

# Potevio 中国普天

**CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED**

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

Stock Code: 1202

**2015**  
ANNUAL REPORT



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## CORPORATE PROFILE

Chengdu PUTIAN Telecommunications Cable Company Limited (the "Company") is one of the largest telecommunications cable manufacturers in the People's Republic of China (the "PRC").

The Company was incorporated in the PRC on 1 October 1994 after its restructuring and has listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 December 1994 through the placing and public offer of 160,000,000 H shares ("H Shares"). China Potevio Company Limited ("China Potevio" or "CPCL"), a wholly owned subsidiary of China PUTIAN Corporation ("Potevio Group"), is the controlling shareholder of the Company.

The Group's scope of business includes: technological research and development, product manufacturing, sales and services of wires and cables, optical fibres and optical cables, specialized materials used for cables, irradiation processing, cable accessories, specialized facilities and equipment and the equipment and facilities for various information industry products (excluding products restricted and prohibited by the State); import and export, wholesaling and retailing and commission agency (excluding auction) of commodities with respect to the aforesaid products; wholesaling and retailing and commission agency (excluding auction) of domestically procured commodities (excluding specialized commodities), technical consultancy and provision of technological services. The Group is principally engaged in the manufacture and sale of various types of telecommunication cables, optical fibers and cable joining sleeves.

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

No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC  
Postal Code: 611731

# FINANCIAL HIGHLIGHTS

## SUMMARY OF OPERATIONS

	<b>2015</b> <b>RMB'000</b>	<b>2014</b> <b>RMB'000</b>
Operating income	<b>1,209,522.06</b>	945,460.89
Operating profit/("—"represents loss)	<b>-46,653.55</b>	-46,989.35
Share of profit/("—"represents loss) of associates	<b>487.69</b>	366.20
Profit/("—"represents loss) before income tax	<b>-37,600.80</b>	-37,180.84
Profit/("—"represents loss) attributable to equity holders of the Company	<b>-40,628.30</b>	-29,504.43
Basic earnings/("—"represents loss) per share	<b>RMB-0.10</b>	RMB-0.07

## SUMMARY OF NET ASSETS

	<b>31 December</b> <b>2015</b> <b>RMB'000</b>	<b>31 December</b> <b>2014</b> <b>RMB'000</b>
Total liabilities	<b>612,105.56</b>	666,532.00
Total net assets	<b>1,281,599.36</b>	1,320,917.07
Total assets	<b>1,893,704.93</b>	1,987,449.06
Net assets per share*	<b>RMB3.20</b>	RMB3.30

\* Net assets per share as at 31 December 2015 is calculated on the basis of net assets attributable to the owners of the Company of RMB930,902,244.77 (2014: RMB967,756,026.65) and the total number of issued shares of 400,000,000 shares (2014: 400,000,000 shares).



### Dear Shareholders,

I am pleased to present the annual report of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2015 (the “Year”) and would like to express our kind regards to all shareholders of the Company (the “Shareholders”) on behalf of the board of directors (the “Board”) and all staff of the Company.

During the Year, the Group’s loss before tax was approximately RMB37,600,796.51 and loss attributable to Shareholders amounted to approximately RMB40,628,295.20. Basic loss per share of the Group was approximately RMB0.10.

In 2015, the Company adopted the principles of “Grasp hold of internal control give impetus to operations, seek innovation advanced to a higher level” in its work plan and budget target for the year, according to which various practices and arrangements were made. The Company placed an emphasis on cost reduction and improvement in efficiency. Initiatives were also carried out to facilitate restructuring, upgrade, reform and innovation. During the Year, under the pressure of mounting competition, the Company pushed forward strategic business restructuring, accelerated business transformation to facilitate organizational reform, implemented risk control requirements for stronger overall risk management, consolidated resources through cooperation with external parties and strengthened general management. Operating results were improved and the Company recorded less loss for the year as production and operation were strengthened. Regarding these, I, on behalf of the Company, would like to express my deepest respect to all of our staff.

In 2016, traditional manufacturing industries will still be dampened by the reduction of excessive production capacity. Due to the slowdown in total production growth, the industry will focus on opportunities arising from government investment under the 13th Five-Year Plan, such as accelerated infrastructure development of the information economy and other development projects, including smart power grid, intelligent traffic system, renewable energy network, recycling of oil, gas and minerals, new urbanization, defence equipment and intelligent manufacturing.





## CHAIRMAN'S STATEMENT

The operation principles of the Company for 2016 are to conduct a thorough reform by implementing business strategies and optimizing market resources so as to effectively enhance management over its operating results. On one hand, the Company will sustain and enhance the existing businesses of copper cables and optical fiber. On the other hand, by capitalising on the existing resources, the Company will strengthen the reform, revitalize resources and assets and improve working efficiency by utilising information and data under refined management. The Company will solicit strategic partners and make use of the advantages of the Company as a state-owned enterprise as well as a listing company. A mixed-ownership economy concept will be adopted by the Company to further improve development and profitability. Moreover, the Company will continue to strengthen the reform. Specific preparation works for the reform such as informationization development, human resources management and reform of appraisal mechanism will be carried out to improve efficiency of internal management and maintain refined management. Budget control will also be closely monitored to secure a healthy operation. The Company will do its utmost to achieve the targets and missions set for 2016.

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

**Zhang Xiaocheng**

*Chairman*

25 March 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF PRINCIPAL BUSINESS

During the Year, the Company worked towards the annual main work and budget targets of “Grasp hold of internal control give impetus to operations, seek innovation advanced to a higher level” centralizing on cost reduction and improving efficiency facilitating transformation and upgrading, reforming and innovation, thereby promoting work.

### 1. Strategic business restructuring

- (1) Putian Fasten Cable Telecommunication Co., Ltd. (“Putian Fasten”): Revenue from major businesses increased significantly. A breakthrough in marketing was achieved under an overall promising environment. As the price of optical fiber increased while radio and television and overseas markets remained stable in 2015, OEM orders alleviated the strain on optical fiber supply. In November 2015, Putian Fasten won the bid for the optical fiber and cable collective procurement project of China Mobile. The project will be an opportunity for Putian Fasten to improve its brand reputation and comprehensive competitiveness while proving its overall competence in quality and cost management.
- (2) Chengdu SEI Optical Fiber Co., Ltd. (“Chengdu SEI”): In respect of market development, sales of a new product, G657 Optical fiber (PA and UA optical fiber), increased by 20% compared to last year, strengthening the market influence of Chengdu SEI. In respect of production technology, Chengdu SEI completed an A06# lathe improvement project to further enhance its production capacity and adaptability. In respect of the operator market, Chengdu SEI was successfully shortlisted for the centralised procurement bid launched by China Telecom and China Unicom.
- (3) Chengdu Zhongling Radio Communications Co., Ltd. (“CMRC”): In respect of market development, CMRC sustained and enlarged its OEM business, integrated its businesses and made sufficient preparation for the bidding of operators. In respect of production technology, CMRC enhanced the capability and production capacity of -12 super soft cable by improving equipment and manufacturing processes according to market development needs. In respect of internal control, CMRC enhanced management over its accounts receivable and inventory under its integrated measures for reducing “Two Funds”. As a result, CMRC was able to lower its management risks and enhance its asset quality and liquidity.
- (4) Energy transmission cable business segment: The segment received accreditations from China Railway Product Certification Centre (CRCC) and International Railway Industry Standard (IRIS) in March 2015 and November 2015, respectively, representing the permission for its sales in large-scale railway market and its entry into the major markets of locomotives, EMUs and high-speed rails. In respect of market development, firstly, with its development focus on the urban rail segment, the Company successfully became the exclusive supplier of urban rail of Zhuzhou CSR Times Electric Co., Ltd. (株洲南車時代電氣股份有限公司) (“CSR Times Electric”); secondly, the Company strived to develop the national rail market. It provided supplies to the 120 mm<sup>2</sup> Cable Project of CSR Times Electric while making progress in its cooperation with several locomotive manufacturing enterprises; and thirdly, capitalizing on the platform resources available to state-owned enterprises, the Company extended its business coverage to the wind power sector by winning the bid launched by Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd. (東方電氣新能源設備(杭州)有限公司) and started product delivery, marking its debut in this sector. In respect of internal control, the Company formulated relevant business strategies. Manufacturing processes such as order management, product return and trail production as well as remuneration assessment policy for staff at each production stage were refined. These efforts provided a solid base for developing an effective remuneration assessment policy and a regulated production model of the business segment in the coming year. Moreover, it strengthened the manufacturing capacity for irradiation processing and copper processing in order to prepare for the expansion of its processing business in terms of scale and variety in the coming year.



# MANAGEMENT DISCUSSION AND ANALYSIS



## **2. Accelerating business transformation to facilitate organizational reform**

The Company restructured the copper cable business by establishing the energy transmission cable business segment under which energy transmission cable has become its major operation with sufficient market scale and sustainable development. The establishment of a business development center revitalized idle resources for business development and transformed relevant cost departments to revenue departments. The Company also integrated and enhanced the roles and functions of sales personnel. By increasing logistic positions of sales center and recruiting more sales personnel, the Company was able to improve its sales services and increase its sales channels. The Company will also strive to resolve the core marketing issues of its development to increase revenue and reduce losses. Working on unresolved past issues, such as to clear up accounts receivables and to collect old debts; re-assessing appraisals for sales policies.

## **3. Implementing risk control requirements for stronger overall risk management**

The Company further improved its risk management mechanism, risk control ability, further enhancing risk assessment and controls on accuracy and effectiveness. The Company also strengthened the procurement control of its key departments by implementing a public bidding and tender system. The Company also made amendments and revisions to its overall risk management rules and regulations with reference to applicable laws and requirements. Stringent efforts were also made to review contracts. Effective control of legal risks of business contracts was ensured through comprehensive contract review by legal personnel.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 4. Consolidating resources and seeking cooperation with external parties

The Company fully capitalized on the capability of management to develop investment and financing projects. For better consolidation of resources in line with the development of the Company's major cable business segment, the Company established Chongqing Putaifeng Aluminium Company Limited to expand its business chain to upstream aluminium rods and aluminium alloy rods. The Company also enhanced its management over enterprises with deficit. In-depth analysis of reforms of CMRC and Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant ("Shuangliu Heat Shrinkable") were carried out and various specific measures were formulated accordingly. Due to the expiry of cooperation at the end of 2015, production of Shuangliu Heat Shrinkable ceased, internal reorganization had started and planning for restructuring with effect from 31 October 2015. 78 employees were laid off as at 31 December 2015. The Company strictly supervised the daily operations, meeting agendas and execution of the resolutions passed by the boards of its subsidiaries in accordance with the administrative measures issued by the three boards (shareholders at general meeting, the Board and the Supervisory Committee of the Company). As such, the Company fully capitalized on the capability of the boards of the subsidiaries in enhancing management control dynamism.

### 5. Strengthening general management

In respect of human resources management, the Company refined and amended responsibilities of all departments (including secondary departments), working procedures and job duties of middle management personnel. "Responsibilities of Business Segment and Other Departments of Chengdu PUTIAN" (《成都普天事業部及各部門職責》) was issued to define responsibilities of all departments. Ranking order, positions and duties of different departments were also defined as the basis of the appraisal of positions and the establishment of resignation mechanism.

In respect of financial management, the Company made full use of its financial activities to support its production and operations. Analysis of production and operating activities was carried out to keep track of production and operation conditions and duly rectify execution irregularities. It also strictly monitored all of its businesses in accordance with the budgets and ensured that all expenses were spent with the budgets accordingly.

In respect of development of informationization, a special department was established to accelerate the implementation of informationization. Informationization initiatives were adopted to ensure that financial expenses and use of funds were made under clearer authorization and segregation of duties in compliance with the budget and for the prevention of business risks. The successful adoption of these initiatives will effectively optimize management reform and management procedures.

In respect of technology management, the Company's application for the high-tech enterprise qualification has been reviewed by the High-tech Enterprises Recognition Committee of Sichuan Province, pending approval from the government. Moreover, the application for the patents of three utility models were made and approved.

In respect of quality management, the Company completed internal review and passed the re-evaluation by China Quality Certification Center in respect of corporate environment and occupational health and safety management system for monitoring the quality of label products.

In respect of safety production management, the Company made effective operational control with zero incident in respect of environmental safety, occupational health and safety, fire safety and security. The Company has strived to meet the production safety standardization.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL ANALYSIS

### Turnover

During the Year, the turnover of the Group amounted to RMB1,209,522,056.73, representing an increase of 27.93% as compared with RMB945,460,888.72 for the year ended 31 December 2014 (the "Previous Year").

During the Year, the turnover of the Company was RMB292,507,209.76, representing an increase of 37.67% as compared with 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 RMB188,775,078.85, representing an increase of 1.10% comparing with the corresponding period of the Previous Year; Shuangliu Heat Shrinkable, a company in which the Company owns 66.7% equity interest, recorded a turnover of heat shrinkable joining sleeves of RMB25,433,626.77, representing a decrease of 40.19% comparing with 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 RMB37,259,412.56, representing a decrease of 27.44% comparing with the corresponding period of the Previous Year; Putian Fasten, a company in which the Company owns 45% equity interest, recorded a turnover of optical fiber and cable of RMB704,872,924.54, representing an increase of 46.08% comparing with the corresponding period of the Previous Year.

### Net loss attributable to equity holders of the Company

The net loss attributable to equity holders of the Company for the Year amounted to RMB33,674,501.98, while a net loss of RMB24,005,570.92 was attributable to equity holders of the Company for the Previous Year.

## RESULTS ANALYSIS

As at 31 December 2015, the Group's total assets amounted to RMB1,893,704,925.26, representing a decrease of 4.72% as compared with RMB1,987,449,063.43 as at the end of the Previous Year, of which current assets totalled RMB1,170,958,714.74, accounted for 61.83% of the total assets and representing a decrease of 3.22% as compared with RMB1,209,874,625.00 as at the end of the Previous Year. Property, plant and equipment totalled RMB530,581,354.23, accounted for 28.02% of the total assets and representing a decrease of 5.39% as compared with RMB560,795,807.80 as at the end of the Previous Year.

As at 31 December 2015, the Group's total liabilities amounted to RMB612,105,561.24; total liability-to-total asset ratio was 32.32%; bank and other short-term loans were RMB200,000,000.00, which remained unchanged as compared with RMB200,000,000.00 as at the end of the Previous Year. During the Year, the Group did not arrange other capital raising activities.

As at 31 December 2015, the Group's bank deposits and cash totalled RMB336,464,641.98, representing an increase of 22.00% as compared with RMB275,779,836.62 as at the end of the Previous Year.

During the Year, the Group's selling expenses, administration expenses and finance income amounted to RMB50,024,954.62, RMB112,359,896.05 and RMB5,958,888.62 respectively, representing a decrease of 28.85%, an increase of 10.71% and an increase of RMB3,126,195.23 respectively as compared with RMB38,823,775.01, RMB101,485,731.50 and RMB2,832,693.39 respectively in the Previous Year.

As at 31 December 2015, the Group's account receivables and bill receivables amounted to RMB410,168,670.66 and RMB101,785,217.79 respectively, representing an increase of 9.77% and a decrease of 8.82% respectively as compared with RMB373,667,184.47 and RMB111,630,904.90 respectively as at the end of Previous Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Analysis of Capital Liquidity

As at 31 December 2015, the Group's current assets amounted to RMB1,170,958,714.74 (2014: RMB1,209,874,625.00), current liabilities were RMB523,613,748.81 (2014: RMB573,861,647.31), the annual receivables turnover period was 132.35 days and the annual inventory turnover period was 105.57 days. The above data indicates that the Company has strong solvency but its liquidity ability and level of management are yet to be improved.

## Analysis of Financial Resources

As at 31 December 2015, the Group's bank and other short-term loans were RMB200,000,000.00. As the Group had comparatively sufficient bank deposits and cash of RMB336,464,641.98, the Group does not have short-term solvency risk.

## Non-current Liabilities or Loan

As at 31 December 2015, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was RMB7,518,503.53 (equivalent to EUR1,059,660.55), which 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 bank and other loans, proceeds raised, profit of the Group and proceeds obtained from the disposal of the land use rights of the old site of the Company. The use of raised proceeds strictly complied with the relevant legal requirements. In addition, in order to ensure the proper utilisation of capital, the Group has strengthened its existing financial management system. The Group 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

The Group's net cash inflow from operating activities amounted to RMB1,050,835,928.75 during the Year (2014: RMB804,722,584.32, representing an increase of RMB246,113,344.43).

During the Year, the Group spent RMB9,756,010.80 (2014: RMB37,835,550.09, representing a decrease of RMB28,079,539.29) for the purchase of property, plant and equipment and expenses on the construction in progress.

As at 31 December 2015, the Group's liabilities and shareholders' equity amounted to RMB1,893,704,925.26 (2014: RMB1,987,449,063.43). The Group's interest expenses amounted to RMB12,791,657.80 in the Year (2014: RMB13,372,489.58).

## Contingent Liabilities

As at 31 December 2015, the Group did not have any contingent liabilities (2014: Nil).

## BUSINESS OUTLOOK

In 2016, traditional manufacturing industries will still have to face the pains from adjusting excessive production capacity. Due to the slowdown in total production growth, the industrial market opportunities will follow closely with the government investment areas under the 13th Five-Year Plan of the State, such as engineering construction projects which will be sped up: infrastructure development of the information economy and other development projects, including smart power grid, intelligent traffic system, renewable energy network, recycling of oil, gas and minerals, new urbanization, defence equipment and intelligent manufacturing.





# MANAGEMENT DISCUSSION AND ANALYSIS

The operation principles of the Company for 2016 are to conduct a thorough reform by implementing business strategies and optimizing market resources so as to effectively enhance management over operating results.

## **I. Accelerating business development and improving production quality**

To pursue the principles of optimal innovation, integration and capital management, the Company will strive for efficient implementation of business strategies, better market synergy effects and effective sharing of resources. Operation of major projects will be refined to boost business development. The Company will also enhance its business advantages and competitiveness.

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

The Company will continue its efforts in the development of optical telecommunication business. The optical telecommunication business keeps growing and maintains business chain development. The Company will continue its market integration and sustainable development to ensure shareholders' return. Market development of products with higher gross margin will be strengthened to boost sales in these markets so as to increase the overall profitability, operation effectiveness and marketization of the Company.

### **2. Copper cables business**

Copper cables business will be developed as the second pillar of the Company and its share in the segment market will be enlarged. The existing segregated business layout will be transformed into a concentrated one. Appropriate business model will also be adopted to facilitate its differentiated development. The Company will grasp the opportunity in fast-growing railway transportation development by leveraging the CRCC accreditation to increase customer orders. Moreover, the Company will pay close attention

to major industries and government projects and enhance its development in markets of medium and low voltage cables and aluminium alloy cables. It will also made good use of existing equipment and capacity to explore regional customer resources in markets of copper wire processing and irradiation processing.

### **3. Effective use of assets**

The Company will utilize resources such as industrial parks, factories and equipment and adopt various initiatives to increase its revenue. Idle assets were cleared and disposed for generating more property income. To enhance energy management, the Company will review its use of energy. Its joint ventures, business divisions and functional departments will be encouraged to adopt energy saving measures for more efficient use of energy.

## **II. Emphasizing improvement in operation quality and management**

The Company will apply new concepts to improve its management. Continuous efforts will be made to enhance its professional management ability and risk control level to ensure the sustainable and healthy development of its production and operation.

### **1. Expediting establishment of sales platform and market development**

The Company will revise its marketing platform and marketing philosophy. Through integrating external resources, the Company will develop a professional sales team with strong execution and market development ability. More resources will be allocated to promote sales while sales incentive policies will be refined. The Company will also capitalize on the competitive branding of China PUTIAN and Chengdu PUTIAN to support the market development of its products.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **2. Accelerating reforms on human resources**

More team building efforts will be made, including the establishment of a staff management system that allows key personnel to be familiar with all the operations of the Company. The focus of the staff management system will be on business performance. An incentive system of collective responsibility will also be established. Management standards and working procedures will be refined while job duties and functions of all positions will be specified. The Company will develop a staff withdrawal mechanism and adopt various measures to reduce redundant personnel and increase efficiency. Other supplementary measures will be carried out to solve the problem of staff inefficiency. Remuneration reforms will also be enhanced through the establishment of a reasonable and refined appraisal system and a performance-based remuneration system.

### **3. Strengthening budget management by means of comprehensive budget planning**

Comprehensive budget management will be enhanced. Restriction and monitoring of budget will be strengthened with a view to meeting the annual budget target. The Company will utilize the informationization platform to strictly implement the budget review system and conduct monthly budget planning. The Company will refine its budget preparation by adopting project-based cost calculation method. Effectiveness of budget management will therefore be enhanced.

### **4. Accelerating informationization by developing an informationization platform for business management**

The Company will refine the existing procedures of the informationization system and develop new functions for it. With data collected from the informationization platform, the production and operation of the Company will be well-supported.

### **5. Streamlining management to improve management effectiveness**

An accountability system for cost and expense management will be established to define the responsibilities in reducing cost, improving effectiveness and increasing profit margin. Procurement and tender will be regulated. The Company will carry out strategic procurement and centralized procurement of bulk stock and services. More stringent management over asset quality will be made through prudent review and management of project approval, customer credit and contracts will be strengthened. Besides, the evaluation and management of the "Two Funds" will be brought to business frontline. The responsibility of reducing the "Two Funds" will be specified and linked to assessment of business performance. New non-performing assets and potential losses will be under stringent surveillance. Inefficient assets will be disposed.

### **6. Improving quality management to eliminate potential quality problems**

With regard to the existing quality problems, the Company will strive to maintain quality of products by formulating product standards, managing procurement, monitoring production process and conducting review and supervision. Moreover, the accountability system of quality will be optimized to strengthen the review of quality standards. The quality of products and customer satisfaction will be enhanced.



# MANAGEMENT DISCUSSION AND ANALYSIS

## **7. Strengthening investment management by optimising resources allocation**

Different resources such as assets, funds, capital, market, technology and information will be consolidated to assist in developing large projects and improve the market competitiveness of the Company. Comprehensive management of strategies will be carried out to ensure their efficient implementation. The Company will also conduct analysis on investment feasibility, and enhance due diligence investigation and evaluation upon investments. Technology advancement scheme will be refined to continuously improve the QEHS management system.

## **8. Optimizing internal control system for stronger overall risk management**

Overall risk management will be strengthened. The Company will conduct evaluation and review on specific risks and will strengthen dynamic surveillance of major risks. Various audits will be carried out with the objectives of problem identification, risk warning, management improvement and value creation. The Company will abide by the laws during its decision making and operation at all levels. Training on laws and regulations as well as promotion and education of laws will be strengthened in order to promote the compliance culture and practice within the Company.

The Company will implement the production safety in accordance with the requirements of the party and the government as well as the responsibilities of the Company to the society. Review of production safety will be enhanced. Serious accidents regarding safety issues shall be eradicated.

# REPORT OF THE DIRECTORS

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

## RESULTS AND DISTRIBUTION

1. The results of the Group are set out in the consolidated income statement on pages 62 to 63 of this annual report.
2. The financial position of the Group as at 31 December 2015 are set out in the consolidated balance sheet on pages 55 to 58 of this annual report.
3. The changes in equity of the Group are set out in the consolidated statement of changes in shareholders' equity on page 69 of this annual report.
4. The cash flows of the Group are set out in the consolidated cash flow statement on pages 65 to 66 of this annual report.
5. The Company implemented profit distribution proposal: the Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

## BUSINESS REVIEW

A review of the business of the Group and its future business development and outlook are set out in the "Management Discussion and Analysis" on pages 5 to 12 of this annual report. These discussions form a part of the Report of the Directors.

## FINANCIAL HIGHLIGHTS

The following is the financial highlights of the Group for the five years ended 31 December 2015 which were extracted from the consolidated financial statements prepared in accordance with the Accounting Standards for Business Enterprises — Basic Standard issued by the Ministry of Finance of the PRC.

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Operating income	<b>1,209,522.06</b>	945,460.89	915,481.31	498,057.30	587,094.33
Profit/("—"represents loss) before income tax	<b>-37,600.80</b>	-37,180.84	7,203.94	-83,188.34	-56,509.00
Income tax expense/ ("—"represents income)	<b>5,491.42</b>	3,803.14	-169.26	5,351.82	7,224.38
Profit/("—"represents loss) for the Year	<b>-43,092.22</b>	-40,983.98	7,373.19	-88,540.17	-63,733.38
Of which:					
Profit/("—"represents loss) attributable to equity holders of the Company	<b>-40,628.30</b>	-29,504.43	-527.22	-97,714.02	-66,044.84
Minority interests	<b>-2,463.92</b>	-11,479.55	7,900.41	9,173.85	2,311.46
Total assets	<b>1,893,704.93</b>	1,987,449.06	1,956,252.97	1,314,872.12	1,403,396.17
Total liabilities	<b>612,105.56</b>	666,532.00	561,802.66	224,363.49	221,716.42
Minority interests	<b>350,697.12</b>	353,161.04	392,030.52	86,813.98	81,640.13
Total net assets	<b>1,281,599.36</b>	1,320,917.07	1,394,450.31	1,090,508.63	1,181,679.75

# REPORT OF THE DIRECTORS

## PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacture and sale of various types of telecommunications cables, optical fibres and cable joining sleeves. The analysis of the Group's turnover and contribution to the operating results for the Year according to the Group's principal activities and geographical markets are set out in note XIII.(I) to the financial statements on page 150 of this annual report.

## COMPLIANCE WITH LAWS AND REGULATIONS

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

## RELATIONSHIPS WITH SUPPLIERS AND CUSTOMERS

The Group strived to maintain fair and co-operating relationship with the suppliers and did not have any major supplier that has significant influence on the operations.

Relationship with customers is the fundamental of business. The Group fully understands this principle and has maintained close relationship with customers through various means to fulfil their immediate and long-term need.

The analysis of the Group's single largest supplier, the top five largest suppliers, the single largest customer and the top five largest customers for the Year are as follows:

	Percentage (%)	
	2015	2014
Purchase		
Single largest supplier	11	25
Five largest suppliers	25	82
Sales		
Single largest customer	12	9
Five largest customers	29	16

As far as the directors (the "Directors") of the Company aware, none of the Directors or supervisors (the "Supervisors") or their respective connected persons or any Shareholders holding more than 5% of the Company's share capital had any direct or indirect interests in any of the five largest suppliers or the five largest customers of the Group.

## SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2015 are set out in note VII.(I)1 to the financial statements on pages 134 to 135 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION-IN-PROGRESS

Details of the changes in the property, plant and equipment and construction-in-progress of the Group during the Year are set out in notes V.(I) 13 to 15 respectively to the financial statements on pages 109 to 113 of this annual report respectively.



### SHARE CAPITAL

Details of the share capital of the Company are set out in note V.(I)28 to the financial statements on page 121 of this annual report.

The Company did not have any proposal for bonus issue, placing of shares or issue of new shares during the Year and there was no change in the share capital of the Company during the Year and the period from 31 December 2015 up to the date of this annual report.

### RESERVE

Details of changes in reserve for the Year of the Group are set out in notes V.(I) 29 to 32 to the financial statements for the Year from pages 121 to 122.

### OVERDUE TIME DEPOSITS

As at 31 December 2015, the Group did not have any deposit and trust deposit with non-banking financial institutions nor time deposits that cannot be recovered on maturity.

### INCOME TAX

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.

According to the document of High-tech Enterprises Recognition Committee of Sichuan Province (Chuangaoqiren [2014] No.6), the Company's subsidiaries, Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, 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 2014 to 2016.

According to Sugaoqixie [2015] No.14 issued by the High-tech Enterprises Recognition and Management Coordination Group of Jiangsu Province, the Company's subsidiary, Jiangsu Fasten Photonics Co., Ltd., was recognised as the second batch of high-tech enterprises in 2015 in Jiangsu Province and enjoyed the high-tech enterprises preferential tax rate of 15% for a period of three years from 2015 to 2017.

### RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have caused on the Group's financial performance. 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.

The Group has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk.

# REPORT OF THE DIRECTORS

## (I) Credit risk

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

The Group's credit risk is primarily attributable to bank balances and receivables. In order to control such risks, the Group has taken the following measures:

### 1. Bank balances

The Group deposits its bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

### 2. 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.

## (II) Liquidity risk

Liquidity risk is the risk that the Group 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 Group utilized financing tools such as notes settlement, bank borrowings, etc. and adopted long and short financing methods to optimize financing structures, and finally maintained a balance between financing sustainability and flexibility. The Group has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

## (III) Market risk

Market risk is the risk that the Group may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market price. Market risk mainly includes interest risk and foreign exchange risk.

### 1. Interest risk

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

### 2. Foreign currency risk

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

# REPORT OF THE DIRECTORS

## NUMBER OF SHAREHOLDERS

Details of the number of Shareholders as recorded in the register of members of the Company as at 31 December 2015 are as follows:

Classification	Number of Shareholders
State-owned legal person shares	1
Overseas listed foreign invested shares — H Shares	195
Total number of Shareholders	196

## SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the largest Shareholder was China Potevio, holding 240,000,000 issued state-owned legal person shares, representing 60% of the total issued share capital of the Company. At the beginning of the Year, HKSCC Nominees Limited ("HKSCC", holding shares of the Company on behalf of various customers) held 155,668,998 H Shares of the Company, representing 38.92% of the total issued share capital of the Company. At the end of the Year, HKSCC held 156,138,999 H Shares of the Company, representing 39.03% of the total issued share capital of the Company.

As shown in the register of substantial shareholders maintained under Section 336 of the Securities and Futures Ordinance ("SFO"), the Group has been notified by the Shareholders holding 5% or more of the Company's issued H Shares. The interests, other than those held by Directors, Supervisors and chief executives of the Company, are disclosed below.

As indicated by HKSCC, as at 31 December 2015, the following Central Clearing and Settlement System ("CCASS") participants held 5% or more of the total number of H Shares issued:

CCASS participant	Number of H Shares held at the end of the Year	Percentage of H Shares	Percentage of total issued share capital
The Hongkong & Shanghai Banking Corporation Limited	11,033,100	6.89%	2.76%
BOCI Securities Limited	10,533,000	6.58%	2.63%
ICBC (Asia) Securities Limited	10,182,000	6.36%	2.55%
DBS Vickers (Hong Kong) Limited	9,016,000	5.63%	2.25%
CITIC Securities Brokerage (HK) Limited	8,559,000	5.34%	2.14%
Bank of China (Hong Kong) Limited	8,550,000	5.34%	2.14%

As at 31 December 2015, as far as the Directors are aware, the following person(s) (excluding the Directors, Supervisors and Senior Management of the Company) had or was deemed to have interests or short positions in the shares, underlying shares and debentures of the Company as recorded in the register required to be maintained by the Company under Section 336 of the SFO:

Name	Capacity	Number of shares held	Percentage of shareholding	Percentage of total issued capital	Long/short position
Chen Shenghua	Beneficial owner	8,640,000 (H shares)	5.40%	2.16%	Long position





# REPORT OF THE DIRECTORS

Saved as disclosed above, as at 31 December 2015, the Board was not aware of any person (excluding the Directors, Supervisors and Senior Management of the Company) holding any interests or short positions in the shares, underlying shares or debentures of the Company which are required to be disclosed pursuant to Section 336 of the SFO.

