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中国普天

成都普天電纜股份有限公司

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED*

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

(Stock Code: 1202)

2018 INTERIM RESULTS ANNOUNCEMENT

SUMMARY

- The Group recorded a turnover of RMB308,413,341.93 for the six months ended 30 June 2018 (the “Period”), representing a decrease of approximately 21.92% as compared to the corresponding period last year.
- During the Period, sales of copper cables, optical cables, optical fibers and related products amounted to RMB303,351,599.80, representing an increase of approximately 0.54% as compared to the corresponding period last year. Sales of optical fibers by Chengdu SEI Optical Fiber Co., Ltd., a principal subsidiary of the Company, amounted to RMB189,971,675.36, representing an increase of 8.15% as compared to the corresponding period last year. Sales of wire feed cables and other products by Chengdu Zhongling Radio Communications Co., Ltd. amounted to RMB21,179,270.02, representing a decrease of 30.26% as compared to the corresponding period last year.
- During the Period, profit of the Group attributable to equity holders of the Company was RMB7,216,550.01, while a loss of the Group of RMB514,250.81 was attributable to equity holders of the Company for the corresponding period last year. Profit attributable to minority shareholders was RMB24,904,194.57, as compared with a profit of RMB15,930,871.28 for the corresponding period last year.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018.

The board of directors (the “Board”) of Chengdu PUTIAN Telecommunications Cable Company Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2018 (the “Period”) as follows:

CONSOLIDATED BALANCE SHEET

as at 30 June 2018

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Assets	<i>Note No.</i>	Closing balance of period	Opening balance of period
Current assets:			
Cash and bank balances		473,188,251.96	502,739,979.20
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable and accounts receivable	<i>IV.1</i>	221,931,401.12	221,134,776.61
Advances paid		42,302,271.07	28,522,959.92
Other receivables		10,561,566.33	23,985,338.43
Inventories		105,872,873.13	108,342,841.35
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		15,226,965.77	14,278,091.00
Total current assets		869,083,329.38	899,003,986.51

Assets	<i>Note No.</i>	Closing balance of period	Opening balance of period
Non-current assets:			
Investments in debt			
Other investments in debt			
Long-term receivable			
Long-term equity investments		135,656,382.88	132,661,468.03
Investments in other equity instruments		4,215,948.00	4,215,948.00
Other non-current financial assets			
Investment property		46,212,901.34	47,332,223.22
Fixed assets		205,580,624.70	216,333,998.46
Construction in progress		21,078,560.23	20,268,614.42
Productive biological assets			
Oil & gas assets			
Intangible assets		45,614,856.24	46,988,707.45
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred tax assets		7,413,638.83	7,140,824.38
Other non-current assets			
Total non-current assets		<u>465,772,912.22</u>	<u>474,941,783.96</u>
Total assets		<u><u>1,334,856,241.60</u></u>	<u><u>1,373,945,770.47</u></u>

Liabilities & Shareholders' Equity	<i>Note No.</i>	Closing balance of period	Opening balance of period
Current liabilities:			
Short-term borrowings			
Transaction financial liabilities			
Derivative financial liabilities			
Notes payable and accounts payable	IV.2	67,058,754.56	103,292,947.56
Advances received		13,577,565.98	28,280,760.70
Contract liabilities			
Employee benefits payable		46,692,190.66	39,199,752.93
Taxes and rates payable		11,291,829.28	18,973,320.61
Other payables		42,031,800.92	40,501,877.44
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		<u>180,652,141.40</u>	<u>230,248,659.24</u>

Liabilities & Shareholders' Equity	<i>Note No.</i>	Closing balance of period	Opening balance of period
Non-current liabilities:			
Long-term borrowings		7,036,325.83	7,409,015.78
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Provisions		650,000.00	650,000.00
Deferred income		61,483,625.82	63,224,691.48
Deferred tax liabilities		525,713.35	525,713.35
Other non-current liabilities			
Total non-current liabilities		69,695,665.00	71,809,420.61
Total liabilities		250,347,806.40	302,058,079.85
Shareholders' equity:			
Share capital		400,000,000.00	400,000,000.00
Other equity			
Including: Preference shares			
Perpetual bonds			
Capital reserve		638,760,122.08	651,400,779.83
Less: treasury shares			
Other comprehensive income	<i>IV.7</i>	2,979,042.34	2,979,042.34
Surplus reserve		8,726,923.61	8,726,923.61
Undistributed profit		-114,632,328.19	-121,848,878.20
Total equity attributable to owners of the parent company		935,833,759.84	941,257,867.58
Non-controlling interest		148,674,675.36	130,629,823.04
Total equity		1,084,508,435.20	1,071,887,690.62
Total liabilities & shareholders' equity		1,334,856,241.60	1,373,945,770.47

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2018

PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period	Prior period
I. Total operating revenue	<i>IV.3</i>	308,413,341.93	394,977,968.86
Including: Operating revenue	<i>IV.3</i>	308,413,341.93	394,977,968.86
Interest proceeds			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		270,150,255.43	375,191,431.86
Including: Operating cost	<i>IV.3</i>	208,456,266.75	316,500,877.68
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	<i>IV.4</i>	5,218,657.89	4,930,426.41
Selling expenses		8,644,699.40	7,677,795.03
Administrative expenses		44,465,581.45	42,454,394.05
Research and development expenses		2,329,974.55	2,999,227.00
Financial expenses	<i>IV.5</i>	-3,058,682.51	-1,848,495.51
Including: Interest expenses		55,456.60	56,997.51
Interest proceeds		3,507,101.85	2,150,806.51
Assets impairment loss		4,093,757.90	2,477,207.20
Add: Other income		2,211,994.34	1,994,871.94
Investment income (loss, expressed in negative figure)		2,994,914.85	3,490,568.04
Including: investment income from associates and joint ventures		2,994,914.85	3,490,568.04
Gains/losses on hedging the net exposure (loss, expressed in negative figure)			
Gains on changes of fair value (loss, expressed in negative figure)			
Gains on asset disposal (loss, expressed in negative figure)		39,886.79	-25,226.63
Gains on foreign exchange (loss, expressed in negative figure)			

Items	Note No.	Current period	Prior period
III. Operating profit (loss, expressed in negative figure)		43,509,882.48	25,246,750.35
Add: Non-operating revenue		53,646.17	93,413.01
Less: Non-operating expenditures		29,052.84	168,255.26
IV. Total profit (total loss, expressed in negative figure)		43,534,475.81	25,171,908.10
Less: income tax expense	IV.6	11,413,731.23	9,755,287.63
V. Net profit (net loss, expressed in negative figure)		32,120,744.58	15,416,620.47
(I) Categorized by the continuity of operations:			
1. Net profit from continuing operations (net loss, expressed in negative figure)		32,120,744.58	15,416,620.47
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)		7,216,550.01	-514,250.81
2. Gains/losses of non-controlling interest (net loss, expressed in negative figure)		24,904,194.57	15,930,871.28
VI. Net other comprehensive income after tax	IV.7		-1,997,532.30
Net other comprehensive income attributable to owners of the parent company			-1,997,532.30
(I) Not reclassified subsequently to profit or loss			-1,997,532.30
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			
3. Changes in fair value of investment in other rights and interests tools			-1,997,532.30
4. Others			

