33	729,062,261.07
Cost of main operations	93,474,749.79	26,188,508.15	556,664,343.34
Total assets	11,279,798.01	206,855,663.89	1,373,945,770.47
Total liabilities	7,390,506.46	46,734,017.22	302,058,079.85

Items	Preceding period comparative/opening balance		
	Copper cable and related products	Optical communication products	Cable conduct and related products
Revenue from main operations	222,999,736.74	1,018,941,097.55	1,005,765.72
Cost of main operations	213,401,446.85	798,754,183.38	1,144,595.48
Total assets	1,067,271,208.95	296,077,305.31	117,769,344.04
Total liabilities	129,465,048.94	71,328,983.08	108,991,495.56

Items	Preceding period comparative/opening balance		
	Aluminum rod and related products	Inter-segment offsetting	Total
Revenue from main operations	79,945,399.28	11,956,579.66	1,310,935,419.63
Cost of main operations	79,373,577.25	16,936,057.88	1,075,737,745.08
Total assets	34,715,967.81	208,369,323.42	1,307,464,502.69
Total liabilities	18,034,280.88	38,293,762.37	289,526,046.09

(II) **Other financial information**

Items	Closing balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
Net current assets	668,755,327.27	395,404,231.21	598,252,427.74	392,032,336.31
Total assets less current liabilities	1,143,697,111.23	872,600,303.02	1,093,012,318.20	897,089,717.65

VIII. OTHER SUPPLEMENTARY INFORMATION

(I) Non-recurring profit or loss

1. Schedule of non-recurring profit or loss of current period

Items	Amount	Remarks
Gains on disposal of non-current assets, including written-off of provision for impairment	-2,525,745.35	
Tax refund, credit or exemption approved beyond the power of authorities, without formal documents, or with occasionality		
Government grant included in profit or loss (excluding those closely related to operating activities, or regular government grants)	20,434,061.40	
Fund possession charge from non-financial entities and included in profit or loss	746,966.04	
Gains on acquisition of subsidiaries, joint ventures and associates due to the surplus of acquisition-date fair value of net identifiable assets in acquiree over the acquisition cost		
Gains on non-cash assets exchange		
Gains on assets consigned to the third party for investment or management		
Assets impairment loss incurred due to force majeure such as natural disasters		
Gains on debt restructuring		
Entity restructuring expenses, such as staffing and integrating expenses		
Gains on transactions with unfair value		
Net profit gains on subsidiaries acquired through business combination under common control from the beginning of the period to the combination date		
Contingent gains on non-operating activities		
Gains on changes in fair value of held-for-trading financial assets and liabilities and investment income from disposal of held-for-trading financial assets and liabilities, and available-for-sale financial assets, excluding those arising from hedging business related to operating activities		
The reversed provision for impairment of receivables based on impairment testing on an individual basis		
Gains on designated loans		
Gains on changes in fair value of investment properties with subsequent measurement at the fair value mode		
Gains on reconciliation of current period profit or loss following legal and regulative requirements		
Management charges for consigned operations		
Other non-operating revenue or expenditures	-1,188,655.84	
Other profit or loss satisfying the definition of non-recurring profit or loss		
Subtotal	17,466,626.25	
Less: enterprise income tax affected	106,181.44	
Non-controlling interest affected (after tax)	5,564,536.37	
Net non-recurring profit or loss attributable to shareholders of the parent company	11,795,908.44	

(II) RONA and EPS

1. Detail

Profit of the reporting period	Weighted average RONA (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	3.27	0.08	0.08
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	2.00	0.05	0.05

2. Calculation process of weighted average RONA

Items	Symbols	Current period cumulative	Preceding period comparative
Net profit attributable to shareholders of ordinary shares	A	30,325,354.80	-16,103,263.89
Non-recurring profit or loss	B	11,795,908.44	21,022,296.11
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	18,529,446.36	-37,125,559.99
Opening balance of net assets attributable to shareholders of ordinary shares	D	913,457,290.73	930,902,244.77
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		
Net assets increase due to changes in fair value of held-for-trading financial assets	I1	-2,524,777.95	-1,341,690.15
Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period	J1	6.00	6.00
Net assets increase due to long-term equity investments under equity method	I2		
Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period	J2		
Number of months in the reporting period	K	12.00	12.00
Weighted average net assets	$L = D + A/2 + E \times F / K - G \times H / K \pm I \times J / K$	927,357,579.16	922,179,767.75
Weighted average RONA	$M = A / L$	3.27	-1.75
Weighted average RONA after deducting non-recurring profit or loss	$N = C / L$	2.00	-4.03

