

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

Annual Report **2016**



CONTENTS

CORPORATE PROFILE	2
FINANCIAL HIGHLIGHTS	3
CHAIRMAN'S STATEMENT	4
MANAGEMENT DISCUSSION AND ANALYSIS	6
REPORT OF THE DIRECTORS	17
CORPORATE GOVERNANCE REPORT	43
REPORT OF THE SUPERVISORY COMMITTEE	64
AUDITOR'S REPORT	66
CONSOLIDATED BALANCE SHEET	71
BALANCE SHEET OF THE PARENT COMPANY	75
CONSOLIDATED INCOME STATEMENT	78
INCOME STATEMENT OF THE PARENT COMPANY	80
CONSOLIDATED CASH FLOW STATEMENT	81
CASH FLOW STATEMENT OF THE PARENT COMPANY	84
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	86
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE PARENT COMPANY	87
NOTES TO FINANCIAL STATEMENTS	88
CORPORATE INFORMATION	191



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 ("China Putian" or "Potevio Group"), is the controlling shareholder of the Company.

The business scope of the Group is as follows:

Wires and cables, optical fibers 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), devices and equipment technology research and development, product manufacturing, sales and services, electrical equipment technology development, transfer, consulting and related supporting services;

Design and installation: city and road lighting construction, construction and renovation works for buildings, fire safety facilities construction, electromechanical equipment installation, electroweak system engineering for buildings in communities, computer network engineering and communication engineering and equipment (excluding contracted work for power facilities installation (repair & test));

Wholesale and retail: communications equipment (except radio transmitting equipment), lighting equipment, electrical equipment, instrumentation, electronic measuring instruments, electronic components, transmission, distribution and control equipment, hardware products and electronic products, plastic products, mineral products, building materials and chemical products (except dangerous chemicals products and precursor chemicals), daily necessities, commission agent (except by auction), import and export proprietary goods and similar commodities;

Owned real estate, machinery leasing, and property management.

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

	2016 RMB'000	2015 RMB'000
Operating income	1,332,288.89	1,209,522.06
Operating profit/("–" represents loss)	11,043.85	–46,653.55
Share of profit/("–" represents loss) of associates	2,147.96	487.69
Profit/("–" represents loss) before income tax	25,242.42	–37,600.80
Profit/("–" represents loss) attributable to equity holders of the Company	–16,103.26	–40,628.30
Basic earnings/("–" represents loss) per share	RMB–0.40	RMB–0.10

SUMMARY OF NET ASSETS

	31 December 2016 RMB'000	31 December 2015 RMB'000
Total liabilities	289,526.05	612,105.56
Total net assets	1,017,938.46	1,281,599.36
Total assets	1,307,464.50	1,893,704.93
Net assets per share*	RMB2.54	RMB3.20

* Net assets per share as at 31 December 2016 is calculated on the basis of net assets attributable to the owners of the Company of RMB1,017,938,456.60 (2015: RMB1,281,599,364.02) and the total number of issued shares of 400,000,000 shares (2015: 400,000,000 shares).

Chairman's Statement



Zhang Xiaocheng
Chairman

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 2016 (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 RMB25,242,421.45 and loss attributable to Shareholders amounted to approximately RMB16,103,263.89. Basic loss per share of the Group was approximately RMB0.04.

In 2016, the Company adopted the principles of conducting a thorough reform by implementing business strategies and optimizing market resources so as to effectively enhance management over its operating results in its work plan and budget target for the year and placed an emphasis on improvement in quality and efficiency. Initiatives were also carried out to deepen reform and innovation and accelerate restructuring. Business strategies were implemented through the planning on the three major business segments. Market resources were optimized through business integration and equity transfer. The Company cooperated with the Supervisory Committee to complete 22 special reports to achieve a thorough reform. With overall enhancement in management, the work target for the year of enhancing management over operating results was achieved. I, on behalf of the Company, would like to express my deepest respect to all of our staff.

Chairman's Statement (Continued)

In 2017, China will push forward the "Broadband China" strategy and the "Internet+" strategy and strengthen the establishment of becoming a powerful country in respect of online network in order to release the huge potential in informationization to facilitate modernization. At the same time, the Company will develop the Chengdu-Chongqing city cluster and facilitate the flow of major infrastructure and public resources to the urbanization areas in the central and western regions in order to accelerate the implementation of the national strategies including new urbanization, the Belt and Road Initiative and the Western Development. The three major businesses of the Company will closely follow the direction of government investment, which presents favorable momentum in both the industry trend and market opportunities as a whole.

In 2017, adhering to the essence of the "Five Major Concepts" and "Five Major Missions" promulgated by the Central Committee of the Communist Party of China and the State Council as well as the state-owned enterprise reform "1+N" and other series of documents, the Company will achieve business transformation with the concept of "innovation", implement strategic targets with the concept of "coordination", optimize product portfolio with the concept of "green", enhance competitiveness with the concept of "openness" and expand market size with the concept of "sharing". Moreover, the Company will continue to strengthen the reform. Preparation of an issue list as required by the Supervisory Committee, informationization development and the appraisal mechanism reform will be carried out to improve efficiency of internal 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 2017.

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

24 March 2017

Management Discussion and Analysis



Wang Micheng
General Manager

REVIEW OF PRINCIPAL BUSINESS

During the Year, to pursue the principles of “innovation, integration and capital management”, the Company strived for strengthening the guidance of business strategies, market synergy and sharing of resources. Operation of major projects was refined to boost business development.

1. Centralizing resources and pushing forward development of each business based on the established strategic objectives

The Company set up its optical telecommunication business department for the restructuring of optical telecommunication business to maximize the investment return. High-end electrical equipment cable and aluminium products became the Company’s core products to facilitate the business transformation of copper cable business to energy transmission cable business. The Company reinforced the product development of electrical equipment cables and special cables and made use of the resources of China Putian to diligently develop the market of cables for railway transportation while consolidating the market share in the urban rail cable market. The Company also conducted sales of its featured products which are safe and environmentally friendly and developed its brand in the market segments.

Management Discussion and Analysis (Continued)

The Company established a smart electrical equipment department in August 2016 due to the western development and urbanization projects such as the constructions in the Chengdu-Chongqing city cluster and the new demand for smart products relating to new energy smart grid and new energy vehicle promotion. The smart electrical equipment department was going to provide smart electrical equipment products and related system services in traditional industries and the smart electrical equipment new energy sector for the “Internet+” smart era and deliver results in the areas such as charging network, energy-saving lighting and intelligent control.

2. Gradually establishing a more scientific and comprehensive remuneration and performance appraisal system

In order to reflect job values, the Company established and optimized the remuneration system and incentive system which were performance-oriented and rationalized the remuneration system which defined the range of remuneration by job evaluation. The Company also formulated and issued hierarchical performance management measures. By introducing a balanced scorecard appraisal method, the Company designated the responsibilities, performance targets and appraisal standards for all positions which refined and enhanced the performance appraisal. The Company completed the payment of quarterly and annual incentives through performance appraisals which closely connected staff income with the Company, the current departments and individual performance appraisals in order to improve the initiatives, self-motivation and planning of the staff at all levels. The Company also strengthened the daily management practices integrating process and results in order to ensure the effective realization of the annual strategic goals. The Company put more efforts in the management of the remuneration of senior management of controlled and invested companies using Regulations of Remunerations and Incentives (薪酬激勵管理辦法) and determined remuneration standards and paid incentives based on the respective industry performance contribution and the completion status of quarterly targets in a stringent manner. By requiring the staff at all levels (other than those in the production line) to prepare work plans, the Company evaluated and assessed the staff and incorporated such assessment into individual appraisals. Such measures improved the self-motivation and planning of staff and strengthened the daily management practices integrating process and results.

3. Implementing informatization management for more efficient management

During the Year, the Company fully implemented informatization management to establish management standards and refine working procedures. The Company adopted real-time information management in respect of human resources, capital and assets through the information system to improve quality and efficiency of operation. The management system of the Enterprise Application Integration (EAI) had been basically established and its modules and subsystems had been launched one after another. After launching the budget management module, the annual budget of the departments was broken down into months according to the relevant rules in order to improve the effectiveness of budget implementation and realize a more precise cost management and control. The sales centers and business departments commenced to use ERP to regulate the management of current assets and the process management on procurement, sales and inventories. With the use of human resources management module, the Group carried out a human resources reform covering the employees of all subsidiaries. The work planning system further subdivided the overall strategic goals of the Company into the weekly and monthly plans of managers of grade III and above in order to better align their major duties with the strategic requirement and implement monitoring in a timelier manner, thereby being conducive to appraisals and improving working efficiency. Besides, the Company also launched the Weaver OA System and Yonyou U8+ Group Financial System and basically completed the integrated docking of the above subsystem and the cable information system.

Management Discussion and Analysis (Continued)

4. Strengthening overall risk management for better risk management and control

The Company conducted evaluation and review on specific risks and strengthened dynamic surveillance of major risks. The Company conducted special audits on Chongqing Putaifeng Aluminium Co., Ltd. ("Chongqing Putaifeng"), the newly-established subsidiary, by earnestly inspecting and studying its production and operation, financial condition and assets condition and issued a special audit report with analysis of its financial condition and highlights of financial risks. The Company also provided written management advice to the management of Chongqing Putaifeng for the strengthening of risk management. The Company also conducted special audits on Chengdu Zhongling Radio Communications Co., Ltd. and the energy transmission cable business department and provided judgements and management advices on the areas such as their production management, market conditions, economic benefits and energy conservation. The Company strengthened the supervision and regulation on its connected transactions and continuing connected transactions; improve the level of supervision. The Company implemented annual budget management such that the connected transactions which are not in the budget cannot be executed. In addition, the responsible staff received training on connected transactions and regulatory compliance. The Company also strengthened the review on contracts. The Company also promptly advised the management of compliance requirements and completed compliance matters so as to avoid the risk of noncompliance.

5. Promoting economic development with solid budget management

In respect of financial management, information systems were implemented for budget management and reimbursement. With the use of information platforms, the budget review system was strictly implemented. The departments had to make monthly budget reports in the budget management system every month. The reimbursements without budget or over budget could not be further processed, which effectively improved the budget management level. Moreover, the reimbursement system could effectively control all types of

expenses and expenditures to be made within the budget, which in turn optimized the procedures of reimbursement. It could also immediately report to the persons-in-charge at all levels when reimbursements were made, which improved the internal management. Therefore, the current financial system on the management of expenses was improved substantially.



Management Discussion and Analysis (Continued)

6. Promoting reform to effectively control sources of loss

During the Year, the Company conducted several rounds of negotiations with the shareholders of Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant ("Shuangliu Heat Shrinkable") and also conducted asset valuation and laid off redundant staff of Shuangliu Heat Shrinkable. The Company was planning to introduce new businesses and revitalize the existing assets to develop a processing business with respect to Shuangliu Heat Shrinkable.

The competitiveness of Putian Fasten Cable Telecommunications Company Limited ("Putian Fasten JV") in the optical cable market did not reach the level as estimated in the feasibility study report. In order to optimize investment management, the Company transferred 50% of its shareholding (i.e. 22.5% of the total equity interest) in Putian Fasten JV and recovered its corresponding equity contribution. The equity transfer was listed on China Beijing Equity Exchange (北京產權交易所) in October 2016 for bidding, the result of which was announced on 2 December 2016. The completion of the aforesaid transfer of equity interest shall take place upon the granting of the new business license to Putian Fasten JV by the relevant PRC authority, which is expected to be on or before 31 December 2017.

7. Strengthening internal control to improve management effectiveness

In respect of technological management, the Company obtained four patents of new utility models and completed application for special funds of a patent and was applying for one invention model. For project applications, the Company conducted a project application for wires and cables for passenger cars on railways as a major new product in Sichuan Province and also conducted a research and development subsidies application for environmental-friendly, low smoke zero halogen and inflaming retarding cables for rail vehicles as a major new product in Chengdu. The Company also received insurance subsidies from the Science and Technology Board of Hi-Tech Zone (高新區科技局).

In respect of quality management, the Company enhanced the management of equipment, especially the primary and secondary maintenance and inspection of special equipment. It also strengthened inspection of instruments and completed testing on materials. The Company also completed internal review and passed the supervision evaluation by TLC (泰爾認證中心) in respect of quality management system and the re-evaluation by China Quality Certification Centre 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.