Items	Note No.	Current period	Prior period
(II) To be reclassified subsequently to profit or loss			
1. Other comprehensive income can be reclassified to profit or loss under equity method			
2. Changes in fair value of other investments in debt			
3. Amounts of financial assets reclassified to other comprehensive income			
4. Credit impairment provision of other investments in debt			
5. Cash flow hedging reserve			
6. Translation difference of financial statements in foreign currencies			
Net other comprehensive income after tax attributable to non-controlling interest			
VII. Total comprehensive income		32,120,744.58	13,419,088.17
Items attributable to owners of the parent company		7,216,550.01	-2,511,783.11
Items attributable to non-controlling interest		24,904,194.57	15,930,871.28
VIII. Earnings per share (“EPS”):	<i>IV.8</i>		
(I) Basic EPS (RMB/share)		0.02	-0.00
(II) Diluted EPS (RMB/share)		0.01	-0.00

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2018

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		266,757,432.26	413,076,289.44
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		—	
Other cash receipts related to operating activities		46,732,042.54	71,602,591.71
Subtotal of cash inflows from operating activities		313,489,474.80	484,678,881.15
Cash payments for goods purchased and services received		201,948,957.56	292,841,161.36
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		35,341,069.91	34,512,630.34
Cash payments of taxes and rates		40,358,106.31	25,112,620.43
Other cash payments related to operating activities		86,218,016.99	81,519,562.72
Subtotal cash outflows from operating activities		363,866,150.77	433,985,974.85
Net cash flows from operating activities		-50,376,675.97	50,692,906.30

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		3,129,486.00	2,356,495.16
Net cash received from the disposal of subsidiaries & other business units		–	–
Other cash receipts related to investing activities		–	–
		<hr/>	<hr/>
Subtotal of cash inflows from investing activities		3,129,486.00	2,356,495.16
		<hr/>	<hr/>
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		3,897,315.98	4,685,199.55
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		–	–
		<hr/>	<hr/>
Subtotal of cash outflows from investing activities		3,897,315.98	4,685,199.55
		<hr/>	<hr/>
Net cash flows from investing activities		<u><u>–767,829.98</u></u>	<u><u>–2,328,704.39</u></u>
III. Cash flows from financing activities:			
Cash received from investment by others		–	–
Including: cash received by subsidiaries from non-controlling owners		–	–
Cash received from borrowings		–	–
Cash received from issuing of bonds		–	–
Other cash receipts related to financing activities		–	–
		<hr/>	<hr/>
Subtotal of cash inflows from financing activities		–	–
		<hr/>	<hr/>

Items	<i>Note No.</i> Current period	Prior period
Cash repayments of borrowings	231,962.54	224,307.16
Cash paid for distribution of dividends or profits and for interest expenses	55,456.60	56,997.51
Including: cash paid for distribution of dividends or profits by subsidiaries to minority owners	—	—
Other cash payments related to financing activities	19,500,000.00	—
Subtotal of cash outflows from financing activities	19,787,419.14	281,304.67
Net cash flows from financing activities	<u>-19,787,419.14</u>	<u>-281,304.67</u>
IV. Effect of foreign exchange rate changes on cash & cash equivalents	<u>195,926.25</u>	<u>158,308.05</u>
V. Net increase in cash and cash equivalents	-70,735,998.84	48,241,205.29
Add: Opening balance of cash and cash equivalents	<u>454,546,364.92</u>	<u>331,032,951.89</u>
VI. Closing balance of cash and cash equivalents	<u>383,810,366.08</u>	<u>379,274,157.18</u>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the six months ended 30 June 2018
PREPARED BY: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Current period												
	Shareholders' equity attributable to parent company												
	Share capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Non-controlling interests	Total shareholders' equity
I. Balance at the end of prior year	400,000,000.00				651,400,779.83		2,979,042.34		8,726,923.61		-121,848,878.20	130,629,823.04	1,071,887,690.62
Add: cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	400,000,000.00				651,400,779.83		2,979,042.34		8,726,923.61		-121,848,878.20	130,629,823.04	1,071,887,690.62
III. Current period increase (decrease, expressed in negative figures)					-12,640,657.75						7,216,550.01	18,044,852.32	12,620,744.58
(I) Total comprehensive income											7,216,550.01	24,904,194.57	32,120,744.58
(II) Capital contributed or withdrew by owners													
1. Capital contributed by owners													
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution													
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners (shareholders)													
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					-12,640,657.75							-6,859,342.25	-19,500,000.00
IV. Balance at the end of current period	400,000,000.00				638,760,122.08		2,979,042.34		8,726,923.61		-114,632,328.19	148,674,675.36	1,084,508,435.20

Items	Prior period												
	Shareholders' equity attributable to parent company												
	Share capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Non-controlling interests	Total shareholders' equity
I. Balance at the end of prior year	400,000,000.00				651,400,779.83		5,503,820.29		8,726,923.61		-152,174,233.0	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)							-1,997,532.30				-514,250.81	15,930,871.28	13,419,088.17
(I) Total comprehensive income							-1,997,532.30				-514,250.81	15,930,871.28	13,419,088.17
(II) Capital contributed or withdrew by owners													
1. Capital contributed by owners													
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution													
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners (shareholders)													
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		3,506,287.99		8,726,923.61		-152,688,483.81	120,412,037.15	1,031,357,544.77

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018

Monetary unit: RMB Yuan

I. COMPANY PROFILE

Chengdu PUTIAN Telecommunications Cable Company Limited (the “Company”) was incorporated and registered with the Chengdu Administration Bureau of Industry and Commerce on 1 October 1994 after its restructuring from Chengdu Cable Plant of the Posts and Telecommunications Ministry of China (now known as “China PUTIAN Corporation Limited”), as an independent promoter, under the approval of the relevant department of the State Council. The Company is headquartered in Chengdu, Sichuan Province, 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 belongs to 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 has been deliberated and approved by the 29th meeting of the 8th session of the Board of Directors on 24 August 2018.

The Company has brought four subsidiaries, including (i) Chengdu Zhongling Radio Communications Co., Ltd., (ii) Chengdu SEI Optical Fiber Co., Ltd., (iii) Chengdu Putian New Material Co., Ltd. (previously known as Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant) and (iv) Chongqing Putaifeng Aluminium Co., Ltd., into the consolidated financial statements for the current period. Please refer to interest in other entities as stated in these notes to the financial statements for details.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

(I) Preparation basis

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES

Apart from the changes in accounting policies resulting from the application of new and revised China accounting standards for business enterprises, the accounting policies and calculation methods used in the consolidated statements as of 30 June 2018 were the same as those used in the preparation of the Group's financial statements for the year ended 31 December 2017.