## SUFFICIENT PUBLIC FLOAT

According to public information available to the Company and to the best knowledge of each director, the Company confirmed that the public held sufficient shares during the Year and as at the date of this report.

## DIRECTORS AND SUPERVISORS

During the Year and as at the date of this report, the Directors and Supervisors are as follows:

### Executive Directors

Zhang Xiaocheng  
Wang Micheng (appointed on 12 March 2015)  
Ping Hao (resigned on 12 March 2015)  
Cong Huisheng (resigned on 12 November 2015)  
Chen Ruowei (resigned on 12 November 2015)  
Du Xinhua (resigned on 12 November 2015)  
Wang Feng (appointed on 12 November 2015)  
Han Shu (appointed on 12 November 2015)  
Xu Liying (appointed on 12 November 2015)  
Fan Xu

### Independent Non-executive Directors

Choy Sze Chung, Jojo  
Li Yuanpeng (resigned on 12 November 2015)  
Xiao Xiaozhou  
Lin Zulun (appointed on 4 February 2016)

### Supervisors

Zheng Zhili  
Xiong Ting  
Dai Xiaoyi

On 4 February 2016, the Board of the Company approved the nomination of Mr. Lin Zulun as an independent non-executive Director of the Company. According to the Articles of Association, the Board shall have the power to appoint any person as Director to fill a casual vacancy of or as an additional Director to the Board. The Director so appointed shall hold office until the next annual general meeting of the Company and shall be eligible for re-election. Accordingly, the Board has resolved to submit the proposal as an ordinary resolution at the annual general meeting to approve the re-election of Mr. Lin as an independent non-executive Director and to fix his remuneration. Mr. Lin was also appointed as a member of the audit committee, nomination committee, remuneration and appraisal committee and strategic development committee of the Company.

## PROFILE OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

### 1. DIRECTORS

#### Executive Directors

**Mr. Zhang Xiaocheng**, aged 59, has a master's degree in business administration and is a senior economist. He is a director and vice president of China Potevio and an executive Director and chairman of the eighth session of the Board of the Company. He is also the chairman of China Putian Houma Communications Co., Ltd. (侯馬普天通信電纜有限公司) and a director of Infotech Pacific Ventures L.P. in Beijing (北京盈富泰克創業投資有限公司). He was previously the director of the industrial economic research division of the Research Institute of Economics (經濟研究所) of Da Lian College of Economics and Management (大連經濟管理學院), the office secretary, the secretary to the general manager, the deputy director of office, the director of the research centre, the general manager of the corporate management department and the capital operation department of Potevio Group; the assistant to the factory manager and assistant factory manager of Xian Microwave Hardware Factory of the Posts and Telecommunications Ministry (郵電部西安微波設備廠), the Director of the second, fifth and sixth sessions of the Board of the Company and the chairman of the third and fourth sessions of the Supervisory Committee of the Company. During the past three years, Mr. Zhang held directorships in two companies listed on the Shanghai Stock Exchange, namely Eastern Communications Co., Ltd. (東方通信股份有限公司) (stock code: 600776) and Shanghai Potevio Co., Ltd. (上海普天郵通科技股份有限公司) (stock code: 600680). Mr. Zhang joined the Company in October 1997 and has more than twenty years of experience in corporate investment and operation management.

**Mr. Wang Micheng**, aged 49, has a master's degree in Business Administration from China Europe International Business School and a bachelor's degree in Arts from Hangzhou University. He is currently a director, vice chairman, general manager and secretary of the party committee of Hangzhou HONYAR Electrical Co., LTD (杭州鴻雁電器有限公司), and concurrently serves as an executive director (legal representative) of Putian Intelligent Lighting Research Institute Co., Ltd. (普天智能照明研究院有限公司). Since August 1988, Mr. Wang served at Hangzhou HONYAR Electrical Co., LTD (杭州鴻雁電器有限公司) as secretary to general manager, deputy manager of the marketing department, deputy manager of the public relations department, office director and manager of the marketing department, assistant to general manager and office director, manager of the public relations department, deputy general manager and manager of the plastic business department, and executive deputy general manager and manager of the plastic business department. Mr. Wang has over twenty years of extensive experience in corporate management.

**Mr. Wang Feng**, aged 55, currently an executive Director of the eighth session of the Board. Mr. Wang has a bachelor's degree in Engineering from Beijing University of Posts and Telecommunications and a master's degree in Business Administration from Macau University of Science and Technology. He is currently a general manager of the corporate development department of China Potevio, and concurrently serves as a director of Eastern Communications Co., Ltd. (東方通信股份有限公司) (the shares of which listed on the Shanghai Stock Exchange, stock code: 600776), chairman of Great Dragon Information Co., Ltd. (巨龍信息技術有限責任公司) and chairman of Jingdezhen Potevio Co., Ltd. (景德鎮普天科技有限公司). Mr. Wang was previously an assistant engineer, engineer, the deputy head of the technology division, director of the technology operation department, deputy chief engineer, deputy factory manager, factory manager and secretary of the party committee of Guiyang Putian Communication Machinery Factory (貴陽普天通信機械廠), the general manager and secretary of the party committee of Guiyang PUTIAN Wanxiang Logistics Technology Co., Ltd. (貴陽

## REPORT OF THE DIRECTORS

普天萬向物流技術股份有限公司), the deputy director of the reform office, director of the reform office and general manager of the corporate development department of Potevio Group, the deputy factory manager, deputy secretary of the party committee and secretary of the disciplinary division of Putian Capital Communications Equipment Factory (Group) (普天首信通信設備廠(集團)), the vice president of Daheng New Epoch Technology Inc. (大恒新紀元科技股份有限公司), the deputy general manager and general manager of Putian Logistics Technology Co., Ltd (普天物流技術有限公司), the deputy general manager of the electronic business department of China Potevio and director and vice chairman of Guiyang Putian Logistics Technology Company Limited (貴陽普天物流技術股份有限公司). Mr. Wang has over twenty years of extensive experience in business administration.

**Mr. Han Shu**, aged 52, currently as an executive Director of the eighth session of the Board. Mr. Han has a bachelor's degree in Engineering from Nanjing University of Posts and Telecommunications and a master's degree in Engineering from Beijing University of Posts and Telecommunications. He is currently a general manager of business department I of China Potevio and a director of Nanjing PUTIAN Telecommunications Company Limited (B shares of which listed on the Shenzhen Stock Exchange, stock short name: 甯通信B). Mr. Han was previously a technician at the second workshop of Xi'an Microwave Hardware Factory of the Posts and Telecommunications Ministry (郵電部西安微波設備廠), an engineer and the deputy director of head office Xi'an Posts and Telecommunications Equipment Factory Machine Branch (西安郵電通信設備廠整機分廠), deputy factory manager, factory manager and secretary of the party committee of Xi'an Putian Communication Equipment Factory (西安普天通信設備廠) and the deputy general manager of communication business department and general manager of marketing department I of China Potevio. Mr. Han has over twenty years of extensive experience in communication and information technology.

**Ms. Xu Liying**, aged 45, currently an executive Director of the eighth session of the Board. Ms. Xu has a bachelor's degree in Economics from Hangzhou College of Commerce and a master's degree in Economics from Shanghai University of Finance and Economics. She is currently a deputy general manager of finance department of China Potevio. Ms. Xu was previously a cost accountant of finance department, general ledger accountant and the deputy head of finance division of Hangzhou Alkali Pump Factory (杭州鹼泵廠), cost accountant of finance department, general ledger accountant, finance manager of subsidiaries, senior audit executive of internal audit department, audit manager and the general manager of audit department and office director of supervisory committee of Eastern Communications Co., Ltd. (東方通信股份有限公司), the manager of audit department and manager of accounting department of Beijing Teamsun Technology Co., Ltd. (華勝天成科技股份有限公司), the chief accountant and general manager of finance department of Kunhe Real Estate Corporation Limited (坤和房地產集團有限公司) and the general manager of corporate management department of Putian Eastern Communications Group Co., Ltd. (普天東方通信集團有限公司). Ms. Xu has extensive experience in financial management and internal control management.

**Mr. Fan Xu**, aged 40, holds a master's degree in management engineering and science from Tsinghua University. Mr. Fan is an executive director of the eighth session of the Board and the deputy general manager of Beijing PUTIAN Investment Management Company Limited (北京普天聯創投資管理有限公司). Mr. Fan ceased to act as deputy general manager of the Company from 25 December 2015. He served as the investment management director of capital operation department, senior investment management director of corporate development department and equity investment and financing manager of investment and financing development department of China Potevio. Mr. Fan joined the Company in February 2012 and has extensive experience in economic analysis and capital operation.



## Independent Non-executive Directors

**Mr. Choy Sze Chung, Jojo**, aged 57, has a master's degree in business administration. He obtained the master of business administration degree from University of Wales and the master of business law degree from Monash University. Mr. Choy is an independent non-executive director of the eighth session of the Board of the Company and the vice chairman of National Resources Securities Limited (中潤證券有限公司). Mr. Choy is the independent non-executive director of four companies listed on the Hong Kong Stock Exchange, namely, Zhaojin Mining Industry Company Limited (招金礦業股份有限公司) (stock code: 01818), Sparkle Roll Group Limited (耀萊集團有限公司) (stock code: 00970), Orient Securities International Holdings Limited (stock code: 08001) and Luye Pharma Group Ltd. (stock code: 02186). He was a director and general manager of Yongjin Company Limited (涌金有限公司), the marketing & sales director of Quam Securities Company Limited and the sales director of the retail brokerage department at BOCI Securities Limited. He is also the vice chairman of the Institute of Securities Dealers Limited in Hong Kong, a fellow member of The Hong Kong Institute of Directors, the director of securities team of The Hong Kong Mediation Alliance, a committee member of Society of Registered Financial Planners, a fellow member of Institute of Financial Accountants, a fellow member of the Institute of Compliance Officer, a member of Shantou Chinese People's Political Consultative Committee, an honorary president of Shantou Overseas Friendship Association, an honorary president of Shantou Overseas Exchange Association, a standing director of The Overseas Teo Chew Entrepreneurs Association, an honorary principal of Chen Po Sum School and a committee council member of Rotary Club Kowloon West. He was an independent non-executive Director of the fifth and sixth sessions of the Board of the Company. Mr. Choy has joined the Company since 16 February 2006. Mr. Choy has extensive experience in the securities industry and business management.

**Mr. Xiao Xiaozhou**, aged 62, has a bachelor's degree in engineering from Southwest Jiaotong University. He is an independent non-executive director of the eighth session of the Board of the Company. Mr. Xiao served as the deputy chief engineer, the head of production department and the deputy factory head of Liu Zhou Locomotive and Rolling Stock Factory (柳州機車車輛廠), the senior engineer of the operation and sales department of China National Railway Locomotive & Rolling Stock Industry Corporation (中國鐵路機車車輛工業總公司), the head of the marketing department and the marketing and sales division, the general manager of the truck business division and the deputy chief economist of CSR Corporation, the chairman of the board of directors of CSR Investment & Leasing Co. Ltd. (南車投資租賃有限公司) and the assistant to the president of CSR Corporation Limited. Mr. Xiao has over 40 years of experience in business management, production management and marketing management. Mr. Xiao joined the Company on 31 July 2013.

**Mr. Lin Zulun**, aged 65, obtained his bachelor's degree from the University of Electronic Science and Technology of China (電子科技大學) (the "UESTC") specialising in display technology, and is currently a professor at the UESTC engaging in the study of technology in optoelectronics and electronics. He has previously held various positions at the UESTC, including assistant professor, assistant engineer, engineer and senior engineer, and has also been granted special subsidy from the State Council of the People's Republic of China (中華人民共和國國務院特殊津貼) as recognition for his professional contributions to the science and technology industry. From 2002 to 2005, he had worked as the chief engineer of Chengdu Chengdian Zhengyuan Limited\* (成都成電正元股份有限公司). In his career development, Mr. Lin has been engaging in a wide range of science and technology sectors, including but not limited to optical imaging technology (光電成像技術), electron and ion technology (電子與離子技術), display technology (電子束顯示技術), projection display technology (投影顯示技術), organic electroluminescent flat panel display technology (有機電致發光平板顯示技術), field emission technology (場致發射技術), thermal electron emission technology (熱電子發射技術) and other related technologies. Mr. Lin has been engaged in more than 30 research projects in technology spanning across provincial and national levels and has won a total of 10 awards for his projects. His national awards include runner-up for the Second Class Award for the State Technological Invention Award (國家技術發明獎) and the National Science and Technology Progress Award (國家科技進步獎) and most of his awards are the highest honours of the People's Republic of China in the technology sector. Mr. Lin joined the Company on 4 February 2016.

\* For identification purpose only

# REPORT OF THE DIRECTORS

## Service Contracts of Directors

Each of the existing Directors appointed or re-elected on 12 November 2015 has entered into a service contract with the Company, with a term of three years commencing from 12 November 2015 to the date when a new session of the Board is elected at an extraordinary general meeting to be held in 2018. Mr. Lin Zulun has also entered into a service contract with the Company, with a term commencing from 4 February 2016 to the date of the annual general meeting to be held in 2016. The Directors' remuneration includes salary, bonus, allowance and other benefits including pension.

Save as disclosed above, no Director has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## 2. SUPERVISORS

**Mr. Zheng Zhili**, aged 56, is a Party member, the team leader of the Discipline Inspection Commission and the chairman of labour union of China PUTIAN Corporation, and concurrently serves as the secretary to party committee of Putian Eastern Communications Group Co., Ltd. (普天東方通信集團有限公司) and a supervisor of Putian New Energy Co., Ltd. (普天新能源有限責任公司). Mr. Zheng served as the secretary and a regimental officer of the office of political department of the Commission of Science Technology and Industry for National Defense, a supervisor at department level and deputy director of the office of supervisory bureau under the Discipline Inspection Commission of the State Economic and Trade Commission, and the deputy director and a discipline inspector at deputy bureau chief level of the office of supervisory bureau of the discipline inspection commission of the State-owned Assets Supervision and Administration Commission of the State Council. Mr. Zheng joined the Company in November 2012 and has extensive experience in corporate management and audit supervision.

**Mr. Xiong Ting**, aged 53, obtained a bachelor's degree in university. He is the Supervisor of the eighth session of the Supervisory Committee, the deputy secretary of the party committee, the secretary of the Disciplinary Commission and a chairman of the labour union of the Company. Mr. Xiong served as the secretary of the league committee, the factory manager of the branch factory and the director of the office of Chengdu Cable Factory of the Ministry of Posts and Telecommunications (郵電部成都電纜廠), assistant to general manager of the Company, manager of the supplier company and supervisor of the fifth and sixth sessions of the Supervisory Committee. Mr. Xiong joined the Company in 1982 and has over ten years of experience in corporate administrative management.

**Ms. Dai Xiaoyi**, aged 42, graduated from Chongqing Institute of Post and Telecommunications and obtained professional and tertiary qualification in fiber-optic communication in the faculty of telecommunications. She is an engineer and is the deputy director of Party-Masses Work Department and the vice chairman of the labor union of the Company. Ms. Dai joined the Company in September 1995 and served as a technician, assistant staff and engineer of the examination department (檢測部). Ms. Dai was democratically elected by the staff of the Company as a Supervisor of the eighth session of the Supervisory Committee of the Company.

## Service Contracts of Supervisors

Each of the existing Supervisors appointed or re-elected on 12 November 2015 has entered into a service contract with the Company, with a term of three years commencing from 12 November 2015 to the date when a new session of the Supervisory Committee is elected at an extraordinary general meeting to be held in 2018. Terms of office of all Supervisors are renewable for re-election or re-appointment upon expiration.

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

### 3. COMPANY SECRETARY

**Ms. Kwong Yin Ping, Yvonne**, joined the Company on 27 October 2011. Ms. Kwong Yin Ping holds a bachelor's degree in accountancy from the Hong Kong Polytechnic University and is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Kwong had worked at the corporate secretarial departments of various well-established local and international professional institutions and listed companies in the last thirty years.

### 4. SENIOR MANAGEMENT

**Mr. Hu Mingde**, aged 48, completed university education and is the deputy general manager of the marketing department of the Company. Mr. Hu joined the Company in 1990. He served as manager of sales department and manager, assistant to general manager and deputy general manager of the Company. Mr. Hu has extensive experience in marketing and image promotion.

**Ms. Yu Qian**, aged 46, a postgraduate, is the Chief Financial Officer of the Company. Ms. Yu joined the Company in November 2011, and was once the Chief Financial Officer of Chengdu SEI (a large optical fiber manufacturer in the PRC, which is affiliated to the Company). Ms. Yu is well experienced in financial supervision in the communication industry and is familiar with the financial position of the Company and the management and operation of stock companies.

## ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY AND SOCIAL RESPONSIBILITY

### 1. Environmental protection

#### Energy consumption and conservation

Energy consumption	Unit	2015	2014	Change in % ("—" represents decrease)
Electricity	KWH	<b>16,035,618</b>	13,088,593	22.52
Tap water	Ton	<b>44,082</b>	36,950	19.30
Ground water	Ton	<b>5,480</b>	20,360	-73.08
Natural gas	m <sup>3</sup>	<b>79,616</b>	116,627	-31.73
Compressed air	m <sup>3</sup>	<b>5,401,711</b>	2,116,782	155.19
Recycling water	m <sup>3</sup>	<b>863,015</b>	701,000	23.11

Total energy consumption per RMB10,000 of production	Unit	2015	2014	Change in % ("—" represents decrease)
Electricity	Tons standard coal/ RMB10,000	<b>0.024</b>	0.027	-12.18
Natural gas	Tons standard coal/ RMB10,000	<b>0.0013</b>	0.0023	-44.42



# REPORT OF THE DIRECTORS

Emission	Unit	Density	Limit	Applicable standard
CODcr	mg/L	176	500	Integrated Wastewater Discharge Standard (污水綜合排放標準) (GB8978-1996)
Ammonia nitrogen	mg/L	14.2	45	Wastewater Quality Standards for Discharge to Municipal Sewers (污水排入城鎮下水道水質標準) (CJ 343-2010)
SO <sub>2</sub>	mg/m <sup>3</sup>	1.3	100	Emission Standard of Air Pollutant from Boiler (鍋爐大氣污染物排放標準) (GB13271-2001)
Nitric oxide	mg/m <sup>3</sup>	23.2	400	Emission Standard of Air Pollutant from Boiler (鍋爐大氣污染物排放標準) (GB13271-2001)
Daytime noise	dB(A)	55.57	65	Emission Standard for Industrial Enterprises Noise at Boundary (工業企業廠界噪聲標準) (GB12348-1990)

Collected dangerous wastes were handled by the disposal units of dangerous wastes. In 2015, 2.8382 tons of ink diluent waste, lubricant waste, emulsion waste, package waste, concentrated pollution waste (acid waste) and other wastes were disposed, which was in compliance with the applicable environmental protection requirement.

## 2. Occupational health and safety

### 2.1 Production safety

Strictly adhering to the principle of "Safety First, Prevention as Priority, Comprehensive Management, Continuous Improvement" for safe production, the Company has established an accountability system for safe production as well as administrative system and operational rules for safety, investigated and rectified safety loopholes, monitored dangerous sources, set up preventive mechanism and standardised production behaviours. All production processes have complied with relevant laws, regulations and regulatory standards, and our staff, machines, products and working environment are in good production condition with continuous improvement, aiming to further enhance the standardised development of safe production of the Company.

#### **Striving to maintain safe production environment**

- Strengthened emergency management: the Company has formulated overall contingency plan for production safety incidents, contingency plan for ad-hoc environmental incidents and contingency plan for ad-hoc security incident.
- Safety measures: the Company strictly controlled key environmental factors and material dangerous sources, organized contingency drills, constructed facilities aiming to meet production safety standards, arranged safety training, checked and rectified safety loopholes, maintained safe stable production, performed social responsibilities, adopted labor protection measures, implemented environmental protection, fire control, occupational and health safety control, and maintained sound security and collective domicile management.

## 2.2 Rights protection

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

As at 31 December 2015, the Group had 2,079 employees, all of whom had signed labor contracts with insurance coverage and joined the labor union. There was not any labor dispute or any incident which had prejudiced the interests of staff. 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.

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

The Company has participated in the basic medical insurance scheme for employees in Chengdu since October 2002 and has made a total contribution amounting to approximately RMB2,390,000 in the Year (2014: RMB2,290,000).

The Company has participated in the housing provident fund scheme in Chengdu since January 1998, with a total contribution amounting to approximately RMB3,238,000 in the Year (2014: approximately RMB2,526,000).

The Company’s employees are equipped with labor tools and labor protection gear that are compliant with safety standards, while regular staff health checks are organized, as the Company continues to improve its conditions for operations in strict compliance with the Laws of The People’s Republic of China on the Prevention of Occupational Diseases and other laws and regulations relating to safety and hygiene. In 2015, the Company recorded zero death toll on production incident, zero incident on serious injury, minor injury and environmental pollution, and zero criminal case, public order case, occupational incident, fire incident and mass event.

## 2.3 Care for staff

Employees are the most important and valuable assets of the Group. 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 training to its staff.

The Company holds and organizes a great variety of entertainment activities to facilitate employees developing their interests and hobbies and learning new skills. In 2015, the Company launched a labor competition under the theme of “adapting to the new normal to bring new development”, sponsored the “Chengdu Million Staff Skill Contest on Optical Cable and Wire Extrusion of Defence Electronics System (Category Two)” (成都百萬職工技能大賽國防電子系統光電線纜擠塑工二類賽) and recommended outstanding staff to participate in “Wuwei Cup” (無為杯) of the Third Session of National Extrusion Skill Contest (全國第三屆擠塑工技能大賽) and other activities.



## REPORT OF THE DIRECTORS

To enhance support for employees in need, the Company continues to launch the campaigns of Giving Warmth in “Two Festivals” (「兩節」送溫暖行動) and “Autumn Scholarship” (金秋助(獎)學) to provide assistance to children of staff with financial difficulties and express our love and care to their families. In 2015, the Company offered various kinds of subsidies of approximately RMB63,000, including student subsidies of RMB16,400, to a total of 17 employees. We also offered book coupons totalling RMB2,100 on “1 June” Children’s Day to the children of employees with financial difficulties.

### 3. Social responsibility

The Company is actively involved in community building and conducts its business in a responsible manner in the places where it operates, with the aim of driving local economic and social development. Various activities that contribute to the well-being of local communities are organized based on their practical needs.

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

In 2015, the Company launched an online civilization voluntary campaign with 21 voluntaries registered to closely follow any update on the activities of the Communist Youth League via WeChat, Weibo and its official website. We continued to organise the workshop of “Pursuing Dreams in Youth to Accomplish a Colorful Life” as a bridge between the Company and colleges in order to identify talents.

The Company has adopted new practices to strictly prevent the resumption of the “four undesirable work styles”. By reinforcing the education on discipline during festive, implementing the “dual responsibilities on the same position” system and establishing position of staff supervisors, during the Year, the Company’s expenses on meetings, offices, hospitality and business trips further decreased, without any expenses for domestic (overseas) study tours. Our management team has fully complied with regulations on work-related spending without excessive uses of office. None of our senior management had any behavioral wrongdoings under the “eight regulations” promulgated by the central government.

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

Save as disclosed in the section headed “Continuing Connected Transactions” in this report, there were no transactions, arrangements and contracts of significance relating to the Company’s business (to which the Company or any of its subsidiaries was a party) in which any Director or Supervisor or their associated entity (within the meaning of section 486 of the Hong Kong Companies Ordinance) had significant interests, whether directly or indirectly at any time during the Year and at the end of the Year.

## COMPETING BUSINESS INTERESTS OF DIRECTORS AND SUPERVISORS

During the Year, none of the Directors nor Supervisors have any interests in a business which directly or indirectly competes or may compete with the business of the Company (excluding the Company’s business) and is discloseable under the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).



### **INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES**

As at 31 December 2015, none of the Directors, Supervisors and Chief Executives or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under Part XV of the SFO), or which would have to be, pursuant to section 352 of the SFO, entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (for this purpose, the relevant provisions of the SFO were interpreted as the same also applicable to Supervisors).

### **SHAREHOLDING OF DIRECTORS AND SUPERVISORS**

At no time during the Year did any of the Directors or Supervisors hold any shares of the Company. None of the Directors and Supervisors had any interests in the share capital or debentures of the Company or any of its associated corporations (as defined in the SFO). None of the Directors and Supervisors, their spouses or children under 18 years old was granted rights to purchase share capital or debentures of the Company or any of its associated corporations and there was no exercise of such rights by any of the said persons.

### **PURCHASE AND SALE OF SHARES OR DEBENTURES BY DIRECTORS AND SUPERVISORS**

At no time during the Year was the Company or any of its subsidiaries, holding companies or any fellow subsidiaries a party to any arrangement which enables the Directors and Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporations.

### **REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

Details about the remuneration of Directors, Supervisors and Senior Management are set out in note X.(II)6 to the financial statements on pages 146 and 147 of this annual report.

### **FIVE HIGHEST PAID INDIVIDUALS**

The five highest paid individuals in the Group during the Year include one Director. Details of the remuneration of the five highest paid individuals are set out in note X.(II)7 to the financial statements on page 147 of this annual report.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

For the year ended 31 December 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.



# REPORT OF THE DIRECTORS

## BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Group are set out in notes V.(I)19, 25, 26 to the financial statements on pages 116, 119, 120 of this annual report.

## PLEDGE OF ASSETS

During the Year, owing 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 (2014: the Group did not obtain any loan from banks which was secured by the Group's assets). As of 31 December 2015, the Group did not pledge any land use right as security (2014: Nil).

## PRE-EMPTIVE RIGHTS

Pursuant to the articles of association of the Company (the "Articles of Association") and the Company Law of the PRC, there are no pre-emptive rights which require the Company to offer new shares of the Company to the existing Shareholders in proportion to their respective shareholdings.

## CONVERTIBLE SECURITIES, SHARE OPTIONS, WARRANTS OR RELEVANT ENTITLEMENTS

During the year ended 31 December 2015, the Group did not issue any convertible securities, share options, warrants or relevant entitlements.

## PERMITTED INDEMNITY PROVISION

The Company has purchased and maintained liability insurance for the Directors and Senior Management for possible legal liabilities arising from their performance of duties.

## Significant Events

### 1. Election of the eighth session of the Board of Directors and the Supervisory Committee

According to the Articles of Association, the Board of Director shall have a term of three years and each Director shall be eligible for re-election. Directors are elected at the general meeting of the Company from candidates who are current Directors or are nominated by shareholders holding 3% or more of shares in issue of the Company. The term of three years of the seventh session of the Board of Directors from 2012 had expired. The eighth session of the Board of Directors the Company was elected at the first 2015 extraordinary general meeting on 12 November 2015. Mr. Zhang Xiaocheng, Mr. Wang Micheng, Mr. Wang Feng, Mr. Han Shu, Ms. Xu Liying and Mr. Fan Xu were elected as Directors of the eighth session of the Board of Directors. Mr. Choy Sze Chung, Jojo and Mr. Xiao Xiaozhou were elected as independent non-executive Directors of the eighth session of the Board. Mr. Zheng Zhili and Mr. Xiong Ting were elected as Supervisors of the eighth session of the Supervisory Committee. Ms. Dai Xiaoyi was elected as the staff representative by one-third of the staff representative Supervisors of the Supervisory Committee through a democratic election on 31 August 2015.

## REPORT OF THE DIRECTORS

According to article 88 of the Articles of Association, the Board shall have the power to appoint any person as a Director to fill a casual vacancy or as an addition member to the Board. Such appointment shall hold office only until the next annual general meeting of the Company, and such Director(s) shall then be eligible for re-election. Mr. Lin Zulun was appointed as an independent non-executive Director of the Company by the Board on 4 February 2016, with effect from such date until the conclusion of the next annual general meeting of the Company.

### 2. Continuing connected transactions

The following connected transactions of the Company are subject to the requirements relating to reporting, announcement, and independent shareholders' approval under Chapter 14A of the Listing Rules. Details of these transactions are set out in the announcement dated 25 September 2015 and a supplementary circular dated 12 October 2015. On 12 November 2015, these transactions were passed by way of ordinary resolutions at the 2015 first extraordinary general meeting of the Company.

#### ***Potevio Framework Sales Agreement***

On 25 September 2015, the Company entered into the Potevio Framework Sales Agreement for a term of three years commencing from 1 January 2015, in respect of the sale of certain wire, cables, optical fibers, telecommunication components and parts, from the Group to Potevio Group (including its subsidiaries but excluding the Group for the purpose of this section).

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

The principal terms of the Potevio Framework Sales Agreement are as follows:

Date	:	25 September 2015
Parties	:	The Company and China PUTIAN Corporation
Subject matter	:	The Group shall supply wire, cables, optical fibers, telecommunication components and parts to Potevio Group based on the requirements and demands of Potevio Group from time to time during the tenure of the Potevio Framework Sales Agreement
Tenure	:	1 January 2015 to 31 December 2017

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

The annual caps under the Potevio Framework Sales Agreement for the years ended 31 December 2015, 2016 and 2017 are RMB150.0 million, RMB149.5 million and RMB171.9 million, respectively.

During the year ended 31 December 2015, the aggregate payment received by the Company from Potevio Group was approximately RMB127.7 million.



# REPORT OF THE DIRECTORS

## **Sumitomo Framework Purchase Agreement**

On 25 September 2015, the Company entered into the Sumitomo Framework Purchase Agreement for a term of three years commencing from 1 January 2015, in respect of the purchase of optical fiber preform and paints by the Group from Sumitomo Electric Industries, Ltd. ("Sumitomo Electric") and its subsidiaries (collectively, "Sumitomo Electric Group").

As Sumitomo Electric is a substantial shareholder of a non-wholly owned subsidiary of the Group, Sumitomo Electric is a connected person of the Group at subsidiary level under the Listing Rules.

The principal terms of the Sumitomo Framework Purchase Agreement are as follows:

Date	:	25 September 2015
Parties	:	The Company and Sumitomo Electric
Subject matter	:	The Group shall purchase optical fiber preform and paints from Sumitomo Electric Group from time to time during the tenure of the Sumitomo Framework Purchase Agreement
Tenure	:	1 January 2015 to 31 December 2017

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

The annual caps under the Sumitomo Framework Purchase Agreement for the years ended 31 December 2015, 2016 and 2017 are RMB57.7 million, RMB106.6 million and RMB106.6 million, respectively.