Management Discussion and Analysis (Continued)

FINANCIAL ANALYSIS

Turnover

During the Year, the turnover of the Group amounted to RMB1,332,288,885.28, representing an increase of 10.15% as compared with RMB1,209,522,056.73 for the year ended 31 December 2015 (the "Previous Year").

During the Year, the turnover of the Company was RMB216,560,953.42, representing a decrease of 25.96% as compared to the corresponding period of the Previous Year. Chengdu SEI, in which the Company owned 60% equity interest, recorded a turnover of optical fiber of RMB277,170,524.02, representing an increase of 46.83% as compared to the corresponding period of the Previous Year. Shuangliu Heat Shrinkable, in which the Company owned 66.7% equity interest, recorded a turnover of heat shrinkable joining sleeves of RMB4,889,857.91, representing a decrease of 80.77% as compared to the corresponding period of the Previous Year. CMRC, in which the Company owned 96.67% equity interest, recorded a turnover of wire feed cable of RMB37,803,315.16, representing an increase of 1.46% as compared to the corresponding period of the Previous Year. Putian Fasten, in which the Company owned 45% equity interest, recorded a turnover of optical fiber and cable of RMB743,098,440.76, representing an increase of 5.42% as compared to the corresponding period of the Previous Year.

Net loss attributable to Shareholders of the Company

The net loss attributable to Shareholders of the Company for the Year amounted to RMB21,813,041.81, while the net loss attributable to Shareholders of the Company for the Previous Year amounted to RMB33,674,501.98.

RESULTS ANALYSIS

As at 31 December 2016, the Group's total assets decreased by 30.96% as compared with RMB1,893,704,925.26 as at the end of the Previous Year to RMB1,307,464,502.69, of which current assets totaled RMB812,704,612.23, accounting for 62.16% of the total assets and representing a decrease of 30.59% as compared with RMB1,170,958,714.74 as at the end of the Previous Year. Property, plant and equipment totaled RMB294,068,051.58, accounting for 22.49% of the total assets and representing a decrease of 44.58% as compared with RMB530,581,354.23 as at the end of the Previous Year.

As at 31 December 2016, the Group's total liabilities amounted to RMB289,526,046.09; total liability-to-total asset ratio was 22.14%; bank and other short-term loans were RMB0, which decreased by 100% 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 2016, the Group's bank deposits and cash totaled RMB386,016,134.79, representing an increase of 14.73% as compared with RMB336,464,641.98 as at the end of the Previous Year.

During the Year, the Group's selling expenses, administration expenses and finance expenses amounted to RMB60,839,009.30, RMB131,851,623.37 and RMB5,382,887.85 respectively, representing an increase of 21.62%, an increase of 17.35% and a decrease of RMB576,000.77 respectively as compared with RMB50,024,954.62, RMB112,359,896.05 and RMB5,958,888.62 respectively in the Previous Year.

Management Discussion and Analysis (Continued)

As at 31 December 2016, the Group's account receivables and bill receivables amounted to RMB94,950,926.96 and RMB102,488,405.74 respectively, representing a decrease of 76.85% and an increase of 0.69% respectively as compared with RMB410,168,670.66 and RMB101,785,217.79 respectively as at the end of Previous Year.

Analysis of Capital Liquidity

As at 31 December 2016, the Group's current assets amounted to RMB812,704,612.23 (2015: RMB1,170,958,714.74), current liabilities were RMB214,452,184.49 (2015: RMB523,613,748.81), the annual receivables turnover period was 82.57 days and the annual inventory turnover period was 80.90 days. The above data indicates that the Company had strong solvency but its liquidity and its management level were yet to be improved.

Analysis of Financial Resources

As at 31 December 2016, the Group's bank and other short-term loans were RMB0. As the Group had comparatively sufficient bank deposits and cash of RMB386,016,134.79, the Group did not have short-term solvency risk.

Non-current Liabilities or Loans

As at 31 December 2016, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was RMB7,376,797.32 (equivalent to EUR1,009,579.75). The loan is a French government loan at an interest rate of 0.5% per annum. The loan denominated in Euro is subject to exchange rate risks resulting from fluctuations of the exchange rate in the international foreign exchange market. This long-term loan is an instalment loan, the maximum repayment period of which 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 sites of the Company. The use of raised proceeds has strictly complied with the relevant legal requirements. In addition, in order to ensure the proper utilization of capital, the Group has strengthened its existing financial management system. The Group has also paid attention to avoiding high risks and to improving its return on investments. During the Year, debts and obligations were repaid and performed when due in accordance with the relevant contractual terms.

Management Discussion and Analysis (Continued)

Liquidity and Source of Funds

During the Year, the Group's net cash inflow from operating activities amounted to RMB1,270,345,998.36, representing an increase of RMB219,510,069.61 as compared with RMB1,050,835,928.75 in 2015.

During the Year, the Group spent RMB35,544,851.99, representing an increase of RMB25,788,841.19 as compared with RMB9,756,010.80 in 2015, for the purchase of property, plant and equipment and expenses on the construction in progress.

As at 31 December 2016, the Group's liabilities and shareholders' equity amounted to RMB1,307,464,502.69 (2015: RMB1,893,704,925.26). The Group's interest expenses amounted to RMB11,096,073.96 for the Year (2015: RMB12,791,657.80).

Contingent Liabilities

As at 31 December 2016, the Group did not have any contingent liabilities (2015: Nil).

BUSINESS OUTLOOK

In 2017, the Company will focus on strengthening the optical telecommunication business, refining the energy transmission cable business and developing the smart electrical equipment cable business for the expansion of the Company. Revitalizing idle assets and leveraging the resources of being a state-owned and listed enterprise, the Company aims to expand its development and profitability. At the same time, the Company will continue to intensify reforms, to better information building, to reform appraisal mechanism, to improve efficiency of internal management, to strengthen budget implementation monitoring, to ensure Chengdu PUTIAN operates healthily and achieve the targets and missions for 2017.

I. Leading strategic industrial planning and accelerating business transformation for higher profitability

According to its strategic development planning, the Company will solidify its three business segments and develop new businesses relating to the principal business of China Putian through capital operations. The optical telecommunication business will maintain its growth as a business having long competitive advantages. The energy transmission cable business will accelerate its business transformation to upgrade as one of the pillars of the Company. The smart electrical equipment cable business and other businesses will be developed by making use of the resources of China Putian.

Management Discussion and Analysis (Continued)

1. Strengthening optical telecommunication business to maintain growth.

The Company will strengthen the optical telecommunication business. Making use of the products characterized as having high gross profit and the relevant resources accumulated upon long-term operation in the industry, Chengdu SEI Optical Fiber Co., Ltd., the Company's best performing subsidiary, will act as a leader in the development of a self-owned optical fiber, cable and device manufacturing business to have positive competition with Putian Fasten JV and to develop the potential of the optical telecommunication business.

2. Taking high-end electrical equipment cable and aluminium products as the Company's core products to facilitate the business transformation of copper cable business to energy transmission cable business as a pivotal business of the Company.

The Company will reinforce the product development of electrical equipment cables and special cables and make use of the resources of China Putian to develop cables for railway transportation and strive to achieve breakthrough in the market size of high-end electrical equipment cables in order to make profit. For the development of the market of cables for railway transportation, the Company will intensify its efforts in developing new customers and continue to consolidate the market share in the urban rail cable market so as to acquire more orders and expand its market share. Moreover, by capitalizing on the development opportunities arising from municipal constructions, road networks, power distribution networks and new urban constructions, the Company will explore the power and cables market of the government construction projects, and conduct sales of its featured products which are safe and environmentally friendly and develop its brand in the market segments.

3. Seeking to upgrade business towards the provision of comprehensive solutions by consolidating resources and developing smart electrical equipment cable business in the southwest region.

By leveraging the needs of target investments in China such as the development of smart cities, new urban constructions, upgraded power distribution through smart grids, smart production and equipment upgrades and taking advantage of the existing land resources and regional competitiveness, the Company will develop a production base of smart electrical equipment cables in the southwest region and implement the strategic cooperation agreement between China Putian and the Chengdu local government to develop the markets of smart cities featuring energy-saving street lamps and charging piles, modification of smart traffic, smart municipal works, smart community, smart residence, new energy and electrical equipment. In addition, by developing new businesses in connection with the relevant core business areas of China Putian to stimulate the Company's further development, the Company will gradually upgrade its businesses towards the provision of comprehensive solutions.

Management Discussion and Analysis (Continued)

II. Further improving management to raise management and control standard

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

1. Promoting full coverage of informatization as an important means to enhance management.

The Company will further enhance the comprehensive coverage of informatization and develop a decision-making system. The informatization data of the Company will be under centralized management and the decision-making system will be able to completely extract accurate data from the database immediately. The Company will improve the informatization safety management by acquiring the related safety and backup equipment to safeguard the system as well as the data.

2. Strengthening cost control and management to reduce costs and improve efficiency.

Comprehensive budget management will be enhanced. Restriction and monitoring of budget will be strengthened with a view to meeting the annual budget target. Through implementation and assessment of budget at each level, the Company will exercise more stringent control over the budget to ensure the balance between income and costs and enhance the effectiveness of cost reduction. The Company will further strengthen the monthly budget control by carrying out timely analysis on budget implementation in terms of monthly and cumulative profits, income, expenses and other indicators in order to promptly identify reasons for deviation and issuing analysis report, which will improve the guiding function of budgeting in production and operation.

An accountability system for cost and expense management will be established to define the responsibilities of each level in reducing costs, improving effectiveness and increasing the profit margin. Working procedures for procurement management will be improved to regulate procurement and tender. The Company will also carry out strategic procurement and centralized procurement of bulk stock and services in order to facilitate cost reduction and efficiency enhancement.

For quality management, the Company will make consistent improvement in product quality to enhance its core competitiveness. According to the excellent performance management standards, the Company will require the responsible departments to rectify the issues discovered during internal audits and external audits after being sorted out by the Company and include such issues in the appraisal indicators of the departments. With regard to the quality problems, the Company will strive to maintain product quality by formulating product standards, managing procurement, monitoring production process and conducting review and supervision. Moreover, the accountability system of quality will be optimized. The product quality and customer satisfaction will be enhanced.

Management Discussion and Analysis (Continued)

More stringent management over asset quality will be made. The management of project approval, customer credit and contracts will be strengthened. Inventory management will be strengthened at source. The procurement will be strictly based on sales orders. The ratio of receivables and inventories to income will be closely monitored to minimize occupation of funds. The Company will strengthen the assessment and tracking analysis of customers' solvency and control on receivables at source. Payment will be called and collected in a timely manner so as to facilitate capital recovery and strictly control risks and losses. 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.

3. Accelerating the development of sales platform for market expansion.

By developing the channel department and the Group's business department, the Company will further expand its market and attain larger market share in Chengdu and the southwest region. The Company will also strengthen team-building in the sales center and improve business training for adapting to requirements of the new business and market. Duties of the commerce department will be refined to enhance storage and delivery capacity.

4. Improving organizational capacity.

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

5. Continual improvement of internal control.

The Company will uphold and improve the overall risk management and internal control system establishment and strive to rectify the issues suggested by the accountants after conducting special audits for internal control. The Company will also leverage such opportunity to enhance the management of the internal control system of the Company. The Company will further rationalize the internal control systems and enhance the practicality and timeliness of such systems in order to facilitate the systematic establishment of the Company and regulate the establishment and revision of internal control system.

Management Discussion and Analysis (Continued)

6. Other matters related to management.

Technological innovation and breakthroughs are encouraged to boost core competitiveness and incentives will be offered for technological inventions, upgrades in existing technologies and application of research results which receive significant economic benefits. Technological advancement scheme will be refined to seek incentives from the government and continuously improve the QEHS management system. Meanwhile, the Company will organize QC groups to encourage frontline staff to participate in the reform and fine-tuning of management to improve product quality.