Application of the new and revised Accounting Standards:

During the current interim transition period, in order to prepare the unaudited consolidated statements of the Group, the Group has applied for the first time the following new and revised Accounting Standards which were mandatory effective for annual periods beginning on or after 1 January 2018:

CASBE No.22	Recognition and measurement of financial instruments
CASBE No.23	Transfer of financial assets
CASBE No.37	Presentation of financial instruments
CASBE No.14	Revenue

The application of the new and revised Accounting Standards under the relevant standard and revised transitional provisions has resulted in the following changes in accounting policies, presentation amounts and disclosures.

Financial assets were classified from available-for-sale into financial assets at fair value through other comprehensive income.

The Group chose to reclassify the financial assets previously classified as available-for-sale into financial assets at fair value through other comprehensive income. Financial assets amounting to RMB4,215,948.00 have been reclassified from available-for-sale into financial assets at fair value through other comprehensive income on the date for the initial application of CASBE No. 22 for the first time. Gains on fair value of RMB2,979,042.34 associated with those investments previously carried at fair value were still presented as rights and interests.

	Available-for-sale financial assets	Financial assets at fair value through other comprehensive income
Closing balance on December 31 2017	4,215,948.00	–
Effect of initial application of CASBE No.22:		
Available-for-sale financial assets reclassified as financial assets at fair value through other comprehensive income	<u>–4,215,948.00</u>	<u>4,215,948.00</u>
Opening balance on 1 January 2018	<u>–</u>	<u>4,215,948.00</u>

Except as mentioned above, the application of the amended Accounting Standards had no significant impact on the amounts reported in the consolidated statement and the reported disclosure during the interim period.

IV. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Notes receivable and accounts receivable

(1) Details

Items	Closing balance	Opening balance
Note receivable	126,133,352.35	98,266,619.18
Accounts receivable	95,798,048.77	122,868,157.43
Total	221,931,401.12	221,134,776.61

(2) Notes receivable

1) Details

Items	Book balance	Closing balance Provision for bad debts	Carrying amount
Bank acceptance	125,883,727.97		125,883,727.97
Trade acceptance	249,624.38		249,624.38
Total	126,133,352.35		126,133,352.35

Items	Book balance	Opening balance Provision for bad debts	Carrying amount
Bank acceptance	94,319,558.49		94,319,558.49
Trade acceptance	3,947,060.69		3,947,060.69
Total	98,266,619.18		98,266,619.18

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

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	14,415,203.68	
Subtotal	14,415,203.68	

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 still holds joint liability on such acceptance, according to the Negotiable Instruments Law.

(3) 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 and 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	131,783,583.97	87.25	35,985,535.20	27.31	95,798,048.77
Receivable of individually insignificant amount but with provision for bad debts made on an individual basis	19,254,656.70	12.75	19,254,656.70	100.00	
Total	151,038,240.67	100.00	55,240,191.90		95,798,048.77
Categories	Book balance		Opening balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables of individually significant amount and 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 but with provision for bad debts made on an individual basis	19,254,656.70	10.97	19,254,656.70	100.00	
Total	175,594,922.10	100.00	52,726,764.67	30.03	122,868,157.43

- 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	82,367,272.54		
1–2 years	1,958,275.24	195,827.52	10.00
2–3 years	13,393,862.19	4,018,158.66	30.00
3–5 years	11,463,124.92	9,170,499.94	80.00
Over 5 years	22,601,049.08	22,601,049.08	100.00
Subtotal	131,783,583.97	35,985,535.20	27.31

Ages	Book balance	Opening 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

2) *Age analysis*

Ages	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Within 1 year	82,367,272.54		
1–2 years	1,958,275.24	195,827.52	10.00
2–3 years	13,393,862.19	4,018,158.66	30.00
3–5 years	11,463,124.92	9,170,499.94	80.00
Over 5 years	41,855,705.78	41,855,705.78	100.00
Total	151,038,240.67	55,240,191.90	36.57

Ages	Book balance	Opening 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	175,594,922.10	52,726,764.67	30.03

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 which are 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 amounted to RMB2,513,427.23, and nil was 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	22,975,119.50	15.21	
Jiangsu Ronglian Technology Development Co., Ltd.	10,534,821.00	6.97	
Zhuzhou CRRC Times Electric Company Limited	8,084,480.51	5.35	
CSR Investment&Leasing Co., Ltd	3,447,224.74	2.28	1,034,167.42
Daqing Oilfield Construction Group Co. Ltd.	3,146,298.00	2.08	2,517,038.40
Subtotal	<u>48,187,943.75</u>	<u>31.89</u>	<u>3,551,205.82</u>

2. Notes payable and accounts payable

(1) *Details*

Items	Closing balance	Opening balance
Notes payable		
Accounts payable	<u>67,058,754.56</u>	<u>103,292,947.56</u>
Total	<u>67,058,754.56</u>	<u>103,292,947.56</u>

(2) *Accounts payable*

1) *Details*

Items	Closing balance	Opening balance
Payment for goods	66,913,006.50	103,238,901.56
Payment for project and equipment	49,850.00	49,850.00
Others	95,898.06	4,196.00
Total	<u>67,058,754.56</u>	<u>103,292,947.56</u>

2) *Age analysis*

Ages	Closing balance	Opening balance
Within 1 year	48,644,383.38	90,653,206.29
1–2 years	7,760,847.58	2,201,110.27
2–3 years	7,599,739.98	7,420,684.92
Over 3 year	3,053,783.62	3,017,946.08
Total	<u>67,058,754.56</u>	<u>103,292,947.56</u>

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

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

3. **Operating revenue/cost**

Items	Current period		Prior period	
	Income	Cost	Income	Cost
Revenue from main operation	293,951,183.10	199,079,137.28	383,339,896.21	304,453,942.68
Revenue from other operation	<u>14,462,158.83</u>	<u>9,377,129.47</u>	11,638,072.65	<u>12,046,935.00</u>
Total	<u>308,413,341.93</u>	<u>208,456,266.75</u>	<u>394,977,968.86</u>	<u>316,500,877.68</u>

4. Taxes and surcharges

Items	Current period	Prior period
Urban maintenance and construction tax	1,179,295.84	1,012,289.05
Education surcharge	505,412.52	433,806.36
Local education surcharges	336,941.69	289,201.31
Stamp tax	233,259.47	171,673.45
Housing property tax	1,758,682.05	1,822,189.92
Urban land use tax	1,198,082.30	1,198,086.32
Vehicle and vessel tax	2,460.00	3,180.00
Others	4,524.02	
Total	<u>5,218,657.89</u>	<u>4,930,426.41</u>