During the year ended 31 December 2015, the aggregate payment made by the Company to Sumitomo Electric was approximately RMB 57.3 million.

## **Fasten Master Framework Agreement**

On 25 September 2015, the Group entered into the Fasten Master Framework Agreement for a term of three years commencing from 1 January 2015, in respect of (i) the purchases of optical fiber preform, wooden drums, wires and equipment from Jiangsu Fasten Hongsheng Group Co. Ltd.\* (江蘇法爾勝泓昇集團有限公司) and its subsidiaries (collectively, "Fasten Group"); (ii) the sales of optical fiber and optical cable to Fasten Group; and (iii) the leases with Fasten Group.

As Fasten Group Company Limited\* (法爾勝集團有限公司) and Jiangsu Fasten Company Limited\* (江蘇法爾勝股份有限公司), are substantial shareholders of Putian Fasten Cable Telecommunication Co. Ltd.\* (普天法爾勝光通信有限公司), which is considered to be a non-wholly-owned subsidiary of the Company, Fasten Group Company Limited\* (法爾勝集團有限公司) and Jiangsu Fasten Company Limited\* (江蘇法爾勝股份有限公司) are connected persons of the Group at subsidiary level under the Listing Rules. As Jiangsu Fasten Hongsheng Group Co., Ltd.\* (江蘇法爾勝泓昇集團有限公司) holds 100% equity interest in Fasten Group Company Limited\* (法爾勝集團有限公司), Fasten Group is therefore a connected person of the Group at subsidiary level under the Listing Rules.

\* For identification purpose only

## REPORT OF THE DIRECTORS

The principal terms of the Fasten Master Framework Agreement are as follows:

Date : 25 September 2015

Parties : The Company and Jiangsu Fasten Hongsheng Group Co., Ltd.\* (江蘇法爾勝泓昇集團有限公司)

Subject matter : The Group shall (i) purchase of optical fiber preform, wooden drums, wires and equipment from Fasten Group; (ii) sell optical fiber and optical cable to Fasten Group; and (iii) leases of manufacturing facility and machinery, patent and property with Fasten Group, from time to time during the tenure of the Fasten Master Framework Agreement

Tenure : 1 January 2015 to 31 December 2017

The selling prices of the optical fiber preform, wooden drums, wires and equipment to be purchased by the Group and optical fiber and optical cable to be purchased by Fasten Group are not fixed and to be determined in accordance with prevailing market prices that is comparable to the price offered to the Group by its other independent customers and to be agreed between the parties.

Leases of property with Fasten Group is determined by comparing property lease prices in the area of the factory with monthly payment for the leases. The licensing fee for use of patents with Fasten Group is a fixed amount with an annual payment. In accessing the licensing fee, the Group will consider (i) the economic benefit to the Group by leasing the patent; (ii) the fees of similar patents from oversea licensors; and (iii) the expected usage of the patents of the Group.

As regards purchases of optical fiber preform, wooden drums, wires and equipment, the annual caps under the Fasten Master Framework Agreement for the years ended 31 December 2015, 2016 and 2017 are RMB123.0 million, RMB141.5 million and RMB162.7 million, respectively.

As regards sales of optical fiber and optical cable, the annual caps under the Fasten Master Framework Agreement for the years ended 31 December 2015, 2016 and 2017 are RMB64.4 million, RMB74.1 million and RMB85.2 million, respectively.

As regards leases of manufacturing facility and machinery, patent and property, the annual caps under the Fasten Master Framework Agreement for the years ended 31 December 2015, 2016 and 2017 are RMB31.5 million, RMB31.5 million and RMB31.5 million, respectively.

During the year ended 31 December 2015, the aggregate payment in respect of purchases of optical fiber preform, wooden drums, wires and equipment made by the Company to Fasten Group was approximately RMB115.7 million.

During the year ended 31 December 2015, the aggregate payment in respect of sales of optical fiber and optical cable received by the Company from Fasten Group was approximately RMB38.5 million.

During the year ended 31 December 2015, the aggregate payment in respect of leases of manufacturing facility and machinery, patent and property made by the Company to Fasten Group was approximately RMB29.4 million.

\* For identification purpose only

# REPORT OF THE DIRECTORS

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

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

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

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

The auditor of the Company has confirmed to the Board that nothing has come to their attention that causes them to believe that the above continuing connected transactions for the year ended 31 December 2015:

- (i) have not been approved by the Board;
- (ii) were not, in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of goods or services by the Group;
- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iv) have exceeded the relevant annual caps as disclosed in the previous announcement dated 25 September 2015 of the Company.

## **Confirmations from the Company**

The Company has conducted a review of its continuing connected transactions and confirmed that, save as disclosed in the announcement dated 12 May 2015, all such transactions have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

### **3. Related party transactions**

Related party transactions of the Company are set out in note X(II) to the financial statements. For those related party transactions which constituted connected transactions or continuing connected transactions under the Listing Rules, they are set out in the paragraph headed "Continuing Connected Transactions" on pages 29 to 32 of this annual report. It has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.



### **MATERIAL LITIGATION**

To the knowledge of the Board, none of the Company or other members of the Group was involved in, among other things, any material litigation or arbitration during the Year.

### **CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE CODE**

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

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS**

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

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

### **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 comprises Mr. Choy Sze Chung, Jojo (Chairman of the Audit Committee), Mr. Xiao Xiaozhou and Mr. Lin Zulun, all being the independent non-executive directors of the Company. The Audit Committee is responsible for matters such as conducting reviews of the internal control and financial reports and has reviewed the Company’s audited financial statements and annual results for 2015.

The Audit Committee considered that the audited financial statements and annual results of the Company for 2015 were in full compliance with the requirements of the applicable accounting standards, laws and regulations and appropriate disclosure was made.

### **AUDITORS**

For the announcement on 22 August 2014, Daxin Certified Public Accountants (“Daxin”) have provided audit services to the Company for some years. According to the Central Enterprises Financial Audit Working Rules issued by the State-owned Assets Supervision and Administration Commission of the State Council relating to continuing audit services provided by the same firm of certified public accountants, Daxin have resigned as auditors of the Company on 23 August 2014. In accordance with the Articles of Association of the Company, the Board has appointed Pan-China Certified Public Accountants as auditors of the Company with effect from 23 August 2014 to fill the casual vacancy following the resignation of Daxin until the conclusion of the next annual general meeting of the Company.

The Company has reappointed Pan-China Certified Public Accountants as the auditors of the Company on the annual general meeting held on 5 June 2015.

The auditors will retire at the forthcoming annual general meeting and is eligible for re-appointment in the forthcoming annual general meeting. The financial statements of the Group prepared in accordance with the Accounting Standards issued by Ministry of Finance of the PRC have been audited by the auditors, Pan-China Certified Public Accountants.

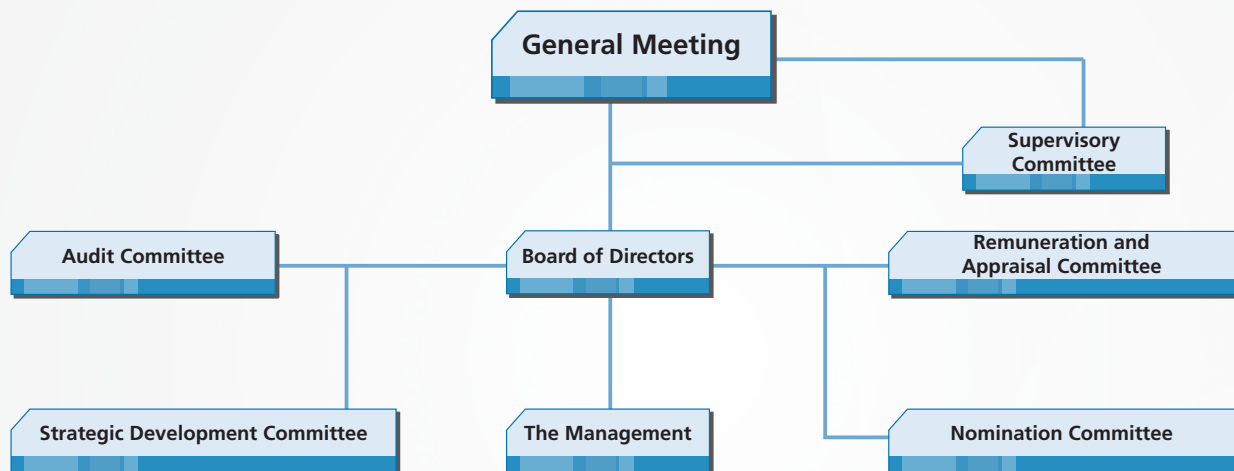
By order of the Board  
**Zhang Xiaocheng**  
Chairman

# CORPORATE GOVERNANCE REPORT

The Board hereby reports to the Shareholders in respect of the Company's undertakings and its performance on corporate governance for the year ended 31 December 2015 (the "Year").

The Company attaches great importance to corporate governance principles that emphasise a quality Board, effective internal controls, stringent disclosure practices and transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture. The Company is committed to maintaining a good framework of corporate governance and to complying with applicable statutory and regulatory requirements with a view to assuring the conduct of the management of the Company as well as protecting the interests of all shareholders. The Board mainly assumes responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company.

Set out below is the corporate governance structure of the Company:



## GOVERNANCE STRUCTURE

### (a) CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE CODE

Although the Company attached great importance to corporate governance and strives to comply with the Listing Rules and other relevant laws and regulations, the Company failed to act according to the Listing Rules to make announcements and seek shareholders' approval for some continuing connected transactions in the financial years of 2013 and 2014 and the first half of 2015. Most of such continuing connected transactions related to purchase or sales of optic fibre and related products from or to connected persons. The Company has adopted remedial measures, including publishing announcement in due course and seeking shareholders' approval, to ensure that information about continuing connected transactions is released in a timely manner. Please refer to the Company's supplementary circular dated 12 October 2015 and the poll results announcement dated 12 November 2015 for details. The Board had also put efforts to improve the information disclosure and compliance of the Company during the year.

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. The Company will strive to maintain a high standard of corporate governance and transparency of the Company and to safeguard the interest of Shareholders and the Company as a whole. Save as disclosed above, for the Year, the Company had applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The Group's corporate governance principles emphasize the importance of a quality Board, effective internal controls and accountability to shareholders.

The Company will, from time to time, review and enhance its corporate governance practices to ensure that these practices continue to meet the requirements of the CG Code.

### (b) COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the guidelines for the Directors' dealing in the securities of the Company. Upon specific enquiries of all the Directors and Supervisors, each of them confirmed that they have complied with the required standards set out in the Model Code during the Year in relation to their securities dealings, if any.



# CORPORATE GOVERNANCE REPORT

## (c) THE BOARD OF DIRECTORS

The eighth session of the Board was elected at the first extraordinary general meeting held on 12 November 2015. The Board currently comprises a total of 9 members, with 6 executive directors and 3 independent non-executive directors.

### Executive Directors

Mr. Zhang Xiaocheng (*Chairman*)  
Mr. Wang Micheng (*Vice Chairman, appointed on 12 March 2015*)  
Mr. Ping Hao (*resigned on 12 March 2015*)  
Mr. Cong Huisheng (*resigned on 12 November 2015*)  
Mr. Chen Ruowei (*resigned on 12 November 2015*)  
Mr. Du Xinhua (*resigned on 12 November 2015*)  
Mr. Wang Feng (*appointed on 12 November 2015*)  
Mr. Han Shu (*appointed on 12 November 2015*)  
Ms. Xu Liying (*appointed on 12 November 2015*)  
Mr. Fan Xu

### Independent Non-executive Directors

Mr. Choy Sze Chung, Jojo  
Mr. Li Yuanpeng (*resigned on 12 November 2015*)  
Mr. Xiao Xiaozhou  
Mr. Lin Zulun (*appointed on 4 February 2016*)

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Each of the existing Directors appointed or re-elected on 12 November 2015 has entered into a service contract with the Company, with a term of three years, commencing from 12 November 2015 to the date when a new session of Board is elected at an extraordinary general meeting to be held in 2018. Mr. Lin Zulun has also entered into a service contract with the Company, with a term commencing from 4 February 2016 to the date of the forthcoming annual general meeting to be held in 2016. Members of the Board come from different backgrounds and they have extensive experience in different sectors including information technology, securities and finance, wire and cable industry, corporate management, financing accounting, project management and capital operation, etc. Save as otherwise disclosed, members of the Board are unrelated to one another. The Board of Directors of the Company are able to fulfil the requirements set out in rules 3.10(1) and (2) of the Listing Rules. The list and biographies of the Directors are set out on pages 18 to 23 of this annual report.

Directors are elected in or replaced by way of the general meetings. Shareholders, the Board or the Supervisory Committee are entitled to nominate a candidate for directorship by written notice. Directors have a term of office of three years and are eligible to offer themselves for re-appointment upon expiry of the term.

## CORPORATE GOVERNANCE REPORT

The main responsibilities of the Board include overseeing all major matters of the Company, such as the formulation and approval of all policy matters and overall strategies, internal control and risk management and supervision of managerial staff, senior executives and employees. Its main duties are to exercise management decisions power with the authority delegated by the general meetings in respect of the Company strategic development and planning, business planning, management structure, investment and financing, human resources and manpower and financial control. The Board is also responsible for developing and reviewing the Company's policies and practices on compliance with legal and regulatory requirements, developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors. The Board has to make decisions that are of the best interests of the Company and the Shareholders and all substantial transactions or transactions of the Company with conflicts of interests are to be decided by the Board. Set out below are the corporate governance functions carried out by the Board:

- (a) to determine the policy of the corporate governance;
- (b) to develop and review the Company's policies and practices on corporate governance and make recommendations;
- (c) to review and monitor the training and continuous professional development of director and senior management;
- (d) to review and monitor company's policies and practices on compliance with legal and regulatory requirements;
- (e) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;  
and
- (f) to review the company's compliance with code and disclosure in corporate governance report.

During the Year, 10 meetings of the Board of the Company were held to discuss the Company's operating results, overall strategies, investment schemes as well as operation, amendments of the "Implementation Rules of Audit Committee of the Board" and financial performance. Directors could attend meetings in person or through other electronic communication devices.

# CORPORATE GOVERNANCE REPORT

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

Name of Directors	Board Meeting Attended/ Eligible to Attend	2014 Annual General Meeting Attended	2015 First Extraordinary General Meeting Attended
<b>Executive Directors</b>			
Mr. Zhang Xiaocheng ( <i>Chairman</i> )	8/10	✓	—
Mr. Wang Micheng ( <i>Vice Chairman</i> ) <sup>1</sup>	9/9	—	✓
Mr. Ping Hao <sup>2</sup>	0/1	—	—
Mr. Cong Huisheng <sup>3</sup>	7/8	—	—
Mr. Chen Ruowei <sup>4</sup>	8/8	—	—
Mr. Du Xinhua <sup>5</sup>	6/8	—	—
Mr. Wang Feng <sup>6</sup>	2/2	—	—
Mr. Han Shu <sup>7</sup>	2/2	—	—
Ms. Xu Liying <sup>8</sup>	1/2	—	—
Mr. Fan Xu	10/10	—	✓
<b>Independent Non-executive Directors</b>			
Mr. Choy Sze Chung, Jojo	9/10	✓	✓
Mr. Li Yuanpeng <sup>9</sup>	7/8	—	—
Mr. Xiao Xiaozhou	10/10	—	✓
Mr. Lin Zulun <sup>10</sup>	—	—	—

<sup>1</sup> Mr. Wang Micheng was appointed as executive Director on 12 March 2015.

<sup>2</sup> Mr. Ping Hao resigned as executive Director on 12 March 2015.

<sup>3</sup> Mr. Cong Huisheng resigned as executive Director on 12 November 2015.

<sup>4</sup> Mr. Chen Ruowei resigned as executive Director on 12 November 2015.

<sup>5</sup> Mr. Du Xinhua resigned as executive Director on 12 November 2015.

<sup>6</sup> Mr. Wang Feng was appointed as executive Director on 12 November 2015.

<sup>7</sup> Mr. Han Shu was appointed as executive Director on 12 November 2015.

<sup>8</sup> Ms. Xu Liying was appointed as executive Director on 12 November 2015.

<sup>9</sup> Mr. Li Yuanpeng resigned as independent non-executive Director on 12 November 2015.

<sup>10</sup> Mr. Lin Zulun was appointed as independent non-executive Director on 4 February 2016.

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable standards and to report on material uncertainties, if any, relating to events or conditions that may cast significance to doubt upon the Company's ability to continue as a going concern. The Directors are responsible for overseeing the preparation of financial statements of the Group with a view to ensuring that such financial statements give a true and fair view of the financial position of the Group that relevant statutory and regulatory requirements and applicable accounting standards are complied with. The Directors also acknowledge their responsibilities to ensure the financial statements of the Group are published in a timely manner. The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

The reporting responsibilities of the Company's external auditors on the financial statements of the Group are set out in the "Auditors' Report" in this annual report. Liability insurance for Directors and senior management officers of the Company was maintained by the Company with coverage of any legal liabilities which may arise in the course of performing their duties.



## INDEPENDENT NON-EXECUTIVE DIRECTORS

Although the Company attached great importance to corporate governance, the Company had a vacancy of independent non-executive Director after Mr. Li Yuanpeng did not seek for a re-election of Director at the first extraordinary general meeting in 2015 until a suitable candidates was identified in February 2016. Mr. Lin Zulun was duly appointed as independent non-executive Director on 4 February 2016. Upon the appointment, the Company met the requirements of the Listing Rules in relation to the minimum number of independent non-executive directors and their proportion in the Board. The Company has three Independent Non-executive Directors, which complies with the requirement of rules 3.10(1), (2) and 3.10(A) of the Listing Rules. Independent Non-executive Directors were assumed by the persons who are independent of any Directors, Supervisors, Chief Executives and substantial shareholders (as defined in the Listing Rules) or such individuals without any connection thereto (the independent third parties), which complies with the requirement of its independence of Listing Rules. According to the Listing Rules, each independent non-executive Director had confirmed his independence to the Stock Exchange prior to his appointment.

The Company has received written confirmation of independence from all independent non-executive Directors, confirming their independent status to the Company. The Company continues to consider them independent under Rule 3.13 of the Listing Rules. The independent Non-Executive Directors of the Company play an important role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. They bring an impartial view on issues of the Company's strategies, performance and control. Our Independent Non-Executive Directors possess extensive academic, professional and industry experience and management experience and have provided their independent, constructive and professional advice to the Board. The backgrounds of Independent Non-executive Directors are also in compliance with the requirements of rule 3.10(2) of the Listing Rules which requires that at least one Independent Non-executive Director has appropriate professional qualifications, accounting or related financial management expertise.

The independent non-executive Directors expressed their analysis and opinions in respect of various issues as far as the Shareholders and the Company are concerned, and their extensive experience in business and finance are essential for the smooth development of the Company. The attendance of independent non-executive Directors in Board meeting, either by attending in person or by way of electronic communication, was relatively high.

## BOARD MEETINGS

Meetings of the Board are held regularly and there was satisfactory attendance for board meetings. Regular board meetings are scheduled in advance to give the directors an opportunity to attend. All directors are invited to include matters in the agenda for regular board meetings and Directors can attend board meetings either in person or by electronic means of communication.

Notices of Board meetings or special committees meetings are delivered to the Directors or special committee members at least 14 days before the meetings for the Directors to prepare for the relevant meetings and incorporate other matters into the agenda. The meeting materials and the agenda of the Board meeting or special committee meeting are distributed to Directors or members of special committees at least 3 days before the meetings to allow sufficient time to enable them to review the relevant materials and prepare for the meetings.

Directors are free to express their views in the meetings. Important decisions will only be made after detailed discussions in the Board meetings. Directors confirm that they have the responsibility to act in the interests of the Shareholders and shall not ignore the interests of minority Shareholders.



# CORPORATE GOVERNANCE REPORT

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

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

Minutes of Board meetings or special committees meetings are to be kept by the secretary to the Board to which the Directors have free access. The management shall on their own accord or upon enquiries provide appropriate and sufficient information to the Directors and special committees members and/or respond as soon as possible so as to keep them informed of the Company's latest development to facilitate their performance of duties.

Each Director is provided with a Director's Handbook containing guidance on practice. Provisions of relevant legislations or the Listing Rules are quoted in the Director's Handbook to remind Directors of the need to discharge their responsibilities including disclosure to the supervisory bodies of their interest, potential conflict of interests and details about changes of personal data. The Director's Handbook will be updated from time to time as per changes in laws and regulations as well as the Listing Rules.

The Board and the special committees are provided with sufficient resources for performance of duties including but not limited to hiring consultants as and when necessary with fees borne by the Company. Individual Directors can also engage consultants for advice on any specific issues of the Company with fees borne by the Company. All Directors can obtain from the company secretary timely information and latest development about rules and regulations and other continual responsibilities which directors of listed companies must observe so as to ensure that each Director is informed of his own duties and that the Company implements Board procedures consistently and complies with the laws and regulations as appropriate.

## **(d) CHAIRMAN AND GENERAL MANAGER**

The Company's Chairman and the General Manager are appointed by the Board. The positions are respectively taken up by Mr. Zhang Xiaocheng and Mr. Wang Micheng (Mr. Wang Micheng took up the position of General Manager in place of Mr. Ping Hao with effect from 12 March 2015). The role of the Chairman is separate from that of the General Manager so as to delineate their respective areas of responsibility, power and authority. The Chairman focuses on the Group's strategic planning while the General Manager has overall executive responsibility for the Group's development and management. They receive significant support from the directors and the senior management team.

The Chairman has a clear responsibility to ensure that the whole Board receives, in a timely manner, adequate information which must be accurate, clear, complete and reliable. The Board, led by the Chairman, sets the overall directions, strategy and policies of the Company.

The Chairman provides leadership for the Board to ensure that it works effectively, performs its responsibilities and acts in the best interests of the Company. The Chairman is also responsible for overseeing effective functioning of the Board and application of good corporate governance practices and procedures.

The Chairman seeks to ensure that all directors are properly briefed on issues arising at board meetings. He also encourages the directors to make full and active contributions to the Board's affairs, to voice their concerns or different views and ensure that the decisions fairly reflect the consensus.

# CORPORATE GOVERNANCE REPORT

## (e) INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors, representing one-third of the directorship. They are assumed by persons totally independent of Directors, Supervisors, Chief Executives and substantial shareholders (as defined in the Listing Rules). Independent non-executive Directors, Mr. Choy Sze Chung, Jojo and Mr. Xiao Xiaozhou, have a term of office for three years, commencing from 12 November 2015, while Mr. Lin Zulun has a term commencing from 4 February 2016 to the date of the annual general meeting to be held in 2016. Mr. Choy Sze Chung, Jojo, Mr. Xiao Xiaozhou and Mr. Lin Zulun, our independent non-executive Directors, strictly comply with the independent requirements of the Listing Rules. The three independent non-executive Directors assume membership in the audit committee, nomination committee, remuneration and appraisal committee, and strategic development committee under the Board.

## (f) PROFESSIONAL TRAININGS TAKEN BY DIRECTORS

Directors shall keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company. All Directors are encouraged to participate in continuous professional development to further develop their knowledge and skills. The Company has arranged in-house trainings for Directors in the form of seminar and reading materials, journals and newsletters. Besides, in view of previous improper handling of continuing connected transactions and information disclosures, the Company has specially arranged training for Directors and relevant senior management on connected transactions and information disclosures. All Directors are encouraged to attend relevant training courses at the Company's expenses. A summary of training received by Directors during the Year according to the records provided by the Directors is as follows:

Name of Directors	Types of continuous professional training	
	Corporate governance, regulatory development and other related training	Read articles, publications, newsletter and updates relating to director's duty
<b>Executive Directors</b>		
Mr. Zhang Xiaocheng ( <i>Chairman</i> )	✓	✓
Mr. Wang Micheng ( <i>Vice Chairman</i> ) <sup>1</sup>	✓	✓
Mr. Ping Hao <sup>2</sup>	—	—
Mr. Cong Huisheng <sup>3</sup>	✓	✓
Mr. Chen Ruowei <sup>4</sup>	✓	✓
Mr. Du Xinhua <sup>5</sup>	✓	✓
Mr. Wang Feng <sup>6</sup>	✓	✓
Mr. Han Shu <sup>7</sup>	✓	✓
Ms. Xu Liying <sup>8</sup>	✓	✓
Mr. Fan Xu	✓	✓
<b>Independent Non-executive Directors</b>		
Mr. Choy Sze Chung, Jojo	✓	✓
Mr. Li Yuanpeng <sup>9</sup>	✓	✓
Mr. Xiao Xiaozhou	✓	✓
Mr. Lin Zulun <sup>10</sup>	—	—



# CORPORATE GOVERNANCE REPORT

- 1 Mr. Wang Micheng was appointed as executive Director on 12 March 2015.
- 2 Mr. Ping Hao resigned as executive Director on 12 March 2015.
- 3 Mr. Cong Huisheng resigned as executive Director on 12 November 2015.
- 4 Mr. Chen Ruowei resigned as executive Director on 12 November 2015.
- 5 Mr. Du Xinhua resigned as executive Director on 12 November 2015.
- 6 Mr. Wang Feng was appointed as executive Director on 12 November 2015.
- 7 Mr. Han Shu was appointed as executive Director on 12 November 2015.
- 8 Ms. Xu Liying was appointed as executive Director on 12 November 2015.
- 9 Mr. Li Yuanpeng resigned as independent non-executive Director on 12 November 2015.
- 10 Mr. Lin Zulun was appointed as independent non-executive Director on 4 February 2016.

## (g) REMUNERATION AND APPRAISAL COMMITTEE

Mr. Li Yuanpeng ceased to serve as a member of the remuneration and appraisal committee on 12 November 2015. Mr. Lin Zulun was appointed as a member of the remuneration and appraisal committee of the Company on 4 February 2016 to fill up the vacancy in accordance with the requirement of the Listing Rules regarding the number of members of the remuneration and appraisal committee. The remuneration and appraisal committee currently comprises five members, comprising three independent non-executive Directors, Mr. Choy Sze Chung, Jojo, Mr. Xiao Xiaozhou and Mr. Lin Zulun and two executive Directors, Mr. Han Shu and Ms. Xu Liying. The committee is chaired by Mr. Xiao Xiaozhou.

The remuneration and appraisal Committee has adopted the operation model where it makes recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

The purpose of the committee is to make recommendations to the Board on the remuneration policy and structure for all Directors and senior management of the Group and the remuneration of all Directors of each member of the Group. The committee is responsible for making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy on all Directors and senior management and for determining remuneration packages of individual executive directors and senior management. It also accesses the performance of executive directors and approves the terms of executive directors service contracts. It also makes recommendations to the Board on the remuneration of non-executive Directors (including independent non-executive directors), to supervise the execution of the remuneration system, to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with agreement terms; and if compensation payable could not be consistent with agreement terms, it should be fair and not excessive. The committee consults the chairman and/or the general manager about their remuneration proposals for other executive Directors.

The Group's remuneration policy seeks to provide fair and reasonable market remuneration in a form and value to attract, retain and motivate high quality staff. Remuneration packages are set at levels to ensure comparability and competitiveness with other companies in the industry and market competing for a similar talent pool. Emoluments are also based on an individual's knowledge, skill, time commitment, responsibilities and performance and by reference to the Group's profits and performance.

The remuneration and appraisal committee shall report the passed resolution(s) and voting results to the Board after each meeting in writing. The terms of reference of the remuneration and appraisal committee shall be made available for inspection on request, details of which are also published at the website of the Company (<http://cdc.com.cn>).

In evaluating the performance of the Directors and senior management, the Company used budget targets and audited financial reports as benchmarks. At the same time, sales revenue, net profits, and key performances were used as business indices. The Company's remuneration policy is that remuneration is linked with Company's performance. Directors' remuneration is determined upon appraisal by the remuneration and appraisal committee. By adopting such initiatives, the Company aims to attract, retain and encourage talents and provide supports for the achievement of operating targets of the Group.

# CORPORATE GOVERNANCE REPORT

Total income of senior management during the Year comprises of a basic annual salary and a performance-based annual bonus. Remuneration of Directors and Supervisors are determined in general meetings according to related policies or regulations of the PRC and the actual position of the Company. The remuneration of the Directors and Supervisors working for the Company are paid according to the duties they undertake in the Company.

One meeting was held in the Year. During the Year, the committee approved the remuneration assessment method for senior management of the Company.

Details of the remuneration of Directors and Supervisors for the year ended 31 December 2015 are set out on pages 146 to 147.

During the Year, independent non-executive Directors, namely Mr. Choy Sze Chung, Jojo, Mr. Li Yuanpeng and Mr. Xiao Xiaozhou, were paid director fees while the remaining Directors and Supervisors (including Directors and Supervisors working for the Company) were not paid any director or supervisor fees by the Company.

## **(h) NOMINATION COMMITTEE**

Mr. Li Yuanpeng ceased to serve as a member of the nomination committee on 12 November 2015. Mr. Lin Zulun was appointed as a member of the nomination committee of the Company on 4 February 2016 to fill up the vacancy in accordance with the requirement of the Listing Rules regarding the number of members of the nomination committee. The Board set up a nomination committee currently comprising five members, including three independent non-executive Directors, Mr. Choy Sze Chung, Jojo, Mr. Xiao Xiaozhou and Mr. Lin Zulun and two executive Directors, Mr. Wang Feng and Mr. Fan Xu. The committee is chaired by Mr. Choy Sze Chung, Jojo. The nomination committee holds meetings in due course every year.

The purpose of the committee is to determine the policy for the nomination of directors performed by the nomination committee. It is to lead the process for Board appointments and for identifying and nominating for the approval of the Board candidates for appointment to the Board. The committee is responsible for reviewing the structure, size, composition and diversity (including but not limited to gender, ages, cultural and education backgrounds, occupations, experience, skills, knowledge and length of service) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. The committee supervises the implementation of Board Diversity Policy, reviews such policy at least once a year to ensure its effectiveness, and advise the Board of Directors on any proposed revision of the policy. The committee carries out extensive search for qualified candidates for Directors and managers and it is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and the vice chairman and the chief executive officer of the Company. The committee consults the chairman of the Board about his proposals relating to the process for Board appointments and for identifying and nominating candidates as members of the Board.

The criteria for the committee to select and recommend a candidate for directorship include the candidate's skills, knowledge, experience and integrity and whether he/she can demonstrate a standard of competence commensurate with his/her position as a director of the Company.

The chairman of the nomination committee shall report the approved resolution(s) and the voting results to the Board after each meeting in writing.

The terms of reference of the nomination committee shall be made available for inspection on request, details of which are also published at the website of the Company (<http://cdc.com.cn>).

# CORPORATE GOVERNANCE REPORT

During the Year, the nomination committee had convened one meeting to review the composition of senior management of the Company. Specific details of attendance of the meeting are set out on page 45 of this section.