Adhering to the strong emphasis on production safety, 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. Safety production inspection will be strengthened. The Company will strive to formulate a safety mechanism which shall be supervised by all employees under unified leadership at each level. The regulations, systems and measures for production safety will be further implemented in order to establish a consistently improving long-term mechanism for production safety. The Company will strengthen the 6S management on the production site and the management measures in daily operation control and management as well as adopting effective measures to mitigate potential safety hazards and eradicate serious accidents.

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 78 to 79 of this annual report.
2. The financial position of the Group as at 31 December 2016 is set out in the consolidated balance sheet on pages 71 to 74 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 86 of this annual report.
4. The cash flows of the Group are set out in the consolidated cash flow statement on pages 81 to 83 of this annual report.
5. The Company implemented a profit distribution proposal: the Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: 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 6 to 16 of this annual report. These discussions form a part of the Report of the Directors.

Report of the Directors (Continued)

FINANCIAL HIGHLIGHTS

The financial highlights of the Group for the five years ended 31 December 2016, 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, is as follows.

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Operating income	1,332,288.89	1,209,522.06	945,460.89	915,481.31	498,057.30
Profit/"—" represents loss) before income tax	25,242.42	-37,600.80	-37,180.84	7,203.94	-83,188.34
Income tax expense/"—" represents income)	17,984.52	5,491.42	3,803.14	-169.26	5,351.82
Profit/"—" represents loss) for the Year	7,257.90	-43,092.22	-40,983.98	7,373.19	-88,540.17
Of which:					
Profit/"—" represents loss) attributable to equity holders of the Company	-16,103.26	-40,628.30	-29,504.43	-527.22	-97,714.02
Minority interests	23,361.17	-2,463.92	-11,479.55	7,900.41	9,173.85
Total assets	1,307,464.50	1,893,704.93	1,897,449.06	1,956,252.97	1,314,872.12
Total liabilities	289,526.05	612,105.56	666,532.00	501,802.66	224,363.49
Minority interests	104,481.17	350,697.12	353,161.04	392,030.52	86,813.98
Total net assets	1,017,938.46	1,281,599.36	1,320,917.07	1,394,450.31	1,090,508.63

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 is set out in note V to the financial statements on page 177 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.

Report of the Directors (Continued)

RELATIONSHIPS WITH SUPPLIERS AND CUSTOMERS

The Group strives to maintain fair and co-operating relationship with the suppliers and does 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 needs.

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 is as follows:

	Percentage (%)	
	2016	2015
Purchase		
Single largest supplier	28	11
Five largest suppliers	89	25
Sales		
Single largest customer	21	12
Five largest customers	41	29

As far as the directors (the "Directors") of the Company aware, none of the Directors or supervisors (the "Supervisors") or their respective close associates 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 2016 are set out in note VII to the financial statements on page 159 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 respectively to the financial statements on pages 128 to 135 of this annual report respectively.

SHARE CAPITAL

Details of the share capital of the Company are set out in note V to the financial statements on page 144 of this annual report.

Report of the Directors (Continued)

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 2016 up to the date of this annual report.

BANK BALANCES

Details of changes in bank balances for the Year of the Group are set out in note V to the financial statements for the Year from page 112.

UNDISTRIBUTED PROFIT FOR THE YEAR

Undistributed profit for the Year of the Group is set out in the consolidated statement of changes in shareholders' equity. As at 31 December 2016, undistributed profit distributable to shareholders is set out in note V to the financial statements for the Year on page 145.

OVERDUE TIME DEPOSITS

As at 31 December 2016, the Group did not have any deposit and trust deposit with non-banking financial institutions or time deposits that cannot be recovered on maturity.

INCOME TAX

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

Pursuant to the document of High-tech Enterprises Recognition Committee of Sichuan Province numbered Chuan Gao Qi Ren [2014] No. 6, the Company's subsidiaries, namely Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant, Chengdu SEI Optical Fiber Co., Ltd. and Chengdu Zhongling Radio Communications Co., Ltd. were recognized as high-tech enterprises and enjoyed the high-tech enterprises preferential tax rate of 15% for a period of three years from 2014 to 2016.

LIQUIDITY RISK

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with settlements by cash or other financial assets, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

Report of the Directors (Continued)

In order to control such risk, the Company 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 Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

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.

RISK MANAGEMENT

The Group adheres to the principle that risk management must be in line with its strategies and serve its strategic concept while strengthening the risk classification and identification management and taking risk management as daily routine. The Group's risk management targets to seek the appropriate balance between the risks and benefits and to mitigate the effects of the risks caused on the Group's financial performance to the lowest level and maximize the interests of the Shareholders and other equity investors. Based on such objectives, the Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Industry competition risk

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

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with 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.

Report of the Directors (Continued)

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.

Credit risk

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

Safety risk

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

Interest risk

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

Human resources risk

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

Report of the Directors (Continued)

NUMBER OF SHAREHOLDERS

Details of the number of Shareholders as recorded in the register of members of the Company as at 31 December 2016 are as follows:

Classification	Number of Shareholders
State-owned legal person shares	1
Overseas listed foreign invested shares — H Shares	198
Total number of Shareholders	199

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the largest Shareholder was China Potevio, holding 240,000,000 issued state-owned legal person shares, and 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 156,138,999 H Shares of the Company, representing 39.03% of the total issued share capital of the Company. At the end of the Year, HKSCC held 155,958,999 H Shares of the Company, representing 38.99% 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 was 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 2016, 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	14,757,000	9.22%	3.69%
Bank of China (Hong Kong) Limited	14,596,000	9.12%	3.65%
BOCI Securities Limited	9,757,000	6.09%	2.44%

Saved as disclosed above, as at 31 December 2016, the Company was not aware of any other shareholding interests which were required to be disclosed pursuant to the SFO. The Board was not aware of any person holding, directly or indirectly, 5% or more of the interests in the issued H Shares of the Company.

Report of the Directors (Continued)

SUFFICIENT PUBLIC FLOAT

According to public information available to the Company and to the best knowledge of each director, the Company has confirmed that the public have 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
 Wang Feng (resigned on 13 January 2017)
 Liu Yun (appointed on 13 January 2017)
 Han Shu
 Xu Liying
 Fan Xu

Independent Non-executive Directors

Choy Sze Chung, Jojo
 Xiao Xiaozhou
 Lin Zulun (appointed on 4 February 2016)

Supervisors

Zheng Zhili
 Xiong Ting
 Dai Xiaoyi

PROFILE OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

1. Directors

Executive Directors

Mr. Zhang Xiaocheng, aged 59, a master's degree holder, has a master's degree in business administration and is a senior economist. He is the secretary of the party committee of the Company, a vice president, secretary to the board and the general manager of the human resources department of China Potevio Company Limited, the general manager of the human resources department of China PUTIAN Corporation, and an executive Director and the chairman of the eighth session of the Board of the Company. He concurrently serves as a director of Shanghai Potevio Co., Ltd. (上海普天郵通科技股份有限公司) (an A share listed company on Shanghai Stock Exchange with a stock code of 600680 and a B share listed company on Shenzhen Stock Exchange with a stock code of 900930), the chairman (legal

Report of the Directors (Continued)

representative) of China Putian Houma Communications Co., Ltd. (侯馬普天通信電纜有限公司), the chairman (legal representative) of Hangzhou HONYAR Electrical Co., Ltd. (杭州鴻雁電器有限公司), a director of Putian New Energy Co., Ltd. (普天新能源有限責任公司) and a director of the Urban Rail Transportation Fund (Limited Partnership) (城市軌道交通基金(有限合夥)企業). 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 and the director of the research centre of Posts and Telecommunications Ministry of China (the predecessor of China PUTIAN Corporation), 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 general manager of the corporate management department and the capital operation department of China PUTIAN Corporation, the assistance to the president and the general manager of the comprehensive management department, of the China Potevio Company Limited, the Director of the second, fifth, sixth and seventh sessions of the Board of the Company, and the chairman of the third and fourth sessions of the Supervisory Committee of the Company. Mr. Zhang joined the Company in October 1997 and has more than twenty years of extensive experience in corporate investment and operation management.

Mr. Wang Micheng, aged 50, a master's degree holder, 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 an executive Director and vice chairman of the eighth session of the Board and general manager of the Company, 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.

Ms. Liu Yun, aged 43, a master's degree holder, has a master's degree in Economics (majoring investment economics) from Central University of Finance and Economics. She is currently the deputy general manager of Business Development Department of China Potevio Company Limited, and concurrently serves as a director of Shanghai Putian Kechuang Electronics Co., Ltd. (上海普天科創電子有限公司), Puxing Mobile Tech Company Limited (普興移動通訊設備有限公司), Hangzhou HONYAR Electrical Co., Ltd. (杭州鴻雁電器有限公司) and Putian Logistics Technology Co., Ltd. (普天物流技術有限公司). Ms. Liu had served as general manager assistant of the Investment Department of China National Textiles Import & Export Corporation, general manager assistant of Chinatex International Apparel Co., Ltd., finance director of the Preparatory Office of Infocex LLC Beijing Office and the investment management supervisor and investment management manager of Enterprise Development Department of China Potevio Company Limited. Ms. Liu has extensive experience in finance, economic management and investment.

Report of the Directors (Continued)

Mr. Han Shu, aged 53, a master's degree holder, 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 as an executive Director of the eighth session of the Board of the Company, a general manager of business department I of China Potevio Company Limited and a director of Nanjing PUTIAN Telecommunications Company Limited (a B share listed company on Shenzhen Stock Exchange with a stock code of 200468). 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 Company Limited. Mr. Han has over twenty years of extensive experience in communication and information technology.

Ms. Xu Liying, aged 46, a master's degree holder, 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 an executive Director of the eighth session of the Board of the Company and the general manager of the finance department of China Potevio Company Limited, and concurrently serves as a supervisor and the chairman of the supervisory committee of Beijing Putian Taili Telecommunications Technology Co., Ltd. (北京普天太力通信科技有限公司), a supervisor and the chairman of the supervisory committee of Beijing Capitel Co., Ltd. (北京首信股份有限公司), and a supervisor and the chairman of the supervisory committee of Hangzhou HONYAR Electrical Co., LTD (杭州鴻雁電器有限公司). 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 41, a master's degree holder, holds a master's degree in management engineering and science from Tsinghua University. He is currently an executive Director of the eighth session of the Board of the Company, the deputy general manager of strategic investment and financing management department of China Potevio Company Limited, and the vice chairman and a deputy general manager of Beijing PUTIAN Investment Management Company Limited (北京普天聯創投資管理有限公司), and concurrently serves as a director of China Potevio PolyPay Co., Ltd. (普天銀通支付有限公司). Mr. Fan 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 Company Limited. Mr. Fan joined the Company in February 2012 and has extensive experience in economic analysis and capital operation.

Report of the Directors (Continued)

Independent Non-executive Directors

Mr. Choy Sze Chung, Jojo, aged 58, 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 a director 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 three companies listed on 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) and Luye Pharma Group Ltd. (stock code: 02186). He was an independent non-executive director of Orient Securities International Holdings Limited, a director and general manager of Yongjin Company Limited (湧金有限公司), 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 Institute of Financial Accountants, a fellow member of Institute of Public Accountants, a fellow member of The Hong Kong Institute of Directors, a fellow member of the Institute of Compliance Officer, a member of HKEx Cash Market Consultative Panel, the director of securities team of The Hong Kong Mediation Alliance and a committee member of Society of Registered Financial Planners. He was an independent non-executive Director of the fifth, sixth and seventh 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 63, 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. He was an independent non-executive Director of the seventh session of the Board of the Company. Mr. Xiao joined the Company on 31 July 2013.

Mr. Lin Zulun, aged 66, obtained his bachelor's degree from the University of Electronic Science and Technology of China (電子科技大學) (the "UESTC") specializing 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

Report of the Directors (Continued)

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 honors of the People's Republic of China in the technology sector. Mr. Lin joined the Company on 4 February 2016.

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. Ms. Liu Yun has also entered into a service contract with the Company, with a term commencing from 13 January 2017 to the date of the annual general meeting to be held in 2017. 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 57, is a Party member, the team leader of the Discipline Inspection Commission and the chief legal advisor 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, 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 and the chairman of labor union of China PUTIAN Corporation. He was a Supervisor of the seventh session of Supervisory Committee of the Company. Mr. Zheng joined the Company in November 2012 and has extensive experience in corporate management and audit supervision.