5. Financial expenses

Items	Current period	Prior period
Interest expenditures:	55,456.60	56,997.51
Including: Interest on bank borrowing, overdraft and other borrowings wholly repayable within five years	55,456.60	56,997.51
Less: Interest income	3,507,101.85	2,150,806.51
Exchange gain/loss	216,537.29	-2,682.24
Handling charges	176,425.45	247,995.73
Total	<u>-3,058,682.51</u>	<u>-1,848,495.51</u>

6. Income tax expenses

Items	Current period	Prior period
Current period income tax expenses	11,686,545.68	8,436,459.32
Deferred income tax expenses	-272,814.45	1,318,828.31
Total	<u>11,413,731.23</u>	<u>9,755,287.63</u>

7. Net other comprehensive income after tax

Items	Opening balance	Current period cumulative			Attributable to parent company	Attributable to non- controlling interest	Closing balance
		Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Less: income tax			
<i>Items can not to be reclassified to profit or loss</i>							
Including: changes in fair value of investments in other equity instruments	2,979,042.34						2,979,042.34
Total	2,979,042.34						2,979,042.34

8. Calculation process of basic EPS and diluted EPS

(1) Calculation process of basic EPS

Items	Symbols	Current period	Prior period
Net profit attributable to shareholders of ordinary shares	A	7,216,550.01	-514,250.81
Non-recurring profit or loss	B	1,701,255.58	1,695,776.91
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	5,515,294.43	-2,210,027.72
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	6.00	6.00
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	$M=A / L$	0.02	-0.00
Basic EPS after deducting non-recurring profit or loss	$N=C / L$	0.01	-0.01

(2) Calculation process of diluted EPS

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

V. INTEREST IN OTHER ENTITIES

(I) Equity in significant subsidiaries

1. Significant subsidiaries

(1) Basic 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 City	Manufacture	100.00		Business combination not under common control
Chengdu PUTIAN New Material Co., Ltd.	Chengdu City	Chengdu City	Manufacture	100.00		Business combination not under common control
Chengdu SEI Optical Fiber Co., Ltd.	Chengdu City	Chengdu City	Manufacture	60.00		Business combination not under common control
Chongqing Putaifeng Aluminium Co., Ltd.	Chongqing City	Chongqing City	Manufacture	40.00		Investment

(2) 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 of Chongqing Putaifeng Aluminium Co., Ltd., the Company could control its financial and operation decision, and have a privileged variable return. Therefore, 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

The determination of whether the Company is an agent or a principal requires 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 not wholly-owned subsidiaries*

Subsidiaries	Holding proportion of non-controlling interest (%)	Profit or loss attributable to non-controlling interest for current period	Closing balance of non-controlling interest
Chengdu SEI Optical Fiber Co., Ltd.	40.00	26,182,005.55	147,356,529.41
Chongqing Putaifeng Aluminium Co., Ltd.	60.00	-1,015,428.98	1,318,145.95

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

(1) *Assets and liabilities*

Expressed in RMB10,000.00

Subsidiaries	Closing balance		Closing balance		Closing balance	
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Chengdu SEI Optical Fiber Co., Ltd.	36,850.51	5,525.08	42,375.59	5,536.46		5,536.46
Chongqing Putaifeng Aluminium Co., Ltd.	378.12	698.33	1,076.45	791.77	65.00	856.77
Subsidiaries	Opening balance		Opening balance		Opening balance	
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Chengdu Zhongling Radio Communications Co., Ltd.	9,196.10	615.72	9,811.82	5,417.72		5,417.72
Chengdu PUTIAN New Material Co., Ltd.	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

(2) Profit or loss and cash flows

Expressed in RMB10,000.00

Subsidiaries	Operating revenue	Current period		Cash flows from operating activities
		Net profit	Total comprehensive income	
Chengdu SEI Optical Fiber Co., Ltd.	19,069.55	6,545.50	6,545.50	-862.19
Chongqing Putaifeng Aluminium Co., Ltd.	3.46	-169.24	-169.24	-0.40
Subsidiaries	Operating revenue	Prior period		Cash flows from operating activities
		Net profit	Total comprehensive income	
Chengdu Zhongling Radio Communications Co., Ltd.	3,102.81	-71.40	-71.40	-277.29
Chengdu PUTIAN New Material Co., Ltd.	287.01	-385.77	-385.77	-88.02
Chengdu SEI Optical Fiber Co., Ltd.	17,630.26	4,880.96	4,880.96	4,398.14
Chongqing Putaifeng Aluminium Co., Ltd.	8,220.13	-380.57	-380.57	-130.97

(II) Transactions resulting in changes in subsidiaries' equity but without losing control

1. Changes in subsidiaries' equity

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

2. *Effect of transactions on non-controlling interest and equity attributable to parent company.*

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

Note: The Company acquired 33.33% shareholding interest in Chengdu PUTIAN New Material Co., Ltd. held by non-controlling shareholders with RMB19,500,000.00. As Chengdu PUTIAN New Material Co., Ltd. held 10.00% shareholding interest in Chengdu Zhongling Radio Communications Co., Ltd., the Company also completed the acquisition of 3.33% shareholding interest in Chengdu Zhongling Radio Communications Co., Ltd. which were indirectly held by non-controlling shareholders.

(III) **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		
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu Bada Connector Co., Ltd.	Putian Fasten Cable Telecommunication Co., Ltd.
Current assets	5,566,698.80	54,853,929.29	1,368,374,745.63
Non-current assets	2,582,408.51	2,450,525.46	264,980,314.22
Total assets	8,149,107.31	57,304,454.75	1,633,355,059.85
Current liabilities	5,681,353.02	47,982,671.46	1,016,670,333.16
Non-current liabilities			53,381,716.78
Total liabilities	5,681,353.02	47,982,671.46	1,070,052,049.94
Non-controlling interest		103,349.71	
Equity attributable to owners of parent company	2,467,754.29	9,218,433.58	563,303,009.91
Proportionate share in net assets	863,714.00	4,517,032.46	126,743,177.22
Adjustments			
Goodwill			3,190,746.07
Others	109,955.56	-0.03	231,757.60
Carrying amount of investments in associates	973,669.56	4,517,032.43	130,165,680.89
Fair value of equity investments in associates with quoted price			
Operating revenue	5,374,372.74	68,444,058.60	512,593,522.99
Net profit	-1,463,928.77	-1,222,027.90	18,234,435.80
Net profit of discontinued operations			
Other comprehensive income			
Total comprehensive income	-1,463,928.77	-1,222,027.90	18,234,435.80
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	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	10,876,934.82	69,185,565.25	478,768,826.88
Net profit	-35,498.17	512,411.81	14,452,936.04
Net profit of discontinued operations			
Other comprehensive income			
Total comprehensive income	-35,498.17	512,411.81	14,452,936.04
Dividend from associates received in current period			

VI. OTHER SIGNIFICANT EVENTS

(I) Segment information

1. Identification basis and accounting policies for reportable segments

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

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

The Company identified reportable segments based on products. Assets, businesses and customers of the Company are substantially located in China, economic condition of which is considered to have similar risks and returns. Therefore, no analysis of this geographical segment is presented.