## (i) AUDIT COMMITTEE

Mr. Li Yuanpeng ceased to serve as a member of the audit committee on 12 November 2015. Mr. Lin Zulun was appointed as a member of the audit committee of the Company on 4 February 2016 to fill up the vacancy in accordance with the requirement of the Listing Rules regarding the number of members of the audit committee. The Company has set up an audit committee since August 1999. The committee currently comprises three members, including the existing three independent non-executive Directors of the Company, namely Mr. Choy Sze Chung, Jojo, Mr. Xiao Xiaozhou and Mr. Lin Zulun, and is chaired by Mr. Choy Sze Chung, Jojo.

Members of the audit committee have a term of three years. Terms of reference of the committee are formulated in accordance with recommendations of "A Guide for Effective Audit Committee" promulgated by the Hong Kong Institute of Certified Public Accountants and the requirements of the Listing Rules. Its major duties include: to report to the Board, examine quality and procedure of the Group's interim and annual reports, review the connected transactions, monitor the financial reporting procedure, review soundness and effectiveness of internal control system of the Company, consider the appointment of independent auditors, co-ordinate and review its efficiency and work quality, study written reports of internal audit staff and review feedback from the management to such reports.

The terms of reference of the audit committee shall be made available for inspection on request, details of which are also published at the website of the Company (<http://cdc.com.cn>).

During the Year, the audit committee had convened two meetings. During the meetings, the Audit Committee reviewed the annual results and its corresponding accounts for 2014, the interim results and its corresponding accounts for the six months ended 30 June 2015, the Company's works on internal control and other works as required under the CG Code. Specific details of attendance of the meetings are set out on page 45 of this section. All resolutions passed during the meetings of the committee were duly recorded in accordance with related rules, and the records were filed upon perusal by all members of the audit committee with amendments. After each meeting, the chairman submitted reports on the significant matters discussed to the Board.

## (i) STRATEGIC DEVELOPMENT COMMITTEE

The strategic development committee currently comprises five members, including three independent non-executive Directors, Mr. Choy Sze Chung, Jojo, Mr. Xiao Xiaozhou and Mr. Lin Zulun and two executive Directors, Mr. Zhang Xiaocheng and Mr. Wang Micheng. The committee is chaired by Mr. Zhang Xiaocheng.

The role and main duties of the strategic development committee include studying and advising on the Company's mid to long-term strategic development and planning; studying and advising on the material investment, financing proposal, significant use of capital and project of asset operation subject to approval of the Board pursuant to the Articles of Association; studying and advising on any other material events which have influence on the development of the Company; and checking the implementation of the above matters.

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

During the Year, the strategic development committee convened one meeting to review the business development strategies of the Company under the 13th Five-Year Plan.



# CORPORATE GOVERNANCE REPORT

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

	Audit Committee Meeting Attended/ Eligible to Attend	Nomination Committee Meeting Attended/ Eligible to Attend	Remuneration and Appraisal Committee Meeting Attended/ Eligible to Attend	Strategic Development Committee Meeting Attended/ Eligible to Attend
<b>Executive Directors</b>				
Mr. Zhang Xiaocheng ( <i>Chairman</i> )	—	—	—	1/1
Mr. Wang Micheng ( <i>Vice Chairman</i> ) <sup>1</sup>	—	—	—	1/1
Mr. Ping Hao <sup>2</sup>	—	—	—	—
Mr. Cong Huisheng <sup>3</sup>	—	—	1/1	—
Mr. Chen Ruowei <sup>4</sup>	—	1/1	—	—
Mr. Du Xinhua <sup>5</sup>	—	—	1/1	—
Mr. Wang Feng <sup>6</sup>	—	—	—	—
Mr. Han Shu <sup>7</sup>	—	—	—	—
Ms. Xu Liying <sup>8</sup>	—	—	—	—
Mr. Fan Xu	—	1/1	—	—
<b>Independent Non-executive Directors</b>				
Mr. Choy Sze Chung, Jojo	2/2	1/1	1/1	1/1
Mr. Li Yuanpeng <sup>9</sup>	2/2	1/1	1/1	1/1
Mr. Xiao Xiaozhou	2/2	1/1	1/1	1/1
Mr. Lin Zulun <sup>10</sup>	—	—	—	—

<sup>1</sup> Mr. Wang Micheng was appointed as executive Director on 12 March 2015.

<sup>2</sup> Mr. Ping Hao resigned as executive Director on 12 March 2015.

<sup>3</sup> Mr. Cong Huisheng resigned as executive Director on 12 November 2015.

<sup>4</sup> Mr. Chen Ruowei resigned as executive Director on 12 November 2015.

<sup>5</sup> Mr. Du Xinhua resigned as executive Director on 12 November 2015.

<sup>6</sup> Mr. Wang Feng was appointed as executive Director on 12 November 2015.

<sup>7</sup> Mr. Han Shu was appointed as executive Director on 12 November 2015.

<sup>8</sup> Ms. Xu Liying was appointed as executive Director on 12 November 2015.

<sup>9</sup> Mr. Li Yuanpeng resigned as independent non-executive Director on 12 November 2015.

<sup>10</sup> Mr. Lin Zulun was appointed as independent non-executive Director on 4 February 2016.

## (k) AUDITOR'S REMUNERATION

The auditor engaged by the Company is nominated by the Board and is approved by Shareholders in the general meeting. Apart from annual audit, the auditor of the Company has also reviewed the interim reports of the Company. Its remuneration was determined by the Board as authorized by the general meeting. During the Year, the remuneration paid to the auditor for auditing services totalled RMB0.9 million, the remuneration for the provision of non-audit related services (i.e. review of interim report) to the Company is RMB0.18 million.

# CORPORATE GOVERNANCE REPORT

## MONITORING MECHANISM

### Supervisory Committee

The Supervisory Committee was established in accordance with the relevant PRC law. It independently performs its supervisory duty under the law to protect against infringement of lawful rights of Shareholders, the Company and its staff. Also, it reviews the financial position and the financial information of the Company pursuant to the Articles of Association, monitors the decisions made by the Board and senior management for operation and management of the Company as to whether they are in accordance with relevant requirements of the laws and regulations.

The Supervisory Committee comprised three supervisors, including one supervisor acting as staff representative and two Shareholder's representative supervisors.

On 12 November 2015, the 2015 first extraordinary general meeting was held to, among other matters, re-elect Mr. Zheng Zhili and Mr. Xiong Ting as the Supervisors of the Company. The existing members of Supervisory Committee are Mr. Zheng Zhili (Chairman of Supervisory Committee), Mr. Xiong Ting and Ms. Dai Xiaoyi.

During the Year, the Supervisory Committee convened two meetings. All Supervisors have attended all the Board meetings and performed their monitoring obligations on behalf of Shareholders as to whether the financial activities of the Company, the performance of duties of Directors and senior management and the decision making procedures of the Board of the Company are in compliance with the laws and regulations.

The Supervisors had performed their statutory duties impartially.

## INTERNAL CONTROL AND INTERNAL AUDIT

The Board is responsible for the establishment and maintenance of the Company's internal control system for reviewing relevant financial, operating and supervisory control procedures to protect Shareholders' interests and the Group's assets. The management is authorized by the Board to adopt such internal control system, effectiveness of which is reviewed by the audit committee. For the year ended 31 December 2015, the Board has conducted a review of the effectiveness of the internal control system of the Group.

The internal control system includes a management framework with clearly defined duties for the purposes of assisting the Company in reaching various business targets and ensuring that assets of the Company will not be defalcated or disposed of; ensuring that the Company's accounting records provide reliable financial data for internal use or public disclosure; and ensuring compliance with related legislations and requirements.

Aiming at more effective review on the effectiveness of the internal control system, the Company set up an internal audit department in October 2003 to inspect, monitor and assess the disclosure of financial information, operations and internal control activities of the Company and its associates on a regular basis and when necessary, based on different potential risks and the importance of internal control systems for different businesses and workflows, so as to ensure the transparency of information disclosure, operating efficiency and effectiveness of the corporate monitoring mechanism. The independent and objective evaluation and recommendation are provided in the form of an audit report. The external auditors are entitled to have access to all information of the Company and to make enquiries to relevant persons in performing their duties. The manager of the internal audit department directly reports the relevant outcomes and its opinions to the audit committee for consideration. Upon consideration by the audit committee, the audit committee puts forward its recommendation to the management of the Company and regularly reports to the Board.

# CORPORATE GOVERNANCE REPORT

Attaching much importance to internal control, the Company had set up relevant internal management systems and procedures for corporate governance, operation, construction, finance and administrative personnel. In December 2004, the Board approved the Internal Control System which summarizes and clarifies the objectives, content, methods and obligations of the internal control system. This will facilitate the Company's continuing inspection and assessment on implementation of the existing systems and the effectiveness of internal controls. On 12 November 2015, the Board amended the Implementation Rules of Audit Committee in accordance with the revised Listing Rules in respect of internal control and risk management.

The Board conducted a review to examine whether the internal control systems of the Company and its subsidiaries are effective and complete. Subjects of review included the supervision of the Company's finance, operation, compliance and risk management.

To further implement internal control more efficiently, the Board had confirmed the following major procedures:

- The Company has a framework with well-defined authority and duties with a hierarchical chain of supervision. The heads of all the departments participate in the formulation of strategic plans. Entrepreneurial strategies for the coming three years were formulated for achievement of annual operation plan and annual business and financial targets. Strategic plans and business plans for the year are the basis for annual budgets, and according to the budgets, the Company had confirmed and allocated resources in view of the priorities of different business opportunities. The three year strategic plans are approved by the Board (subject to yearly review), annual business plans and annual budgets are also to be approved by the Board each year.
- The Company has a comprehensive account management system providing the management with an index for assessing financial and business performance as well as notifiable and discloseable financial information. In case discrepancy occurs in budgets, analysis and explanation will be made and appropriate action will be taken to rectify the problems as and when necessary.
- The Company has set up systems and procedures for confirmation, assessment, handling and controlling of risks including risks in respect of law, credit, market, centralization, operation, environment, acts and risks which may affect the Company's development.

The internal audit department will carry out independent review of confirmed risks and supervision so as to reasonably guarantee the management and audit committee that the risks are satisfactorily handled and control is fully effected.

## CHIEF FINANCIAL OFFICER

The chief financial officer is in charge of the Company's financial operations and is responsible to the general manager. The chief financial officer is responsible for supervising the financial and internal control reporting issue of the Company and its subsidiaries so as to confirm that the Company is in compliance with the Listing Rules in relation to the requirements of financial reports and other relevant accounting regulations. The chief financial officer will also review previous insufficient disclosures and ensure the compliance of financial information.

The chief financial officer is responsible for preparing financial statements in accordance with the accounting principles generally accepted in the PRC and Hong Kong and to ensure compliance with disclosure requirements as stipulated by the China Securities Regulatory Commission and the Stock Exchange. The chief financial officer is also responsible for arranging and preparing the Company's annual budget scheme and the annual final accounting proposal, as well as monitoring the implementation of the Company's annual financial and operating plans. In addition, the chief financial officer shall work with and give recommendation to the Board in establishing relevant internal control systems.



# CORPORATE GOVERNANCE REPORT

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Directors understand and acknowledge their responsibility for ensuring that the financial statements for each financial year are prepared to give a true and fair view of the state of affairs, profitability and cash flow of the Group in accordance with the disclosure requirements of the relevant laws and regulations and disclosure provisions of the Listing Rules.

In preparing the financial statements of the Group for the year ended 31 December 2015, the Directors have adopted appropriate and consistent accounting policies and made prudent and reasonable judgments and estimations. The Directors are responsible for maintaining proper accounting records which reflect with reasonable accuracy the state of affairs, operating results, cash flows and equity movement of the Group at any time. The Directors confirm that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The auditor's statement about their reporting responsibilities on the financial statements is set out on pages 53 to 54 of this annual report.

## **RELATIONS WITH SHAREHOLDERS, INVESTORS AND OTHER INTERESTED PARTIES**

The Company is committed to ensuring that all Shareholders, especially the minority Shareholders, can enjoy equal status and fully exercise their rights.

## **COMPANY SECRETARY**

The Company engages an external service provider company secretarial services and Ms. Kwong Yin Ping, Yvonne is appointed as the Company Secretary. The primary contact person in the Company for Ms. Kwong in relation to company secretarial matters is Mr. Wang Micheng, Executive Director and Vice Chairman of the Company. The Company Secretary is responsible for advising the Board on governance matters. For the year under review, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training and has complied with the requirements in Rule 3.29. The biography of the Company Secretary is set out on page 23 of this annual report.

## **GENERAL MEETING**

The general meeting which is the highest authority of the Company, exercises its rights under the law to make decisions on significant events of the Company. The Company establishes and maintains various communication channels by way of publication of annual reports, interim reports and announcements.

The relevant reports and announcements are also published on the Company's website. Each year, the annual general meeting or extraordinary general meeting (if applicable) serves as a direct communication channel between the Board and the Shareholders. All Directors understand that the general meetings serve as an effective platform for Shareholders and provide a major venue for direct communication among Directors, Supervisors and other senior management and Shareholders and exchange of opinions with Directors, who shall report to Shareholders with regard to the Group's operations and respond to their enquiries to secure effective communications with Shareholders.



## CORPORATE GOVERNANCE REPORT

Accordingly, the Company had attached much importance to the general meetings. In addition to a 45-day notice before the holding of the general meeting, the Company requires that all Directors and senior management shall use their best endeavors to attend the general meetings. Also, all Shareholders are encouraged to attend the general meetings, at which they can make enquiries about the Company's operation status or financial data, Shareholders are welcome to express their views therein. Results of polls will be published on the websites of the Stock Exchange and the Company in due course.

In 2015, the Company convened one annual general meeting and one extraordinary general meeting. Please refer to page 38 of this section for the Directors' attendance of these meetings.

### CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Under the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one tenth (1/10) of the paid up capital of the Company which carries the right of voting at general meeting can require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition. The procedures for Shareholders to convene and put forward proposals at an EGM are stated as follows:

- (1) Any one or more Shareholders holding 10% or more of the shares which carries the right of voting at such proposed meeting may require the Board to convene an extraordinary general meeting or a class meeting of Shareholders through signing one or copies of written request in the same format which contain the resolutions to be proposed at such meeting. The Board shall convene an extraordinary general meeting or a class meeting of Shareholders as soon as possible after receiving such written request. The aforesaid number of shares held shall be based on the number of shares held on the date of written request.
- (2) Where the Board fails to issue a notice of meeting within 30 days after receiving the aforesaid written request, the Shareholder(s) who made such request may convene a meeting within four months after the Board receiving such request, in the same manner, as nearly as possible, as that in which the general meetings are convened by the Board.

### ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to [cdc@cdc.com.cn](mailto:cdc@cdc.com.cn) or send their enquiries to the following address:

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

### CONTROLLING SHAREHOLDER

During the Year, China Potevio is the controlling Shareholder of the Company, which holds 60% of the total issued share capital of the Company. As the controlling Shareholder of the Company, China Potevio has never overridden the general meeting to directly or indirectly intervene the Company's decision-making and operation. In 2003, in order to further improve the management of investor relations, the Company has always maintained independence of its controlling Shareholder in terms of staff, assets, finance, organisation and business.



# CORPORATE GOVERNANCE REPORT

## INFORMATION DISCLOSURE AND INVESTOR RELATION MANAGEMENT

The Company endeavours to comply with the requirements on information disclosure under the Listing Rules and discloses to the Shareholders and related parties all discloseable information to the best knowledge of the Company on a timely and fair basis.

The Office of the Board is responsible for information disclosure of the Company and reception of visits of its Shareholders and investors. In 2003, for further enhancement in investor relations management, the Company had formulated Information Disclosure Management System and Information Management System to ensure information disclosure on an open, fair and impartial basis and to improve the Company's transparency.

In 2015, the Company's management maintained close contact and good communication with visiting investors by meeting them. The Company provides its announcements, interim and annual reports with detailed financial information and results to Shareholders on its website (<http://cdc.com.cn>).

During the year, the Company did not amend the Articles of Association.

## OTHER INTERESTED PARTIES

The Company is committed to providing satisfactory services to customers and room for development to employees. The Company takes efforts to improve its profitability under the principle of honesty and faithfulness with a high sense of responsibility toward its Shareholders, investors, employees, customers, suppliers and the society. At the same time, the Company oversees and develops its businesses in compliance with local rules and environmental protection regulations to improve its corporate governance, and actively participates in social services and environmental protection.

## IMPROVEMENT OF CORPORATE GOVERNANCE

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

The Company will also continue to endeavour to comply with the requirements of the regulatory authorities in order to improve corporate governance and ensure the sustainable development of the Company.

# REPORT OF THE SUPERVISORY COMMITTEE

## To Shareholders,

During the Year, all members of the Supervisory Committee had diligently exercised the supervisory functions of the Supervisory Committee in accordance with the relevant provisions of various laws and regulations like Company Law, Listing Rules and Articles of Association by attending all Board meetings and general meetings convened by the Company. Some members attended general manager's meetings and decision-making meetings of the Company. In 2015, the tasks of the Supervisory Committee strengthened the supervision over legality and compliance of work of the Board and operational decisions of the management as well as execution of resolutions approved by general meetings by the Board. With surveillance over the Company's operation and implementation of internal compliance system as well as the duty performance of the Company's Directors and senior management, the Supervisory Committee provided opinions and recommendations. As for the financial position and annual reports of the Company, it listened carefully to financial manager's report with regard to the financial position and operating results of the Company and carried out diligent reviews and analysis.

The Supervisory Committee would like to render its independent opinion as follows:

## 1. OPERATION OF THE COMPANY IN COMPLIANCE WITH THE LAW

The Supervisory Committee is of the opinion that during 2015, the Company operated in compliance with the Company Law, the Listing Rules, the Articles of Association and other applicable laws and regulations, and established and continuously improved the relevant internal control systems. The Company's decision-making procedure was legitimate and all the resolutions passed at the general meetings were implemented properly.

## 2. DISCHARGE OF DUTIES BY DIRECTORS, MANAGERS AND OTHER SENIOR MANAGEMENT

The Supervisory Committee was of the opinion that the Directors, managers and other senior management of the Company had performed their duties diligently, pragmatically and faithfully and there was no abuse of rights, violation of laws or regulations or Articles of Association and no acts detrimental to the interests of Shareholders, the Company and the Company's staff members were found.

## 3. WORK REPORT OF THE BOARD

The Supervisory Committee had a detailed review of the work report of the Board submitted by the Board for consideration at the annual general meeting for 2015 and considered that the report had objectively and thoroughly reflected various work done by the Company during the Year.

The Supervisory Committee is of the opinion that the Company has taken initiatives in line with its mission of "Grasp hold of internal control give impetus to operations, seek innovation advanced to a higher level" in 2015. The Company has also made progress in accelerating industrial transformation, reforming the organizations, strengthening comprehensive risk management, integrating resources and reinforcing management foundation to strongly support its production and business operation. However, the Company should place more attention and strive for further improvement in order to turn deficit into profits.

# REPORT OF THE SUPERVISORY COMMITTEE

## 4. FINANCIAL REPORT

After detailed examination of the financial system and the annual financial report of the Company, the Supervisory Committee considers that the financial report truly and fairly reflected the financial and assets position and operation of the Company.

## 5. OPINIONS ON MANAGEMENT IN AUDITOR'S REPORT

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

## 6. LITIGATIONS

During 2015, the Company had no other material litigations. The Supervisory Committee is of the opinion that during 2015, the Company strived to manage its operation according to the strategic planning and the operation deployment of Potevio Group, and it has achieved satisfactory results. However, there were still certain issues which required improvement and enhancement. The Board was suggested to strengthen its risk prevention. It shall also exchange opinions with independent Directors on a regular basis to enhance communication with operation management and closely monitor the operation and management of the Company so as to make prompt suggestions and proposals. Furthermore, the operation management was suggested to enhance the strategic planning for the development of the Company and strengthen the management ability for prevention of operation risks in response to the new development trend of the Chinese economy. It was also suggested to capitalize on comprehensive budget management for maximizing profitability and ensuring the sustainable and healthy development of the Company.

In 2016, the Supervisory Committee will continue to exercise its function in supervising the decision-making, finance, Directors and senior management of the Company, optimize its deployment, implement specific surveillance tasks and fulfil its duties in accordance with the Company Law, the Articles of Association and relevant provisions of the Listing Rules to realize the development and improve the operating efficiency of the Company for the protection of the interest of all Shareholders.

**Zheng Zhili**

*Chairman of the Supervisory Committee*

25 March 2016



天健會計師事務所  
Pan-China Certified Public Accountants

17/F, B Newlogo Property Building,  
No. 18A, South Street Zhongguancun,  
Haidian District  
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北京市  
海澱區  
中關村南大街甲18號  
北京國際大廈B座17層

PCCPAAR[2016] No. 1-58

**To the Shareholders of Chengdu PUTIAN Telecommunications Cable Co., Ltd.:**

We have audited the accompanying financial statements of Chengdu PUTIAN Telecommunications Cable Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at 31 December 2015, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

## I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The preparation and fair presentation of these financial statements is the responsibility of the Company's management. This responsibility includes: (1) preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises; and (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## II. CERTIFIED PUBLIC ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with the China Code of Ethics for Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# AUDITOR'S REPORT

## III. AUDIT OPINION

In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

Pan-China Certified Public Accountants LLP

Chinese Certified Public Accountant He Jiangxing

Chinese Certified Public Accountant Jin Jingyu

Hangzhou • China

Date of Report: 25 March 2016

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

# CONSOLIDATED BALANCE SHEET

31 December 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Assets	Note No.	Closing balance	Opening balance
<b>Current assets:</b>			
Cash and bank balances	1	<b>336,464,641.98</b>	275,779,836.62
Settlement funds			
Loans to other banks			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	2	<b>101,785,217.79</b>	111,630,904.90
Accounts receivable	3	<b>410,168,670.66</b>	373,667,184.47
Advances paid	4	<b>15,605,190.57</b>	8,549,776.94
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Interest receivable	5		27,500.02
Dividend receivable			
Other receivables	6	<b>93,714,927.86</b>	76,598,766.96
Reverse-REPO financial assets			
Inventories	7	<b>196,826,743.18</b>	279,396,403.66
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets	8	<b>16,393,322.70</b>	84,224,251.43
<b>Total current assets</b>		<b>1,170,958,714.74</b>	1,209,874,625.00

# CONSOLIDATED BALANCE SHEET

31 December 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Assets	Note No.	Closing balance	Opening balance
<b>Non-current assets:</b>			
Loans and advances paid			
Available-for-sale financial assets	9	<b>8,764,734.00</b>	4,377,324.00
Held-to-maturity investments	10		
Long-term receivable			
Long-term equity investments	11	<b>5,653,653.92</b>	5,120,751.36
Investment property	12	<b>19,815,080.14</b>	20,239,848.89
Fixed assets	13	<b>510,766,274.09</b>	540,555,958.91
Construction in progress	14	<b>8,824,072.57</b>	32,090,307.12
Construction materials			
Fixed assets disposal			
Biological assets			
Oil & gas assets			
Intangible assets	15	<b>113,421,706.44</b>	116,376,585.40
Development expenditures			
Goodwill	16	<b>21,985,780.47</b>	21,985,780.47
Long-term prepayments	17	<b>16,695,564.61</b>	15,681,483.88
Deferred tax assets	18	<b>16,819,344.28</b>	21,146,398.40
Other non-current assets			
Total non-current assets		<b>722,746,210.52</b>	777,574,438.43
Total assets		<b>1,893,704,925.26</b>	1,987,449,063.43



# CONSOLIDATED BALANCE SHEET

31 December 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Liabilities & Shareholders' Equity	Note No.	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings	19	<b>200,000,000.00</b>	200,000,000.00
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	20	<b>39,603,546.89</b>	10,000,000.00
Accounts payable	21	<b>207,755,202.78</b>	264,997,179.71
Advances received	22	<b>17,387,434.92</b>	4,112,041.62
Proceeds from sale of repurchase financial assets			
Handling fee and commission payable			
Employee benefits payable	23	<b>30,131,394.99</b>	25,686,502.45
Taxes and rates payable	24	<b>7,581,760.64</b>	5,541,404.04
Interest payable			
Dividend payable			
Other payables	25	<b>21,154,408.59</b>	63,524,519.49
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			
<b>Total current liabilities</b>		<b>523,613,748.81</b>	573,861,647.31

# CONSOLIDATED BALANCE SHEET

31 December 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Liabilities & Shareholders' Equity	Note No.	Closing balance	Opening balance
<b>Non-current liabilities:</b>			
Long-term borrowings	26	<b>7,518,503.53</b>	8,050,174.78
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term staff remuneration payables			
Special payables			
Provisions			
Deferred income	27	<b>70,435,682.28</b>	73,925,562.68
Deferred tax liabilities	18	<b>10,537,626.62</b>	10,694,610.24
Other non-current liabilities			
Total non-current liabilities		<b>88,491,812.43</b>	92,670,347.70
Total liabilities		<b>612,105,561.24</b>	666,531,995.01
<b>Shareholders' Equity:</b>			
Share capital	28	<b>400,000,000.00</b>	400,000,000.00
Other equity			
Including: Preference shares			
Perpetual bonds			
Capital reserve	29	<b>651,400,779.83</b>	651,355,565.01
Less: treasury shares			
Other comprehensive income	30	<b>6,845,510.44</b>	3,116,211.94
Special reserve			
Surplus reserve	31	<b>8,726,923.61</b>	8,726,923.61
General risk reserve			
Undistributed profit	32	<b>-136,070,969.11</b>	-95,442,673.91
Total shareholders' equity attributable to the parent company		<b>930,902,244.77</b>	967,756,026.65
Non-controlling interest		<b>350,697,119.25</b>	353,161,041.77
Total equity		<b>1,281,599,364.02</b>	1,320,917,068.42
Total liabilities & shareholders' equity		<b>1,893,704,925.26</b>	1,987,449,063.43

The notes form an integral part of the financial statements.

The financial statements as set out from pages 55 to 164 have been signed by:

Legal Representative: Zhang Xiaocheng

Chief Financial Officer: Yu Qian

Head of the Finance Section: Ma Fei

# BALANCE SHEET OF THE PARENT COMPANY

31 December 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Assets	Note No.	Closing balance	Opening balance
<b>Current assets:</b>			
Cash and bank balances		<b>145,121,704.07</b>	148,800,552.31
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		<b>49,727,109.36</b>	48,660,246.01
Accounts receivable	1	<b>79,158,933.41</b>	55,728,491.25
Advances paid		<b>314,482.96</b>	844,527.11
Interest receivable			
Dividend receivable			
Other receivables	2	<b>29,894,161.90</b>	30,969,402.11
Inventories		<b>34,381,310.43</b>	90,827,941.55
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets		<b>14,625,863.93</b>	25,167,255.90
<b>Total current assets</b>		<b>353,223,566.06</b>	400,998,416.24
<b>Non-current assets:</b>			
Available-for-sale financial assets		<b>8,764,734.00</b>	4,377,324.00
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments	3	<b>396,794,623.73</b>	388,261,721.17
Investment property		<b>46,809,090.51</b>	46,924,205.14
Fixed assets		<b>142,566,431.31</b>	159,878,294.98
Construction in progress		<b>2,041,999.35</b>	2,004,563.45
Construction materials			
Fixed assets disposal			
Biological assets			
Oil & gas assets			
Intangible assets		<b>34,280,063.12</b>	35,360,979.56
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred tax assets		<b>15,274,158.18</b>	17,360,688.49
Other non-current assets			
<b>Total non-current assets</b>		<b>646,531,100.20</b>	654,167,776.79
<b>Total assets</b>		<b>999,754,666.26</b>	1,055,166,193.03

# BALANCE SHEET OF THE PARENT COMPANY

31 December 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Liabilities & Shareholders' Equity	Note No.	Closing balance	Opening balance
<b>Current liabilities:</b>			
Short-term borrowings			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		<b>38,329,949.42</b>	35,651,880.30
Advances received		<b>2,026,098.69</b>	1,923,971.69
Employee benefits payable		<b>14,343,599.10</b>	14,035,812.22
Taxes and rates payable		<b>1,982,285.00</b>	2,423,090.17
Interest payable			
Dividend payable			
Other payables		<b>18,602,064.26</b>	47,287,220.45
Liabilities classified as held-for-sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		<b>75,283,996.47</b>	101,321,974.83
<b>Non-current liabilities:</b>			
Long-term borrowings		<b>7,518,503.53</b>	8,050,174.78
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Special payables			
Provisions			
Deferred income		<b>400,000.00</b>	
Deferred tax liabilities		<b>1,208,031.25</b>	549,919.75
Other non-current liabilities			
Total non-current liabilities		<b>9,126,534.78</b>	8,600,094.53
Total liabilities		<b>84,410,531.25</b>	109,922,069.36



# BALANCE SHEET OF THE PARENT COMPANY

31 December 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Liabilities & Shareholders' Equity	Note No.	Closing balance	Opening balance
<b>Equity:</b>			
Share capital		<b>400,000,000.00</b>	400,000,000.00
Other equity			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		<b>648,174,759.10</b>	648,129,544.28
Less: treasury shares			
Other comprehensive income		<b>6,845,510.44</b>	3,116,211.94
Special reserve			
Surplus reserve		<b>8,726,923.61</b>	8,726,923.61
Undistributed profit		<b>-148,403,058.14</b>	-114,728,556.16
Total equity		<b>915,344,135.01</b>	945,244,123.67
Total liabilities & shareholders' equity		<b>999,754,666.26</b>	1,055,166,193.03