Mr. Xiong Ting, aged 54, 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 labor 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, sixth and seventh sessions of the Supervisory Committee of the Company. Mr. Xiong joined the Company in 1982 and has over ten years of experience in corporate administrative management.

Report of the Directors (Continued)

Ms. Dai Xiaoyi, aged 43, 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 assistant to the general manager 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), the deputy director and director of Party-Masses Work Department, and the vice chairman of the labor union. Ms. Dai was democratically elected by the staff of the Company at the labor congress as a staff representative 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, Yvonne 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 49, 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 a deputy general manager of the Company. Mr. Hu has extensive experience in marketing and image promotion.

Ms. Yu Qian, aged 47, 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.

Mr. Liu Wenzao, aged 49, a bachelor's degree holder, has a bachelor's degree in electrical insulation and cable engineering from Xi'an Jiaotong University. He is currently a deputy general manager of the Company and the general manager of Chengdu SEI Optical Fiber Co., Ltd., a subsidiary of the Company. He has over 20 years of experience in the optical telecommunication industry.

Report of the Directors (Continued)

ENVIRONMENT, EMPLOYEES AND SOCIAL RESPONSIBILITY

Environmental Protection

The Company has established an environmental management system in accordance with the GB/T 24001-2004 (idt ISO 14001:2004). Adhering to the principle of “care for environment”, the Company has identified and evaluated environmental factors and dangerous sources based on the Evaluation and Control Procedures for Environmental Factors and the Evaluation and Control Procedures for Identification of Dangerous Sources. In compliance with laws and regulations, the emission of waste met the relevant requirements. Incidents such as pollution, fire, explosion, electric shock and traffic accidents were prohibited and energy and resources were saved under the requirements of the system. The environmental management system continued to operate effectively.

Employees

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.

Staff and Remuneration Policy of the Group

As at 31 December 2016, the Group had 702 staff members.

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

Retirement Benefits Plans for Employees

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.

Basic Medical Insurance Scheme for 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 RMB2,420,000 in the Year (2015: RMB2,390,000). The Board believes that the participation in the basic medical insurance scheme for employees did not have any significant impact on the financial position of the Company.

Report of the Directors (Continued)

Social Responsibility

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 (2015: RMB30,000).

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 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 2016, 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).

Report of the Directors (Continued)

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 to the financial statements on pages 171 to 173 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 to the financial statements on page 174 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Group are set out in note V to the financial statements on pages 141 to 142 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 (2015: the Group did not obtain any loan from banks which was secured by the Group's assets). As of 31 December 2016, the Group did not pledge any land use right as security (2015: Nil).

Report of the Directors (Continued)

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 2016, 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. 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, a supplementary circular dated 12 October 2015, the announcement dated 29 April 2016 and the circular dated 25 May 2016. On 12 November 2015 and 24 June 2016, these transactions were passed by way of ordinary resolutions at the 2015 first extraordinary general meeting and 2015 annual 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.

Report of the Directors (Continued)

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.

On 29 April 2016, the Company and China PUTIAN Corporation entered into the Supplemental Agreement to revise the existing annual caps to the revised annual caps.

The principal terms of the Supplemental Agreement are as follows:

- Date : 29 April 2016
- Parties : The Company and China PUTIAN Corporation
- Subject matter : The Company and China PUTIAN Corporation have agreed to revise the existing annual caps to the revised annual caps under the Potevio Framework Sales Agreement, subject to the independent Shareholders' approval. Save as amended by the Supplemental Agreement, all other terms of the Potevio Framework Sales Agreement shall remain unchanged.

The existing annual caps and the revised annual caps for the two years ending 31 December 2016 and 2017 respectively are set out in the table below:

For the year ending 31 December 2016 (in RMB million)		For the year ending 31 December 2017 (in RMB million)	
2016 existing annual cap	2016 revised annual cap	2017 existing annual cap	2017 revised annual cap
149.5	350.0	171.9	325.0

Report of the Directors (Continued)

During the year ended 31 December 2016, the aggregate payment received by the Company from Potevio Group was approximately RMB151,573,000.

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 2016, the aggregate payment made by the Company to Sumitomo Electric was approximately RMB104,987,000.

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.

Report of the Directors (Continued)

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.

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 overseas 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 2016, 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 RMB140,342,000.

Report of the Directors (Continued)

During the year ended 31 December 2016, the aggregate payment in respect of sales of optical fiber and optical cable received by the Company from Fasten Group was approximately RMB37,027,000.

During the year ended 31 December 2016, the aggregate payment in respect of leases of manufacturing facility and machinery, patent and property made by the Company to Fasten Group was approximately RMB26,905,000.

Honyar Framework Distribution Agreement

On 29 April 2016, the Company entered into the Honyar Framework Distribution Agreement for a term from the date of the independent Shareholders' approval to 31 December 2017, in respect of the purchase of certain electrical products, lighting products, piping products and smart products, from Honyar Group to the Group.

China Potevio is the controlling shareholder of the Company holding 60% equity interest in the Company, and is also the controlling shareholder of Hangzhou HONYAR Electrical holding 51% equity interest in Hangzhou HONYAR Electrical. Therefore, Honyar Group is considered a connected person of the Group and transactions contemplated under the Honyar Framework Distribution Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The principal terms of the Honyar Framework Distribution Agreement are as follows:

Date : 29 April 2016

Parties : The Company and Hangzhou HONYAR Electrical

Subject matter : During the tenure of the Honyar Framework Distribution Agreement, (i) the Group shall be the sole distributor of the electrical products, lighting products, piping products and smart products of Honyar Group in the southwest region of the PRC; (ii) the Group will enter into agreements with all customers of the electrical products, lighting products, piping products and smart products of Honyar Group in the southwest region of the PRC and purchase the relevant products from the Honyar Group from time to time.

The Group shall purchase certain electrical products, lighting products, piping products and smart products from Honyar Group as the sole distributor of the relevant products of Honyar Group in the southwest region of the PRC based on the requirements and demands of the customers from time to time during the tenure of the Honyar Framework Distribution Agreement

Tenure : the date of the independent Shareholders' approval to 31 December 2017

The selling prices of the electrical products, lighting products, piping products and smart products sold by Honyar Group to the Group are not fixed, to be determined in accordance with prevailing market prices that is comparable to the price offered to the Group by its other independent suppliers and are to be agreed between the parties.

The annual caps under the Honyar Framework Distribution Agreement for the years ended 31 December 2016 and 2017 are RMB40.0 million and RMB90.0 million, respectively.

Report of the Directors (Continued)

During the year ended 31 December 2016, the aggregate payment made by the Company to Honyar Group was approximately RMB24,145,000.

Taishan Framework Sales Agreement

On 27 May 2016, Chongqing Putaifeng Aluminium entered into the Taishan Framework Sales Agreement with Chongqing Taishan Cable for a term from 27 May 2016 to 31 December 2016, in respect of the sale of certain electrical conductor wire rods and aluminium wire rods, from Chongqing Putaifeng Aluminium to Chongqing Taishan Cable.

The Company holds 40% equity interest in Chongqing Putaifeng Aluminium. The financial statements of Chongqing Putaifeng Aluminium since the date of its incorporation have been brought under the scope of the consolidated financial statements of the Group, therefore Chongqing Putaifeng Aluminium is considered as a non-wholly owned subsidiary of the Company. As Chongqing Taishan Cable is also a substantial shareholder of Chongqing Putaifeng Aluminium holding 30% equity interest in Chongqing Putaifeng Aluminium, Chongqing Taishan Cable is considered as a connected person of the Group at subsidiary level and transactions contemplated under the Taishan Framework Sales Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

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

Date : 27 May 2016

Parties : Chongqing Putaifeng Aluminium and Chongqing Taishan Cable

Subject matter : Chongqing Putaifeng Aluminium shall supply certain electrical conductor wire rods and aluminium wire rods to Chongqing Taishan Cable based on the requirements and demands of Chongqing Taishan Cable from time to time during the tenure of the Taishan Framework Sales Agreement

Tenure : 27 May 2016 to 31 December 2016

The selling prices of the electrical conductor wire rods and aluminium wire rods sold by Chongqing Putaifeng Aluminium to Chongqing Taishan Cable are not fixed, to be determined in accordance with prevailing market prices that is comparable to the price offered to Chongqing Putaifeng Aluminium by its other independent customers and are to be agreed between the parties.

The annual cap under the Taishan Framework Sales Agreement for the year ended 31 December 2016 is RMB400.0 million.

During the year ended 31 December 2016, the aggregate payment made by Chongqing Taishan Cable to the Company was approximately RMB49,849,000.

Report of the Directors (Continued)

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 2016:

- (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 announcements dated 25 September 2015, 29 April 2016 and 27 May 2016 of the Company.

Confirmations from the Company

The Company has conducted a review of its continuing connected transactions and confirmed that all such transactions have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Report of the Directors (Continued)

2. One-off connected transactions

On 28 October 2016, the Company entered into the Sale and Purchase Agreement with Chongqing Taishan Cable, in respect of the sale of 300 tonnes of round copper electrical wire from the Company to Chongqing Taishan Cable, pursuant to which, the Company shall supply 300 tonnes of round copper electrical wire to Chongqing Taishan Cable on or before 31 December 2016 at a consideration of RMB11,894,325.00 (i.e. RMB39,647.75 per tonne). The transaction contemplated under the Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 18 October 2016. Due to market changes, the transaction was no longer in line with the interests of the Company. Therefore, the Sale and Purchase Agreement was cancelled.

On 8 December 2016, Chongqing Putaifeng Aluminium entered into the Sale and Purchase Agreement with Chongqing Taishan Cable, in respect of the sale of 946.221 tonnes of unalloyed aluminum ingots for remelting from Chongqing Taishan Cable to Chongqing Putaifeng Aluminium, pursuant to which, Chongqing Taishan Cable shall supply 946.221 tonnes of unalloyed aluminum ingots for remelting to Chongqing Putaifeng Aluminium on or before 10 December 2016 at a consideration of RMB9,765,000.72 (i.e. RMB10,320 per tonne). The transaction contemplated under the Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 8 December 2016.

On 30 December 2016, the Company entered into the Equipment Transfer Agreement with Potevio Intelligence & Lighting Institute in respect of the sale of 121 sets of spare equipment including 115 sets of spare equipment for the production and testing of telecommunications cables and six sets of spare equipment for office use, pursuant to which, the Company shall supply 121 sets of spare equipment including 115 sets of spare equipment for the production and testing of telecommunications cables and six sets of spare equipment for office use to Potevio Intelligence & Lighting Institute on 10 January 2017 at a consideration of RMB7,906,650.54. Potevio Intelligence & Lighting Institute is a wholly-owned subsidiary of Hangzhou HONYAR Electrical. China Potevio is the controlling shareholder of Hangzhou HONYAR Electrical holding 51% equity interest in Hangzhou HONYAR Electrical, and is also the controlling shareholder of the Company holding 60% equity interest in the Company. Therefore, Potevio Intelligence & Lighting Institute is a connected person of the Group and the transaction contemplated under the Equipment Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The transaction contemplated under the Equipment Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 30 December 2016.

3. Disposal of equity interest in a subsidiary

On 2 December 2016, the Board announced that the open bid relating to the proposed disposal at China Beijing Equity Exchange (北京產權交易所) was announced on 2 December 2016. Fasten Group Company Limited (the "Purchaser"), the current shareholder of Putian Fasten JV holding 24.8% equity interest in it, successfully bid to acquire 22.5% equity interest in Putian Fasten JV from the Company at the consideration of RMB116,176,500 (the "Consideration"). On 2 December 2016, the Company and the Purchaser entered into the Definite Agreement pursuant to which the Company agreed to sell and the Purchaser agreed to purchase 22.5% equity interest in Putian Fasten JV (the "Disposal"). The transaction certificate has been issued by the China Beijing Equity Exchange on 7 December 2016 and the Consideration was transferred to the Company and settled on 13 December 2016.