3. Calculation process of basic EPS and diluted EPS

(1) Calculation process of basic EPS

Items	Symbols	Current period cumulative	Preceding period comparative
Net profit attributable to shareholders of ordinary shares	A	30,325,354.80	-16,103,263.89
Non-recurring profit or loss	B	11,795,908.44	21,022,296.11
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	18,529,446.36	-37,125,559.99
Opening balance of total shares	D	400,000,000.00	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	12.00
Weighted average of outstanding ordinary shares	$L=D+E+F \times G / K - H \times I / K - J$	400,000,000.00	400,000,000.00
Basic EPS	$M=A/L$	0.08	-0.04
Basic EPS after deducting non-recurring profit or loss	$N=C/L$	0.05	-0.09

(2) Calculation process of diluted EPS

The calculation process of diluted EPS is the same with that of basic EPS.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF PRINCIPAL BUSINESS

I. Information about major operations

During the Year, the Company continued to adhere to the essence of the “Five Major Concepts” and “Five Major Missions” promulgated by the Central Committee of the CPC and the State Council as well as the state-owned enterprise reform “1+N” and other series of documents. It accelerated business transformation and upgrade by deepening reform, identified issues restricting development by preparing the list of issues, and enhanced the quality and efficiency by implementing rectification measures. The objectives and tasks set at the beginning of the Year were all accomplished.

1. *Optical telecommunication business*

During the Year, benefiting from sustained development of the optical market and full capitalization of the market opportunities, the Company recorded a significant growth for its optical telecommunication business. On one hand, the production capacity of the optical telecommunication business was effectively enhanced following the completion and operation throughout the Year of the new optical production lines introduced in the Previous Year; on the other hand, the marketing of new products with higher gross profit margin went smoothly.

2. *Copper cable business*

In order to make unified planning of utilization of resources and achieve coordinated development, the Company adjusted its production business by consolidating rail cable business to Chengdu Zhongling.

3. *Other business*

In order to foster new growth drivers and as required by the supervisory committee of SASAC in the Company and the Potevio Group, the Company launched the Innovation and Entrepreneurship Park Initiative in the second half of 2017 which will help transform the Company from a manufacturer into a manufacturing + service-type enterprise through economic growth in the Park. After numerous communications with the Economic and Trade Development Bureau, Planning and Construction Bureau, Investment Services Bureau, Electronic Information Industry Bureau and other government departments of Chengdu High-tech Industrial Development Zone as well as learning from the Management Committee of Chengdu Innovation and Entrepreneurship Demonstration Base and the West-zone Science and Technology Park of UESTC, the Company has set up a park planning working team to be responsible for the overall planning of the existing park and the construction on the idle lands.

II. Further improving management to raise management and control standard

The Company applied new concepts to improve its management. Continuous efforts were made to enhance its professional and standardized management ability to ensure the sustainable and healthy development of its production and operation.

1. *Preparing the list of issues to enhance the quality and efficiency as well as reform and development of the Company.*

As required by the supervisory committee of SASAC in the Company, the Company has prepared the list of issues from February 2017, which comprised three major categories including implementation of the major decisions of the Central Committee of the Communist Party of China and the State Council, corporate operation and management and corporate Party construction. Pursuant to the requirement of “taking actions immediately after notice and making prompt rectifications”, the Company set up rectification groups with respect to major issues, namely innovative operation, reducing the “Two Funds”, loss-making enterprises governance, disposal of inefficient and ineffective assets, in order to carry out rectification measures immediately with respect to the issues. Since the second half of 2017, eight rectification resolutions were passed by the Party Committee, Board of Directors and Office of General Manager, including resolutions on “capacity reduction, inventory depletion, deleveraging and cost lowering”, loss-making enterprises governance, stepping up efforts in disposal of inefficient and ineffective assets, accelerating the resolution of historical issues, strengthening centralized management of funds, further strengthening centralized management for procurement and tendering, innovative operation, and abolishment, revision and formulation of regulations and rules, which specified the rectification objectives, measures, obligations, assessment, accountability and commitments for each major issue and required the rectification work be carried out as planned.

2. *Optimizing informatization construction to improve level of informatization.*

During the Year, the Company pushed forward the full coverage of informatization management, established management standards and optimized workflow. The quality and efficiency of production was enhanced by strengthening real-time data management of manpower, financial and material resources through information system. A decision-making analysis system was established to provide the Company with decision-making analysis results by generating summarized and comparative budget statements and financial statements with data extracting from Yonyou, Joincheer and other financial budgeting software. In order to facilitate the process of inquiry and handling of work affairs, an online mobile application named Chenglan Yunshang (成纜雲商) was launched by the Company, which is comprised of several modules including work plan, OA office and decision-making analysis.