2. Financial information of reportable segments

Items	Copper cable and related products	Optical communication products	Current period		Inter-segment offsetting	Total
			Cable conduct and related products	Aluminum rod and related products		
Revenue from						
main operations	113,379,924.44	189,971,675.36	327,014.90	34,584.44	9,762,016.04	293,951,183.10
Cost of main operations	111,224,906.35	100,951,578.50	527,861.57	36,206.56	13,661,415.70	199,079,137.28
Assets impairment loss	2,193,843.44	–	1,897,394.27	2,520.19	–	4,093,757.90
Total assets	1,040,645,141.04	423,755,900.77	96,424,397.11	10,764,570.43	236,733,767.75	1,334,856,241.60
Total liabilities	160,958,388.31	55,364,577.23	82,569,301.43	8,567,660.51	57,112,121.08	250,347,806.40
Items	Copper cable and related products	Optical communication products	Preceding period comparative		Inter-segment offsetting	Total
			Cable conduct and related products	Aluminum rod and related products		
Revenue from						
main operations	126,062,196.26	175,657,652.50	106,985.77	81,513,061.68	–	383,339,896.21
Cost of main operations	120,452,934.52	107,933,489.36	57,039.59	83,663,528.69	7,653,049.48	304,453,942.68
Assets impairment loss	996,128.35	–	1,481,078.85	–	–	2,477,207.20
Total assets	1,099,907,252.61	342,539,358.09	109,672,502.53	33,621,172.36	225,370,903.41	1,360,369,382.18
Total liabilities	189,828,215.62	68,981,446.30	104,752,321.37	20,745,196.48	55,295,342.36	329,011,837.41

(II) Other financial information

Items	Closing balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
Net current assets	688,431,187.98	355,813,238.47	668,755,327.27	395,404,231.21
Total assets less current liabilities	1,154,204,100.20	848,196,878.61	1,143,697,111.23	872,600,303.02

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Results analysis

During the Period, the Group was principally engaged in the manufacturing and sale of various types of telecommunication cables and optical fibers.

During the Period, the Group recorded a turnover of RMB308,413,341.93, representing a decrease of approximately 21.92% as compared to the corresponding period last year.

During the Period, sales of copper cables, optical cables, optical fibers and related products amounted to RMB303,351,599.80, representing an increase of approximately 0.54% as compared to the corresponding period last year. Sales of optical fibers by Chengdu SEI Optical Fiber Co., Ltd., a principal subsidiary of the Company, amounted to RMB189,971,675.36, representing an increase of 8.15% as compared to the corresponding period last year. Sales of wire feed cables and other products by Chengdu Zhongling Radio Communications Co., Ltd. amounted to RMB21,179,270.02, representing a decrease of 30.26% as compared to the corresponding period last year.

The decline in revenue from principal businesses was mainly due to a decrease in sales of aluminum rods as the production of Chongqing Putaifeng Aluminium Co., Ltd. had been suspended since June 2017.

(II) Review of principal operations

To improve the performance of the Group, the Board proactively adjusted the production and operation strategies in response to the internal and external environments of the Group and the market demand. The major business activities of the Group during the Period are summarized as follows:

The Company carried out its implementation on all of its operation and management activities, preparation of the list of issues and rectification resolutions as concerned by the supervisory committee of SASAC in China Potevio. Continuous efforts were made to enhance its professional and standardized management ability to ensure realization of budget targets.

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

Based on list of issues and rectification resolutions, the Company vigorously carried out its rectification work. The indicators for targets in the rectification resolutions were assigned to each department, business department and subsidiary of the Company, and these indicators were accordingly recorded on the balanced scorecards for assessment. Up to now, the Company has completed the rectification with respect to over a half of the issues listed on the list of issues and made staged achievements on rectification work. To accelerate the separation and transfer of “Three Supplies and Estate Management”, on 30 June 2018, the Company and state-owned Sichuan Energy Industry Investment Runjia Property Co., Ltd.* (四川能投潤嘉置業有限公司) entered into an agreement on the separation and transfer of property management function of workers’ family living areas of the Company.

* For identification purposes only

2. *Facilitating the planning of innovation and entrepreneurship platform and striving for industry transformation and development.*

As required by the supervisory committee of SASAC in China Potevio and Potevio Group, the Company actively promoted the economic development in the park, striving to transform the Company from a manufacturer into a manufacturing + service-type enterprise. In the first half of 2018, the Company has accomplished the overall planning of the park and planning of the idle lands after numerous communications with government departments.

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

In order to further promote the liquidation of Chongqing Putaifeng Aluminium Co., Ltd. (“Putaifeng”), the Company has established Putaifeng liquidation group and developed preliminary liquidation plan for discussion by all shareholders.

The Company has completed equity acquisition and business changes of Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant and the reform of company system, of which the name was changed to “Chengdu Putian New Material Co., Ltd. (成都普天新材料有限公司)”. After the reform, new adjustments were made for the organizational structure and post allocation, and the general-manager responsibility system under the leadership of the Board was implemented.

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

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

The Company has organized comprehensive risk management and internal control system inspection, revised a series of rules and regulations on risk management and control as well as internal control, and completed the Annual Report of Chengdu Putian on Comprehensive Risk Management 2018 (《成都普天2018年度全面風險管理報告》) and the Report of Chengdu Putian on Internal Control Evaluation 2017(《成都普天2017內部控制評價報告》). The Company has improved the authorization system of the Group, improved the level of customer credit management, reduced the risk of legal proceedings, and prepared the Measures of Chengdu Putian on Authorization Management (《成都普天授權管理制度》). Advance audit of contracts on economic businesses was strengthened. Written comments were made on contracts in questions and doubts. In the first half of 2018, a total of 283 contracts were reviewed, with an amount reviewed of approximately RMB245 million and a contract review rate of 100%.

The Company has cooperated with the Audit Team of National Audit Office in Putian for support and coordination in the process of special audit investigation. The Company has conducted risk investigation of overseas projects in accordance with the Notice on Implementing the Spirit of Workshop on Preventing and Controlling Overseas Risks for Central Enterprises (《關於貫徹落實中央企業境外風險防控專題會精神的通知》) of China Potevio.