# CONSOLIDATED INCOME STATEMENT

For the year 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Total operating revenue</b>		<b>1,209,522,056.73</b>	945,460,888.72
Including: operating revenue	1	<b>1,209,522,056.73</b>	945,460,888.72
Interest proceeds		-	-
Premium earned		-	-
Revenue from handling charges and commission		-	-
<b>II. Total operating cost</b>		<b>1,256,773,296.89</b>	1,010,742,273.87
Including: operating cost	1	<b>1,064,030,918.76</b>	858,330,580.95
Interest expenses		-	-
Handling charges and commission expenditures		-	-
Surrender value		-	-
Net payment of insurance claims		-	-
Net provision of insurance reserve		-	-
Premium bonus expenditures		-	-
Reinsurance expenses		-	-
Taxes & surcharge for operations	2	<b>6,557,864.18</b>	6,378,989.14
Selling expenses	3	<b>50,024,954.62</b>	38,823,775.01
Administrative expenses	4	<b>112,359,896.05</b>	101,485,731.50
Financial expenses	5	<b>5,958,888.62</b>	2,832,693.39
Assets impairment loss	6	<b>17,840,774.66</b>	2,890,503.88
Add: gains on changes of fair value (loss, expressed in negative figure)		-	-
Investment income (loss, expressed in negative figure)	7	<b>597,687.72</b>	18,292,039.01
Including: investment income from associates and joint ventures		<b>487,687.74</b>	366,202.38
Gains on foreign exchange (loss, expressed in negative figure)		-	-
<b>III. Operating profit (loss, expressed in negative figure)</b>		<b>-46,653,552.44</b>	-46,989,346.14
Add: Non-operating revenue	8	<b>9,162,525.36</b>	10,062,770.55
Including: Gains on disposal of non-current assets		<b>79,805.91</b>	197,139.49
Less: Non-operating expenditures	9	<b>109,769.43</b>	254,268.90
Including: losses on disposal of fixed assets		<b>1,210.77</b>	206,562.07
<b>IV. Total profit (total loss, expressed in negative figure)</b>		<b>-37,600,796.51</b>	-37,180,844.49
Less: income tax expense	10	<b>5,491,421.21</b>	3,803,137.82
<b>V. Net profit (loss, expressed in negative figure)</b>		<b>-43,092,217.72</b>	-40,983,982.31
Net profit attributable to owners of parent company		<b>-40,628,295.20</b>	-29,504,428.64
Non-controlling interest income		<b>-2,463,922.52</b>	-11,479,553.67

# CONSOLIDATED INCOME STATEMENT

For the year 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
<b>VI. Other comprehensive income after tax</b>	11	<b>3,729,298.50</b>	-5,334,760.06
Net other comprehensive income attributable to owners of the parent company		<b>3,729,298.50</b>	-5,334,760.06
(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		<b>3,729,298.50</b>	-5,334,760.06
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		<b>3,729,298.50</b>	-5,334,760.06
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		-	-
<b>VII. Total comprehensive income</b>		<b>-39,362,919.22</b>	-46,318,742.37
Items attributable to owners of parent company		<b>-36,898,996.70</b>	-34,839,188.70
Items attributable to non-controlling interest		<b>-2,463,922.52</b>	-11,479,553.67
<b>VIII. Earnings per share ("EPS"):</b>		-	-
(I) Basic EPS (RMB/share)		<b>-0.10</b>	-0.07
(II) Diluted EPS (RMB/share)		<b>-0.10</b>	-0.07

# INCOME STATEMENT OF THE PARENT COMPANY

For the year 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Operating revenue</b>	1	<b>292,507,209.76</b>	212,467,692.65
Less: Operating cost	1	<b>269,872,009.28</b>	199,557,119.00
Taxes & surcharge for operations		<b>2,199,930.67</b>	1,997,393.67
Selling expenses		<b>4,029,015.46</b>	3,527,532.72
Administrative expenses	2	<b>40,614,337.92</b>	44,589,817.80
Financial expense		<b>-4,542,372.62</b>	-4,828,756.99
Assets impairment loss		<b>12,609,948.46</b>	1,410,071.76
Add: Gain on changes of fair value (losses, expressed in negative figures)			
Investment income (losses, expressed in negative figures)	3	<b>487,687.74</b>	12,342,872.34
Including: investment income from associates and joint ventures		<b>487,687.74</b>	366,202.38
<b>II. Operating profit (losses, expressed in negative figures)</b>		<b>-31,787,971.67</b>	-21,442,612.97
Add: Non-operating revenue		<b>200,000.00</b>	853,525.90
Including: Gains on disposal of non-current assets			61,599.32
Less: Non-operating expenditures			179,916.30
Including: Losses on disposal of non-current assets			179,916.30
<b>III. Profit before tax (total loss, expressed in negative figures)</b>		<b>-31,587,971.67</b>	-20,769,003.37
Less: Income tax		<b>2,086,530.31</b>	3,236,567.55
<b>IV. Net profit (net loss, expressed in negative figures)</b>		<b>-33,674,501.98</b>	-24,005,570.92
<b>V. Other comprehensive income after tax</b>		<b>3,729,298.50</b>	-5,334,760.06
(I) Not reclassified subsequently to profit or loss			
1. Changes in re-measurement 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		<b>3,729,298.50</b>	-5,334,760.06
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		<b>3,729,298.50</b>	-5,334,760.06
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale assets			
4. Profit or loss on cash flow hedging			
5. Translation difference of financial statements in foreign currencies			
6. Others			
<b>VI. Total comprehensive income</b>		<b>-29,945,203.48</b>	-29,340,330.98
<b>VII. Earnings per share ("EPS"):</b>			
(I) Basic EPS (RMB/share)			
(II) Diluted EPS (RMB/share)			



# CONSOLIDATED CASH FLOW STATEMENT

For the year 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods or rendering of services		<b>998,508,952.95</b>	767,181,427.93
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 trading financial assets disposal			
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	1	<b>52,326,975.80</b>	37,541,156.39
Subtotal of cash inflows from operating activities		<b>1,050,835,928.75</b>	804,722,584.32
Cash payments for goods purchased and services received		<b>667,095,037.64</b>	571,240,123.79
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		<b>124,951,427.79</b>	115,355,042.38
Cash payments of taxes and rates		<b>46,028,332.18</b>	42,399,090.36
Other cash payments related to operating activities	2	<b>167,639,068.02</b>	142,303,782.34
Subtotal cash outflows from operating activities		<b>1,005,713,865.63</b>	871,298,038.87
Net cash flows from operating activities		<b>45,122,063.12</b>	-66,575,454.55
<b>II. Cash flows from investing activities:</b>			
Cash received from return of investments			13,292,374.93
Cash received from return on investments		<b>137,500.00</b>	5,921,666.65
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		<b>143,429.13</b>	1,048,832.75
Net cash received from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities	3	<b>50,000,000.00</b>	50,000,000.00
Subtotal of cash inflows from investing activities		<b>50,280,929.13</b>	70,262,874.33

# CONSOLIDATED CASH FLOW STATEMENT

For the year 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		<b>9,756,010.80</b>	37,835,550.09
Cash paid for acquiring investments			27,214,500.00
Net increase of pledged loans			
Net cash paid for acquiring subsidiaries & other business units			
Other cash payments related to investing activities	4		50,000,000.00
Subtotal of cash outflows from investing activities		<b>9,756,010.80</b>	115,050,050.09
Net cash flows from investing activities		<b>40,524,918.33</b>	-44,787,175.76
<b>III. Cash flows from financing activities:</b>			
Cash received from investment by others			
Including: cash received by subsidiaries from non-controlling owners			
Cash received from borrowings		<b>200,000,000.00</b>	200,000,000.00
Cash received from issuing of bonds			
Other cash receipts related to financing activities	5		10,000,000.00
Subtotal of cash inflows from financing activities		<b>200,000,000.00</b>	210,000,000.00
Cash repayments of borrowings		<b>200,143,142.01</b>	225,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses		<b>12,289,324.46</b>	13,238,156.25
Including: cash paid for distribution of dividends or profits by subsidiaries to minority owners			
Other cash payments related to financing activities	6	<b>10,837,730.00</b>	545,195.00
Subtotal of cash outflows from financing activities		<b>223,270,196.47</b>	238,783,351.25
Net cash flows from financing activities		<b>-23,270,196.47</b>	-28,783,351.25
<b>IV. Effect of foreign exchange rate changes on cash &amp; cash equivalents</b>		<b>-18,814.09</b>	-846,084.93
<b>V. Net increase in cash and cash equivalents</b>		<b>62,357,970.89</b>	-140,992,066.49
Add: Opening balance of cash and cash equivalents		<b>238,801,619.70</b>	379,793,686.19
<b>VI. Closing balance of cash and cash equivalents</b>		<b>301,159,590.59</b>	238,801,619.70

# CASH FLOW STATEMENT OF THE PARENT COMPANY

For the year 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods and rendering of services		<b>185,592,680.23</b>	154,872,906.21
Receipts of tax refund			
Other cash receipts related to operating activities		<b>9,823,484.39</b>	19,305,501.55
Subtotal of cash inflows from operating activities		<b>195,416,164.62</b>	174,178,407.76
Cash payments for goods purchased and services received		<b>119,529,211.07</b>	188,717,634.64
Cash payment to and on behalf of employees		<b>28,302,817.06</b>	31,713,558.23
Cash payments for taxes and rates		<b>5,400,102.14</b>	4,424,605.12
Other cash payments related to operating activities		<b>37,276,991.10</b>	11,913,164.16
Subtotal of cash outflows from operating activities		<b>190,509,121.37</b>	236,768,962.15
Net cash flows from operating activities		<b>4,907,043.25</b>	-62,590,554.39
<b>II. Cash flows from investing activities:</b>			
Cash received from return of investments			13,292,374.93
Cash received from investments gains			
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets			83,734.37
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts related to investing activities			10,000,000.00
Subtotal of cash inflows from investing activities			23,376,109.30
Cash payments to acquire fixed assets, intangible assets and other long-term assets		<b>329,494.43</b>	381,523.13
Cash payments for investments		<b>8,000,000.00</b>	
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		<b>8,329,494.43</b>	381,523.13
Net cash flows from investing activities		<b>-8,329,494.43</b>	22,994,586.17

# CASH FLOW STATEMENT OF THE PARENT COMPANY

For the year 2015

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
<b>III. Cash flows from financing activities:</b>			
Cash receipts from investment by others			
Cash receipts from borrowings			
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities			
Cash repayments of borrowings		<b>143,142.01</b>	
Cash payments for distribution of dividends or profit or interest expenses		<b>113,255.05</b>	133,020.14
Other cash payments related to financing activities			
Subtotal of cash outflows from financing activities		<b>256,397.06</b>	133,020.14
Net cash flows from financing activities		<b>-256,397.06</b>	-133,020.14
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			-521,295.81
<b>V. Net increase in cash and cash equivalents</b>		<b>-3,678,848.24</b>	-40,250,284.17
Add: Opening balance of cash and cash equivalents		<b>148,800,552.31</b>	189,050,836.48
<b>VI. Closing balance of cash and cash equivalents</b>		<b>145,121,704.07</b>	148,800,552.31



For the year 2015

London, UK: Sage.

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY

For the year 2015

Monetary unit: RMB Yuan

Prepared by: CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

Items	Current period cumulative						Previous period cumulative					
	Other equity instruments			Other			Other equity instruments			Other		
	Share capital	Preference shares	Resigned bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Unrealized profit	Total equity	Share capital	Resigned bonds	Others
<b>I. Balance at the end of prior year</b>	400,000,000.00				648,129,544.28		3,116,311.94	8,726,921.61	945,944,123.57	400,000,000.00		648,129,544.28
Add: Considered change in accounting policies												
Error correction in prior period												
Others												
<b>II. Balance at the beginning of current year</b>	400,000,000.00				648,129,544.28		3,116,311.94	8,726,921.61	945,944,123.57	400,000,000.00		648,129,544.28
<b>III. Current period increase (decrease, expressed in negative figure)</b>					45,114.82		3,729,298.50	-33,874,591.98	-29,899,898.66			
(I) Total comprehensive income												
Capital contributed in exchange by owners												
Capital contributed by owners												
1. Capital contributed by holders of the equity instruments												
2. Capital contributed by holders of the equity instruments												
3. Award of stock-based payment included in equity instruments												
4. Others												
(II) Profit distribution												
Appropriation of surplus reserves												
1. Appropriation of profit to owners												
2. Appropriation of profit to owners												
3. Others												
(III) Internal corporate equity equity												
Transfer of capital reserve to capital												
1. Transfer of capital reserve to capital												
2. Transfer of capital reserve to capital												
3. Surplus reserve to cover losses												
4. Others												
(IV) Special reserve												
Appropriation of current period												
1. Appropriation of current period												
2. Application of current period												
(V) Others												
<b>IV. Balance at the end of current period</b>	400,000,000.00				693,244,359.10		6,845,610.44	8,726,921.61	915,944,135.01	400,000,000.00		693,244,359.10

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## I. COMPANY PROFILE

Chengdu PUTIAN Telecommunications Cable Company Limited (the "Company") was incorporated and registered with the Chengdu Administration Bureau of Industry and Commerce on 1 October 1994 after its restructuring from Chengdu Cable Plant of the Posts and Telecommunications Ministry of China (now known as "China PUTIAN Corporation"), as independent promoter, under the approval of the relevant department of the State Council. The Company is headquartered in Chengdu, Sichuan Province, and holds the Business License of Enterprise Legal Person numbered 510100400020197. The registered capital of the Company is RMB400,000,000 of which: equity interest of China PUTIAN Corporation amounts to RMB240,000,000, representing 60% of the total shares; equity interest of public holders of ordinary shares (H Shares) listed in Hong Kong amounts to RMB160,000,000, representing 40% of the total shares. There are a total of 400,000,000.00 shares in issue with the nominal value of RMB1 each. The shares have been listed in Hong Kong Stock Exchange on 13 December 1994.

The Company belongs to the manufacturing industry. Business scope: electric wire and cable, fiber optic cable, cable special 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, and the import and export and wholesale, retail, commission agent (except by auction) of similar commodities as the above products; domestically purchased products (except specified goods) wholesale, retail, commission agent (except by auction), technical consulting and technical service.

These financial statements have been deliberated and approved by the 4th meeting of the 8th session of the Board of Directors on 25 March 2016.

The Company has brought 8 subsidiaries including Putian Fasten Cable Telecommunication Co., Ltd., Chengdu Zhongling Radio Communications Co., Ltd., Chengdu SEI Optical Fiber Co., Ltd., Jiangsu Fasten Photonics Co., Ltd., Jiangsu Fasten Optical Cable Co., Ltd., Houma Potevio Fasten Cable Communications Co., Ltd., Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant and Chongqing Putaifeng Aluminium Co., Ltd. into the consolidated scope. Please refer to notes to changes in the consolidated scope and interest in other entities for details.

## II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

### (I) Preparation basis

The financial statements have been prepared on the basis of going concern. Based on the actual transactions and items occurred, in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of China (the Ministry of Finance Degree No. 33, the amended Degree No. 76), Specific accounting standards of 41 items which are issued and amended after 15 February 2006, Guidelines for application of enterprise accounting standards, Interpretation of enterprise accounting standards and other relevant regulations (the "Accounting Standards").

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

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

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

### (I) Statement of compliance

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

### (II) Accounting period

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

### (III) Operating cycle

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

### (IV) Functional currency

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

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

#### 1. Accounting treatment of business combination under common control

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

#### 2. Accounting treatment of business combination not under common control

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



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (VI) Compilation method of consolidated financial statements

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

### (VII) Classification of joint arrangements and accounting treatment of joint operations

1. Joint arrangements include joint operations and joint ventures.
2. When the Company is a joint operator of a joint operation, it recognizes in relation to its interest in a joint operation:
  - (1) its assets, including its share of any assets held jointly;
  - (2) its liabilities, including its share of any liabilities incurred jointly;
  - (3) its revenue from the sale of its share of the output arising from the joint operation;
  - (4) its share of the revenue from the sales of the output by the joint operation; and
  - (5) its expenses, including its share of any expenses incurred jointly.

### (VIII) Recognition criteria of cash and cash equivalents

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

### (IX) Foreign currency translation

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (X) Financial instruments

#### 1. Classification of financial assets and financial liabilities

Financial assets are classified into the following four categories when initially recognized: financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designated at initial recognition as at fair value through profit or loss), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

Financial liabilities are classified into the following two categories when initially recognized: financial liabilities at fair value through profit or loss (including held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss), and other financial liabilities.

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

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount.

The Company measures its financial assets at fair value subsequent to initial recognition, and does not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances are excluded: (1) the held-to-maturity investments, loans and receivables are measured at amortized costs using effective interest method; (2) the equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by the delivery of the said equity instrument are measured at their costs.

The Company measures its financial liabilities at the amortized costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, and for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items (1) The amount as determined according to "CASBE13 — Contingencies"; (2) the surplus after accumulative amortization as determined according to "CASBE14 — Revenues".

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (X) Financial instruments (Continued)

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

The gains or losses arising from changes in fair value of financial assets or financial liabilities, if not related to hedging, are measured with the following methods: (1) Gains or losses, arising from the changes in fair value of financial asset or liability at its fair value through profit or loss, is included in gains or losses on changes in fair value; interests or cash dividends gained during the asset-holding period are recognized as investment income; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the initial recorded amount, at the same time, gains or losses on changes in fair value are adjusted accordingly. (2) For available-for-sale financial asset, changes in fair value are recorded as other comprehensive income during the holding period, interests measured at effective interest method are recorded as investment income; cash dividends from available-for-sale equity instrument investment are recognized as investment income at the date of dividend declaration; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the book value deducting the accumulative amount of changes in fair value originally included in other comprehensive.

Financial assets are derecognized when the contractual rights for collecting the cash flow of the said financial assets expire or substantially all risks and rewards related to the said financial assets have been transferred. Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

#### 3. Recognition criteria and measurement method of financial assets transfer

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

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the book value of the transferred financial asset; (2) the sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally included in equity. If the transfer of financial asset partially satisfies the conditions to derecognition, the entire book value of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included into profit or loss: (1) the book value of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in equity which is corresponding to the portion which is derecognized.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (X) Financial instruments (Continued)

#### 4. Fair value determination method of financial assets and liabilities

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

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

#### 5. Impairment test and provision for impairment loss of financial assets

- (1) An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.
- (2) For held-to-maturity investments, borrowings, and receivables, an impairment test is made on an individual basis on financial assets of individually significant amount; with regard to the financial assets of individually insignificant amount, they may be included in a portfolio of financial assets with similar credit risk features so as to carry out an impairment-related test; where, upon the impairment test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (X) Financial instruments (Continued)

#### 5. Impairment test and provision for impairment loss of financial assets (Continued)

##### (3) Available-for-sale financial assets

- (1) Objective evidence indicating that available-for-sale debt instrument investments may be impaired includes:
  - a. significant financial difficulties in the debtor;
  - b. breach of contract by the debtor, such as principal or interest past due or default;
  - c. concessions made to debtors with financial difficulties considering economic and legal factors;
  - d. it is highly probable that the debtor is going to dissolve or going through other terms of financial restructuring;
  - e. owing to significant financial difficulties occurred to the debtor, the debt instrument is discontinued to trade in active market; or
  - f. Other circumstances indicating that available-for-sale debt instrument may be impaired.
- (2) Evidence indicating that available-for-sale equity instrument investment may be impaired includes the fair value of equity instrument investment is suffered from significant or non-temporary decline and the technical, market, economic, or legal environment in which the investee operates has significant adverse changes under which the Company may not be able to recover its investment cost.

The Company performs review on available-for-sale equity instrument investment on an individual basis at the balance sheet date. For equity instrument investment at fair value, if the balance sheet date fair value is 50% or above lower than the cost, or the balance sheet date fair value has been lower than the cost for a consecutive of 12 months or longer, it is determined that such equity instrument investment is impaired; if the balance sheet date fair value is 20% or above but not exceeding 50% lower than the cost, or the balance sheet date fair value has been lower than the cost for a consecutive of 6 months or longer but not exceeding 12 months, the Company may take other factors such as price volatility into consideration in determining whether such equity instrument investment is impaired. For equity instrument investment at cost, the Company considers whether the technical, market, economic, or legal environment in which the investee operates has significant adverse changes to determine whether such equity instrument is impaired.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (X) Financial instruments (Continued)

#### 5. Impairment test and provision for impairment loss of financial assets (Continued)

##### (3) Available-for-sale financial assets (Continued)

(2) (Continued)

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognized directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognized on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognized is directly recognized in other comprehensive income.

When an available-for-sale equity instrument at cost is impaired, impairment loss on such equity instrument investment is recognized at any excess of its carrying amount over the present value of future cash flows, and such impairment loss is not reversed upon recognition.

### (XI) Receivables

#### 1. Receivables of individually significant amount and with provision made on an individual basis

Judgment basis or amount criteria of individually significant amount

Receivables amounting to more than 5 million yuan (including 5 million yuan)

Provision method for receivables of individually significant amount and with provision made on an individual basis

An impairment test is made on an individual basis on financial assets of individually significant amount. If there is objective evidence which indicates that receivables may be impaired at the balance sheet date, the carrying amount of the said financial asset is written down to the current value of the predicted future cash flow. If the financial asset is not impaired in the test, bad debt provision is provided using the following aging analysis, taking into account the credit characteristic of receivables analysed by age, actual bad debts experience of identical or similar receivable portfolios in previous years and the current status.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (XI) Receivables (Continued)

#### 2. Receivables with provision made on a collective basis using portfolios with similar credit risk features

##### (1) Specific portfolios and provision method

Provision method of provision being made on collective basis using portfolios with similar credit risk features:

Portfolio grouped with age

Age analysis method

##### (2) Age analysis method

Ages	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (inclusive, the same hereinafter)	0.00	0.00
1–2 years	10.00	10.00
2–3 years	30.00	30.00
3–5 years	80.00	80.00
Over 5 years	100.00	100.00

#### 3. Receivables of individually insignificant amount but with provision made on an individual basis

Reasons for provision made on an individual basis

There is objective evidence indicates that the receivable is impaired and provision for bad debts using aging analysis does not reflect the actual situation of the receivable.

Provision method

Difference between the carrying values of receivables and present value of estimated future cash flows is recognised as provision. For individually insignificant receivables with no impairment indicator after impairment assessment performed on an individual basis, bad debt provision is provided using the following aging analysis, taking into account the credit characteristic of receivables analysed by age, actual bad debts experience of identical or similar receivable portfolios in previous years and the current status.

For other receivables such as notes receivable, interest receivable and long-term receivable, etc., provision for bad debts is made at the difference between the present value of future cash flow and the carrying amount.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (XII) Inventories

#### 1. Classification of inventories

Inventories are finished goods and merchandise that are ready for sale, work-in-progress or materials used in the process of production or provision of services. Inventories include raw materials, revolving materials, subcontracted materials, packing materials, low-value consumables, work-in-progress, semi-finished goods and finished goods (merchandise in warehouse), etc.

#### 2. Accounting method for dispatching inventories:

Raw materials, semi-finished goods, finished goods and supplementary materials are recorded based on standard costs as planned, and adjusted to actual costs incurred at each period end. Subcontracted materials are measured using the average method and actual costs incurred.

#### 3. Basis for determining net realizable value

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

#### 4. Inventory system

Perpetual inventory method is adopted.

#### 5. Amortization method of low-value consumables and packages

##### (1) Low-value consumables

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

##### (2) Packages

Packages are amortized with one-off method.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (XIII) Assets classified as held-for-sale

Non-current assets (excluding financial assets) are accounted for as held-for-sale when the following conditions are all met: a. the component must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such component; b. the Company has made a decision on the disposal of the component; c. the Company has signed an irrevocable transfer agreement with the transferee; and d. the transfer is expected to be completed within one year.

### (XIV) Long-term equity investments

#### 1. Judgment of joint control and significant influence

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

#### 2. Determination of investment cost

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

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (XIV) Long-term equity investments (Continued)

#### 2. Determination of investment cost (Continued)

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

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

- 1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.
- 2) In the case of consolidated financial statements, the Company determines whether it is a "bundled transaction". If it is a "bundled transaction", stages as a whole are considered as one transaction in accounting treatment. If it is not a "bundled transaction", the carrying value of the acquirer's previously held equity interest in the acquire is re-measured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer's previously held equity interest in the acquire involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from re-measurement of defined benefit plan of the acquiree.
- 3) Long-term equity investment obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to "CASBE 12 — Debt Restructuring"; and that obtained through non-cash assets exchange is determined according to "CASBE 7 — Non-cash Assets Exchange".

#### 3. Subsequent measurement and recognition method of gain or loss

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (XIV) Long-term equity investments (Continued)

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

##### (1) Stand-alone financial statements

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

##### (2) Consolidated financial statements

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (XV) Investment property

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

### (XVI) Fixed assets

#### 1. Recognition principles of fixed assets

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

#### 2. Depreciation method of different categories of fixed assets

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



## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

### III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

#### (XVI) Fixed assets (Continued)

##### 3. Recognition and pricing principles of fixed assets rented-in under finance lease

Finance lease is determined when one or a combination of the following conditions are satisfied: (1) the ownership has been transferred to the lessee when the leasing term is due; (2) the lessee has the option to purchase the leasing asset at a price that is much lower than its fair value, so it can be reasonably determined that the lessee will take the option at the very beginning of the lease; (3) the leasing term accounts for most time of the useful life (ordinarily accounting for 75% or higher) even if the ownership does not transfer to the lessee; (4) the present value of the minimum amount of rent that the lessee has to pay at the first day of the lease amounts to 90% or higher of its fair value at the same date; or the present value of the minimum amount of rent that the lessor collects at the first day of the lease amounts to 90% or higher of its fair value at the same date; and/or (5) the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Fixed assets rented-in under finance lease are recorded at the lower of fair value and the present value of the minimum lease payment at the inception of the lease, and are depreciated following the depreciation policy for self-owned fixed assets.

#### (XVII) Construction in progress

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (XVIII) Borrowing costs

#### 1. Recognition principle of borrowing costs capitalization

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

#### 2. Borrowing costs capitalization period

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

#### 3. Capitalization rate and capitalized amount of borrowing costs

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (XIX) Intangible assets

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

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

Intangible assets with indefinite useful life are not amortized, but their useful life is reviewed annually. "Indefinite useful life" refers to:

- (1) For intangible assets derived from contractual rights or other legal rights, there are no explicit years of use stipulated in the contract or laws and regulations;
  - (2) Useful life cannot be estimated after considering industrial practice or relevant expert opinion.
3. Expenditures on the research phase of an internal project are recognized as profit or loss when it is incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Criteria for distinguishing the research phase from the development phase of an internal project to create an intangible asset: research stage involves activities carried out for planned investigation and search of new technology and knowledge, which has the characteristics of planning and exploration; before commercial production or other uses, the application of new technologies and new knowledge obtained from the research phase to develop new or improved plant and equipment and produce new or improved materials and products is regarded as development phase, which has the characteristics of pin-pointing and high probability of concluding results.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (XX) Impairment of part of non-current assets

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

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

### (XXI) Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within its beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

### (XXII) Employee benefits

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

#### 2. Short-term employee benefits

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

#### 3. Post-employment benefits

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

- (1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to profit or loss or the cost of a relevant asset.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (XXII) Employee benefits (Continued)

#### 3. Post-employment benefits (Continued)

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

#### 4. Termination benefits

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

#### 5. Other long-term employee benefits

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (XXIII) Revenue

#### 1. Revenue recognition principles

##### (1) *Sale of goods*

Revenue from sale of goods is recognized if, and only if, the following conditions are all satisfied: (a) significant risks and rewards of ownership of the goods is transferred to the buyer; (b) the Company retains neither continuing managerial involvement of ownership nor effective control over the goods sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits of the transaction will flow to the Company; and e) the costs of the transaction incurred and to be incurred can be measured reliably.

##### (2) *Rendering of services*

When the outcome of the transaction can be estimated reliably (the amount of revenue can be measured reliably, it is probable that the economic benefits will flow to the Company, the percentage of completion of the transaction can be determined reliably, and the costs of the transaction incurred and to be incurred can be measured reliably), revenue from rendering of services is recognized using the percentage of completion method, and the stage of completion is determined at the proportion of costs incurred to the estimated total costs. When the outcome of the transaction cannot be estimated reliably at the balance sheet date, revenue is recognized based on the amount of the costs incurred and the costs incurred are charged off at the same amount when the costs incurred are expected to be recoverable; and no revenue is recognized and the costs incurred are charged off as an expense of the period when the costs incurred are not expected to be recovered.

##### (3) *Revenue arising from use by others of assets*

Revenue arising from use by others of assets is recognized if, and only if, it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Interest income is recognized based on the length of time for which the Company's cash is used by others and the effective interest rate; and royalties are recognized according to the period and method of charging as specified in relevant contract or agreement.

#### 2. Revenue recognition method adopted by the Company

The Company's main products are: copper cables and related products, optical cable and related products and cable joint and related products. Revenue from domestic sales is recognized if, and only if, the following conditions are all met: the Company has delivered goods to the purchaser based on contractual agreements; sales revenue is determined; goods payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; and the costs of the transaction incurred and to be incurred can be measured reliably. Revenue from overseas sales is recognized if, and only if, the Company has declared goods to the customs and the goods have departed from the port to the purchaser based on contractual agreements; the Company has obtained a bill of lading; sales revenue is determined; goods payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; and the costs of the transaction incurred and to be incurred can be measured reliably.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (XXIV) Government grants

#### 1. Basis for determination of and accounting for government grants related to assets

Government grants related to assets are government grants, with which the Company purchase, construct or otherwise acquire non-current assets. They are recognized as deferred income, and amortized on a straight-line method over the useful lives of the relevant assets, and included in profit or loss. However, those measured at notional amount is directly included into profit or loss.

#### 2. Basis for determination of and accounting for government grants related to income

Government grants related to income are government grants other than those related to assets. Government grants related to income if used for compensating the related future expenses or losses of the Company are recognized as deferred income and are included in profit or loss during the period when the relevant expenses are recognized; if used for compensating the related expenses or losses incurred to the Company are directly included in profit or loss.

### (XXV) Deferred tax assets/Deferred tax liabilities

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### (XXVI) Leases

#### 1. Accounting for operating leases

When the Company is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged into profit or loss in the periods in which they are incurred.

#### 2. Accounting for finance leases

When the Company is the lessee, at the commencement of the lease term, lessees recognize finance leases as assets and liabilities in their balance sheets at amounts equal to the lower of fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease, and recognize the minimum lease payments as the entering value of long-term payable, and treat the difference of the two as unrecognized finance expense. Any initial direct costs of the lessee are added to the amount recognized as an asset. The effective interest method is used to recognize finance expense of the period during the lease term.

When the Company is the lessor, at the commencement of the lease, lessor recognizes the aggregate of minimum lease receipts and initial direct costs, each determined at the inception of the lease, as the entering value of finance lease receivables, and recognize the unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values is recognized as unrealized finance income. The effective interest method is used to recognize finance income of the period during the lease term.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## IV. 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%
Business tax	The taxable business turnover	5%
Urban maintenance and construction tax	Turnover tax payable	5%, 7%
Education surcharge	Turnover tax payable	3%
Local education surcharges	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	RMB 6/m <sup>2</sup>

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	15%
Chengdu Zhongling Radio Communications Co., Ltd.	15%
Jiangsu Fasten Photonics Co., Ltd.	15%
Taxpayers other than the above-mentioned	25%

### (II) Tax preferential

Pursuant to the document of High-tech Enterprises Recognition Committee of Sichuan Province numbered Chuan Gao Qi Ren [2015] 7, the Company was recognised as high-tech enterprises and enjoyed the high-tech enterprises preferential tax rate of 15% for a period of three years from 2015 to 2017.

Pursuant to the document of High-tech Enterprises Recognition Committee of Sichuan Province numbered Chuan Gao Qi Ren [2014] 6, the Company's subsidiaries, Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, 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 2014 to 2016.