Report of the Directors (Continued)

Prior to the Disposal, the Company was a controlling shareholder of Putian Fasten JV holding 45% equity interest in Putian Fasten JV and the Purchaser was also a substantial shareholder of Putian Fasten JV holding approximately 24.8% equity interest in Putian Fasten JV. Therefore, the Purchaser was considered a connected person of the Group at subsidiary level and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As no shareholder has any material interest in the Disposal, no shareholder would be required to abstain from voting at a general meeting of the Company to approve the Disposal. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written approval from China Potevio regarding the Disposal. As at the date of this report, China Potevio is the controlling shareholder of the Company and holds 240,000,000 domestic shares, representing 60% of the total share capital of the Company. No extraordinary general meeting of the Company will be convened for the purposes of considering and approving the Disposal. A circular dated 20 March 2017 containing, among other things, (i) further details of the Disposal and the Definite Agreement and (ii) financial information relating to Putian Fasten JV has been despatched to the shareholders.

Following the completion of the Disposal, Putian Fasten JV had ceased to be a subsidiary of the Company, as the equity interest held by the Company in Putian Fasten JV had decreased from 45% to 22.5% and the financial results of Putian Fasten JV had ceased to be consolidated into the consolidated financial statements of the Group.

4. Related party transactions

Related party transactions of the Company are set out in note X 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 33 to 39 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.

Report of the Directors (Continued)

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

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

The Company established the Audit Committee in accordance with the Listing Rules. The members of the Audit Committee are Mr. 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 risk management and internal control and financial reports and has reviewed the Company’s audited financial statements and annual results for 2016.

The Audit Committee considered that the audited financial statements and annual results of the Company for 2016 were in full compliance with the requirements of the applicable accounting standards, laws and regulations and appropriate disclosure was made.

AUDITORS

As set out in 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 resigned as the auditors of the Company on 23 August 2014. In accordance with the Articles of Association of the Company, the Board appointed Pan-China Certified Public Accountants as the auditors of the Company with effect from 23 August 2014 to fill the casual vacancy after the resignation of Daxin until the conclusion of the next annual general meeting of the Company.

The Company reappointed Pan-China Certified Public Accountants as the auditors of the Company at the annual general meeting held on 5 June 2015 and reappointed Pan-China Certified Public Accountants as the auditors of the Company at the annual general meeting held on 24 June 2016.

The auditors will retire at the forthcoming annual general meeting and is eligible for re-appointment at 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

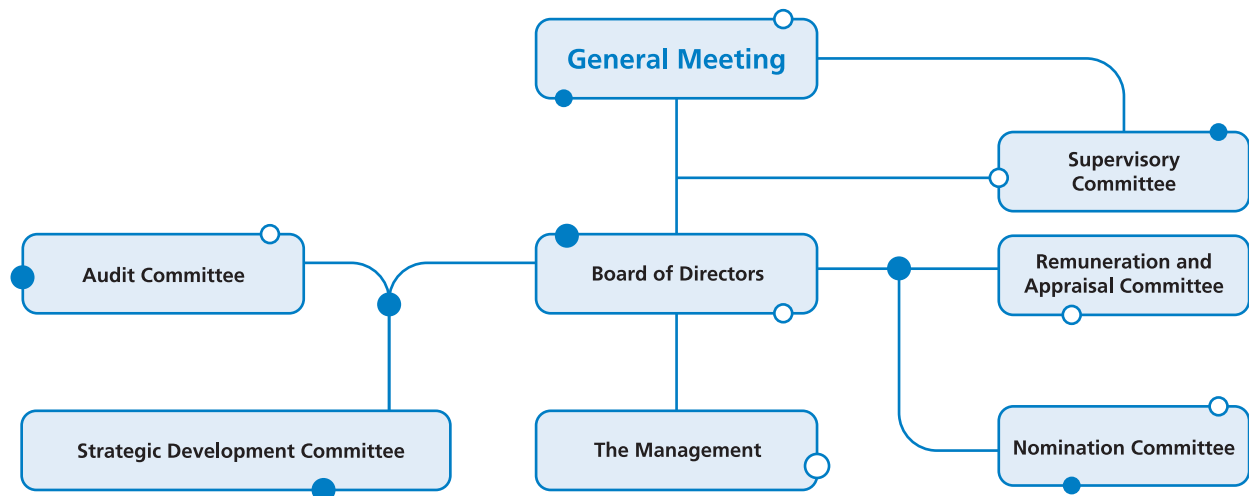
24 March 2017

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 2016 (the “Year”).

The Company attaches great importance to corporate governance principles that emphasize 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 maintain a good framework of corporate governance and to comply with applicable statutory and regulatory requirements with a view to assure 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:



Corporate Governance Report (Continued)

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 regulations, the Company failed to act according to the Listing Rules to make announcements and seek shareholders' approval for some continuing connected transactions in the financial years of 2013 and 2014 and the financial year of the first half of 2015. Most of such continuing connected transactions were related to purchase or sales of optic fiber and relevant commodities from or to connected persons. Hence, during the Year, the Company adopted remedial measures including publishing announcement, and seeking shareholders' approval and ensuring that information was announced in a timely manner. The Board tried hard to review and improve disclosure about information and compliance matters of the Company and strengthened information reporting for each department and enhanced the training for each staff in respect of the information announcement requirement of the Listing Rules.

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 (Continued)

(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*)
Mr. Wang Feng (resigned on 13 January 2017)
Ms. Liu Yun (appointed on 13 January 2017)
Mr. Han Shu
Ms. Xu Liying
Mr. Fan Xu

Independent Non-executive Directors

Mr. Choy Sze Chung, Jojo
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. Ms. Liu Yun has also entered into a service contract with the Company, with a term commencing from 13 January 2017 to the date of the annual general meeting to be held in 2017. 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 24 to 29 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.

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

Corporate Governance Report (Continued)

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, 11 meetings of the Board of the Company were held to discuss the Company's operating results, overall strategies, investment schemes as well as operation and financial performance. Directors could attend meetings in person or through other electronic communication devices.

Corporate Governance Report (Continued)

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	2015 Annual General Meeting Attended
Executive Directors		
Mr. Zhang Xiaocheng (<i>Chairman</i>)	10/11	
Mr. Wang Micheng (<i>Vice Chairman</i>)	11/11	√
Mr. Wang Feng ¹	6/11	
Ms. Liu Yun ²	—	—
Mr. Han Shu	10/11	
Ms. Xu Liying	10/11	
Mr. Fan Xu	11/11	
Independent Non-executive Directors		
Mr. Choy Sze Chung, Jojo	9/11	
Mr. Xiao Xiaozhou	11/11	√
Mr. Lin Zulun ³	9/10	√

¹ Mr. Wang Feng resigned as an executive Director on 13 January 2017.

² Ms. Liu Yun was appointed as an executive Director on 13 January 2017.

³ Mr. Lin Zulun was appointed as an 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.

Corporate Governance Report (Continued)

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 candidate 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.

Corporate Governance Report (Continued)

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.

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.

Corporate Governance Report (Continued)

(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. 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.

(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 2015 annual general meeting. Mr. Lin Zulun was then approved by the shareholders at the 2015 annual general meeting for re-election. 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.

Corporate Governance Report (Continued)

(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
Executive Directors		
Mr. Zhang Xiaocheng (<i>Chairman</i>)		√
Mr. Wang Micheng (<i>Vice Chairman</i>)	√	√
Mr. Wang Feng ¹	√	√
Ms. Liu Yun ²	—	—
Mr. Han Shu	√	√
Ms. Xu Liying		√
Mr. Fan Xu	√	√
Independent Non-executive Directors		
Mr. Choy Sze Chung, Jojo		√
Mr. Xiao Xiaozhou	√	√
Mr. Lin Zulun ³	√	√

¹ Mr. Wang Feng resigned as an executive Director on 13 January 2017.

² Ms. Liu Yun was appointed as an executive Director on 13 January 2017.

³ Mr. Lin Zulun was appointed as an independent non-executive Director on 4 February 2016.

Corporate Governance Report (Continued)

(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 assesses the performance of executive directors and approves the terms of executive director 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 (Continued)

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.

Two meetings were held in the Year. During the Year, the committee approved the remuneration assessment method for senior management of the Company and the remuneration of independent non-executive Directors.

Details of the remuneration of Directors and Supervisors for the year ended 31 December 2016 are set out on pages 172 to 173.

During the Year, independent non-executive Directors, namely Mr. Choy Sze Chung, Jojo, Mr. Xiao Xiaozhou and Mr. Lin Zulun, 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. On 13 January 2017, Mr. Wang Feng resigned and Ms. Liu Yun was appointed as a member 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, Ms. Liu Yun 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.

Corporate Governance Report (Continued)

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>).

During the Year, the nomination committee had convened two meetings to review the composition of senior management of the Company as well as review the candidate for independent non-executive Director and make recommendations thereof to the Board. Specific details of attendance of the meeting are set out on page 56 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 risk management and internal control systems 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 2015, the interim results and its corresponding accounts for the six months ended 30 June 2016, discussed the Company's works on internal control matters and other works as required under the CG Code. Specific details of attendance of the meetings are set out on page 56 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.

Corporate Governance Report (Continued)

(j) 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 (Continued)

During the Year, attendance at audit committee meetings, nomination committee meetings, remuneration and appraisal committee meetings and strategic development 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
Executive Directors				
Mr. Zhang Xiaocheng (<i>Chairman</i>)	—	—	—	1/1
Mr. Wang Micheng (<i>Vice Chairman</i>)	—	—	—	1/1
Mr. Wang Feng ¹	—	2/2	—	—
Ms. Liu Yun ²	—	—	—	—
Mr. Han Shu	—	—	2/2	—
Ms. Xu Liying	—	—	2/2	—
Mr. Fan Xu	—	2/2	—	—
Independent Non-executive Directors				
Mr. Choy Sze Chung, Jojo	2/2	2/2	2/2	1/1
Mr. Xiao Xiaozhou	2/2	2/2	2/2	1/1
Mr. Lin Zulun ³	2/2	1/1	1/1	1/1

¹ Mr. Wang Feng resigned as an executive Director on 13 January 2017.

² Ms. Liu Yun was appointed as an executive Director on 13 January 2017.

³ Mr. Lin Zulun was appointed as an 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 totaled RMB0.9 million, the remuneration for the provision of non-audit related services (i.e. internal control audit) to the Company is RMB0.18 million.

Corporate Governance Report (Continued)

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.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

The Board is responsible for the establishment and maintenance of the Company's risk management and internal control systems 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. For the year ended 31 December 2016, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered that certain aspects, such as timely internal reporting, should be strengthened. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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.

Corporate Governance Report (Continued)

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 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.

The Company formulated 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.

In order to further provide effective risk management, the Company consolidated its management system in 2016 to further strengthen the management functions. At the same time, the Company specified major risk management issues including investment management, capital management, safety management and contract management according to its features in operation and development. The Board made amendments and improvements to the regulations and systems of the Company in respect of legal and comprehensive risk management and formulated the Implementation Measures for the "Three Importance and One Greatness" Decision Making. The Company also established a major risk reporting system such that all risks with respect to legal, employees' life, environment and other areas have to be reported. The Company also set up a risk management working group comprising some of the key senior management, the major persons in charge of departments and the major responsible persons of business operations, which specified the duties and authorities of the personnel and clarified the major responsible units or departments for the working procedures in relation to comprehensive risk management. The finance department of the Company and the person in charge of the financial operations of the subsidiaries of the Company conducted cross-checking on financial operations. The risk management working group has to report to the audit committee and the Board so as to enable them reviewing the risk management system of the Company.

The Board conducted a review to examine whether the risk management and internal control systems of the Company and its subsidiaries are effective and adequate. Subjects of review included the supervision of the Company's finance, operation, compliance and risk management. At the beginning of 2017, Pan-China Certified Public Accountants, the external auditors of the Company, was appointed to conduct specific audit on the internal control system for the year 2016 of the Group and a report was issued in March 2017. Based on the opinions for improving internal controls provided in the internal control audit report, the Board has formulated the 2017 comprehensive risk management work plan. The Company has set up a comprehensive risk management committee headed by Mr Wang Micheng as the team leader and the principal leaders as members in order to strengthen all aspects of monitoring and procedures regarding the compliance of the Listing Rules. The Board also reviewed risk management, accounting and training of internal audit staff in full and ensured the business quality and risk assessment awareness of the staff and that sufficient budget was provided.