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

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

With respect to current situation of production and operation and the progress of restructuring of the Company and current situation of some positions where surplus and redundant staff are left, the Company has drafted the 2018 Measures for the Placement of Surplus and Redundant Staff (Trial) (《2018年公司富餘人員安置辦法》(試行)) in accordance with the relevant new requirements of the SASAC on special governance for “disposing of zombie enterprises and assisting enterprises with difficulties”, so as to fully achieve the objectives of special administration. The Company has intensified its efforts to accelerate the placement of surplus and redundant staff.

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

The Company has advanced system construction, and continued to comprehensively sort out the company-wide system based on the abolishment, revision and formulation requirements of the Supervisory Committee. 35 systems were abolished, 11 systems were revised and 22 systems were newly formulated for the Company (including its subsidiaries) in the current period. The Company has adopted a sound systematic management system to provide system guarantee for law-based governance of the Company.

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

Adhering to technological innovation, the Company has obtained 3 patent licenses during the Period. It actively strove for government rewards, and focused on project application. The Company has made continuous efforts to improve QEHS management system. The contents of the management manuals for quality, environment and occupational health and safety management system of the Company have been updated according to the requirements of the new certification standards and organization adjustments of the Company.

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

7. *Further strengthening Party construction to play the core roles*

In accordance with the deployment of the Group’s Party Committee and State-owned Assets Supervision and Administration Commission of Chengdu Municipal People’s Government, the Company has organized and completed the annual democratic appraisal of members of the leaders. It has organized the Party branches to complete the “Two Studies, One Action” democratic consultation and democratic appraisal of Party members. Such Party branches of the Company were also organized to conduct the “Complying with, Learning and Narrating the Party Constitution (遵黨章、學黨章、講黨章)” activities, in which more than 150 Party members of the Company took part for knowledge contest. As required by the Municipal State-owned Assets Supervision and Administration Commission, the Company has organized and completed the “Three Classifications, Three Upgrading (三分類三升級)” evaluation of Party branches.

(III) Financial analysis

As at 30 June 2018, the Group's total assets amounted to RMB1,334,856,241.60, representing a decrease of 2.85% from RMB1,373,945,770.47 as at the end of last year, of which the total non-current assets amounted to RMB465,772,912.22, accounting for 34.89% of the total assets and representing a decrease of 1.93% from RMB474,941,783.96 as at the end of last year.

As at 30 June 2018, the Group's total current assets amounted to approximately RMB869,083,329.38, accounting for 65.11% of total assets and representing a decrease of 3.33% from RMB899,003,986.51 as at the end of last year. The net cash flows from operating activities of the Group during the Period amounted to RMB-50,376,675.97, while the net cash flows from operating activities for the corresponding period last year was RMB50,692,906.30.

As at 30 June 2018, the Group's bank balances and cash (including deposits with encumbrance) amounted to RMB473,188,251.96, representing a decrease of 5.88% from RMB502,739,979.20 as at the end of last year.

As at 30 June 2018, the Group's total liabilities amounted to RMB250,347,806.40 (as at 31 December 2017: RMB302,058,079.85). The liability-to-total-asset ratio was 18.75%, representing a decrease of 3.23% as compared with 21.98% as at the end of last year. Bank and other borrowings due within one year amounted to RMB0.

During the Period, the Group did not have other fund-raising activities.

During the Period, the Group's selling expenses, administration expenses, research and development costs and finance costs amounted to RMB8,644,699.40, RMB44,465,581.45, RMB2,329,974.55 and RMB-3,058,682.51 respectively, representing an increase of 12.59%, an increase of 4.74%, a decrease of 22.31% and a decline of RMB1,210,187.00 from RMB7,677,795.03, RMB42,454,394.05, RMB2,999,227.00 and RMB-1,848,495.51 respectively in the corresponding period last year.

During the Period, the average gross profit margin of the Group was 32.41%, representing an increase of 12.54% from 19.87% in the corresponding period last year.

1. Analysis of liquidity

As at 30 June 2018, the Group's current ratio and quick ratio were approximately 4.81 and 3.91 respectively.

2. Analysis of financial resources

As at 30 June 2018, the Group's long-term borrowings amounted to RMB7,036,325.83. As the Group's bank deposits and cash amounted to RMB473,188,251.96, the Group has smaller exposure to short term solvency risk.

3. Capital structure of the Group

The Group's capital resources are derived from bank loans and proceeds from shares issued by the Company. To ensure reasonable utilization of the Group's capital, the Group has established a stringent and sound financial management system. During the Period, no inappropriate conduct, such as default in repayment of due debts and failure of performance of due obligations, was noted.

In the future, the Group will strengthen the control and management of funds so that they can be fully utilized under normal production and operation.

4. Contingent liabilities

As at 30 June 2018, the Group had no contingent liabilities (31 December 2017: Nil).

(IV) Business outlook

In the second half of 2018, under the guidance of China Potevio and the Board and the Supervisory Committee, the Company will further put into practice the principles of the 19th National Congress, and operate closely in line with the direction of national policies. It will further study the development trend of the industry, deepen reform and innovation, and explore transformation and development. The Company will strive for consistent earnings by promoting the market-oriented allocation of various resources and enhancing quality and efficiency.

I. Development and deployment of principal operations

Under the principle of driving growth by business and resources, the Company will be driven to transform from a manufacturer into a manufacturing + service-type enterprise.

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 the year. With larger production capacity, the supply of optical fibers was improved obviously from May to June, 2018, which resulted in a decline in the prices of optical fibers. In face of such situation, the Company needs to dig into FTTX and develop market segments. 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 production capacity of optical fibers to shore up the weak spot of small scale of production. In addition, the Company will improve product composition, develop new optical fibers such as small-diameter optical fibers, enhance the sales of characteristic optical fiber products with high gross profit margin, and gradually increase the market share of operators.
2. **Energy transmission cable business:** The Company will continue its transformation and upgrading, and optimize the industrial structure by strengthening the focus on resource capacity, gradually shrinking traditional services with poor profitability and against technological development trend, and focusing on specialized segments such as railway transportation construction and the local construction market of the PRC. It will improve its marketing capacity and production & operation capacity to adapt to diversified user demands of small batch products, and strengthen the cost and quality control to form a manufacturing system with production ordered, quality stabilized and delivery guaranteed. The Company will improve its technological innovation capabilities to meet the specialized market needs, and strengthen the research and development of characteristic high-end products such as rail transit and new energy cables.
3. **Smart electrical industry:** Focusing on the household intelligent products consumption market in the southwest region and smart city construction projects, the Company will be committed to cultivating the emerging smart electrical industry, seizing the market opportunities in the development of the western regions and the era of intelligence, strengthening the promotion and implementation of intelligent products, increasing the proportion of sales of intelligent products, and driving the increasing sales volume of electrician, lighting and other system-wide products in the whole industry based on smart technologies. It is required to build city-level, county-level or town-level channel networks according to the plan designed by the top level of the Company's channels. In the meanwhile, the Company will further strengthen the strategic cooperation with customers and the cooperation with government, strengthen the collection of information on government projects such as rail transit, real estate projects and trade customer projects, and plan and develop engineering projects to expand its market scale. The development of strategic cooperation will also be strengthened between national and local real estate companies in both Sichuan and Chongqing.
4. **Promoting the establishment of electronic information industrial park:** The Company actively seek new economic growth points and realize industrial transformation and upgrading while striving to expand and strengthen the optical telecommunication business, improving the energy transmission cable business, and cultivating and developing the smart electrical industry. It will seize the opportunity of the government of the high-tech zone to re-plan the industrial upgrading of the high-tech western industrial park, and develop the service industry with existing resources.