3. *Putting more efforts in reducing the “Two Funds” and designating the responsibilities of reducing the “Two Funds”.*

During the Year, the Company set up a special group for reducing the “Two Funds”. In March 2017, a meeting was convened to initiate the reduction in the “Two Funds”. The departments prepared the data of the “Two Funds” and formulated measures to reduce the “Two Funds”. The Company started to reduce the “Two funds” in May 2017, during which period the Company also made amendments to the Accounts Receivable Management System and verified the status of collecting accounts receivable every month. More efforts were made in inventory disposal.

4. *Strengthening strategic investment management by placing Putaifeng into liquidation.*

Putaifeng has been in a loss-making position since its establishment. The investigation results from our internal audit and post-investment evaluation on Putaifeng in the first half of 2017 indicated that Putaifeng had recorded substantial losses and it was difficult for it to make a turnaround within a short period. After negotiation with the other two shareholders of Putaifeng, we decided to place Putaifeng into liquidation. We prepared a new feasibility study report on acquisition of equity interests of Shuangliu Heat Shrinkable Product Plant and future development of the industry, and signed the transfer agreement at the end of 2017. During the Year, by strengthening strategic planning and research, the Company completed the preparation of its ten-year (2017-2026) strategic planning and the first draft of its three-year rolling plan.

5. *Regulating procurement and tender and strengthening centralized procurement management.*

During the Year, in order to further improve procurement management and strengthen centralized procurement management, the Company established a procurement center which worked with the audit, supervision and legal affair department in the same office. The Centralized Procurement Management System was formulated, which provided for the centralized procurement plans of the office supplies, low-value consumables, computers and consumables, labor protection appliance, property insurance and productive materials under centralized procurement of the headquarters and the holding companies of the Company. Meanwhile, in order to strengthen the internal control of the procurement and payment for the Company’s materials, plug loopholes in procurement and mitigate procurement risks, the Company formulated the Procurement and Payment Internal Control System.

6. *Implementing performance appraisal on all employees in all aspects to fully motivate the employees.*

During the Year, the Company further developed its performance appraisal system targeted at all employees, which became more complete and scientific. Pursuant to the performance management measures, remuneration and incentive measures and other requirements of the Company and according to the principle of assessment by categories, operational entities and functional departments were given with different appraisal indicator weights. The departments of the Company formulated their own annual and quarterly targets based on the annual target of the Company and taking into account the strategic planning, management diagnosis and special work on the list of issues of the Company. These targets once being considered and approved at the meetings of the Company were used as the bases of performance appraisal for the Year. A scientific and sound appraisal system links the remuneration of all employees with the performance of the departments they belonged to and the Company as a whole, thus motivating the working enthusiasm of all employees more effectively.

7. *Further promoting internal control and improving risk management and control*

The Company strengthened overall risk management and took serious measures to internal control system establishment. The Company took rectification measures with respect to the issues identified in the special audit on the internal control system and in turn took this opportunity to enhance its management on the internal control system. By carrying out a comprehensive examination on risk management and internal control system, the Company prepared, amended and published the Chengdu Putian Internal Control Manual on the basis of the original system of the Company. As for internal audit, the Company carried out a total of five internal audit programs, including 3 special audits, 1 performance supervision and 1 off-office audit. The Company strengthened management of related party transactions by amending the Related Party Transaction Management System, enhancing and regulating the duties and responsibilities of the operating units and the functional departments of the Company. Meanwhile, the related-party transaction report was prepared and published on a quarterly basis. Training programs on requirements on related-party transactions under the Listing Rules were also provided to ensure the related-party transactions carried out by the Company complied with the requirements of the stock exchange.

8. *Enhancing the development of sales team and further developing the sales platform*

More efforts were made in enhancing the development of team at our sales center. Our staff was provided with different training programs in light of changes in the product mix of the Company in order to meet the requirements of new business and new circumstances in the market. Due to our efforts in the past year, the sales ability of our sales team was improved significantly. Meanwhile, risk management and control was conducted on the sales business in strict compliance with the requirements of the Company. Products delivered pursuant to a sales contract were verified in accordance with the terms of the contract before delivery, while products delivered without a sales contract were verified in accordance with the line of credit granted by each business department.