Corporate Governance Report (Continued)

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.

The Company has formulated the Confidentiality Work Regulations for all employees in the Company to handle the disclosure of the relevant confidential documents and trading of securities. The employees shall comply with the relevant policy if they are aware of the confidential or insider information of the Company. The Company has announced such policy on the internal website of the Company and notified such matter to all employees in the Company.

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 (Continued)

REMUNERATION OF SENIOR MANAGEMENT

Details of the remuneration for Directors and top five persons in respect of remuneration are set out in note X to the financial statements of this annual report. For the year ended 31 December 2016, the scope of remuneration for the senior management of the Company is set out below:

Scope of remuneration (RMB'000)	Number of members of senior management
0-500	4
500-1,000	—

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 2016, 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 auditors' statement about their reporting responsibilities on the financial statements is set out on pages 66 to 70 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.

Corporate Governance Report (Continued)

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 with shareholders 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.

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 2016, the Company convened one annual general meeting. Please refer to the related section on page 47 for the Directors' attendance of the meeting.

Corporate Governance Report (Continued)

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 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, organization and business.

Corporate Governance Report (Continued)

INFORMATION DISCLOSURE AND INVESTOR RELATION MANAGEMENT

The Company endeavors 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 2016, 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 resolution on amendment to the Articles of Association was considered and approved at the 2015 annual general meeting held on 24 June 2016. For details of the amendment, please refer to the supplementary circular of the Company dated 26 May 2016.

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 all Shareholders and ensure the information disclosures are in compliance with the relevant requirement.

The Company will also continue to endeavor 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 2016, 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 2016 and considered that the report had objectively and thoroughly reflected various work done by the Company during the Year.

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.

Report of the Supervisory Committee (Continued)

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

In 2016, the Company had no other material litigations.

The Supervisory Committee is of the opinion that in 2016, the Company successfully implemented industrial strategies through the planning of three business segments, and optimized market resources through business integration and equity transfer. The Company also finished preparing a list of 36 issues according to the requirement of the board of supervisors of the SASAC, and it achieved the annual targets of effectively enhancing management over operating results through comprehensive enhancement in management. The Company strived to manage its operation and achieved satisfactory results, it, however, did not get over the troubled waters. It was proposed that the Board thoroughly keep on pursuing the essence of the "Five Major Concepts" and "Five Major Missions" advocated by the Central Committee of the Communist Party of China and the State Council, as well as the state-owned enterprise reform "1+N" and other series of documents, duly prepare the list of issues and rectify such issues as required by the board of supervisors of the SASAC and facilitate informatization together with the reform of its evaluation system. Furthermore, the Supervisory Committee urged the Company to improve the efficiency of internal management, the capability of compliance and budgeting, and carry out adequate supervision in order to ensure the healthy development of the Company for actively accomplishing the target tasks in 2017.

In 2017, 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

23 March 2017

Auditor's Report



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P.C.: 310020
Tel: (0571) 8821 6888
Fax: (0571) 8821 6999

PCCPAAR [2017] No.1-59

To the Shareholders of Chengdu PUTIAN Telecommunications Cable Company Limited:

I. AUDIT OPINION

We have audited the accompanying financial statements of Chengdu PUTIAN Telecommunications Cable Company Limited (the "Company"), which comprise the consolidated and parent company balance sheets as at 31 December 2016, 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 shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects the consolidated and parent company financial position of the Company as at 31 December 2016, and of its consolidated and parent company financial performance and its consolidated and parent company cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants (the "Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Report (Continued)

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Provision for impairment of fixed assets

1. Description

For the year ended 31 December 2016, the Company recognized impairment losses on fixed assets amounting to RMB12,881,022.62, as disclosed in notes V.(I).12 to the financial statements. When recognizing the impairment losses on fixed assets, the Company considered the market value and quick realization factors of the fixed assets being disposed.

2. How the matter was addressed in our audit

During the audit, we obtained the details of relevant fixed assets, performed field inspection on those fixed assets, and paid attention to asset status; reviewed relevant factors when recognizing impairment losses, evaluated the appropriateness of fair value and disposal cost.

Based on the audit evidence obtained, we concluded that the provision for impairment losses on fixed assets recognized by the management was reasonable and relevant information was properly disclosed in the notes V.(I).12 to the financial statements.

(II) Deferred tax assets recognition

1. Description

As of 31 December 2016, the Company's deferred tax assets amounted to RMB14,135,131.52 as disclosed in note V.(I).17 to the financial statements. The Company concluded that sufficient future taxable profits will be available against which the asset can be utilized and deferred tax assets were recognized accordingly.

2. How the matter was addressed in our audit

During the audit, we checked the forecast of future taxable profits made by the management of the Company, evaluated methods and important assumptions used by management in determining future taxable profits and compared predicted unit price with data released by third party industry research institutes.

Based on the audit evidence obtained, we concluded that the deferred tax assets recognized by the management was reasonable and relevant information was properly disclosed in notes V.(I).17 to the financial statements.

Auditor's Report (Continued)

IV. OTHER INFORMATION

The management of the Company (the "Management") is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with China Accounting Standards for Business Enterprises, and for designing, implementing and maintaining the internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Report (Continued)

VI. AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- (I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- (II) Obtain an understanding of internal control relevant to the audit 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.
- (III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (IV) Conclude on the appropriateness of the Management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (V) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Auditor's Report (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP

Chinese Certified Public Accountant:
He Jiangxing (Engagement Partner)

Chinese Certified Public Accountant: Jin Jingyu

Hangzhou • China

Date of Report: 24 March 2017

Consolidated Balance Sheet

As at 31 December 2016 Monetary unit: RMB Yuan

Assets	Note No.	Closing balance	Opening balance
Current assets:			
Cash and bank balances	1	386,016,134.79	336,464,641.98
Settlement funds			
Loans to other banks			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	2	102,488,405.74	101,785,217.79
Accounts receivable	3	94,950,926.96	410,168,670.66
Advances paid	4	22,920,549.53	15,605,190.57
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Interest receivable			
Dividend receivable			
Other receivables	5	26,769,742.43	93,714,927.86
Reverse-REPO financial assets			
Inventories	6	160,106,903.80	196,826,743.18
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets	7	19,451,948.98	16,393,322.70
Total current assets		812,704,612.23	1,170,958,714.74

Consolidated Balance Sheet (Continued)

As at 31 December 2016 Monetary unit: RMB Yuan

Assets	Note No.	Closing balance	Opening balance
Non-current assets:			
Loans and advances paid			
Available-for-sale financial assets	8	7,186,275.00	8,764,734.00
Held-to-maturity investments	9		
Long-term receivable			
Long-term equity investments	10	123,978,116.68	5,653,653.92
Investment property	11	33,556,165.40	19,815,080.14
Fixed assets	12	260,511,886.18	510,766,274.09
Construction in progress	13	5,162,289.32	8,824,072.57
Construction materials			
Fixed assets disposal			
Biological assets			
Oil & gas assets			
Intangible assets	14	50,230,026.36	113,421,706.44
Development expenditures			
Goodwill	15		21,985,780.47
Long-term prepayments	16		16,695,564.61
Deferred tax assets	17	14,135,131.52	16,819,344.28
Other non-current assets			
Total non-current assets		494,759,890.46	722,746,210.52
Total assets		1,307,464,502.69	1,893,704,925.26

Consolidated Balance Sheet (Continued)

As at 31 December 2016 Monetary unit: RMB Yuan

Liabilities & Shareholders' Equity	Note No.	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	18		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	19		39,603,546.89
Accounts payable	20	101,691,287.30	207,755,202.78
Advances received	21	34,255,233.51	17,387,434.92
Proceeds from sale of repurchase financial assets			
Handling fee and commission payable			
Employee benefits payable	22	45,630,134.59	30,131,394.99
Taxes and rates payable	23	9,465,096.54	7,581,760.64
Interest payable			
Dividend payable			
Other payables	24	23,410,432.55	21,154,408.59
Reinsurance accounts payable			
Provision for insurance contracts			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Liabilities classified as held-for-sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		214,452,184.49	523,613,748.81
Non-current liabilities:			
Long-term borrowings	25	7,376,797.32	7,518,503.53
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term staff remuneration payables			
Special payables			
Provisions			
Deferred income	26	66,725,801.88	70,435,682.28
Deferred tax liabilities	17	971,262.40	10,537,626.62
Other non-current liabilities			
Total non-current liabilities		75,073,861.60	88,491,812.43
Total liabilities		289,526,046.09	612,105,561.24

Consolidated Balance Sheet (Continued)

As at 31 December 2016 Monetary unit: RMB Yuan

Liabilities & Shareholders' Equity	Note No.	Closing balance	Opening balance
Shareholders' equity:			
Share capital	27	400,000,000.00	400,000,000.00
Other equity			
Including: Preference shares			
Perpetual bonds			
Capital reserve	28	651,400,779.83	651,400,779.83
Less: treasury shares			
Other comprehensive income	29	5,503,820.29	6,845,510.44
Special reserve			
Surplus reserve	30	8,726,923.61	8,726,923.61
General risk reserve			
Undistributed profit	31	-152,174,233.00	-136,070,969.11
Total equity attributable to the parent company		913,457,290.73	930,902,244.77
Non-controlling interest		104,481,165.87	350,697,119.25
Total equity		1,017,938,456.60	1,281,599,364.02
Total liabilities & shareholders' equity		1,307,464,502.69	1,893,704,925.26

Balance Sheet of the Parent Company

As at 31 December 2016 Monetary unit: RMB Yuan

Assets	Note No.	Closing balance	Opening balance
Current assets:			
Cash and bank balances		211,471,242.05	145,121,704.07
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		52,927,606.95	49,727,109.36
Accounts receivable	1	69,368,191.51	79,158,933.41
Advances paid		15,725,216.74	314,482.96
Interest receivable			
Dividend receivable			
Other receivables	2	47,369,376.74	29,894,161.90
Inventories		63,110,894.22	34,381,310.43
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets		16,243,640.05	14,625,863.93
Total current assets		476,216,168.26	353,223,566.06
Non-current assets:			
Available-for-sale financial assets		7,186,275.00	8,764,734.00
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments	3	286,928,340.42	396,794,623.73
Investment property		45,467,041.17	46,809,090.51
Fixed assets		114,939,049.10	142,566,431.31
Construction in progress		893,647.30	2,041,999.35
Construction materials			
Fixed assets disposal			
Biological assets			
Oil & gas assets			
Intangible assets		35,732,165.56	34,280,063.12
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred tax assets		13,910,862.79	15,274,158.18
Other non-current assets			
Total non-current assets		505,057,381.34	646,531,100.20
Total assets		981,273,549.60	999,754,666.26

Balance Sheet of the Parent Company (Continued)

As at 31 December 2016 Monetary unit: RMB Yuan

Liabilities & Shareholders' Equity	Note No.	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable		36,916,343.01	38,329,949.42
Advances received		3,646,795.29	2,026,098.69
Employee benefits payable		22,455,391.83	14,343,599.10
Taxes and rates payable		1,199,955.95	1,982,285.00
Interest payable			
Dividend payable			
Other payables		19,965,345.87	18,602,064.26
Liabilities classified as held-for-sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		84,183,831.95	75,283,996.47
Non-current liabilities:			
Long-term borrowings		7,376,797.32	7,518,503.53
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Special payables			
Provisions			
Deferred income		400,000.00	400,000.00
Deferred tax liabilities		971,262.40	1,208,031.25
Other non-current liabilities			
Total non-current liabilities		8,748,059.72	9,126,534.78
Total liabilities		92,931,891.67	84,410,531.25

Balance Sheet of the Parent Company (Continued)

As at 31 December 2016 Monetary unit: RMB Yuan

Liabilities & Shareholders' Equity	Note No.	Closing balance	Opening balance
Shareholders' equity:			
Share capital		400,000,000.00	400,000,000.00
Other equity			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		648,262,469.64	648,174,759.10
Less: treasury shares			
Other comprehensive income		5,503,820.29	6,845,510.44
Special reserve			
Surplus reserve		8,726,923.61	8,726,923.61
Undistributed profit		-174,151,555.61	-148,403,058.14
Total equity		888,341,657.93	915,344,135.01
Total liabilities & shareholders' equity		981,273,549.60	999,754,666.26