Pursuant to the document of High-tech Enterprises Recognition and Management Coordination Group of Jiangsu Province numbered Su Gao Qi Xie [2015] 14, the Company's subsidiary Jiangsu Fasten Photonics Co., Ltd. was recognised as second batch high-tech enterprises in the year 2015 and enjoyed the high-tech enterprises preferential tax rate of 15% for a period of three years from 2015 to 2017.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

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

#### 1. Cash and bank balances

##### (1) Details

Items	Closing balance	Opening balance
Cash on hand	<b>1,293,988.67</b>	646,392.30
Cash in bank	<b>306,497,968.23</b>	252,214,003.64
Other cash and bank balances	<b>28,672,685.08</b>	22,919,440.68
Total	<b>336,464,641.98</b>	275,779,836.62

##### (2) Other remarks

As at 31 December 2015, the balance of letter of credit deposits and note guarantee deposits of other cash and bank balances was RMB28,658,878.39. There was RMB6,646,173.00 of time deposits used for pledging. Those cash and bank balances mentioned above were restricted

#### 2. Notes receivable

##### (1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Bank acceptance	<b>101,592,650.87</b>		<b>101,592,650.87</b>	99,977,405.05		99,977,405.05
Trade acceptance	<b>192,566.92</b>		<b>192,566.92</b>	11,653,499.85		11,653,499.85
Total	<b>101,785,217.79</b>		<b>101,785,217.79</b>	111,630,904.90		111,630,904.90

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

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	<b>278,574,533.73</b>	
Subtotal	<b>278,574,533.73</b>	

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 2. Notes receivable (Continued)

#### (3) Notes receivable transferred to accounts receivable due to failure in repayment by issuers

Items	Closing balance transferred to accounts receivable
Trade acceptance	8,060,450.40
Subtotal	8,060,450.40

#### 3. Accounts receivable

#### (1) Details

##### 1) Details of different categories of accounts receivable

Categories	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Provision for bad debts Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	441,179,534.91	95.13	33,386,026.50	7.57	407,793,508.41
Receivable of individually insignificant amount but with provision made on an individual basis	22,561,331.06	4.87	20,186,168.81	89.47	2,375,162.25
Total	463,740,865.97	100.00	53,572,195.31	11.55	410,168,670.66

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 3. Accounts receivable (Continued)

##### (1) Details (Continued)

##### 1) Details of different categories of accounts receivable (Continued)

Categories	Book balance		Opening balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	6,019,363.00	1.42	1,504,840.75	25.00	4,514,522.25
Receivables with provision made on a collective basis using portfolios with similar credit risk features	398,652,382.23	93.95	29,499,720.01	7.40	369,152,662.22
Receivable of individually insignificant amount but with provision made on an individual basis	19,660,186.83	4.63	19,660,186.83	100.00	
Total	424,331,932.06	100.00	50,664,747.59	11.94	373,667,184.47

##### 2) In portfolios, accounts receivable with provision made on a collective basis with age analysis method

Ages	Closing balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	369,370,420.28		
1-2 years	34,891,325.17	3,489,132.52	10.00
2-3 years	8,869,088.80	2,660,726.64	30.00
3-5 years	4,062,666.56	3,250,133.24	80.00
Over 5 years	23,986,034.10	23,986,034.10	100.00
Subtotal	441,179,534.91	33,386,026.50	7.57



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 3. Accounts receivable (Continued)

##### (1) Details (Continued)

- 2) In portfolios, accounts receivable with provision made on a collective basis with age analysis method (Continued)

Ages	Book balance	Opening balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year	344,336,573.69		
1-2 years	24,506,440.28	2,450,644.01	10.00
2-3 years	2,336,400.20	700,920.05	30.00
3-5 years	5,624,060.53	4,499,248.42	80.00
Over 5 years	21,848,907.53	21,848,907.53	100.00
Subtotal	398,652,382.23	29,499,720.01	7.40

##### (2) Age analysis

Ages	Book balance	Closing balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year	<b>369,370,420.28</b>		
1-2 years	<b>34,891,325.17</b>	<b>3,489,132.52</b>	<b>10.00</b>
2-3 years	<b>8,869,088.80</b>	<b>2,660,726.64</b>	<b>30.00</b>
3-5 years	<b>7,942,669.56</b>	<b>4,754,973.99</b>	<b>59.87</b>
Over 5 years	<b>42,667,362.16</b>	<b>42,667,362.16</b>	<b>100.00</b>
Total	<b>463,740,865.97</b>	<b>53,572,195.31</b>	<b>11.55</b>

Ages	Book balance	Opening balance	
		Provision for bad debts	Provision proportion (%)
Within 1 year	344,336,573.69		
1-2 years	24,506,440.28	2,450,644.01	10.00
2-3 years	8,355,763.20	2,205,760.80	26.40
3-5 years	7,218,994.50	6,094,182.39	84.42
Over 5 years	39,914,160.39	39,914,160.39	100.00
Total	424,331,932.06	50,664,747.59	11.94

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 3. Accounts receivable (Continued)

##### (2) Age analysis (Continued)

The analysis of aging of accounts receivable is based on the time of delivering goods or providing services.

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 made, collected or reversed in current period

Provision for bad debts made in current period totaled RMB2,907,447.72.

##### (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	74,178,044.13	16.00	
Shandong Radio and Television Network Company Limited	25,728,710.10	5.55	
Shenzhen ZTE Kangxun Telecom Company Limited	21,720,606.70	4.68	
Fujian Radio and Television Network Company Limited	21,290,422.61	4.59	
Guangxi Radio and Television Network Company Limited	18,337,383.43	3.95	
Subtotal	161,255,166.97	34.77	

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 4. Advances paid

##### (1) Age analysis

Ages	Book balance	Closing balance		Book balance	Opening balance	
		Proportion (%)	Provision for bad debts Carrying amount		Proportion (%)	Provision for bad debts Carrying amount
Within 1 year	15,386,713.45	98.60	15,386,713.45	7,583,563.21	88.70	7,583,563.21
1-2 years	79,653.98	0.51	79,653.98	752,884.57	8.81	752,884.57
2-3 years	33,866.82	0.22	33,866.82	108,072.84	1.26	108,072.84
Over 3 years	104,956.32	0.67	104,956.32	105,256.32	1.23	105,256.32
Total	15,605,190.57	100.00	15,605,190.57	8,549,776.94	100.00	8,549,776.94

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

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Fasten Group Import & Export Co., Ltd.	7,740,000.00	49.60
State Grid Jiangsu Electric Power Company Jiangyin City Power Supply Bureau	2,301,550.41	14.75
Central treasury	1,445,416.47	9.26
China Ocean Shipping Agency Zhangjiagang	396,672.06	2.54
Sumitomo Electric Asia Ltd.	378,674.61	2.43
Subtotal	12,262,313.55	78.58

#### 5. Interest receivable

Items	Closing balance	Opening balance
Designated loans		27,500.02
Total		27,500.02

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 6. Other receivables

##### (1) Details

##### 1) Details on categories

Categories	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	120,071,869.33	96.84	26,356,941.47	21.95	93,714,927.86
Receivable of individually insignificant amount but with provision made on an individual basis	3,913,573.65	3.16	3,913,573.65	100.00	
Total	123,985,442.98	100.00	30,270,515.12	24.41	93,714,927.86

Categories	Book balance		Opening balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	102,621,192.62	96.33	26,022,425.66	25.36	76,598,766.96
Receivable of individually insignificant amount but with provision made on an individual basis	3,913,573.65	3.67	3,913,573.65	100.00	
Total	106,534,766.27	100.00	29,935,999.31	28.10	76,598,766.96



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 6. Other receivables (Continued)

##### (1) Details (Continued)

2) In portfolios, other receivables with provision made on a collective basis with age analysis method

Ages	Closing balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	90,469,125.83		
1-2 years	713,432.29	71,343.23	10.00
2-3 years	1,330,950.87	399,285.26	30.00
3-5 years	8,360,236.80	6,688,189.44	80.00
Over 5 years	19,198,123.54	19,198,123.54	100.00
Subtotal	120,071,869.33	26,356,941.47	21.95

Ages	Opening balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	72,458,876.41		
1-2 years	1,974,902.57	197,490.26	10.00
2-3 years	1,107,072.85	332,121.86	30.00
3-5 years	7,937,636.22	6,350,108.97	80.00
Over 5 years	19,142,704.57	19,142,704.57	100.00
Subtotal	102,621,192.62	26,022,425.66	25.36

##### (2) Provisions made, collected or reversed in current period

Provisions for bad debts made in current period totaled RMB334,515.81.

##### (3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Deposit as security	15,877,056.60	5,113,928.13
Call loans	80,000,000.00	55,000,000.00
Temporary advance payment receivable	28,108,386.38	46,420,838.14
Total	123,985,442.98	106,534,766.27

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 6. Other receivables (Continued)

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

Debtors	Nature of receivables	Book balance	Age	Proportion to the total balance of other receivables (%)	Provision for bad debts
Jiangsu Fasten Hongsheng Group Co., Ltd.	Call loans	70,000,000.00	Within 1 year	56.46	
Chengdu Bada Connector Co., Ltd.	Call loans, Temporary advance payment receivable	10,508,821.76	Within 1 year	8.48	
Tazishan Materials Plant	Temporary advance payment receivable	8,391,138.00	Over 5 years	6.77	8,391,138.00
China Potevio Company Limited	Deposit as security	4,972,019.19	Within 1 year	4.01	
Tianyun Technology (Suzhou) Co., Ltd.	Deposit as security	4,786,324.75	4-5 years	3.86	4,786,324.75
Subtotal		98,658,303.70		79.58	13,177,462.75

#### 7. Inventories

##### (1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw materials	99,815,695.71	13,868,939.36	85,946,756.35	137,669,538.62	21,688,107.57	115,981,431.05
Revolving materials (packages and low-value consumables)	2,549,849.56	2,549,849.56		2,601,239.43	2,549,849.56	51,389.87
Semi-finished goods and work in process	37,156,995.19	10,592,641.86	26,564,353.33	45,022,578.82	4,913,631.08	40,108,947.74
Goods on hand	123,015,084.47	40,233,827.41	82,781,257.06	151,652,012.94	47,548,911.68	104,103,101.26
Others	2,124,884.35	590,507.91	1,534,376.44	22,943,729.17	3,792,195.43	19,151,533.74
Total	264,662,509.28	67,835,766.10	196,826,743.18	359,889,098.98	80,492,695.32	279,396,403.66

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 7. Inventories (Continued)

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

###### 1) Details

Items	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Reversal or written-off	Others	
Raw materials	21,688,107.57	322,378.68		8,141,546.89		<b>13,868,939.36</b>
Revolving materials (packages and low-value consumables)	2,549,849.56					<b>2,549,849.56</b>
Semi-finished goods and work in process	4,913,631.08	5,826,916.11		147,905.33		<b>10,592,641.86</b>
Goods on hand	47,548,911.68	7,897,540.85		15,212,625.12		<b>40,233,827.41</b>
Others	3,792,195.43	551,975.49		3,753,663.01		<b>590,507.91</b>
Subtotal	80,492,695.32	14,598,811.13		27,255,740.35		<b>67,835,766.10</b>

###### 2) Determination basis of net realizable value and reasons for the reversal or written-off of provision for inventory write-down

At the end of period, the net realizable value of raw materials, semi-finished goods and work in process is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business.

Reason for written-off of provision for inventory write-down is that inventories for which provisions were made have been sold out.

#### 8. Other current assets

Items	Closing balance	Opening balance
Designated loan		50,000,000.00
Input VAT to be credited	<b>16,393,322.70</b>	34,224,251.43
Total	<b>16,393,322.70</b>	84,224,251.43

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 9. Available-for-sale financial assets

##### (1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale debt instrument						
Available-for-sale equity instrument	15,389,734.00	6,625,000.00	8,764,734.00	11,002,324.00	6,625,000.00	4,377,324.00
Including: at fair value	8,764,734.00		8,764,734.00	4,377,324.00		4,377,324.00
at cost	6,625,000.00	6,625,000.00		6,625,000.00	6,625,000.00	
Total	15,389,734.00	6,625,000.00	8,764,734.00	11,002,324.00	6,625,000.00	4,377,324.00

##### (2) Available-for-sale financial assets at fair value

Categories of available-for-sale financial assets	Available-for-sale equity instrument	Available-for-sale debt instrument	Subtotal
Cost of equity instrument/amortized cost of debt instrument	711,192.32		711,192.32
Fair value	8,764,734.00		8,764,734.00
Changes in fair value through other comprehensive income	6,845,510.44		6,845,510.44
Impairment losses accrued			

##### (3) Available-for-sale financial assets at cost

Investees	Opening balance	Book balance		Closing balance
		Increase	Decrease	
Sichuan New Dragon Network Technology Co., Ltd.	1,535,000.00			1,535,000.00
Chengdu South Star Thermo Power Co., Ltd.	5,000,000.00			5,000,000.00
Shudu Mansion	90,000.00			90,000.00
Subtotal	6,625,000.00			6,625,000.00



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 9. Available-for-sale financial assets (Continued)

##### (3) Available-for-sale financial assets at cost (Continued)

Investees	Provision for impairment				Holding proportion in investees (%)	Cash dividend in current period
	Opening balance	Increase	Decrease	Closing balance		
Sichuan New Dragon Network Technology Co., Ltd.	1,535,000.00			1,535,000.00	16.65	
Chengdu South Star Thermo Power Co., Ltd.	5,000,000.00			5,000,000.00	7.14	
Shudu Mansion	90,000.00			90,000.00		
Subtotal	6,625,000.00			6,625,000.00		

##### (4) Movement in provision for impairment of available-for-sale financial assets

Categories of available-for-sale financial assets	Available-for-sale equity instrument	Available-for-sale debt instrument	Subtotal
Provision balance at the beginning of the period	6,625,000.00		6,625,000.00
Provision made in current period			
Including: Transferred in from other comprehensive income			
Provision decreased in current period			
Including: Subsequently reversed due to recovery in fair value			
Provision balance at the end of the period	6,625,000.00		6,625,000.00

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 10. Held-to-maturity investments

##### (1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Long-term bond investments	60,000.00	60,000.00		60,000.00	60,000.00	
Total	60,000.00	60,000.00		60,000.00	60,000.00	

#### 11. Long-term equity investments

##### (1) Categories

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in associates	5,779,557.27	125,903.35	5,653,653.92	5,246,654.71	125,903.35	5,120,751.36
Total	5,779,557.27	125,903.35	5,653,653.92	5,246,654.71	125,903.35	5,120,751.36

##### (2) Details

Investees	Opening balance	Investments increased	Investments decreased	Increase/decrease	
				Investment income recognized under equity method	Adjustment in other comprehensive income
Associates					
Chengdu Telecommunications Cable Factory	125,903.35				
Chengdu Bada Connector Co., Ltd.	4,007,364.70			346,335.35	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	1,113,386.66			141,352.39	
Total	5,246,654.71			487,687.74	

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 11. Long-term equity investments (Continued)

##### (2) Details (Continued)

Investees	Increase/decrease			Closing balance of provision for impairment
	Changes in other equity	Cash dividend/ profit declared for distribution	Provision for impairment	
Associates				
Chengdu Telecommunications Cable Factory				125,903.35
Chengdu Bada Connector Co., Ltd.				4,353,700.05
Chengdu Yuexin Telecommunications Materials Co., Ltd.	45,214.82			1,299,953.87
Total	45,214.82			5,779,557.27

##### (3) Remarks on investments in unlisted and listed companies

Items	Closing balance	Opening balance
Investments in unlisted companies	5,653,653.92	5,120,751.36
Total	5,653,653.92	5,120,751.36

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 12. Investment property

##### (1) Details

Items	Buildings and structures	Land use right	Total
Cost			
Opening balance	27,443,329.47		27,443,329.47
Increase			
(1) Transferred in from fixed assets	2,806,275.14		2,806,275.14
Decrease			
Closing balance	30,249,604.61		30,249,604.61
Accumulated depreciation and amortization			
Opening balance	7,203,480.58		7,203,480.58
Increase			
(1) Accrual	2,471,902.81		2,471,902.81
(2) Transferred in from fixed assets	759,141.08		759,141.08
Decrease			
Closing balance	10,434,524.47		10,434,524.47
Provision for impairment			
Opening balance			
Increase			
Decrease			
Closing balance			
Carrying amount			
Closing balance	19,815,080.14		19,815,080.14
Opening balance	20,239,848.89		20,239,848.89

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

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	6,672,916.31	Unfinished fire control acceptance check because of the adjustment of fire-control regulations
Subtotal	6,672,916.31	



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 13. Fixed assets

##### (1) Details

Items	Buildings and structures	Machinery	Transport facilities	Other equipment	Total
Cost					
Opening balance	397,129,175.81	601,561,804.61	12,002,052.45	38,828,138.52	1,049,521,171.39
Increase	335,432.00	28,313,448.39	111,965.82	883,803.59	29,644,649.80
(1) Acquisition	335,432.00	2,184,209.46	111,965.82	772,863.37	3,404,470.65
(2) Transferred in from construction in progress		26,129,238.93		110,940.22	26,240,179.15
Decrease	2,806,275.14		1,324,430.07	14,358.97	4,145,064.18
(1) Disposal/scrap			1,324,430.07	14,358.97	1,338,789.04
(2) Transferred out	2,806,275.14				2,806,275.14
Closing balance	394,658,332.67	629,875,253.00	10,789,588.20	39,697,583.14	1,075,020,757.01
Accumulated depreciation					
Opening balance	135,389,752.85	324,417,368.03	9,122,603.93	22,884,075.16	491,813,799.97
Increase	13,767,430.40	39,958,999.92	750,591.69	2,847,399.91	57,324,421.92
(1) Accrual	13,767,430.40	39,958,999.92	750,591.69	2,847,399.91	57,324,421.92
Decrease	759,141.08		1,262,082.20	13,928.20	2,035,151.48
(1) Disposal/scrap			1,262,082.20	13,928.20	1,276,010.40
(2) Transferred out	759,141.08				759,141.08
Closing balance	148,398,042.17	364,376,367.95	8,611,113.42	25,717,546.87	547,103,070.41
Provision for impairment					
Opening balance		16,725,880.83	18,346.43	407,185.25	17,151,412.51
Increase					
Decrease					
Closing balance		16,725,880.83	18,346.43	407,185.25	17,151,412.51
Carrying amount					
Closing balance	246,260,290.50	248,773,004.22	2,160,128.35	13,572,851.02	510,766,274.09
Opening balance	261,739,422.96	260,418,555.75	2,861,102.09	15,536,878.11	540,555,958.91

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 13. Fixed assets (Continued)

##### (2) Fixed assets temporarily idle

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying amount	Note
Machinery	84,046,591.48	66,762,002.75	14,959,172.36	2,325,416.37	
Subtotal	84,046,591.48	66,762,002.75	14,959,172.36	2,325,416.37	

##### (3) Fixed assets rented-out under operating leases

Items	Carrying amount
Machinery	1,536,268.04
Subtotal	1,536,268.04

##### (4) Fixed assets with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
New factory of Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	60,267,429.82	Unfinished fire control acceptance check because of the adjustment of fire-control regulations
Subtotal	60,267,429.82	

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 14. Construction in progress

##### (1) Details

Projects	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Integrated technology improvement	7,961,117.46	5,919,118.11	2,041,999.35	7,923,681.56	5,919,118.11	2,004,563.45
Project for improvement on capacity of prefabricate stick	1,068,252.06		1,068,252.06	13,763,744.76		13,763,744.76
Chengdu Zhongling production line	920,124.20		920,124.20	920,124.20		920,124.20
Accelerator technology improvement				5,097,107.40		5,097,107.40
Other projects (Optical)				392,264.31		392,264.31
SEI K5-02B06#wire drawing	4,728,278.18		4,728,278.18	4,728,278.18		4,728,278.18
Other projects (Photonics)	65,418.78		65,418.78	5,184,224.82		5,184,224.82
Total	14,743,190.68	5,919,118.11	8,824,072.57	38,009,425.23	5,919,118.11	32,090,307.12

##### (2) Changes in significant projects

Projects	Budgets		Transferred to			Closing balance
	(in RMB 10,000.00)	Opening balance	Increase	fixed assets	Other decrease	
Integrated technology improvement	700.00	7,923,681.56	148,376.12	110,940.22		7,961,117.46
Project for improvement on capacity of prefabricate stick	2,000.00	13,763,744.76	3,678,273.23	13,230,414.16	3,143,351.77	1,068,252.06
SEI K5-02B06#wire drawing	500.00	4,728,278.18				4,728,278.18
Accelerator technology improvement	700.00	5,097,107.40		5,097,107.40		
Other projects (Photonics)	600.00	5,184,224.82		5,118,806.04		65,418.78
Subtotal	4,500.00	36,697,036.72	3,826,649.35	23,557,267.82	3,143,351.77	13,823,066.48

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 14. Construction in progress (Continued)

##### (2) Changes in significant projects (Continued)

Projects	Accumulated investment to budget	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in current period	Annual capitalization rate (%)	Fund source
Integrated technology improvement	93.95	95.00				Internal funds
Project for improvement on capacity of prefabricate stick	115.37	99.00				Internal funds
SEI K5-02B06#wire drawing	94.57	95.00				Internal funds
Accelerator technology improvement	72.82	100.00				Internal funds
Other projects (Photonics)						Internal funds
Subtotal						



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 15. Intangible assets

##### (1) Details

Items	Land use right	Patent	Trademark	Others	Total
Cost					
Opening balance	104,606,586.61	1,071,672.28	28,800,000.00	625,151.41	135,103,410.30
Increase				125,242.72	125,242.72
(1) Acquisition				125,242.72	125,242.72
Decrease					
Closing balance	104,606,586.61	1,071,672.28	28,800,000.00	750,394.13	135,228,653.02
Accumulated amortization					
Opening balance	12,955,477.08	732,310.02	2,816,710.67	322,371.13	16,826,868.90
Increase	2,372,722.68	107,167.32	500,000.00	100,231.68	3,080,121.68
(1) Accrual	2,372,722.68	107,167.32	500,000.00	100,231.68	3,080,121.68
Decrease					
Closing balance	15,328,199.76	839,477.34	3,316,710.67	422,602.81	19,906,990.58
Provision for impairment					
Opening balance			1,899,956.00		1,899,956.00
Increase					
Decrease					
Closing balance			1,899,956.00		1,899,956.00
Carrying amount					
Closing balance	89,278,386.85	232,194.94	23,583,333.33	327,791.32	113,421,706.44
Opening balance	91,651,109.53	339,362.26	24,083,333.33	302,780.28	116,376,585.40

##### (2) Analysis of carrying amount of land use right

Items	Closing balance	Opening balance
Outside Hong Kong Including: Long-term lease	<b>89,278,386.85</b>	91,651,109.53
Subtotal	<b>89,278,386.85</b>	91,651,109.53

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 16. Goodwill

##### (1) Cost

Investee or events resulting in goodwill	Opening balance	Due to business combination in current period	Decrease Disposal	Others	Closing balance
Jiangsu Fasten Photonics Co., Ltd.	8,477,213.03				<b>8,477,213.03</b>
Jiangsu Fasten Optical Cable Co., Ltd.	11,259,825.38				<b>11,259,825.38</b>
Houma Potevio Fasten Cable Communications Co., Ltd.	2,248,742.06				<b>2,248,742.06</b>
Total	21,985,780.47				<b>21,985,780.47</b>

##### (2) Impairment test process, parameters, and recognition method of goodwill impairment loss

The recoverable amount of goodwill is computed based on the present value of estimated future cash flows, which is based on the estimated annual cash flow approved by the Company. For Jiangsu Fasten Photonics Co., Ltd., the discount rate used in estimating the annual cash flow is 12.60%. For Houma Potevio Fasten Cable Communications Co., Ltd., the discount rate used in estimating the annual cash flow is 15.13%. The cash flow subsequent to the estimated period is inferred by a growth rate of 0.

Other key data used in the impairment test include: the estimated selling price, sales amount, cost of product, and other relevant expenses.

Such key data are determined by the Company based on its experience and its prediction towards market development. The discount rate used by the Company is the pre-tax interest rate that reveals the time value of currency under the current market situation and risks of certain assets portfolio.

The estimation of the recoverable amount of goodwill based on the aforementioned method suggests that the Company's goodwill is not impaired.

#### 17. Long-term prepayments

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Factory decoration and improvement	15,681,483.88	3,143,351.77	2,129,271.04		<b>16,695,564.61</b>
Total	15,681,483.88	3,143,351.77	2,129,271.04		<b>16,695,564.61</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 18. Deferred tax assets and deferred tax liabilities

##### (1) Deferred tax assets before offset

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax asset	Deductible temporary difference	Deferred tax asset
Provision for impairment of assets	108,640,539.86	16,819,344.28	137,882,423.11	21,146,398.40
Total	108,640,539.86	16,819,344.28	137,882,423.11	21,146,398.40

##### (2) Deferred tax liabilities before offset

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Assets appraisal appreciation due to business combination not under common control	43,782,781.43	9,329,595.37	47,448,247.88	10,144,690.49
Changes in fair value of available-for-sale financial assets	8,053,541.69	1,208,031.25	3,666,131.68	549,919.75
Total	51,836,323.12	10,537,626.62	51,114,379.56	10,694,610.24

##### (3) Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	74,819,326.65	55,551,684.38
Deductible losses	310,633,973.20	263,448,357.28
Subtotal	385,453,299.85	319,000,041.66

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 18. Deferred tax assets and deferred tax liabilities (Continued)

##### (4) Maturity years of deductible losses of unrecognized deferred tax assets

Maturity years	Closing balance	Opening balance	Remarks
Year 2015		6,838,151.94	
Year 2016	<b>95,383,036.98</b>	95,383,036.98	
Year 2017	<b>108,414,859.60</b>	108,414,859.60	
Year 2018	<b>7,664,561.27</b>	7,664,561.27	
Year 2019	<b>45,147,747.49</b>	45,147,747.49	
Year 2020	<b>54,023,767.86</b>		
Subtotal	<b>310,633,973.20</b>	263,448,357.28	

#### 19. Short-term borrowings

Items	Closing balance	Opening balance
Mortgage borrowings	<b>50,000,000.00</b>	50,000,000.00
Guaranteed borrowings	<b>150,000,000.00</b>	150,000,000.00
Total	<b>200,000,000.00</b>	200,000,000.00

#### 20. Notes payable

Items	Closing balance	Opening balance
Trade acceptance	<b>3,603,546.89</b>	
Bank acceptance	<b>36,000,000.00</b>	10,000,000.00
Total	<b>39,603,546.89</b>	10,000,000.00



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 21. Accounts payable

##### (1) Details

Items	Closing balance	Opening balance
Borrowings	<b>189,005,353.53</b>	253,203,068.60
Payment for project and equipment	<b>7,801,454.06</b>	10,477,609.56
Others	<b>10,948,395.19</b>	1,316,501.55
Total	<b>207,755,202.78</b>	264,997,179.71

##### (2) Age analysis

Ages	Closing balance	Opening balance
Within 1 year	<b>188,032,257.43</b>	252,211,370.56
1–2 years	<b>10,541,582.73</b>	7,941,322.22
2–3 years	<b>4,856,696.67</b>	772,611.37
Over 3 years	<b>4,324,665.95</b>	4,071,875.56
Total	<b>207,755,202.78</b>	264,997,179.71

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.

#### 22. Advances received

Items	Closing balance	Opening balance
Payment for goods	<b>17,387,434.92</b>	4,112,041.62
Total	<b>17,387,434.92</b>	4,112,041.62

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 23. Employee benefits payable

##### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	25,431,242.61	110,717,679.97	110,376,655.87	<b>25,772,266.71</b>
Post-employment benefits — defined benefit plan	255,259.84	12,634,480.22	12,596,836.78	<b>292,903.28</b>
Termination benefits		5,317,366.50	1,251,141.50	<b>4,066,225.00</b>
Total	25,686,502.45	128,669,526.69	124,224,634.15	<b>30,131,394.99</b>

##### (2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	19,221,273.20	91,578,312.19	91,695,187.79	<b>19,104,397.60</b>
Employee welfare fund	24,109.80	5,124,462.96	5,122,286.76	<b>26,286.00</b>
Social insurance premium	5,781.60	5,935,380.92	5,894,202.37	<b>46,960.15</b>
Including: Medicare premium	5,606.58	5,108,192.42	5,069,902.49	<b>43,896.51</b>
Occupational injuries premium	288.00	562,885.10	562,885.10	<b>288.00</b>
Maternity premium	-112.98	264,303.40	261,414.78	<b>2,775.64</b>
Housing accumulation funds	489.00	3,827,497.66	3,840,440.66	<b>-12,454.00</b>
Trade union fund and employee education fund	6,179,589.01	1,665,373.86	1,237,885.91	<b>6,607,076.96</b>
Others		2,586,652.38	2,586,652.38	
Subtotal	25,431,242.61	110,717,679.97	110,376,655.87	<b>25,772,266.71</b>

##### (3) Details of defined benefit plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium	267,375.94	11,670,850.14	11,640,861.45	<b>297,364.63</b>
Unemployment insurance premium	-12,116.10	963,630.08	955,975.33	<b>-4,461.35</b>
Subtotal	255,259.84	12,634,480.22	12,596,836.78	<b>292,903.28</b>

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 24. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	<b>3,431,018.46</b>	1,475,359.45
Business tax	<b>163,032.42</b>	482,276.29
Urban maintenance and construction tax	<b>169,866.95</b>	126,651.44
Enterprise income tax	<b>2,754,877.22</b>	2,062,764.46
Housing property tax	<b>572,984.16</b>	871,637.22
Land use tax	<b>134,633.25</b>	134,633.25
Individual income tax	<b>83,806.30</b>	162,954.73
Education surcharge	<b>74,820.20</b>	54,761.59
Local education surcharge	<b>49,880.13</b>	36,507.72
Others	<b>146,841.55</b>	133,857.89
Total	<b>7,581,760.64</b>	5,541,404.04

#### 25. Other payables

Items	Closing balance	Opening balance
Deposits	<b>616,858.80</b>	23,073,128.91
Capital raised from repurchase		10,000,000.00
Temporary receipts payable	<b>17,752,324.36</b>	23,888,173.20
Others	<b>2,785,225.43</b>	6,563,217.38
Total	<b>21,154,408.59</b>	63,524,519.49

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 26. Long-term borrowings

##### (1) Details

Items	Closing balance	Opening balance
Guaranteed borrowings	<b>7,518,503.53</b>	8,050,174.78
Total	<b>7,518,503.53</b>	8,050,174.78

##### (2) Analysis of long-term borrowings maturity dates

Items	Closing balance	Opening balance
Over 5 years	<b>7,518,503.53</b>	8,050,174.78
Subtotal	<b>7,518,503.53</b>	8,050,174.78
Including: Long-term borrowings due within one year	<b>143,142.01</b>	149,769.66
Long-term borrowings due more than one year	<b>7,375,361.52</b>	7,900,405.12

#### 27. Deferred income

##### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	73,925,562.68	520,000.00	4,009,880.40	<b>70,435,682.28</b>	Land acquisition compensation
Total	73,925,562.68	520,000.00	4,009,880.40	<b>70,435,682.28</b>	

##### (2) Details of government grants

Items	Opening balance	Increase	Included in non-operating revenue in current period	Other movements	Closing balance	Related to assets/income
Shuangliu land acquisition compensation	73,745,562.68		3,709,880.40		<b>70,035,682.28</b>	Related to assets
Support fund for bend-insensitive optical fibre (G657A/B)	180,000.00	120,000.00	300,000.00			Related to income
Subsidy of development and application of nuclear-grade special cable		400,000.00			<b>400,000.00</b>	Related to income
Subtotal	73,925,562.68	520,000.00	4,009,880.40		<b>70,435,682.28</b>	



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 27. Deferred income (Continued)

##### (3) Other remarks

Pursuant to the "Approval of the Acquisition of Housing Property of the Land Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant" (numbered Shuang Fu Tu [2008]129) and "Administration of the Land Acquisition and Reserve of Shuangliu County" issued by the People's Government of Chengdu Shuangliu County, a subsidiary of the Company, Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, signed a "State-owned Land Use Rights Acquisition Agreement" with Shuangliu Land Reserve Centre in March 2009, pursuant to which the county government was agreed to buy back the land use rights of a parcel of state-owned land with 47,767.75 square meters located at Jingdu Village, Baijia Town, Shuangliu County, from the subsidiary at a consideration of RMB87.2043 million.