9. *Strengthening Party organization construction to enable Party organization to play the core role*

The Company carried out learning and education activities on “Two Studies, One Action (兩學一做)” in a deep-going way to promote the normalization and institutionalization of the ideology and politics construction of the Party. During the Year, the incorporation of Party-building work into the Articles of Association ensured its statutory footing in corporate governance. The Rules of Procedures for Committee Meetings of Chengdu Putian Telecommunications Cable Company Limited was promulgated, which provided that the Party organization shall first make discussion about any major issue before the Board and management make any final decision on the issue. Following the convening of the 19th National Congress of the CPC, the Company publicized and put into practice the principles of the 19th National Congress through various channels and in various forms. The Company opened a WeChat Official Account called “Chengdu Putian” to push notifications, which achieved the integration of new and old media.

10. *Other management works being carried out in an orderly and efficient manner*

The Company persisted in technological innovations. During the Year, the Company obtained three patents on new utility models and strived for government incentives by making project applications. The Company continued to improve its QEHS management system and planned and communicated the integration of the quality management system according to the needs of its subsidiaries.

The Company strengthened safety production management. The Company enhanced safety production inspections, further implemented the regulations, systems and measures regarding safety production and continued to optimize the long-term mechanism for safety production. The Company also formulated a new Safety Production Management Internal Control System and put such system into trial operation. Safety inspections were conducted every month.

FINANCIAL ANALYSIS

Turnover

During the Year, the turnover of the Group amounted to RMB763,966,053.96, representing a decrease of 42.66% as compared with RMB1,332,288,885.28 for the year ended 31 December 2016 (the “Previous Year”). The decrease in turnover was mainly due to the consolidation of turnover of Putian Fasten Cable Telecommunication Co., Ltd. into the Group has been terminated since 2 December 2016.

During the Year, the turnover of the Company was RMB235,815,494.74, representing an increase of 8.89% as compared to the corresponding period of the Previous Year. Chengdu SEI, a company in which the Company owns 60% equity interest, recorded a turnover of optical fiber of RMB368,917,978.19, representing an increase of 33.10% as compared to the corresponding period of the Previous Year. CMRC, a company in which the Company owns 96.67% equity interest, recorded a turnover of wire feed cable of RMB99,882,097.90, representing an increase of 164.22% as compared to the corresponding period of the Previous Year.

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

The profit of the Group attributable to equity holders of the Company for the Year amounted to RMB30,325,354.8, while a loss of the Group of RMB16,103,263.89 was attributable to equity holders of the Company for the Previous Year.

RESULTS ANALYSIS

As at 31 December 2017, the Group’s total assets increased by 5.08% as compared with RMB1,307,464,502.69 as at the end of the Previous Year to RMB1,373,945,770.47, of which current assets totaled RMB899,003,986.51, accounting for 65.43% of the total assets and representing an increase of 10.62% as compared with RMB812,704,612.23 as at the end of the Previous Year. Property, plant and equipment totaled RMB263,666,221.68, accounting for 19.19% of the total assets and representing a decrease of 10.34% as compared with RMB294,068,051.58 as at the end of the Previous Year.

As at 31 December 2017, the Group’s total liabilities amounted to RMB302,058,079.85; total liability-to-total asset ratio was 21.98%; bank and other short-term loans were RMB7,409,015.78, which increased by 0.44% as compared with RMB7,376,797.32 as at the end of the Previous Year. During the Year, the Group did not arrange other capital raising activities.

As at 31 December 2017, the Group’s bank deposits and cash totaled RMB502,739,979.20, representing an increase of 30.24% as compared with RMB386,016,134.79 as at the end of the Previous Year.

During the Year, the Group’s selling expenses, administration expenses and finance expenses amounted to RMB19,357,239.02, RMB71,740,458.40 and RMB4,689,260.71 respectively, representing a decrease of 68.18%, a decrease of 45.59% and a decrease of RMB10,072,148.56 respectively as compared with RMB60,839,009.30, RMB131,851,623.37 and RMB5,382,887.85 respectively in the Previous Year.

As at 31 December 2017, the Group's account receivables and bill receivables amounted to RMB122,868,157.43 and RMB98,266,619.18 respectively, representing an increase of 29.40% and a decrease of 4.12% respectively as compared with RMB94,950,926.96 and RMB102,488,405.74 respectively as at the end of Previous Year.

Analysis of Capital Liquidity

As at 31 December 2017, the Group's current assets amounted to RMB899,003,986.51 (2016: RMB812,704,612.23), current liabilities were RMB230,248,659.24 (2016: RMB214,452,184.49), the annual receivables turnover period was 51.32 days and the annual inventory turnover period was 82.68 days. The above data indicates that the Company has strong short-term solvency.