Consolidated Income Statement

For the year ended 31 December 2016 Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue		1,332,288,885.28	1,209,522,056.73
Including: operating revenue	1	1,332,288,885.28	1,209,522,056.73
Interest proceeds			
Premium earned			
Revenue from handling charges and commission			
II.Total operating cost		1,329,774,488.75	1,256,773,296.89
Including: operating cost	1	1,089,207,359.17	1,064,030,918.76
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	11,633,152.25	6,557,864.18
Selling expenses	3	60,839,009.30	50,024,954.62
Administrative expenses	4	131,851,623.37	112,359,896.05
Financial expenses	5	5,382,887.85	5,958,888.62
Assets impairment loss	6	30,860,456.81	17,840,774.66
Add: gains on changes of fair value (loss, expressed in negative figure)			
Gains/losses on hedging the net exposure (loss, expressed in negative figure)			
Investment income (loss, expressed in negative figure)	7	8,529,454.89	597,687.72
Including: investment income from associates and joint ventures		2,147,962.76	487,687.74
Gains on foreign exchange (loss, expressed in negative figure)			
III.Operating profit (loss, expressed in negative figure)		11,043,851.42	-46,653,552.44
Add: Non-operating revenue	8	14,652,058.50	9,162,525.36
Including: Gains on disposal of non-current assets		10,087,197.98	79,805.91
Less: Non-operating expenditures	9	453,488.47	109,769.43
Including: losses on disposal of fixed assets		30,799.31	1,210.77
IV. Total profit (total loss, expressed in negative figure)		25,242,421.45	-37,600,796.51
Less: income tax expense	10	17,984,519.81	5,491,421.21

Consolidated Income Statement (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
V. Net profit (loss, expressed in negative figure)		7,257,901.64	-43,092,217.72
Net profit attributable to owners of parent company		-16,103,263.89	-40,628,295.20
Non-controlling interest income		23,361,165.53	-2,463,922.52
VI. Other comprehensive income after tax	11	-1,341,690.15	3,729,298.50
Net other comprehensive income attributable to owners of the parent company		-1,341,690.15	3,729,298.50
(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		-1,341,690.15	3,729,298.50
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		-1,341,690.15	3,729,298.50
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			
VII. Total comprehensive income		5,916,211.49	-39,362,919.22
Items attributable to owners of parent company		-17,444,954.04	-36,898,996.70
Items attributable to non-controlling interest		23,361,165.53	-2,463,922.52
VIII. Earnings per share ("EPS"):			
(I) Basic EPS (RMB/share)		-0.04	-0.10
(II) Diluted EPS (RMB/share)		-0.04	-0.10

Income Statement of the Parent Company

For the year ended 31 December 2016 Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue	1	216,560,953.42	292,507,209.76
Less: Operating cost	1	197,287,122.86	269,872,009.28
Taxes & surcharge for operations		3,548,603.85	2,199,930.67
Selling expenses		10,561,392.48	4,029,015.46
Administrative expenses	2	49,567,259.48	40,614,337.92
Financial expense		-3,598,786.19	-4,542,372.62
Assets impairment loss		8,233,914.53	12,609,948.46
Add: Gain on changes of fair value (losses, expressed in negative figures)			
Investment income (losses, expressed in negative figures)	3	18,242,542.42	487,687.74
Including: investment income from associates and joint ventures		6,481,461.82	487,687.74
II. Operating profit (losses, expressed in negative figures)		-30,796,011.17	-31,787,971.67
Add: Non-operating revenue		10,408,140.21	200,000.00
Including: Gains on disposal of non-current assets		10,029,690.21	
Less: Non-operating expenditures		61,875.46	
Including: Losses on disposal of non-current assets		20,726.41	
III. Profit before tax (total loss, expressed in negative figures)		-20,449,746.42	-31,587,971.67
Less: Income tax		1,363,295.39	2,086,530.31
IV. Net profit (net loss, expressed in negative figures)		-21,813,041.81	-33,674,501.98
V. Other comprehensive income after tax		-1,341,690.15	3,729,298.50
(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		-1,341,690.15	3,729,298.50
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		-1,341,690.15	3,729,298.50
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 reserve			
6. Others			
VI. Total comprehensive income		-23,154,731.96	-29,945,203.48
VII. Earnings per share ("EPS"):			
(I) Basic EPS (RMB/share)			
(II) Diluted EPS (RMB/share)			

Consolidated Cash Flow Statement

For the year ended 31 December 2016 Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		1,184,904,219.18	998,508,952.95
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		6,213.49	
Other cash receipts related to operating activities	1	85,435,565.69	52,326,975.80
Subtotal of cash inflows from operating activities		1,270,345,998.36	1,050,835,928.75
Cash payments for goods purchased and services received		822,954,816.49	667,095,037.64
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		125,103,593.10	124,951,427.79
Cash payments of taxes and rates		65,662,533.85	46,028,332.18
Other cash payments related to operating activities	2	217,745,035.66	167,639,068.02
Subtotal cash outflows from operating activities		1,231,465,979.10	1,005,713,865.63
Net cash flows from operating activities		38,880,019.26	45,122,063.12

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
II. Cash flows from investing activities:			
Cash received from return of investments			137,500.00
Cash received from return on investments			
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		14,796,071.04	143,429.13
Net cash received from the disposal of subsidiaries & other business units		71,765,474.42	
Other cash receipts related to investing activities	3	60,000,000.00	50,000,000.00
Subtotal of cash inflows from investing activities		146,561,545.46	50,280,929.13
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		35,544,851.99	9,756,010.80
Cash paid for acquiring investments			
Net increase of pledged loans			
Net cash paid for acquiring subsidiaries & other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		35,544,851.99	9,756,010.80
Net cash flows from investing activities		111,016,693.47	40,524,918.33

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

Items	Note No.	Current period cumulative	Preceding period comparative
III. Cash flows from financing activities:			
Cash received from investment by others		8,611,800.00	
Including: cash received by subsidiaries from non-controlling owners		8,611,800.00	
Cash received from borrowings		160,000,000.00	200,000,000.00
Cash received from issuing of bonds			
Other cash receipts related to financing activities	4	50,000,000.00	
Subtotal of cash inflows from financing activities		218,611,800.00	200,000,000.00
Cash repayments of borrowings		272,141,706.21	200,143,142.01
Cash paid for distribution of dividends or profits and for interest expenses		16,484,416.08	12,289,324.46
Including: cash paid for distribution of dividends or profits by subsidiaries to minority owners		5,389,720.40	
Other cash payments related to financing activities	5	50,000,000.00	10,837,730.00
Subtotal of cash outflows from financing activities		338,626,122.29	223,270,196.47
Net cash flows from financing activities		-120,014,322.29	-23,270,196.47
IV. Effect of foreign exchange rate changes on cash & cash equivalents		-9,029.14	-18,814.09
V. Net increase in cash and cash equivalents		29,873,361.30	62,357,970.89
Add: Opening balance of cash and cash equivalents		301,159,590.59	238,801,619.70
VI. Closing balance of cash and cash equivalents		331,032,951.89	301,159,590.59

Cash Flow Statement of the Parent Company

For the year ended 31 December 2016 Monetary unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:		
Cash receipts from sale of goods and rendering of services	112,485,771.35	185,592,680.23
Receipts of tax refund		
Other cash receipts related to operating activities	16,322,162.21	9,823,484.39
Subtotal of cash inflows from operating activities	128,807,933.56	195,416,164.62
Cash payments for goods purchased and services received	126,977,762.55	119,529,211.07
Cash payment to and on behalf of employees	25,905,469.34	28,302,817.06
Cash payments for taxes and rates	5,436,399.96	5,400,102.14
Other cash payments related to operating activities	31,249,015.37	37,276,991.10
Subtotal of cash outflows from operating activities	189,568,647.22	190,509,121.37
Net cash flows from operating activities	-60,760,713.66	4,907,043.25
II. Cash flows from investing activities:		
Cash received from return of investments		
Cash received from investments gains	8,084,580.60	
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	14,659,987.40	
Net cash receipts from disposals of subsidiaries and other business units	116,176,500.00	
Other cash receipts related to investing activities		
Subtotal of cash inflows from investing activities	138,921,068.00	
Cash payments to acquire fixed assets, intangible assets and other long-term assets	6,318,020.91	329,494.43
Cash payments for investments		8,000,000.00
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	5,000,000.00	
Subtotal of cash outflows from investing activities	11,318,020.91	8,329,494.43
Net cash flows from investing activities	127,603,047.09	-8,329,494.43

Cash Flow Statement of the Parent Company (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

Items	Current period cumulative	Preceding period comparative
III. Cash flows from financing activities:		
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	141,706.21	143,142.01
Cash payments for distribution of dividends or profit or interest expenses	117,455.19	113,255.05
Other cash payments related to financing activities		
Subtotal of cash outflows from financing activities	259,161.40	256,397.06
Net cash flows from financing activities	-259,161.40	-256,397.06
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-233,634.05	
V. Net increase in cash and cash equivalents	66,349,537.98	-3,678,848.24
Add: Opening balance of cash and cash equivalents	145,121,704.07	148,800,552.31
VI. Closing balance of cash and cash equivalents	211,471,242.05	145,121,704.07

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2016 Monetary unit: RMB Yuan

Items	Current period cumulative										Preceding period comparative																	
	Shareholders' equity attributable to parent company					Other equity instruments					Shareholders' equity attributable to parent company					Other equity instruments												
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Non-controlling interests	Total shareholders' equity	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Non-controlling interests	Total shareholders' equity
I. Balance at the end of prior year	400,000,000.00				651,400,793.83		6,865,310.44	8,726,923.51	8,726,923.51	-136,070,866.11		390,697,119.25	1,281,959,864.02	400,000,000.00					651,355,650.01		3,116,211.94	8,726,923.61	8,726,923.61	-95,442,673.91		353,161,041.77	1,320,917,066.42	
Add: cumulative change of accounting policies																												
Errata correction of prior period																												
Business combination under common control																												
Others																												
II. Balance at the beginning of current year	400,000,000.00				651,400,793.83		6,865,310.44	8,726,923.51	8,726,923.51	-136,070,866.11		390,697,119.25	1,281,959,864.02	400,000,000.00					651,355,650.01		3,116,211.94	8,726,923.61	8,726,923.61	-95,442,673.91		353,161,041.77	1,320,917,066.42	
III. Current period increase (decrease, expressed in negative figure)																												
(i) Total comprehensive income																												
(ii) Capital contributed or withdrawn by owners																												
1. Capital contributed by owners																												
2. Capital contributed by holders of other equity instruments																												
3. Amount of share-based payment included in equity																												
4. Others																												
(iii) Profit distribution																												
1. Appropriation of surplus reserve																												
2. Appropriation of general risk reserve																												
3. Appropriation of profit to owners																												
4. Others																												
(iv) Internal carry-over within equity																												
1. Transfer of capital reserve to capital																												
2. Transfer of surplus reserve to capital																												
3. Surplus reserve to cover losses																												
4. Others																												
(v) Special reserve																												
1. Appropriation of current period																												
2. Application of current period																												
(vi) Others																												
IV. Balance at the end of current period	400,000,000.00				651,400,793.83		5,903,820.29	8,726,923.51	8,726,923.51	-152,174,233.00		104,481,165.87	1,077,918,456.60	400,000,000.00					651,400,793.83		6,865,310.44	8,726,923.61	8,726,923.61	-136,070,866.11		350,697,119.25	1,281,959,864.02	