II. Supporting measure to be adopted for operation and management

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

1. Deepening enterprise reform and advancing loss management.

Committing to reform and long-term development, the Company will press ahead with specific works such as enhancing quality and efficiency, pursuing 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 those investment projects running against the development of principal operations. The Company will improve its production efficiency and reduce its labor costs by strengthening human resource management, improving the assessment system, and optimizing the personnel structure. The used devices will be retrofitted and renewed to satisfy production needs. The control on period charges and the management of inventory and accounts receivable will be strengthened to reduce the financial cost of the Company through reasonable arrangement of funds.

2. Strengthening basic management and enhancing operation guarantee capability.

The Company will further streamline and rectify issues in the list of issues, improve the comprehensive budget management and internal financial control system, and implement special tasks such as “Two Funds” reduction, loss management and disposal of inefficient and ineffective assets, strictly follow the time schedule for rectification and regularly report to the Supervisory Committee and China Potevio the rectification affairs. 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 provide an effective means of utilizing budgeting as guidance in production and operation. The Company will strive to increase the concentration of funds and reduce the number of bank accounts. The Company will 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 Company will further improve the informatization of centralized procurement and supplier management, implement centralized procurement, refine working procedures, and undertake and use the electronic procurement platform of China Potevio in a timely manner. It will strengthen the standardized procurement management, and implement the centralized procurement in strict accordance with relevant regulations. 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. In the second half of the year, the Company will integrate the irradiation businesses and initiate production expansion and technical improvement projects according to the business transformation of New Material; liquidate the assets of Putaifeng in accordance with the Company Law and the Articles of Association; advance the equity disposal of associates of Bada and Yuexin, and negotiate with the shareholders of the counterparties to determine the equity disposal plan for approval of China Potevio. In the meanwhile, the Company will actively seek government-funded projects.

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

The Company will strengthen its comprehensive risk management, further implement the requirements of the SASAC on strengthening the internal control systems of central enterprises, completing the streamlining of external compliance and internal control, continue to strengthen the compliance with listing rules, and effectively maintain its good image. It will identify risks related to product process quality. The Company will adopt dynamical monitoring for issues involving significant risks. The Company will strengthen its internal audit function, and continue to improve and revise the internal control manual of the Company.

The Company will strengthen its safety production management. It will adhere to its safety works at all levels in order to prevent the occurrence of safety related accidents and ensure smooth production and operation of the Company. The Company will contribute to the building of an ecological civilization by further enhancing energy conservation and environmental protection works.

5. *Improving motivation mechanism and strengthening human resources management*

The Company will improve the existing performance appraisal system, and strengthen the profit-oriented performance assessment system to form an enhanced and scientific appraisal mechanism. It will strengthen the assessments of staff at all levels. It will further strengthen the building of the talent pool, and select and appoint cadres in strict accordance with the standards and procedures for selecting and employing candidates. The Company will reserve knowledge for promoting its high-quality transformation and development by strengthening the study of the cadre team and constantly improving their capabilities in operation and management.

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

By further studying and implementing the spirit of the 19th CPC National Congress, adhering to the principle of strictly administering the Party in all aspects, and aiming at improving the quality of Party building work, the Company will improve the establishment of “learning-oriented, service-oriented and innovation-oriented” party organizations, and focus on enhancing the scientific level of the Party construction. It will further promote “Four Integrations (四個融合)” to effectively implement the accountability system in Party construction. The Company will prevent the rebound and resurgence of “Four Morales” by intensifying its efforts to strictly administer the Party in all aspects, seriously implementing “Two Responsibilities”, conscientiously supervising enforcement and accountability, strengthening daily supervision and inspection, and seriously implementing the spirit of the eight-point frugality code issued by the CPC Central Committee.

(V) Important event

1. Appointment of independent non-executive Director

On 13 April 2018, the Board of the Company announced that Ms. Mao Yaping was appointed as an independent non-executive Director, the chairman of the audit committee and a member of each of the nomination committee, the remuneration and appraisal committee and the strategic development committee of the Company, with effect from 13 April 2018.

OVERDUE TIME DEPOSITS

As at 30 June 2018, the Group did not have any other deposit and trust deposit with non-banking financial institutions nor time deposits that cannot be recovered on maturity.

ENTERPRISE INCOME TAX

Pursuant to the document of High and New Technology Enterprises Recognition Committee of Sichuan Province (Chuan Gao Qi Ren [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. The Company pays income tax in advance at 15% tax rate in 2018.

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 and New Technology Enterprises Recognition Committee of Sichuan Province (Chuan Gao Qi Ren [2014] No. 6), the Company's subsidiaries, namely, Chengdu SEI Optical Fiber Co., Ltd. and 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.

PLEDGE OF ASSETS

As at 30 June 2018, owing to the needs for production and operation, the Group obtained loans of RMB0 from banks which were secured by the Group's assets (31 December 2017: RMB0).

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 appropriate balance between risks and benefits and to mitigate the effects of risks caused 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 risks and adherence to limits.

Industry competition risk

The Group faces intense competition from both state-owned enterprises and private companies in the market which the Group operates. Sizeable 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. Therefore, the Group enhanced its strategic development planning. The Company also made full use of its capacity and resources as a state-owned enterprise to seize opportunities in 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 networks and smart cities and conduct sales of its featured products which are safe and environmentally friendly and develop its brand in the market segments.

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with settlements by cash or other financial assets, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows. In order to control such risk, the Company utilized financing tools comprehensively such as notes settlement, bank borrowings, etc. and adopted properly combined long-term and short-term financing methods to optimize financing structures, and finally maintained a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

Foreign exchange risk

Foreign exchange risk is the risk arising from changes in fair value of financial instruments or future cash flows which resulted from changes in exchange rate. The Company's foreign exchange risk relates mainly to foreign currency monetary assets and liabilities. When short-term imbalance occurs to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level.