Analysis of Financial Resources

As at 31 December 2017, the Group's bank and other short-term loans were RMB7,409,015.78. As the Group had comparatively sufficient bank deposits and cash of RMB502,739,979.20, the Group does not have short-term solvency risk.

Non-current Liabilities or Loans

As at 31 December 2017, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was RMB7,409,015.78 (equivalent to EUR949,593.81). 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 RMB161,880,187.45, representing an increase of RMB123,000,168.19 as compared with RMB38,880,019.26 in 2016.

During the Year, the Group spent RMB28,913,873.36, representing a decrease of RMB6,630,978.63 as compared with RMB35,544,851.99 in 2016, for the purchase of property, plant and equipment and expenses on the construction in progress.

As at 31 December 2017, the Group's liabilities and shareholders' equity amounted to RMB1,373,945,770.47 (2016: RMB1,307,464,502.69). The Group's interest expenses amounted to RMB115,291.76 for the Year (2016: RMB11,096,073.96).

Contingent Liabilities

As at 31 December 2017, the Group did not have any contingent liabilities (2016: Nil).

BUSINESS OUTLOOK

In 2018, under the guidance of China Potevio and the Board of Directors and Supervisory Committee, the Company will put into practice the principles of the 19th National Congress, and operates closely in line with the direction of national policies. It will grasp market opportunities by taking advantage of its status as a state-owned enterprise and enhance its competitiveness to better cope with the competition in the industry. The Company will adhere to the five major development concepts of “innovation, coordination, green operation, mind-opening and sharing” and implement the five major missions of “capacity reduction, inventory depletion, deleveraging, cost lowering and shoring up weak spots”. The Company will strive for consistent earnings by committing to reform and innovation, furthering business transformation, and enhancing quality and efficiency.

(I) Optimizing business structure on an ongoing basis and accelerating business transformation and upgrading

Under the principle of driving growth by business and resources, the Company will be transformed from a manufacturer into a manufacturing + service-type enterprise. By focusing on the implementation of the “Broadband Strategy”, the Company will seek business opportunities in information consumption and construction to expand its business scope, and will gradually improve the optical telecommunication industry chain to vigorously develop its optical telecommunication industry. The Company will seize investment opportunities arising from the construction of rail traffic system and other comprehensive intelligent transportation systems, and develop energy transmission cable business by focusing on rail traffic products and other professional high-end products. The Company will also seize opportunities arising from new urbanization development projects in western China such as Chengdu-Chongqing City Group construction and smart city construction, and develop smart electrical business in western China by leveraging favourable local policies. The Company will include its industrial park into the industrial upgrading plan of the High-tech West Zone, and use the resources currently available in the zone to develop it into an important innovative industrial park among all industry parks in the High-tech West Zone.

1. *Optical telecommunication business*

As major players in the optical telecommunication industry have enhanced their production capacity significantly, including the production capacity of optical wands, the pressure of short supply of optical wands may be relieved in the second half of 2018. Despite that the demand for optical fibers and cables remains huge and continues to increase, the increase in the production capacity of optical fibers and cables may be greater, which may lead to a reverse in supply and demand in the market and result in a decline in the prices of optical fibers. Therefore, we need to hold a cautiously optimistic attitude towards the development of the optical telecommunication market in 2018.

In face of such situation, the Company needs to dig into and develop segment market. The Company will realize reasonable profits from business operation by implementing the strategy of marketization, product differentiation and seeking steady growth. It will also enhance its competitiveness and profitability through expanding scale of production to shore up the weak spot of small scale of production.

2. *Energy transmission cable business*

Focusing on specialized segments such as railway transportation construction and the local construction market of the PRC, the Company will become a key supplier in such segments as track cables. In the meantime, the Company will enhance internal management, and start from optimizing product mix and improving product quality to reduce production cost and increase market competitiveness. The Company will perfect its procurement management to reduce procurement costs, and strengthen the control on various expenditures to enhance its profitability.

3. *Smart electrical industry*

Focusing on the household electrical products market in the southwest region and smart city construction projects, the Company will enhance its proprietary LED lighting production and system integration capabilities by stages, and gradually develop itself into a well-known smart city construction supplier in the southwest region.

4. *Innovation industrial park*

The Company will develop the park service industry by taking full advantage of its existing advantages in terms of industrial park, and transform from a manufacturer into a manufacturing + service-type enterprise. The Company will strive for the support and cooperation of the government to establish China Potevio Innovation and Entrepreneurship Park in western China. The Company will make the Park an important innovation industrial park among the west-zone industrial parks by including the HQ Park into the industrial upgrading plan of High-tech West Zone and improving facilities and service capability.