#### 28. Share capital

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

#### 29. Capital reserve

Items	Opening balance	Increase	Decrease	Closing balance
Capital premium (share premium)	302,343,510.57			302,343,510.57
Other capital reserve	349,012,054.44	45,214.82		349,057,269.26
Capital reserve brought forward from original scheme	343,857,949.07			343,857,949.07
Capital reserve acquired from non-controlling interest	175,421.09			175,421.09
Others	4,978,684.28	45,214.82		5,023,899.10
Total	651,355,565.01	45,214.82		651,400,779.83

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 30. Other comprehensive income (OCI)

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	3,116,211.94	4,387,410.00		658,111.50	3,729,298.50	6,845,510.44
Total	3,116,211.94	4,387,410.00		658,111.50	3,729,298.50	6,845,510.44

#### 31. Surplus reserve

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

#### 32. Undistributed profit

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	-95,442,673.91	-65,938,245.27
Add: Increase due to adjustment (or less: decrease)		
Opening balance after adjustment	-95,442,673.91	-65,938,245.27
Add: Net profit attributable to owners of the parent company	-40,628,295.20	-29,504,428.64
Less: Appropriation of statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividend payable on ordinary shares		
Dividend on ordinary share converted to share capital		
Closing balance	-136,070,969.11	-95,442,673.91

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 1. Operating revenue/cost

Items	Current period cumulative		Preceding period comparative	
	Income	Cost	Income	Cost
Revenue from main operation	<b>1,156,775,229.92</b>	<b>1,035,691,452.67</b>	924,135,010.41	844,656,453.95
Revenue from other operation	<b>52,746,826.81</b>	<b>28,339,466.09</b>	21,325,878.31	13,674,127.00
Total	<b>1,209,522,056.73</b>	<b>1,064,030,918.76</b>	945,460,888.72	858,330,580.95

#### 2. Taxes and surcharge for operations

Items	Current period cumulative	Preceding period comparative
Business tax	<b>1,049,875.20</b>	1,688,226.41
Urban maintenance and construction tax	<b>2,283,212.40</b>	1,992,361.93
Education surcharge	<b>1,172,060.17</b>	1,037,258.90
Local education surcharges	<b>485,965.45</b>	144,726.78
Housing Property tax	<b>1,399,596.19</b>	1,453,271.34
Price regulation fund	<b>167,154.77</b>	63,143.78
Total	<b>6,557,864.18</b>	6,378,989.14

#### 3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Staff salaries	<b>8,979,585.94</b>	8,156,880.71
Transportation cost	<b>18,540,166.01</b>	11,376,550.72
Packing expenses	<b>2,472,304.12</b>	1,656,190.67
Business expenses	<b>10,123,334.14</b>	11,855,585.77
Advertising and promotion expenses	<b>899,136.66</b>	814,496.01
Office and travelling expenses	<b>4,024,984.17</b>	4,443,220.17
Sales service expenses	<b>1,308,895.28</b>	478,503.40
Others	<b>3,676,548.30</b>	42,347.56
Total	<b>50,024,954.62</b>	38,823,775.01

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 4. Administrative expenses

##### (1) Details

Items	Current period cumulative	Preceding period comparative
Staff salaries	<b>45,240,669.50</b>	36,503,278.36
Depreciation and amortisation	<b>11,846,611.27</b>	9,654,210.83
Business entertainment	<b>2,164,167.37</b>	1,721,973.70
Office and travelling expenses	<b>3,762,886.04</b>	4,985,077.58
Research and development costs	<b>20,389,934.63</b>	16,803,164.88
Taxes	<b>6,265,889.75</b>	6,132,315.65
Agency fee	<b>5,368,686.93</b>	3,654,685.37
Repairs and maintenance	<b>3,893,367.20</b>	2,671,268.52
Water and electricity	<b>997,573.31</b>	4,192,139.35
Loss from work suspension	<b>1,074,692.06</b>	6,169,435.47
Others	<b>11,355,417.99</b>	8,998,181.79
Total	<b>112,359,896.05</b>	101,485,731.50

(2) Of current period administrative expenses, auditor's remuneration totaled RMB1,080,000.00 (2014: RMB1,080,000.00).

#### 5. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenditures	<b>12,791,657.80</b>	13,372,489.58
Including: Interest on bank borrowing, overdraft and other borrowings wholly repayable within five years	<b>12,791,657.80</b>	13,372,489.58
Less: Interest income	<b>9,791,300.94</b>	10,947,379.84
Exchange gain/loss	<b>2,364,042.76</b>	-194,037.04
Handling charges	<b>594,489.00</b>	601,620.69
Total	<b>5,958,888.62</b>	2,832,693.39



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 6. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts	<b>3,241,963.53</b>	3,201,457.90
Inventory written-down loss	<b>14,598,811.13</b>	-310,954.02
Total	<b>17,840,774.66</b>	2,890,503.88

#### 7. Investment income

##### (1) Details

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	<b>487,687.74</b>	176,706.78
Gains on disposal of long-term equity investments		189,495.60
Investment income from available-for-sale financial assets		11,976,669.96
Others	<b>109,999.98</b>	5,949,166.67
Total	<b>597,687.72</b>	18,292,039.01

##### (2) Remarks on investment income from investments in unlisted companies and listed companies

Items	Current period cumulative	Preceding period comparative
Investment income from unlisted companies	<b>487,687.74</b>	176,706.78
Investment income from listed companies		11,976,669.96
Subtotal	<b>487,687.74</b>	12,153,376.74

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 8. Non-operating revenue

##### (1) Details

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of non-current assets	<b>79,805.91</b>	197,139.49	79,805.91
Including: Gains on disposal of fixed assets	<b>79,805.91</b>	197,139.49	79,805.91
Gains on trading of non-cash assets		676,336.25	
Government grants	<b>7,436,149.40</b>	8,596,940.40	7,436,149.40
Others	<b>1,646,570.05</b>	592,354.41	1,646,570.05
Total	<b>9,162,525.36</b>	10,062,770.55	9,162,525.36

##### (2) Government grants

Items	Current period cumulative	Preceding period comparative	Related to assets/income
Government subsidies for qualifying safety standardization standard	<b>100,000.00</b>		Related to income
Subsidized interest from Wuxi City Science and Technology Board & Wuxi City Ministry of Finance	<b>765,000.00</b>		Related to income
Shuangliu land acquisition compensation	<b>3,709,880.40</b>	3,709,880.40	Related to income
Identification subsidies for UL		47,500.00	Related to income
Economic development support funds from other province in 2013 for High-tech Zone	<b>50,000.00</b>	30,000.00	Related to income
International market expansion funds in 2013 for small and medium size enterprises		41,600.00	Related to income
Environment management system identification subsidies		11,300.00	Related to income
Support fund for bend insensitive optical fibre (G657A/B)		4,180,000.00	Related to income
High-tech industry support funds for Jiangyin High-tech Zone		130,000.00	Related to income
Jiangyin Qiangsan Office special funds		32,760.00	Related to income
Science and Technology Bureau of Chengdu scientific insurance subsidies		700.00	Related to income
Chengdu Water-saving Office subsidies		2,000.00	Related to income
Jiangyin Ministry of Finance patent funds		9,200.00	Related to income
International market expansion funds		302,000.00	Related to income
Jiangyin technology support program funds		100,000.00	Related to income
Subsidies for project of fiber preform	<b>230,800.00</b>		Related to income

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 8. Non-operating revenue (Continued)

##### (2) Government grants (Continued)

Items	Current period cumulative	Preceding period comparative	Related to assets/income
Subsidies for encouraging enterprises to implement standardization strategy	100,000.00		Related to income
Subsidies for encouraging enterprises to improve credit rate	2,000.00		Related to income
Patent grant	2,969.00		Related to income
Subsidies for improving international operating ability from Economic and Trade Development Bureau of High-tech Zone	85,500.00		Related to income
Subsidies from research and development facilities of Science and Technology Board (technology center at the city level)	200,000.00		Related to income
Key technology innovation project plan in Sichuan Province in 2014	1,000,000.00		Related to income
Subsidies from High-tech Zone (assessment for standardization of safe production)	100,000.00		Related to income
Shrinkage band used for jointing patch on mechanical oil and gas pipeline construction site subsidies	200,000.00		Related to income
Science and Technology Board of Shuangliu County (incubation fund for sci-tech achievements)	300,000.00		Related to income
Anticorrosion structure combination of jointing patch of steel pipeline patent implement subsidies	100,000.00		Related to income
Science and technology award from 2013 to 2014 (the 3rd rank award of science and technology development)	10,000.00		Related to income
Subsidies for technological innovation in 2013 (superior scientific and technological development patent award)	20,000.00		Related to income
Subsidies for scientific and technological development project in 2013	280,000.00		Related to income
Electricity subsidies from Economic and Trade Development Bureau of High-tech Zone in Sichuan Province	80,000.00		Related to income
Security reward from Economic and Trade Development Bureau of High-tech Zone in Sichuan Province	100,000.00		Related to income
Subtotal	7,436,149.40	8,596,940.40	

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 9. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Losses on disposal of non-current assets	<b>1,210.77</b>	206,562.07	1,210.77
Including: Losses on disposal of fixed assets	<b>1,210.77</b>	206,562.07	1,210.77
Donation expenditures	<b>53,454.62</b>	33,000.00	53,454.62
Others	<b>55,104.04</b>	14,706.83	55,104.04
Total	<b>109,769.43</b>	254,268.90	109,769.43

#### 10. Income tax expenses

##### (1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	<b>1,979,462.21</b>	1,287,787.38
Deferred income tax expenses	<b>3,511,959.00</b>	2,515,350.44
Total	<b>5,491,421.21</b>	3,803,137.82

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

Items	Current period cumulative	Preceding period comparative
Profit before tax	<b>-37,600,796.51</b>	-37,180,844.49
Income tax expenses based on applicable tax rate	<b>-5,640,119.48</b>	-5,577,126.67
Effect of different tax rate applicable to subsidiaries	<b>2,672,245.78</b>	-148,387.70
Effect of prior income tax reconciliation	<b>127,469.83</b>	455,168.49
Effect of non-taxable income		
Effect of non-deductible costs, expenses and losses	<b>1,263,720.89</b>	779,399.28
Effect of deductible research and development costs	<b>-1,257,567.75</b>	
Utilization of deductible losses not previously recognized	<b>222,106.76</b>	
Effect of deductible temporary differences or deductible losses not recognized	<b>8,103,565.18</b>	8,294,084.42
Income tax expenses	<b>5,491,421.21</b>	3,803,137.82

#### 11. Other comprehensive income, net of income tax

Please refer to notes to other comprehensive income for details.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 1. Other cash receipts related to operating activities

Items	Current period cumulative	Preceding period comparative
Cash received for government grants other than tax refund	<b>3,946,269.00</b>	707,060.00
Interest income	<b>9,791,300.94</b>	10,947,379.84
Cash received from leasing of fixed assets (investment properties)	<b>9,789,919.09</b>	3,987,923.07
Cash received from notes and deposits for L/C	<b>24,084,949.78</b>	
Others	<b>4,714,536.99</b>	21,898,793.48
Total	<b>52,326,975.80</b>	37,541,156.39

#### 2. Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Administrative expenses paid by cash	<b>41,347,705.80</b>	30,672,798.92
Selling expenses paid by cash	<b>46,157,899.74</b>	29,035,518.16
Handling charges included in finance costs	<b>111,069.72</b>	601,570.69
Lease fee of manufacturing expense paid by cash	<b>15,823,440.79</b>	36,064,397.45
Notes and deposits for L/C paid by cash	<b>45,963,385.22</b>	36,978,216.92
Others	<b>18,235,566.75</b>	8,951,280.20
Total	<b>167,639,068.02</b>	142,303,782.34

#### 3. Other cash receipts related to investing activities

Items	Current period cumulative	Preceding period comparative
Designated loans	<b>50,000,000.00</b>	50,000,000.00
Total	<b>50,000,000.00</b>	50,000,000.00

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 4. Other cash payments related to investing activities

Items	Current period cumulative	Preceding period comparative
Designated loans		50,000,000.00
Total		50,000,000.00

#### 5. Other cash receipts related to financing activities

Items	Current period cumulative	Preceding period comparative
Sales with buyback agreements		10,000,000.00
Total		10,000,000.00

#### 6. Other cash payments related to financing activities

Items	Current period cumulative	Preceding period comparative
Handling charges and interest expense of sales with buyback agreements	<b>10,837,730.00</b>	545,195.00
Total	<b>10,837,730.00</b>	545,195.00

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 7. Supplement information to the cash flow statement

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

Supplement information	Current period cumulative	Preceding period comparative
(1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	<b>-43,092,217.72</b>	-40,983,982.31
Add: Provision for assets impairment loss	<b>17,840,774.66</b>	2,890,503.88
Depreciation of fixed assets, oil and gas assets, productive biological assets	<b>59,796,324.73</b>	58,392,440.77
Amortization of intangible assets	<b>3,080,121.68</b>	3,067,597.40
Amortization of long-term prepayments	<b>2,129,271.04</b>	481,166.25
Loss on disposal of fixed assets, intangible assets and other non-current assets (Less: gains)	<b>-78,595.14</b>	-666,913.67
Fixed assets retirement loss (Less: gains)		
Losses on changes in fair value (Less: gains)	<b>12,810,471.89</b>	13,178,452.54
Financial expenses (Less: gains)	<b>-597,687.72</b>	-18,292,039.01
Investments losses (Less: gains)		
Decrease of deferred tax assets (Less: increase)	<b>4,327,054.12</b>	3,316,161.43
Increase of deferred tax liabilities (Less: decrease)	<b>-815,095.12</b>	-800,810.99
Decrease in inventories (Less: increase)	<b>67,970,849.35</b>	-44,509,781.24
Decrease in operating receivables (Less: increase)	<b>-93,659,010.25</b>	-197,409,217.74
Increase of operating payables (Less: decrease)	<b>3,313,178.78</b>	191,089,221.86
Others	<b>12,096,622.82</b>	-36,328,253.72
Net cash flow from operating activities	<b>45,122,063.12</b>	-66,575,454.55
(2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into share capital		
Convertible bonds due within one year		
Fixed assets rented in under finance leases		
(3) Net changes in cash and cash equivalents:		
Cash at the end of the period	<b>301,159,590.59</b>	238,801,619.70
Less: Cash at the beginning of the period	<b>238,801,619.70</b>	379,793,686.19
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	<b>62,357,970.89</b>	-140,992,066.49

Remarks: Others in this year was mainly restricted cash and bank balances of Chengdu SEI Optical Fiber Co., Ltd..

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

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

#### 7. Supplement information to the cash flow statement (Continued)

##### (2) Cash and cash equivalents

Items	Closing balance	Opening balance
(1) Cash	<b>301,159,590.59</b>	238,801,619.70
Including: Cash on hand	<b>1,293,988.67</b>	646,392.30
Cash in bank on demand for payment	<b>299,851,795.23</b>	238,155,227.40
Other cash and bank balances on demand for payment	<b>13,806.69</b>	
Central bank deposit on demand for payment		
Deposit in other banks		
Loans to other banks		
(2) Cash equivalents		
Including: Bond investments maturing within three months		
(3) Cash and cash equivalents at the end of the period	<b>301,159,590.59</b>	238,801,619.70
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

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

Amount of endorsed commercial acceptance was RMB421,764,126.26 this year.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

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

### (IV) Others

#### 1. Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Other cash and bank balances	<b>28,658,878.39</b>	L/C, deposits of bank guarantee
Cash in bank	<b>6,646,173.00</b>	Pledge
Fixed assets	<b>54,538,714.37</b>	Mortgage
Total	<b>89,843,765.76</b>	

#### 2. Monetary items in foreign currencies

##### (1) Details

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank balances			
Including: USD	<b>2,224,978.74</b>	<b>6.4936</b>	<b>14,448,121.95</b>
EUR	<b>12.04</b>	<b>7.0952</b>	<b>85.43</b>
Accounts payable			
Including: USD	<b>3,588,083.18</b>	<b>6.4936</b>	<b>23,299,576.93</b>
Long-term borrowings			
Including: EUR	<b>1,059,660.54</b>	<b>7.0952</b>	<b>7,518,503.53</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## VI. CHANGES IN THE CONSOLIDATED SCOPE

### (I) Changes in consolidated scope due to other reasons

#### 1. Entities brought into the consolidated scope

Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Capital contribution proportion (%)
Chongqing Putaifeng Aluminium Co., Ltd.	New established subsidiary	2015.12	8,000,000.00	40.00%

## VII. 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	
Jiangsu Fasten Photonics Co., Ltd.	Jiangyin City	Jiangyin City	Manufacture	45.00		Business combination not under common control
Jiangsu Fasten Optical Cable Co., Ltd.	Jiangyin City	Jiangyin City	Manufacture	45.00		Business combination not under common control
Houma Potevio Fasten Cable Communications Co., Ltd.	Houma City	Houma City	Manufacture	45.00		Business combination not under common control
Putian Fasten Cable Telecommunication Co., Ltd.	Jiangyin City	Jiangyin City	Manufacture	45.00		Business combination not under common control
Chengdu Zhongling Radio Communications Co., Ltd.	Chengdu City	Chengdu City	Manufacture	90.00	6.67	Business combination not under common control
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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## VII. INTEREST IN OTHER ENTITIES (CONTINUED)

### (I) Equity in significant subsidiaries (Continued)

#### 1. Significant subsidiaries (Continued)

#### (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 45% equity of Putian Fasten Cable Telecommunication Co. Ltd., holds majority of voting right in the Board of Directors, and could control its financial and operation decision, and have a privileged variable return, the Company brought the financial statements of Putian Fasten Cable Telecommunication Co. Ltd. into the consolidation scope.

As the Company holds 40% equity of Chongqing Putaifeng Aluminium Co. Ltd., holds majority of voting right in the Board of Directors, and could control its financial and operation decision, and have 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*

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## VII. INTEREST IN OTHER ENTITIES (CONTINUED)

### (I) Equity in significant subsidiaries (Continued)

#### 2. Significant not 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%	-64,283.14		1,960,334.12
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	33.33%	-5,469,528.67		13,787,271.41
Chengdu SEI Optical Fiber Co., Ltd.	40.00%	4,381,851.37		69,355,112.91
Putian Fasten Cable Telecommunication Co. Ltd.	55.00%	-1,311,962.08		265,594,400.81
Chongqing Putaifeng Aluminium Co. Ltd.	60.00%			

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

##### (1) Assets and liabilities

(Expressed in RMB10,000.00)

Subsidiaries	Current assets	Non-current assets	Closing balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Chengdu Zhongling Radio Communications Co., Ltd.	6,229.00	1,150.77	7,379.77	1,492.88		1,492.88
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	4,048.66	10,612.41	14,661.07	3,520.91	7,003.57	10,524.48
Chengdu SEI Optical Fiber Co., Ltd.	18,065.01	3,508.10	21,573.11	4,234.33		4,234.33
Putian Fasten Cable Telecommunication Co., Ltd.	55,574.23	32,176.86	87,751.09	38,528.24	932.96	39,461.20
Chongqing Putaifeng Aluminium Co., Ltd.	800.00		800.00			

Subsidiaries	Current assets	Non-current assets	Opening balance		Non-current liabilities	Total liabilities
			Total assets	Current liabilities		
Chengdu Zhongling Radio Communications Co., Ltd.	6,122.51	1,297.52	7,420.03	1,340.10		1,340.10
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	5,405.13	11,390.84	16,795.97	3,625.80	7,392.56	11,018.36
Chengdu SEI Optical Fiber Co., Ltd.	21,528.46	3,874.08	25,402.53	9,159.22		9,159.22
Putian Fasten Cable Telecommunication Co., Ltd.	50,395.26	34,804.86	85,200.12	35,657.22	1,014.47	36,671.69



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## VII. INTEREST IN OTHER ENTITIES (CONTINUED)

### (I) Equity in significant subsidiaries (Continued)

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

##### (2) Profit or loss and cash flows

(Expressed in RMB 10,000.00)

Subsidiaries	Current period cumulative				Preceding period comparative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Chengdu Zhongling Radio Communications Co., Ltd.	3,725.94	-193.04	-193.04	-1,049.50	5,135.31	-302.91	-302.91	1,163.38
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	2,543.36	-1,641.02	-1,641.02	-249.42	4,252.36	-155.14	-155.14	661.16
Chengdu SEI Optical Fiber Co., Ltd.	18,877.51	1,095.46	1,095.46	4,530.18	18,672.99	451.02	451.02	819.30
Puian Fasten Cable Telecommunication Co., Ltd.	70,487.29	-238.54	-238.54	1,090.24	48,252.26	-1,655.44	-1,655.44	613.23

### (II) Equity in joint venture or associates

#### 1. Significant joint ventures or associates

##### (1) Basic information

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## VII. INTEREST IN OTHER ENTITIES (CONTINUED)

### (II) Equity in joint venture or associates (Continued)

#### 2. Main financial information of significant associates

Items	Closing balance/current period cumulative		Opening balance/preceding period comparative	
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu Bada Connector Co., Ltd.	Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu Bada Connector Co., Ltd.
Current assets	9,631,033.93	61,251,570.79	265.00	68,046,600.11
Non-current assets	3,218,838.85	2,903,816.33	2,815,626.64	3,587,424.71
Total assets	12,849,872.78	64,155,387.12	2,815,891.64	71,634,024.82
Current liabilities	9,449,877.61	55,177,525.54	113,120.82	63,373,329.26
Non-current liabilities				
Total liabilities	9,449,877.61	55,177,525.54	113,120.82	63,373,329.26
Non-controlling interest		92,759.43		82,400.20
Equity attributable to owners of parent company	3,399,995.17	8,885,102.15	2,702,770.82	8,178,295.36
Proportionate share in net assets	1,189,998.31	4,353,700.05	945,969.79	4,007,364.70
Adjustments				
Others	109,955.56		167,416.87	
Carrying amount of investments in associates	1,299,953.87	4,353,700.05	1,113,386.66	4,007,364.70
Fair value of equity investments in associates in association with quoted price				
Operating revenue	35,011,312.78	135,759,939.74		105,526,441.07
Net profit	403,863.97	706,806.83	-133,054.00	455,664.69
Net profit of discontinued operations				
Other comprehensive income				
Total comprehensive income	403,863.97	706,806.83	-133,054.00	455,664.69
Dividend from associates received in current period				

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

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

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

### (I) Credit risk

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

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### (I) Credit risk (Continued)

The Company's credit risk is primarily attributable to *bank balances and receivables*. In order to control such risks, the Company has taken the following measures:

#### 1. Bank balances

The Company deposits its bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

#### 2. Receivables

The Company performs credit assessment on customers who uses credit settlement on a continuous basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on receivables, to avoid significant risks in bad debts.

As the Company only conducts business with credible and well-reputed third parties, normally, does not obtain collateral from customers. Normally, the Group does not obtain collateral from customers. The Company manages credit risk aggregated by customers. As of 31 December 2015, the Company's risks were centered in certain credit risks, and 34.77% (31 December 2014: 15.67%) of the total accounts receivable was due from the five largest customers of the Company. The Company held no collateral or other credit enhancement on balance of receivables.

- (1) Analysis of receivables neither past due nor impaired and receivables past due but not impaired are as follows:

Items	Neither past due nor impaired	Closing balance			Total
		Within one year	Past due but not impaired 1-2 years	Over 2 years	
Notes receivable	101,785,217.79				101,785,217.79
Accounts receivables	369,370,420.28				369,370,420.28
Subtotal	471,155,638.07				471,155,638.07

Items	Neither past due nor impaired	Opening balance			Total
		Within one year	Past due but not impaired 1-2 years	Over 2 years	
Notes receivable	111,630,904.90				111,630,904.90
Accounts receivables	344,336,573.69				344,336,573.69
Subtotal	456,207,229.89				456,207,229.89

- (2) Please refer to notes to receivables for receivables with provision for impairment made on individual basis.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### (II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company utilized financing tools such as notes settlement, bank borrowings, etc. and adopts long and short financing methods to optimizing financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

#### Financial liabilities classified based on remaining time period till maturity

Items	Carrying amount	Contract amount not yet discounted	Closing balance		
			Within one year	1-3 years	Over 3 years
Financial liabilities					
Bank borrowings	200,000,000.00	206,723,173.33	206,723,173.33		
Notes payable	39,603,546.89	39,603,546.89	39,603,546.89		
Accounts payable	207,755,202.78	207,755,202.78	207,755,202.78		
Other payables	21,154,408.59	21,154,408.59	21,154,408.59		
Long-term borrowings	7,518,503.53	7,518,503.53	143,142.01	286,284.02	7,089,077.50
Subtotal	476,031,661.79	482,754,835.12	475,379,473.60	286,284.02	7,089,077.50

Items	Carrying amount	Contract amount not yet discounted	Opening balance		
			Within one year	1-3 years	Over 3 years
Financial liabilities					
Bank borrowings	200,000,000.00	207,642,350.00	207,642,350.00		
Notes payable	10,000,000.00	10,000,000.00	10,000,000.00		
Accounts payable	264,997,179.71	264,997,179.71	264,997,179.71		
Other payables	63,524,519.49	63,524,519.49	63,524,519.49		
Long-term borrowings	8,050,174.78	8,050,174.78	149,769.66	299,539.32	7,600,865.80
Subtotal	546,571,873.98	554,214,223.98	546,313,818.86	299,539.32	7,600,865.80

Note: Interest was not included in contract amount not yet discounted of long-term borrowings, because the interest of long-term borrowings was floated and was not able to be predicted accurately.



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### (III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market price.

#### 1. Interest risk

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

As of 31 December 2015, balance of borrowings with interest accrued at floating interest rate totaled RMB200,000,000.00 (31 December 2014: RMB200,000,000.00). If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's gross profit and equity will not be significantly affected.

#### 2. Foreign currency risk

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

Please refer to notes to foreign currency monetary items for details in foreign currency financial assets and liabilities at the end of the period.

## IX. FAIR VALUE DISCLOSURE

### (I) Details of fair value of assets and liabilities at fair value at the balance sheet date

Items	Fair value as of the balance sheet date			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurement				
Available-for-sale financial assets	8,764,734.00			8,764,734.00
Debt instrument investments				
Equity instrument investments	8,764,734.00			8,764,734.00
Others				
Total liabilities at non-recurring fair value measurement	8,764,734.00			8,764,734.00

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## IX. FAIR VALUE DISCLOSURE (CONTINUED)

### (II) Basis for determining level 1 fair value at recurring and non-recurring fair measurement

Quoted price (unadjusted) of identical assets or liabilities in active market.

### (III) Fair value of financial assets and liabilities not at fair value

Financial assets and liabilities not measured at fair value mainly include: accounts receivable, short-term borrowings, and accounts payable and the fair value of each item is close to the book value.

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (I) Related party relationships

#### 1. Details of parent company

##### (1) Parent company

Parent company	Place of registration	Business nature	Registered capital	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
China Potevio Company Limited	Beijing	Manufacture of telecommunication products	190,000.00	60.00	60.00

(2) The Company's ultimate controlling party is China PUTIAN Corporation.