Credit risk

The Group's credit risk is primarily attributable to receivables. The Group performs credit assessment on customers who use credit settlement on a continuous basis. 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 refers to the probability of occurring accidents which cause casualties or major property damages. With respect to the risk control on production safety, the Company increased expenditure in safety spending mainly to improve safety facilities and labour 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 safety hazards. It has zero tolerance to safety hazards and ensures production safety during operation according to the relevant 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 low salaries and risk of team stability. The Company reduces the number of redundant employees on full compliance with the relevant national policies. It establishes a scientific and reasonable remuneration system in respect of efficiency, size and positions of the Company and promotes a performance-oriented concept for income distribution among its employees. It establishes a training scheme for its reserved talents and sets up a reserved talent pool through the information system so as to provide a basis for the promotion of staff and selection of talents.

Marketing risk

The marketing risk of the Group is the risk that the Group may suffer losses caused during the process of marketing 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 30 June 2018, the Group had 937 staff members (as at 31 December 2017: 979 staff members). As at 30 June 2018, the remuneration for staff members was RMB42,723,528.19 (the corresponding period of 2017: RMB44,891,707.61).

The Group determines the remunerations of 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 OF SHAREHOLDERS AND CHANGE OF SHARE CAPITAL STRUCTURE

1. Share capital structure

During the Period, the Company did not make any arrangements for bonus issue, placing or increase of shares or offering of any new shares of the Company. During the Period, there was no change in the Company's total share capital and share capital structure. The total issued share capital of the Company remained at RMB400,000,000 divided into 400,000,000 shares with a nominal value of RMB1.00 each, comprising 240,000,000 domestic state-owned legal person shares and 160,000,000 overseas issued shares ("H Shares"), representing 60% and 40% of the issued share capital of the Company, respectively.

2. Shareholdings of substantial shareholders

As at 30 June 2018, the largest shareholder of the Company was China Potevio Company Limited which held 240,000,000 state-owned legal person shares, representing 60% of the issued share capital of the Company. As at 30 June 2018, HKSCC Nominees Limited (“HKSCC”, holding shares of the Company on behalf of various customers) held 156,232,999 H Shares, representing 39.06% of the issued share capital of the Company.

During the Period, the Board was not aware of any person holding any interests or short positions in shares or underlying shares of the Company which are required to be disclosed pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”). As shown in the register of substantial shareholders of the Company maintained under Section 336 of the SFO, the Company has been notified by shareholders holding 5% or more of the Company’s issued H Shares, that these are interests other than those held by the directors (the “Directors”), supervisors (the “Supervisors”) or the chief executive of the Company which have already been disclosed.

As indicated by HKSCC, as at 30 June 2018, the Central Clearing and Settlement System (“CCASS”) participants holding 5% or more of the H Shares of the Company are shown as follows:

	Number of Shares held as at 30 June 2018	Percentage of H Shares	Percentage of total issued share capital
CCASS participants			
The Hongkong & Shanghai Banking Corporation Limited	16,369,000	10.23%	4.09%
Bank of China (Hong Kong) Limited	10,730,000	6.70%	2.68%
BOCI Securities Limited	9,763,000	6.10%	2.44%

Save as disclosed above, as at 30 June 2018, the Company was not aware of any other shareholding interests which are required to be disclosed pursuant to the SFO. The Board was not aware of any person holding, directly or indirectly, 5% or more of the interests in the H Shares of the Company.

3. Shareholdings of Directors and Supervisors

As at 30 June 2018, none of the Directors, Supervisors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) recorded in the register as required 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 (the “Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

4. Sufficient public float

According to public information available to the Company and to the best knowledge of each Director, the Company confirmed that a sufficient public float was maintained during the reporting period and as at the date of this announcement.

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

6. Convertible securities, share options, warrants or relevant instruments

During the Period, the Company did not issue any convertible securities, share options, warrants or relevant instruments.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (no interim dividend was paid for the six months ended 30 June 2017).

AUDIT COMMITTEE

At present, the members of the audit committee of the Board of the Company (the "Audit Committee") are Ms. Mao Yaping (Chairman), Mr. Xiao Xiaozhou and Mr. Lin Zulun, and all of them are independent non-executive Directors of the Company.

The Audit Committee is primarily responsible for the internal control and financial review and reporting matters of the Company and making recommendation to the Board on the appointment and/or removal of external auditors. The Audit Committee has reviewed the Group's unaudited interim consolidated financial statements and interim results for the six months ended 30 June 2018. The Audit Committee considers that the interim consolidated financial statements and interim results for the six months ended 30 June 2018 have complied with the requirements of applicable accounting standards and the laws and appropriate disclosures were made.

CODE ON CORPORATE GOVERNANCE

Although the Company attached great importance to corporate governance and strived 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 optical fibers and relevant commodities from or to connected persons. Hence, the Company has adopted remedial measures including publishing announcement, and seeking shareholders' approval and ensuring that information was announced in a timely manner. The Board will also continue to improve disclosure about information and compliance matters of the Company.

Subsequent to the resignation of Mr. Choy Sze Chung, Jojo as an independent non-executive Director of the Company with effect from 31 January 2018, the number of independent non-executive Directors and members of the Audit Committee of the Company were not in compliance with the minimum number requirements under Rules 3.10(1) and 3.21 of the Listing Rules. The proportion of independent non-executive Directors in the Board also fell below the minimum requirement under Rule 3.10A of the Listing Rules, and the compositions of the Remuneration and Appraisal Committee and the Nomination Committee were not in compliance with Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. During the period, the Board has been seeking suitable candidates. Effective from 13 April 2018, Ms. Mao Yaping has been appointed as an independent non-executive Director and a member of various Board committees to fill the relevant vacancies. The Company will strive to maintain a high standard of corporate governance and transparency of the Company and to safeguard the interest of Shareholders and the Company as a whole. Save as disclosed above, during the Period, the Company had applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Group's corporate governance principles emphasize the importance of a quality Board, effective internal controls and accountability to Shareholders.

In addition, the Company has appointed a professional adviser to (i) conduct a thorough review of and make recommendations to improve the Company's internal controls to ensure compliance with the Listing Rules; and (ii) act as compliance adviser to the Company for a term with effect from 13 July 2018 to 12 July 2020.

COMPLIANCE WITH THE MODEL CODE

During the Period, the Company had adopted the Model Code 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, the Board is pleased to report that all Directors and Supervisors have confirmed their full compliance with the Model Code during the Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cdc.com.cn>).

The 2018 interim report of the Company will be dispatched to the shareholders of the Company and will be available for inspection at the above websites in due course.

By order of the Board
Chengdu PUTIAN Telecommunications Cable Company Limited*
Zhang Xiaocheng
Chairman

Chengdu, the PRC, 24 August 2018

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

Executive Directors:	Mr. Zhang Xiaocheng (<i>Chairman</i>), Mr. Wang Micheng, Mr. Han Shu, Ms. Xu Liying, Ms. Liu Yun and Mr. Fan Xu
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Independent Non-executive Directors:	Ms. Mao Yaping Mr. Xiao Xiaozhou and Mr. Lin Zulun
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* *For identification purposes only*