(II) Deepening reform and innovation, as well as enhancing corporate management

The Company will strengthen its intensive operation and refined management, and improve management efficiency and operation quality, thus generating dynamic and momentum for the sustainable development of the Company.

1. Deepening enterprise reform and motivating enterprise vitality.

Committing to reform and its long-term development, the Company will press ahead with specific works such as enhancing quality and efficiency, leaner and healthier development, disposal of “zombie enterprises” and loss-making enterprises governance. The Company will continue to review its long-term equity investments and dispose long-term loss-making investment projects and investment projects against the development of principal operations.

2. Promoting refined management and improving management efficiency.

Based on 62 issues on the list of issues, the Company will manage the identified issues according to rectification measures step by step. The Company will implement rectification measures focusing on implementing rectification resolutions on eight key issues as concerned by the supervisory committee of SASAC in the Company and China Potevio, i.e. commencement of specific works for “capacity reduction, inventory depletion, deleveraging and cost lowering”, loss-making enterprises governance, accelerating the disposal of inefficient and ineffective assets, accelerating the resolution of historical issues, strengthening centralized fund management, further strengthening centralized management for procurement and tendering, innovative operation, and repeal, reformation and formulation of rules and regulations. By streamlining and rectifying issues in the List of Issues, the Company will gradually realize the targets of significant improvement in asset quality, significant increase in economic benefit and more solid industry development.

On the basis of the existing budget management system, the Company will further strengthen the monthly budget control by carrying out timely analysis on budget implementation in terms of monthly and cumulative profits, income, expenses and other indicators in order to promptly identify reasons for deviation, which will give a full play to the guiding function of budgeting in production and operation. The Company will improve the utilization of China Potevio fund management system to manage all capital inflows and outflows via the system and to realize resource integration and macro deployment of funds within the Group, thus increasing the service efficiency and reducing the financing cost. The Company will strive to increase the concentration of funds and reduce the number of bank accounts. The Company will continue to facilitate its works on reducing the “Two Funds”, so as to urge its subsidiaries to reduce the asset-liability ratio and the ratio of profit to cost.

The Group will further enhance the comprehensive coverage of informatization and constantly perfect the decision-making analysis system on the existing basis. The Company will improve the informatization safety management by acquiring the related safety equipment and perfecting informatization safety management system to safeguard the system as well as the data. The Company will improve the application of mobile APPs. The Company will further improve the informatization of centralized procurement and supplier management, strengthen the standardized procurement management, implement the centralized procurement in strict accordance with relevant regulations, and establish an electronic procurement platform as planned. It will strictly implement the Bidding Management Measures (招標管理辦法) to realize a 100% acceptance rate for procurement satisfying all bidding conditions. The Company will continue to improve technology innovation and quality management system, and enhance the operation standards of new media.

3. *Optimizing resources allocation and facilitating synergy development.*

The Company will improve the strategic guidance and enhance its core competitiveness in the industry. It will enhance management efficiency and optimize the resources allocation. The Company will carry out business transformation of Shuangliu Heat Shrinkable, and liquidate assets of Chongqing Putaifeng as required by the Company Law and the Articles of Association. In the meanwhile, the Company will actively seek government-funded projects.

4. *Strengthening comprehensive risk management and enhancing risk control.*

The Company will strengthen its comprehensive risk management, thus realizing lawful operation at all levels, with all significant decisions, constitutional system and contracts being reviewed and approved in accordance with laws. The Company will establish the comprehensive risk management system covering project establishment, credit management of customers and suppliers, and dynamic execution and traceability of contracts. The Company will strictly perform contract assessment procedures. The Company will adopt dynamical monitoring for issues involving significant risks. The Company will strengthen its internal audit, and continue to improve and revise the internal control manual of the Company.

The Company will strengthen its safety production management. It will adhere to its safety works at all levels in order to prevent the occurrence of safety production accident and ensure smooth production and operation of the Company.

By focusing on connected transaction management, the Company will ensure disclosures are made in compliance with the regulatory requirements. Each operating unit will be required to prepare a budget management for connected transactions for the coming year. The Company will strictly execute procedures for approval of connected transactions and disclose relevant information in a timely manner.

5. *Improving organizational capacity and strengthening human resources management*

After determining the new strategic direction, the Company will start from three aspects, namely staff mindset, staff management and staff ability, and make use of human resources approaches including assessment, rewards, organizational structure, information flow, allocation and training and development to cultivate and develop its organizational capacity. A profit-oriented performance assessment system is gradually developed to form an enhanced and scientific appraisal mechanism. Assessments of staff at all levels will also be strengthened to guarantee completion of quarterly and annual assessments in a timely manner.