- Please refer notes to interest in other entities for details on the Company's subsidiaries.
- Please refer to notes to interest in other entities for details on the Company's significant joint ventures and associates.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (I) Related party relationships (Continued)

#### 4. Other related parties of the Company

##### (1) Details

Related parties	Relationships with the Company
Nanjing PUTIAN Intelligent Building Limited	Controlled by the same parent company
Nanjing Southern Telecom Co., Ltd.	Controlled by the same parent company
PUTIAN International Trading Co., Ltd.	Controlled by the same parent company
Chengdu Branch of China Potevio Company Limited	Controlled by the same parent company
Jiangsu Fasten Hongsheng Group Co., Ltd.	Ultimate controller of shareholder holding more than 5% of the subsidiary shares
Jiangsu Fasten Company Limited	Shareholder holding more than 5% of the subsidiary's shares
Fasten Group Co., Ltd.	Shareholder holding more than 5% of the subsidiary's shares
Fasten Group Import & Export Co., Ltd.	Entity controlled by ultimate controller of shareholder holding more than 5% of the subsidiary shares
Jiangyin Fasten Wire Products Company Limited	Entity controlled by ultimate controller of shareholder holding more than 5% of the subsidiary shares
Jiangsu Fasten Optical Fibre Technology Company Limited	Entity controlled by ultimate controller of shareholder holding more than 5% of the subsidiary shares
Nanjing PUTIAN Telecommunications Company Limited	Controlled by the same parent company
China PUTIAN Communications Zhuzhou Company Limited	Controlled by the same parent company
Jiangyin Hongtai Property Company Ltd.	Entity controlled by ultimate controller of shareholder holding more than 5% of the subsidiary shares
Sumitomo Electric Industries, Ltd.	Shareholder holding more than 5% of the subsidiary's shares
Sumitomo Electric Asia Ltd.	Entity controlled by ultimate controller of shareholder holding more than 5% of the subsidiary shares
Chengdu Huangshishuangfeng Cable Co., Ltd.	Shareholder holding more than 5% of the subsidiary's shares
Hangzhou Honyar Electrical Co., Ltd.	Controlled by the same parent company

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (II) Related party transactions

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

##### (1) Details

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

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Chengdu Bada Connector Co., Ltd.	Purchase of goods and receiving of services	<b>96,890,127.00</b>	81,366,372.76
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Purchase of goods	<b>32,867,921.61</b>	
China Potevio Company Limited	Purchase of goods and receiving of services	<b>335,332.67</b>	2,080,880.90
Jiangsu Fasten Hongsheng Group Co., Ltd.	Purchase of goods	<b>82,965,932.04</b>	92,453,978.80
Fasten Group Import & Export Co., Ltd.	Purchase of goods	<b>20,620,523.10</b>	3,390,976.92
Jiangsu Fasten Company Limited	Purchase of goods	<b>3,548,609.32</b>	2,305,452.94
Jiangyin Fasten Wire Products Company Limited	Purchase of goods	<b>8,544,220.12</b>	9,207,139.01
Sumitomo Electric Industries, Ltd.	Purchase of goods	<b>2,262,770.48</b>	3,259,231.46
Sumitomo Electric Asia Ltd.	Purchase of goods	<b>54,986,999.85</b>	148,711,907.98
Sumitomo Electric Industries, Ltd.	Receiving of services	<b>159,065.31</b>	129,489.30

##### 2) Sale of goods and rendering of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
China Potevio Company Limited	Sales of goods	<b>127,536,119.62</b>	35,597,014.41
Chengdu Bada Connector Co., Ltd.	Sales of goods and rendering of services	<b>5,318,504.17</b>	131,250.28
Nanjing PUTIAN Telecommunications Company Limited	Sales of goods	<b>81,822.22</b>	
PUTIAN International Trading Co., Ltd.	Sales of goods	<b>57,880.34</b>	1,103,535.37
Fasten Group Import & Export Co., Ltd.	Sales of goods	<b>36,899,624.21</b>	41,869,732.48
Jiangsu Fasten Optical Fibre Technology Company Limited	Sales of goods	<b>1,597,952.14</b>	12,017,829.56
Chengdu Huangshishuangfeng Cable Co., Ltd.	Sales of goods	<b>2,920,676.81</b>	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Sales of goods and rendering of services	<b>1,500,260.45</b>	



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (II) Related party transactions (Continued)

#### 2. Related party leases

##### *The Company as the lessee*

Lessors	Types of asset leased	Lease expenses for current period	Lease expenses for the preceding period
Jiangsu Fasten Company Limited	Machinery	20,706,084.00	20,706,084.00
Jiangsu Fasten Company Limited	Patent right	5,925,600.00	5,925,600.00
Fasten Group Co., Ltd.	Patent right	1,886,792.45	1,886,792.45
Jiangsu Fasten Hongsheng Group Co., Ltd.	Buildings and structures	832,766.00	506,766.00

#### 3. Related party guarantees

##### *The Company and its subsidiaries as guaranteed parties*

Guarantors	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
China PUTIAN Corporation	7,518,503.53	1997/2/21	2033/2/21	No
Jiangsu Fasten Hongsheng Group Co., Ltd.	40,000,000.00	2015/12/08	2016/12/07	No
Jiangsu Fasten Hongsheng Group Co., Ltd.	60,000,000.00	2013/11/25	2016/11/24	No
Jiangyin Hongtai Property Company Ltd.	20,000,000.00	2013/07/23	2019/12/01	No
Jiangyin Hongtai Property Company Ltd.	30,000,000.00	2014/03/06	2019/12/01	No

#### 4. Call loans between related parties

Related parties	Amount	Commencement date	Maturity date	Remarks
Call loans to related parties				
Chengdu Bada Connector Co., Ltd.	10,000,000.00	2015/1/1	2015/12/31	Interest income for the current period totaled RMB563,963.62.
Jiangsu Fasten Hongsheng Group Co., Ltd.	70,000,000.00	2015/1/1	2015/12/31	No fixed time limitation, rotating within the maximum of RMB70 million, the amount of call loans is the average amount of the whole year, interest income for the current period totaled RMB4,327,400.00.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (II) Related party transactions (Continued)

#### 5. Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	<b>1,126,739.66</b>	976,061.12

#### 6. Directors' and supervisors' emoluments

Items	Fees	Current period cumulative Wage, bonus, allowance, and subsidy	Social insurance premium	Total
Executive directors:				
Zhang Xiaocheng				
Wang Micheng				
Wang Feng				
Han Shu				
Xu Liying				
Fan Xu	<b>137,834.00</b>	<b>45,740.00</b>	<b>78,298.38</b>	<b>261,872.38</b>
Independent non-executive directors:				
Choy Sze Chung, Jojo	<b>50,000.04</b>			<b>50,000.04</b>
Xiao Xiaozhou	<b>50,000.04</b>			<b>50,000.04</b>
Supervisors:				
Zheng Zhili				
Xiong Ting	<b>118,636.00</b>	<b>9,740.00</b>	<b>44,506.36</b>	<b>172,882.36</b>
Total	<b>356,470.08</b>	<b>55,480.00</b>	<b>122,804.74</b>	<b>534,754.82</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (II) Related party transactions (Continued)

#### 6. Directors' and supervisors' emoluments (Continued)

Items	Fees	Preceding period comparative Wage, bonus, allowance, and subsidy	Social insurance premium	Total
Executive directors:				
Zhang Xiaocheng				
Ping Hao	238,305.00	45,740.00	78,527.73	362,572.73
Cong Huisheng				
Chen Ruowei				
Du Xinhua				
Fan Xu	138,263.00	45,740.00	74,345.70	258,348.70
Independent non-executive directors:				
Choy Sze Chung, Jojo	50,000.04			50,000.04
Xiao Xiaozhou	50,000.04			50,000.04
Li Yuanpeng	50,000.04			50,000.04
Supervisors:				
Zheng Zhili				
Xiong Ting	120,759.00	9,740.00	30,509.06	161,008.06
Dai Xiaoyi	76,896.00	3,452.00	19,471.32	99,819.32
Total	724,223.12	104,672.00	202,853.81	1,031,748.93

#### 7. Five highest paid employees

The five employees whose emoluments were the highest for the year include 1 (2014: 1) director whose emoluments are reflected in the analysis presented in Note X (II) 5. The emoluments payable to the remaining 4 (2014: 4) employees during the year are as follows:

Items	Number of individuals (2015)	Number of individuals (2014)
HK\$ nil–HK\$1 million	4	4

8. The Company purchases goods from Jiangsu Fasten Hongsheng Group Co., Ltd., Jiangsu Fasten Company Limited, Fasten Group Import & Export Co., Ltd., Jiangyin Fasten Wire Products Company Limited, Sumitomo Electric Industries, Ltd. and Sumitomo Electric Asia Ltd.; the Company sales goods to China Potevio Company Limited, Nanjing PUTIAN Telecommunications Company Limited, PUTIAN International Trading Co., Ltd., Fasten Group Import & Export Co., Ltd. and Jiangsu Fasten Optical Fibre Technology Company Limited; the Company pays to Jiangsu Fasten Company Limited, Fasten Group Co., Ltd. and Jiangsu Fasten Hongsheng Group Co., Ltd. for leasing; those related party transactions mentioned above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules, of which the disclosures required by Chapter 14A of the Listing Rules are provided in section connected transactions of the Reports of the Directors.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (III) Balance due to or from related parties

#### 1. Balance due from related parties

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Notes receivable	China Potevio Company Limited			2,372,004.92	
Subtotal				2,372,004.92	
Accounts receivable	Nanjing PUTIAN Intelligent Building Limited	93,192.96	22,554.37	28,192.96	22,554.37
Accounts receivable	China Potevio Company Limited	74,178,044.13		31,898,569.79	
Accounts receivable	China PUTIAN Communications Zhuzhou Company Limited	160,000.00	160,000.00	160,000.00	160,000.00
Accounts receivable	Chengdu Branch of China Potevio Company Limited	304,891.23	182,362.39	227,952.99	182,362.39
Accounts receivable	Nanjing PUTIAN Telecommunications Company Limited	3,060,450.40			
Accounts receivable	Jiangsu Fasten Optical Fibre Technology Company Limited	10,940,050.20		13,429,952.20	
Accounts receivable	Fasten Group Import & Export Co., Ltd.	3,536,012.00			
Accounts receivable	Chengdu Bada Connector Co., Ltd.	406,815.40			
Accounts receivable	Chengdu Huangshishuangfeng Cable Co., Ltd.	3,416,171.88			
Accounts receivable	Chengdu PUTIAN Xunda Communication Technology Co., Ltd.	514,304.73			
Accounts receivable	Hangzhou Hanyar Electrical Co., Ltd.	2,000,000.00			
Subtotal		98,609,932.93	364,916.76	45,744,667.94	364,916.76
Advances paid	Fasten Group Import & Export Co., Ltd.	7,740,000.00		159,753.18	
Advances paid	Sumitomo Electric Asia Ltd.	378,674.61		198,780.00	
Advances paid	China Potevio Company Limited	38,644.83			
Subtotal		8,157,319.44		358,533.18	
Other receivables	Jiangsu Fasten Hongsheng Group Co., Ltd.	70,000,000.00		55,000,000.00	
Other receivables	China Potevio Company Limited	5,080,307.18		16,199.00	
Other receivables	Chengdu Bada Connector Co., Ltd.	10,508,821.76		10,722,437.85	
Subtotal		85,589,128.94		65,738,636.85	

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (III) Balance due to or from related parties (Continued)

#### 2. Balance due to related parties

Items	Related parties	Closing balance	Opening balance
Notes payable	Jiangyin Fasten Wire Products Company Limited	<b>3,603,546.89</b>	
Notes payable	Jiangsu Fasten Hongsheng Group Co., Ltd.	<b>21,725,121.59</b>	
Notes payable	Jiangsu Fasten Company Limited	<b>7,626,813.57</b>	
Subtotal		<b>32,955,482.05</b>	
Accounts payable	Chengdu Bada Connector Co., Ltd.	<b>13,755,468.71</b>	12,211,183.11
Accounts payable	Chengdu Yuexin Telecommunications Materials Co., Ltd.	<b>2,016,557.36</b>	
Accounts payable	Chengdu Huangshishuangfeng Cable Co., Ltd.	<b>11,340,748.14</b>	
Accounts payable	Jiangsu Fasten Company Limited	<b>1,596,591.88</b>	
Accounts payable	Jiangsu Fasten Hongsheng Group Co., Ltd.	<b>9,281,284.82</b>	37,429,962.53
Accounts payable	Jiangyin Fasten Wire Products Company Limited	<b>482,333.27</b>	4,210,807.56
Accounts payable	Fasten Group Import & Export Co., Ltd.	<b>10,160,514.69</b>	24,375.17
Accounts payable	China Potevio Company Limited		33,761.00
Accounts payable	Sumitomo Electric Asia Ltd.	<b>22,426,928.20</b>	73,618,430.13
Subtotal		<b>71,060,427.07</b>	127,528,519.50



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XI. COMMITMENTS AND CONTINGENCIES

### (I) Significant commitments

None

### (II) Contingencies

None

## XII. EVENTS AFTER THE BALANCE SHEET DATE

None

## XIII. OTHER SIGNIFICANT EVENTS

### (I) Segment information

#### 1. Identification basis and accounting policies for reportable segments

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. 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 segment	Optical cable and related products segment	Cable joint and related products	Inter-segment offsetting	Total
Revenue from main operations	269,388,512.80	890,074,013.36	20,730,479.40	23,417,775.64	1,156,775,229.92
Cost of main operations	271,765,308.56	773,614,865.82	19,486,383.78	29,175,105.49	1,035,691,452.67
Total assets	1,073,552,381.66	1,101,242,016.68	146,610,715.02	427,700,188.10	1,893,704,925.26
Total liabilities	99,339,354.19	436,955,323.85	105,244,764.18	29,433,880.98	612,105,561.24

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### (II) Other financial information

Items	Closing balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
Net current assets	<b>647,344,965.93</b>	<b>277,939,569.59</b>	636,012,977.69	299,676,441.41
Total assets less current liabilities	<b>1,370,091,176.45</b>	<b>924,470,669.79</b>	1,413,587,416.12	953,844,218.20

## XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS

### (I) Notes to items of parent company balance sheet

#### 1. Accounts receivable

##### (1) Details

##### 1) Details on categories

Categories	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	<b>95,883,279.54</b>	<b>83.83</b>	<b>16,724,346.13</b>	<b>17.44</b>	<b>79,158,933.41</b>
Receivable of individually insignificant amount but with provision made on an individual basis	<b>18,499,628.06</b>	<b>16.17</b>	<b>18,499,628.06</b>	<b>100.00</b>	
Total	<b>114,382,907.60</b>	<b>100.00</b>	<b>35,223,974.19</b>	<b>30.79</b>	<b>79,158,933.41</b>

Categories	Book balance		Opening balance Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	72,166,399.88	78.75	16,437,908.63	22.78	55,728,491.25
Receivable of individually insignificant amount but with provision made on an individual basis	19,478,486.83	21.25	19,478,486.83	100.00	
Total	91,644,886.71	100.00	35,916,395.46	39.19	55,728,491.25

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### (I) Notes to items of parent company balance sheet (Continued)

#### 1. Accounts receivable (Continued)

##### (1) Details (Continued)

- 2) In portfolios, accounts receivable with provision made on a collective basis with age analysis method

Ages	Closing balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	<b>75,482,412.70</b>		
1-2 years	<b>3,731,009.29</b>	<b>373,100.93</b>	<b>10.00</b>
2-3 years	<b>191,532.33</b>	<b>57,459.70</b>	<b>30.00</b>
3-5 years	<b>922,698.62</b>	<b>738,158.90</b>	<b>80.00</b>
Over 5 years	<b>15,555,626.60</b>	<b>15,555,626.60</b>	<b>100.00</b>
Subtotal	<b>95,883,279.54</b>	<b>16,724,346.13</b>	<b>17.44</b>

Ages	Opening balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	54,658,089.76		
1-2 years	331,101.75	33,110.18	10.00
2-3 years	433,355.81	130,006.74	30.00
3-5 years	2,345,304.24	1,876,243.39	80.00
Over 5 years	14,398,548.32	14,398,548.32	100.00
Subtotal	72,166,399.88	16,437,908.63	22.78

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### (I) Notes to items of parent company balance sheet (Continued)

#### 1. Accounts receivable (Continued)

#### (2) Age analysis

Ages	Closing balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	75,482,412.70		
1-2 years	3,731,009.29	373,100.93	10.00
2-3 years	191,532.33	57,459.70	30.00
3-5 years	922,698.62	738,158.90	80.00
Over 5 years	34,055,254.66	34,055,254.66	100.00
Total	114,382,907.60	35,223,974.19	30.79

Ages	Opening balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	54,658,089.76		
1-2 years	331,101.75	33,110.18	10.00
2-3 years	433,355.81	130,006.74	30.00
3-5 years	3,940,238.21	3,471,177.36	88.10
Over 5 years	32,282,101.18	32,282,101.18	100.00
Total	91,644,886.71	35,916,395.46	39.19

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 made, collected or reversed in current period

Provision for bad debts made in current period totaled RMB-692,421.27.

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### (I) Notes to items of parent company balance sheet (Continued)

#### 1. Accounts receivable (Continued)

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

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Shenzhen ZTE Kangxun Telecom Company Limited	21,720,606.70	18.99	60.00
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	6,942,329.67	6.07	
Putian Fasten Cable Telecommunication Co., Ltd.	4,446,665.63	3.89	
Chengdu Hengtong Communication Co., Ltd.	3,906,756.03	3.42	
China Railway First Group Co., Ltd. Construction & Installation Engineering Co., Ltd.	3,727,637.35	3.26	
Subtotal	40,743,995.38	35.63	60.00

#### 2. Other receivables

##### (1) Details

###### 1) Details on categories of other receivables

Categories	Book balance		Closing balance		Carrying amount
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	54,422,838.31	93.29	24,528,676.41	45.07	29,894,161.90
Receivable of individually insignificant amount but with provision made on an individual basis	3,913,573.65	6.71	3,913,573.65	100.00	
Total	58,336,411.96	100.00	28,442,250.06	48.76	29,894,161.90



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### (I) Notes to items of parent company balance sheet (Continued)

#### 2. Other receivables (Continued)

##### (1) Details (Continued)

###### 1) Details on categories of other receivables (Continued)

Categories	Book balance		Opening balance		Carrying amount
	Amount	Proportion (%)	Amount	Provision for bad debts Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	55,472,377.25	93.41	24,502,975.14	44.17	30,969,402.11
Receivable of individually insignificant amount but with provision made on an individual basis	3,913,573.65	6.59	3,913,573.65	100.00	
<b>Total</b>	<b>59,385,950.90</b>	<b>100.00</b>	<b>28,416,548.79</b>	<b>47.85</b>	<b>30,969,402.11</b>

###### 2) In portfolios, other receivables with provision made on a collective basis with age analysis method

Ages	Closing balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	<b>28,405,395.25</b>		
1-2 years	<b>46,201.34</b>	<b>4,620.13</b>	<b>10.00</b>
2-3 years	<b>13,536.26</b>	<b>4,060.88</b>	<b>30.00</b>
3-5 years	<b>7,188,550.32</b>	<b>5,750,840.26</b>	<b>80.00</b>
Over 5 years	<b>18,769,155.14</b>	<b>18,769,155.14</b>	<b>100.00</b>
<b>Subtotal</b>	<b>54,422,838.31</b>	<b>24,528,676.41</b>	<b>45.07</b>

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### (I) Notes to items of parent company balance sheet (Continued)

#### 2. Other receivables (Continued)

##### (1) Details (Continued)

- 2) In portfolios, other receivables with provision made on a collective basis with age analysis method (Continued)

Ages	Closing balance		Provision proportion (%)
	Book balance	Provision for bad debts	
Within 1 year	29,501,135.53		
1-2 years	13,536.26	1,353.63	10.00
2-3 years	4,257.37	1,277.21	30.00
3-5 years	7,265,518.92	5,812,415.13	80.00
Over 5 years	18,687,929.17	18,687,929.17	100.00
Subtotal	55,472,377.25	24,502,975.14	44.17

##### (2) Provisions made, collected or reversed in current period

Provisions for bad debts made in current period totaled RMB25,701.27.

##### (3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Deposit as security	5,252,461.37	456,136.62
Call loans	23,000,000.00	26,000,000.00
Temporary advance payment receivable	30,083,950.59	32,929,814.28
Total	58,336,411.96	59,385,950.90

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### (I) Notes to items of parent company balance sheet (Continued)

#### 2. Other receivables (Continued)

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

Debtors	Nature of receivables	Book balance	Age	Proportion to the total balance of other receivables (%)	Provision for bad debts
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	Call loans	13,000,000.00	Within 1 year	22.30	
Chengdu Bada Connector Co., Ltd.	Call loans and current account	10,508,821.76	Within 1 year	18.03	
Tazishan Materials Plant	Temporary advance payment receivable	8,391,138.00	Over 5 years	14.39	8,391,138.00
Tianyun Technology (Suzhou) Co., Ltd.	Deposit as security	4,786,324.75	4-5 years	8.21	3,829,059.80
Shenzhen Fu Zhang Company	Temporary advance payment receivable	3,566,915.53	Over 5 years	6.12	3,566,915.53
Subtotal		40,253,200.04		69.05	15,787,113.33

#### 3. Long-term equity investments

##### (1) Categories

Items	Book balance	Closing balance		Book balance	Opening balance	
		Provision for impairment	Carrying amount		Provision for impairment	Carrying amount
Investments in subsidiaries	391,140,969.81		391,140,969.81	383,140,969.81		383,140,969.81
Investments in associates and joint ventures	5,779,557.27	125,903.35	5,653,653.92	5,246,654.71	125,903.35	5,120,751.36
Total	396,920,527.08	125,903.35	396,794,623.73	388,387,624.52	125,903.35	388,261,721.17

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### (I) Notes to items of parent company balance sheet (Continued)

#### 3. Long-term equity investments (Continued)

##### (2) Investments in subsidiaries

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	15,013,376.15			15,013,376.15		
Chengdu Zhongling Radio Communications Co., Ltd.	72,702,773.95			72,702,773.95		
Chengdu SEI Optical Fiber Co., Ltd.	70,424,819.71			70,424,819.71		
Putian Fasten Cable Telecommunication Co., Ltd.	225,000,000.00			225,000,000.00		
Chongqing Putaifeng Aluminium Co., Ltd.		8,000,000.00		8,000,000.00		
Subtotal	383,140,969.81	8,000,000.00		391,140,969.81		

##### (3) Investments in associates and joint ventures

Investees	Opening balance	Investments increased	Investments decreased	Increase/decrease Investment income recognized under equity method	Adjustment in other comprehensive income
Associates					
Chengdu Telecommunications Cable Factory	125,903.35				
Chengdu Bada Connector Co., Ltd.	4,007,364.70			346,335.35	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	1,113,386.66			141,352.39	
Total	5,246,654.71			487,687.74	

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### (I) Notes to items of parent company balance sheet (Continued)

#### 3. Long-term equity investments (Continued)

##### (3) Investments in associates and joint ventures (Continued)

Investees	Changes in other equity	Increase/decrease			Closing balance	Closing balance of provision for impairment
		Cash dividend/ profit declared for distribution	Provision for impairment	Others		
Associates						
Chengdu Telecommunications Cable Factory					125,903.35	125,903.35
Chengdu Bada Connector Co., Ltd.					4,353,700.05	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	45,214.82				1,299,953.87	
Total	45,214.82				5,779,557.27	125,903.35

##### (4) Remarks on investments in unlisted and listed companies

Items	Closing balance	Opening balance
Investments in unlisted companies	5,653,653.92	5,120,751.36
Investments in listed companies		
Total	5,653,653.92	5,120,751.36

### (II) Notes to items of the parent company income statement

#### 1. Operating revenue/cost

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Revenue from main operations	232,529,536.59	237,023,734.52	183,809,187.69	180,982,618.85
Revenue from other operations	59,977,673.17	32,848,274.76	28,658,504.96	18,574,500.15
Total	292,507,209.76	269,872,009.28	212,467,692.65	199,557,119.00



# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XIV. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### (II) Notes to items of the parent company income statement (Continued)

#### 2. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Staff salaries	<b>15,785,973.02</b>	15,845,995.41
Depreciation and amortisation	<b>5,533,961.03</b>	3,713,844.34
Business entertainment	<b>360,052.70</b>	316,668.00
Office and travelling expenses	<b>724,299.98</b>	582,568.28
Research and development costs	<b>5,737,633.73</b>	3,151,884.34
Taxes	<b>2,717,208.27</b>	2,789,955.42
Agency fee	<b>2,140,743.89</b>	2,019,308.15
Repairs and maintenance	<b>1,119,207.35</b>	1,010,491.88
Water and electricity	<b>514,216.61</b>	4,060,676.66
Loss from work suspension	<b>1,074,692.06</b>	6,169,435.47
Others	<b>4,906,349.28</b>	4,928,989.85
Total	<b>40,614,337.92</b>	44,589,817.80

#### 3. Investment income

##### (1) Details

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	<b>487,687.74</b>	176,706.78
Gains on disposal of long-term equity investments		189,495.60
Gains on disposal of available-for-sale financial assets		11,976,669.96
Total	<b>487,687.74</b>	12,342,872.34

##### (2) Investment income from investments in unlisted company and listed company

Items	Current period cumulative	Preceding period comparative
Investment income from unlisted companies	<b>487,687.74</b>	176,706.78
Investment income from listed companies		11,976,669.96
Subtotal	<b>487,687.74</b>	12,153,376.74

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XV. OTHER SUPPLEMENTARY INFORMATION

### (I) Non-recurring profit or loss

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

Items	Amount	Remarks
Gains on disposal of non-current assets, including written-off of provision for impairment	78,595.14	
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)	7,436,149.40	
Fund possession charge from non-financial entities and included in profit or loss	4,891,363.62	
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	109,999.98	
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	1,538,011.39	
Other profit or loss satisfying the definition of non-recurring profit or loss		
Subtotal	14,054,119.53	
Less: enterprise income tax affected	61,876.13	
Non-controlling interest affected (after tax)	4,748,071.41	
Net non-recurring profit or loss attributable to shareholders of the parent company	9,244,172.00	

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

### (II) RONA and EPS

#### 1. Details

Profit of the reporting period	Weighted average RONA (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	-4.28	-0.10	-0.10
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	-5.25	-0.12	-0.12

#### 2. Calculation process of weighted average RONA

Items	Symbols	Current period cumulative	Preceding period comparative
Net profit attributable to shareholders of ordinary shares	A	<b>-40,628,295.20</b>	-29,504,428.64
Non-recurring profit or loss	B	<b>9,244,172.00</b>	22,965,461.91
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	<b>-49,872,467.20</b>	-52,469,890.55
Opening balance of net assets attributable to shareholders of ordinary shares	D	<b>967,756,026.65</b>	1,002,419,794.26
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		

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

### (II) RONA and EPS (Continued)

#### 2. Calculation process of weighted average RONA (Continued)

Items	Symbols	Current period cumulative	Preceding period comparative
Net assets increase due to changes in fair value of held-for-trading financial assets	I1	3,729,298.50	
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	
Net assets increase due to long-term equity investments under equity method	I2	45,214.82	
Others Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period	J2	0.00	
Net assets increase due to acquisition of non-controlling interest	I3		175,421.09
Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period	J3		1.00
Number of months in the reporting period	K	12.00	12.00
Weighted average net assets	$L = D + A \times 1/2 + E \times F / K - G \times H / K \pm I \times J / K$	949,306,528.30	987,682,198.36
Weighted average RONA	$M = A / L$	-4.28%	-2.99%
Weighted average RONA after deducting non-recurring profit or loss	$N = C / L$	-5.25%	-5.31%

# NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015 Monetary unit: RMB Yuan

## XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

### (II) RONA and EPS (Continued)

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

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

Items	Symbols	Current period cumulative	Preceding period comparative
Net profit attributable to shareholders of ordinary shares	A	<b>-40,628,295.20</b>	-29,504,428.64
Non-recurring profit or loss	B	<b>9,244,172.00</b>	22,965,461.91
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	<b>-49,872,467.20</b>	-52,469,890.55
Opening balance of total shares	D	<b>400,000,000.00</b>	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	<b>12.00</b>	12.00
Weighted average of outstanding ordinary shares	$L=D+E+F \times G / K-H \times I / K-J$	<b>400,000,000.00</b>	400,000,000.00
Basic EPS	$M=A / L$	<b>-0.10</b>	-0.07
Basic EPS after deducting non-recurring profit or loss	$N=C / L$	<b>-0.12</b>	-0.13

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

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

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

25 March 2016



### REGISTERED NAME OF THE COMPANY

成都普天電纜股份有限公司

### ENGLISH NAME OF THE COMPANY

Chengdu PUTIAN Telecommunications Cable  
Company Limited

### LEGAL REPRESENTATIVE

Zhang Xiaocheng

### EXECUTIVE DIRECTORS

Zhang Xiaocheng (*Chairman*)  
Wang Micheng (*Vice Chairman*)  
Wang Feng  
Han Shu  
Xu Liying  
Fan Xu

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Choy Sze Chung, Jojo  
Xiao Xiaozhou  
Lin Zulun

### SUPERVISORS

Zheng Zhili  
Xiong Ting  
Dai Xiaoyi

### COMPANY SECRETARY

Kwong Yin Ping, Yvonne

### QUALIFIED ACCOUNTANT

Yu Qian

### AUTHORIZED REPRESENTATIVES

Wang Micheng  
Kwong Yin Ping, Yvonne

### BOARD COMMITTEES

#### AUDIT COMMITTEE

Choy Sze Chung, Jojo (*Chairman*)  
Xiao Xiaozhou  
Lin Zulun

#### REMUNERATION AND APPRAISAL COMMITTEE

Xiao Xiaozhou (*Chairman*)  
Choy Sze Chung, Jojo  
Lin Zulun  
Han Shu  
Xu Liying

#### NOMINATION COMMITTEE

Xiao Xiaozhou (*Chairman*)  
Choy Sze Chung, Jojo  
Lin Zulun  
Wang Feng  
Fan Xu

#### STRATEGIC DEVELOPMENT COMMITTEE

Zhang Xiaocheng (*Chairman*)  
Wang Micheng  
Choy Sze Chung, Jojo  
Xiao Xiaozhou  
Lin Zulun

### REGISTERED ADDRESS AND OFFICE ADDRESS OF THE COMPANY IN THE PRC

No. 18, Xinhang Road,  
The West Park of Hi-tech Development Zone,  
Chengdu, Sichuan Province, The PRC  
Postal Code: 611731  
Tel: (028) 8787 7008  
Fax: (028) 8787 7001

## CORPORATE INFORMATION

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F,  
Tesbury Centre,  
28 Queen's Road East,  
Wanchai, Hong Kong

### BUSINESS REGISTRATION NUMBER

No. 1972 of Qi He Chuan Rong Zong Zi

### TAXATION REGISTRATION NUMBER

51010920193968x

### PLACE OF LISTING OF H SHARES

The Stock Exchange of Hong Kong Limited  
Stock Code: 1202

### AUDITOR

Pan-China Certified Public Accountants  
Sec. B,  
Beijing International Tower,  
No. 18 S Ave. Jia,  
Zhongguancun,  
Haidian District, Beijing,  
The PRC  
Postal Code: 100081

### LEGAL ADVISERS

#### THE PRC

Duan & Duan Law Firm (Chengdu Office)  
2010 Room, No. 777,  
North of Yi Zhou Avenue,  
Chengdu, China

#### HONG KONG

CFN Lawyers in association with Broad & Bright  
Room 4124, 41/F, Sun Hung Kai Center,  
30 Harbour Road,  
Wan Chai,  
Hong Kong

### PRINCIPAL BANKERS

Sichuan branch,  
Bank of China Limited  
No. 35 Middle Renmin Road (2 Duan),  
Chengdu, Sichuan Province,  
The PRC

### H SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited  
Rooms 1712-1716, 17th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Wanchai,  
Hong Kong

### ADDRESS FOR INSPECTION OF CORPORATE DATA

The Office of the Board  
Chengdu PUTIAN Telecommunications Cable  
Company Limited  
No. 18, Xinhang Road,  
The West Park of Hi-tech Development Zone,  
Chengdu, Sichuan Province,  
The PRC

### TIME OPEN FOR SHAREHOLDERS RECEPTION

On 8th and 18th every month (or the following day in case of  
holiday in the PRC)  
9:00 am to 12:00 noon  
2:00 pm to 5:00 pm  
Tel: (028) 8787 7008  
Fax: (028) 8787 7001

### THE COMPANY'S WEBSITE AND EMAIL

Website: <http://cdc.com.cn>  
Email: [cdc@cdc.com.cn](mailto:cdc@cdc.com.cn)