6. *Strengthening the Party construction and being strict with its members*

Adhering to the Party discipline of practicing self-discipline and being strict with its members, the Company will improve the establishment of “learning-oriented, service-oriented and innovation-oriented” party organizations, and focus on enhancing the scientific level of the Party construction. The Company will comply with the arrangement, deployment and requirements of Putian Party group and SASAC of Chengdu, study and implement the spirits of the 19th National Congress of the CPC, and carry out learning and education activities on “Two Studies, One Action (兩學一做)” in a deep-going way to promote the normalization and institutionalization. The Company will organize theme-focused education activity of “Keeping the Faith, Bearing in Mind Our Mission” (不忘初心，牢記使命). The Company will conduct a series of activities on its 60th anniversary ceremony to make its staff united, enhance their sense of belonging, responsibility and honor, guide them to carry forward the positive energy, give full play to the dominant role of the staff, thus facilitating them in contributing to the development of the Company. The Company will further strengthen the sense of politics awareness, overall situations awareness, core awareness and conformance awareness of its Party members and their lead cadres. The Company will focus on theoretical training provided to its internal Party cadres and especially those at or above the middle level in combination with the actual situation and based on their positions, so as to enhance their performance and innovation capacities in the new context of a new era. The Company will strengthen the construction of Party integrity and anti-corruption works, and adhere to the joint Party-masses development, so as to make it stable and ensure a sound development environment for the Company.

BASIC MEDICAL INSURANCE SCHEME FOR EMPLOYEES

The Company has participated in the basic medical insurance scheme for employees in Chengdu since October 2002. The Company made a total contribution amounting to approximately RMB2.91 million during the Year (2016: RMB2.41 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 document of High-tech Enterprises Recognition Committee of Sichuan Province (Chuan Gao Qi Ren [2015] No. 7), 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 2015 to 2017.

Pursuant to the relevant regulations of the Administrative Methods for the Recognition of High and New Technology Enterprises (Guo Ke Fa Huo [2008] No. 172), Administrative Guidance with Regard to the Recognition of High and New Technology Enterprises (Guo Ke Fa Huo [2008] No. 362) and the document of High-tech Enterprises Recognition Committee of Sichuan Province (Chuan Gao Qi Ren [2014] No. 6), 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 (2016: 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.

Industry competition risk

The Group faces intense competition from both state-owned enterprises and private companies in the market where the Group operates. Large-sized enterprises with high technology and complete industry chain gradually possess competitive advantages, showing a trend of the strong getting stronger and the weak getting weaker. The Group enhances its strategic development planning. The Company also makes full use of its capacity and resources as a state-owned enterprise to seize opportunities from development projects such as the establishment of private networks of governments, municipal constructions and smart road networks, in order to expand sales in projects of government private networks and smart cities and sell its featured products which are safe and environmentally friendly and develop its brand in the market segments.

Credit risk

The Group's credit risk is primarily attributable to receivables. The Group regularly performs credit assessment on customers who use credit settlement. The Company selects credible and reputable customers based on credit assessment result, and conducts ongoing monitoring on their net receivables, in order to avoid significant risks in bad debts.

Safety risk

The Group is a manufacturing enterprise. Safety risk lies in the probability of occurring accidents where accidents mean the events which causes casualties or major property damages. With respect to the risk control on production safety, the Company mainly increases expenditure in safety spending to improve safety facilities and labor protection measures. It also formulates a list of major hazard sources and critical environmental factors for key monitoring and strengthens safety training as well as inspection and rectification on potential safety hazards. It has zero tolerance to potential safety hazards and ensures production safety during operation according to the laws.

Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market interest. The Group's interest risk relates mainly to borrowings with floating interest rate.

Human resources risk

The human resources risk of the Group mainly comprises risk of redundant employees, risk of flat salaries and risk of team stability. The Company reduces the number of redundant employees in 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 cultivation scheme for its reserve talents and sets up a reserve talent pool by using the information system so as to provide a basis for the promotion and selection of talents.

Marketing risk

The marketing risk of the Group is the risk that the Group may suffer losses caused during the process of market and business activities, such as loss of payment for goods, interruption of business, economic responsibility, etc. The Company manages and controls the marketing risk by adopting various measures including risk identification before carrying out businesses, risk measurement and risk control during the operation process and risk assessment upon completion of businesses.

STAFF AND REMUNERATION POLICY OF THE GROUP

As at 31 December 2017, the Group had 979 staff members.

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

SHAREHOLDING AND CHANGE IN SHARE CAPITAL STRUCTURE

1. Share capital structure

During the year ended 31 December 2017, 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 2017, none of the directors, supervisors and chief executives of the Company nor their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) as recorded in the register required to be kept by the Company under Section 352 of the SFO or which were otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

For the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

During the year ended 31 December 2017, the Group did not issue any convertible securities, share options, warrants or relevant entitlements.

5. Sufficient public float

According to public information available to the Company and to the best knowledge of each director, the Company confirmed that the public held sufficient shares during the year ended 31 December 2017 and as at the date of this announcement.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

IMPORTANT EVENT SINCE THE END OF THE YEAR

1. Resignation of independent non-executive director

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

Subsequent to the resignation of Mr. Choy Sze Chung, Jojo, the number of independent non-executive directors and members of the audit committee of the Company falls below the minimum number requirement under Rules 3.10(1) and 3.21 of the Listing Rules, and the required composition of the remuneration and appraisal committee and nomination committee fails to meet the requirements under Rule 3.25 and code provision A.5.1 of Appendix 14 to the Listing Rules. The Board will identify an appropriate person to fill the vacancy of independent nonexecutive director, member of audit committee and member of remuneration and appraisal committee within three months from the date of resignation pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules; and to fill the vacancy of member of nomination committee and member of strategic development committee.

2. Acquisition of shareholding interests in Shuangliu Heat Shrinkable

On 2 January 2018, the Company announced that it intended to acquire 33.33% shareholding interests in Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, a subsidiary of the Company, held by Jindu Community of the Xihang Port Sub-district Office of the Shuangliu District at a consideration of RMB19.5 million. On 8 February 2018, the Company paid to Jindu Community of the Xihang Port Sub-district Office of the Shuangliu District partial consideration amounted to RMB9.75 million for the acquisition of shareholding interests. Pursuant to the share transfer agreement entered into between parties, the remaining consideration would be paid within 7 days after the completion of registration procedures in relation to the changes in the business license. As at the date of this result announcement, the registration procedures in relation to the changes in the business license have not yet been completed.

CODE ON CORPORATE GOVERNANCE

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

Upon the change of session of the Board becoming effective on 12 November 2015, the number of independent non-executive directors and members of the Audit Committee of the Company were not in compliance with the minimum number requirements under Rules 3.10(1) and 3.21 of the Listing Rules. The proportion of independent non-executive directors in the Board also fell below the minimum requirement under Rule 3.10A of the Listing Rules, and the compositions of the Remuneration and Appraisal Committee and the Nomination Committee were not in compliance with Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. During the period, the Board has been seeking suitable candidates. Effective from 4 February 2016, Mr. Lin Zulun has been appointed as an independent non-executive director and a member of various Board committees to fill the relevant vacancies. Subsequent to the resignation of Mr. Choy Sze Chung, Jojo as an independent non-executive director of the Company with effect from 31 January 2018, the number of independent non-executive directors and members of the Audit Committee of the Company were not in compliance with the minimum number requirements under Rules 3.10(1) and 3.21 of the Listing Rules. The proportion of independent non-executive directors in the Board also fell below the minimum requirement under Rule 3.10A of the Listing Rules, and the compositions of the Remuneration and Appraisal Committee and the Nomination Committee were not in compliance with Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Board will seek suitable candidate to fill the relevant vacancies as soon as possible.

The Company will continue putting effort in complying with high standards of corporate governance so as to ensure better transparency of the Company and protection of interests of the shareholders and the Company as a whole. Save as disclosed above, the Company had complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors and supervisors of the Company.

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

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

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

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

ANNUAL REPORT AND ANNUAL GENERAL MEETING

The annual general meeting (“AGM”) for the Year will be held on Friday, 22 June 2018 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 2017 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 23 May 2018 to 22 June 2018 (both days inclusive), during which period no transfer of shares will be registered.

In order to be qualified for attending and voting at the 2017 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 22 May 2018.

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*
Zhang Xiaocheng
Chairman

Chengdu, the PRC, 23 March 2018

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

Executive Directors:	Mr. Zhang Xiaocheng (<i>Chairman</i>)
	Mr. Wang Micheng
	Ms. Liu Yun
	Mr. Han Shu
	Ms. Xu Liying
	Mr. Fan Xu
Independent Non-executive Directors:	Mr. Xiao Xiaozhou
	Mr. Lin Zulun