Statement of Changes in Shareholders' Equity of the Parent Company

For the year ended 31 December 2016 Monetary unit: RMB Yuan

Items	Current period cumulative											Preceding period comparative																								
	Other equity instruments					Other					Total equity	Other equity instruments					Other					Total equity														
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Comprehensive income	Other comprehensive income	Surplus reserve	Special reserve		Undistributed profit	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Comprehensive income	Other comprehensive income	Surplus reserve		Special reserve	Undistributed profit												
I. Balance at the end of prior year	400,000,000.00				648,174,759.10	6,845,510.44	8,726,923.61	-148,409,058.14	915,344,156.01			648,174,759.10	6,845,510.44	8,726,923.61	-148,409,058.14	915,344,156.01			648,174,759.10	6,845,510.44	8,726,923.61	-148,409,058.14	915,344,156.01			648,174,759.10	6,845,510.44	8,726,923.61	-148,409,058.14	915,344,156.01						
Add: Cumulative changes of accounting policies																																				
Enter correction of prior period																																				
Others																																				
II. Balance at the beginning of current year	400,000,000.00				648,174,759.10	6,845,510.44	8,726,923.61	-148,409,058.14	915,344,156.01			648,174,759.10	6,845,510.44	8,726,923.61	-148,409,058.14	915,344,156.01			648,174,759.10	6,845,510.44	8,726,923.61	-148,409,058.14	915,344,156.01			648,174,759.10	6,845,510.44	8,726,923.61	-148,409,058.14	915,344,156.01						
III. Current period increase (decrease, expressed in negative figure)					87,103.54	-1,341,690.15	-25,746,487.47	-27,002,477.08			87,103.54	-1,341,690.15	-25,746,487.47	-27,002,477.08					87,103.54	-1,341,690.15	-25,746,487.47	-27,002,477.08			87,103.54	-1,341,690.15	-25,746,487.47	-27,002,477.08								
(i) Total comprehensive income																																				
(ii) Capital contributed or withdrawn by owners																																				
1. Capital contributed by owners																																				
2. Capital contributed by holders of other equity instruments																																				
3. Amount of share-based payment included in equity																																				
4. Others																																				
(iii) Profit distribution																																				
1. Appropriation of surplus reserve																																				
2. Appropriation of profit to owners																																				
3. Others																																				
(iv) Internal carryover within equity																																				
1. Transfer of capital reserve to capital																																				
2. Transfer of surplus reserve to capital																																				
3. Surplus reserve to cover losses																																				
4. Others																																				
(v) Special reserve																																				
1. Appropriation of current period																																				
2. Application of current period																																				
(vi) Others																																				
IV. Balance at the end of current period	400,000,000.00				648,302,469.64	5,503,820.29	8,726,923.61	-174,151,555.61	888,341,657.93			648,302,469.64	5,503,820.29	8,726,923.61	-174,151,555.61	888,341,657.93			648,302,469.64	5,503,820.29	8,726,923.61	-174,151,555.61	888,341,657.93			648,302,469.64	5,503,820.29	8,726,923.61	-174,151,555.61	888,341,657.93						

Notes to Financial Statements

For the year ended 31 December 2016 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 a social credit code numbered 9151010020193968XY. The registered capital of the Company is RMB400,000,000 of which: equity interest of China PUTIAN Corporation amounts to RMB240,000,000, representing 60% of the total shares; equity interest of public holders of ordinary shares (H Shares) listed in Hong Kong amounts to RMB160,000,000, representing 40% of the total shares. There are a total of 400,000,000.00 shares in issue with the nominal value of RMB1 each. The shares have been listed 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, electrical equipment technology development, transfer, consulting and related services, design and installation: city and road lighting engineering, building decoration engineering, fire facilities engineering, electrical and mechanical equipment installation works, light-current systems engineering of buildings, computer network engineering, communication engineering and equipment (except power facilities installation (repair, test), wholesale and retail: communications equipment (except radio transmitting equipment), lighting equipment, electrical equipment, instrumentation, electronic measuring instruments, electronic components, transmission, distribution and control equipment, hardware products and electronic products, plastic products, mineral products, building materials and chemical products (except dangerous chemicals products and precursor chemicals), daily necessities, commission agent (except by auction), import and export proprietary goods and similar commodities, owned real estate, machinery leasing, and property management.

These financial statements have been deliberated and approved by the 15th meeting of the 8th session of the Board of Directors on 24 March 2017.

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

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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.

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 January 1 to December 31 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(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.

(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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(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.

(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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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 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".

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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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)

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 (Continued)

For the year ended 31 December 2016 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 (Continued)

For the year ended 31 December 2016 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 (Continued)

For the year ended 31 December 2016 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)

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

For the year ended 31 December 2016 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)		
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 (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XII) Inventories

1. **Classification of inventories**

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, and materials or suppliers etc. to be consumed in the production process or in the rendering 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. 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 (Continued)

For the year ended 31 December 2016 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 in 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 in 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 (Continued)

For the year ended 31 December 2016 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 "CASBE12 — Debt Restructuring"; and that obtained through non-cash assets exchange is determined according to "CASBE7 — 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 (Continued)

For the year ended 31 December 2016 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 (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XV) Investment property

- Investment property includes buildings that have been leased out.
- 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 method	15–30	3	3.23–6.47
Machinery	Straight-line method	5–18	3	5.39–19.4
Transport facilities	Straight-line method	4–6	3	16.17
Other equipment	Straight-line method	4–15	3	6.47–24.25

(XVII) Construction in progress

- 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.
- 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 (Continued)

For the year ended 31 December 2016 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 (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIX) Intangible assets

1. Intangible asset includes land use right, patent right 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIX) Intangible assets (Continued)

3. (Continued)

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.

(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, intangible assets with finite useful life, etc., 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.

(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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXII) Employee benefits (Continued)

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.
- (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: (1) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or (2) when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXII) Employee benefits (Continued)

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.

(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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXIII) Revenue (Continued)

1. Revenue recognition principles (Continued)

(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 following conditions are all met: 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.

(XXIV) Government grants

1. 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. 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(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.

(XXVI) Leases

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 as profit or loss in the periods in which they are incurred.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXVII) Segment reporting

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.

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%
Value-added tax (replacing business tax with VAT)	The taxable revenue from sales of goods or rendering of services	13%, 11%, 6%, 3%
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 surcharge	Turnover tax payable	2%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	1.2%, 12%
Urban and township land use tax	Actual area of land occupied	RMB6/m ²

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

IV. TAXES (CONTINUED)

(I) Main taxes and tax rates (Continued)

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%
Chongqing Putaifeng Aluminium Co., Ltd.	25%

(II) Tax preferential policies

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.

(III) Other remarks

Pursuant to the document of Notice of the Ministry of Finance and the State Administration of Taxation on Comprehensively Implementing the Pilot of Replacing Business Tax with VAT, Cai Shui [2016] 36, approved by the State Council, since 1st May 2016, the pilot of replacing business tax with VAT is implemented nationwide, construction industry, real estate industry, finance and life service industry, etc., all the business tax payers, included in the scope of the pilot, change their tax payment from business tax to VAT. Pursuant to this notice, the Company changed their tax payment from business tax to VAT, and respectively applied to tax rate 13%, 11%, 6% and 3%.

Notes to Financial Statements

For the year ended 31 December 2016 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	44,151.48	1,293,988.67
Cash in bank	360,543,236.26	306,497,968.23
Other cash and bank balances	25,428,747.05	28,672,685.08
Total	386,016,134.79	336,464,641.98

(2) Other remarks

As at 31 December 2016, the balance of letter of credit deposits and note guarantee deposits of other cash and bank balances was RMB25,428,747.05. There was RMB29,554,435.85 of time deposits used for pledging. Those cash and bank balances mentioned above were restricted.

2. Notes receivable

(1) Details

Items	Closing balance		
	Book balance	Provision for bad debts	Carrying amount
Bank acceptance	101,514,684.31		101,514,684.31
Trade acceptance	973,721.43		973,721.43
Total	102,488,405.74		102,488,405.74

Items	Opening balance		
	Book balance	Provision for bad debts	Carrying amount
Bank acceptance	101,592,650.87		101,592,650.87
Trade acceptance	192,566.92		192,566.92
Total	101,785,217.79		101,785,217.79

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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

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

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	15,426,780.20	
Subtotal	15,426,780.20	

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.

3. Accounts receivable

(1) *Details*

1) *Details of different categories of accounts receivable*

Categories	Book balance		Closing balance		Carrying amount
	Amount	% to total	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	128,296,232.31	87.40	33,345,305.35	25.99	94,950,926.96
Receivable of individually insignificant amount but with provision made on an individual basis	18,499,628.06	12.60	18,499,628.06	100.00	
Total	146,795,860.37	100.00	51,844,933.41	35.32	94,950,926.96

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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

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

Categories	Amount	% to total	Opening balance		Carrying amount
			Book balance	Provision for bad debts 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

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	64,492,134.27		
1-2 years	24,922,210.97	2,492,221.11	10.00
2-3 years	9,903,491.47	2,971,047.44	30.00
3-5 years	5,481,793.97	4,385,435.17	80.00
Over 5 years	23,496,601.63	23,496,601.63	100.00
Subtotal	128,296,232.31	33,345,305.35	25.99

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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) (Continued)

Ages	Book balance	Opening balance	
		Provision for bad debts	Provision proportion (%)
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

(2) Age analysis

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

Ages	Book balance	Opening balance	
		Provision for bad debts	Provision proportion (%)
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	7,942,669.56	4,754,973.99	59.87
Over 5 years	42,667,362.16	42,667,362.16	100.00
Subtotal	463,740,865.97	53,572,195.31	11.55

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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 for bad debt made, collected or reversed in current period

1) Provision for bad debts made in current period totaled RMB9,139,226.58, and collected or reversed in current period totaled RMB151,700.00.

2) Other remarks

Because of entities excluded from the consolidation scope, provision for bad debts transferred out totaled RMB10,714,788.48 in current period.

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

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Shenzhen ZTE Kangxun Telecom Company Limited	18,280,344.37	12.45	
China Potevio Company Limited	11,698,366.06	7.97	
Jiangsu Ronglian Technology Development Co., Ltd.	7,960,355.20	5.42	169,795.15
Sichuan Petroleum Construction Engineering Co., Ltd.	5,484,826.20	3.74	1,351,927.86
Daqing Oilfield Construction Group Co., Ltd.	4,146,298.00	2.82	2,579,258.40
Subtotal	47,570,189.83	32.40	4,100,981.41

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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	Closing balance			Carrying amount
	Book balance	% to total	Provision for bad debts	
Within 1 year	22,807,401.81	99.51		22,807,401.81
1–2 years	818.40			818.40
2–3 years	4,875.00	0.02		4,875.00
Over 3 years	107,454.32	0.47		107,454.32
Total	22,920,549.53	100.00		22,920,549.53

Ages	Opening balance			Carrying amount
	Book balance	% to total	Provision for bad debts	
Within 1 year	15,386,713.45	98.60		15,386,713.45
1–2 years	79,653.98	0.51		79,653.98
2–3 years	33,866.82	0.22		33,866.82
Over 3 years	104,956.32	0.67		104,956.32
Total	15,605,190.57	100.00		15,605,190.57

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

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Hangzhou Honyar Electrical Co., Ltd.	15,090,449.79	65.84
Yueyang Xinte Thermal Energy Engineering Co. Ltd	2,613,000.00	11.40
Chongqing Dexun Aluminium Co., Ltd.	1,432,325.44	6.25
Sumitomo Electric Asia Ltd.	1,261,692.19	5.50
Rosendahl Nextrom GmbH	851,826.74	3.72
Subtotal	21,249,294.16	92.71

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

5. Other receivables

(1) Details

1) Details on categories

Categories	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	51,066,184.47	92.88	24,296,442.04	47.58	26,769,742.43
Receivable of individually insignificant amount but with provision made on an individual basis	3,913,573.65	7.12	3,913,573.65	100.00	
Total	54,979,758.12	100.00	28,210,015.69	51.31	26,769,742.43

Categories	Book balance		Opening balance Provision for bad debts		Carrying amount
	Amount	% to total	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

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

5. 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	26,300,454.45		
1–2 years	238,492.57	23,849.25	10.00
2–3 years	125,549.47	37,664.85	30.00
3–5 years	833,800.18	667,040.14	80.00
Over 5 years	23,567,887.80	23,567,887.80	100.00
Subtotal	51,066,184.47	24,296,442.04	47.58

Ages	Opening 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

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

- Provisions for bad debts made in current period totaled RMB421,729.17.
- Other remarks*
Because of entities excluded from the consolidation scope, provision for bad debts transferred out totaled RMB1,638,770.26 at the end of period.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

5. Other receivables (Continued)

(1) Details (Continued)

3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Deposit as security	6,587,849.51	15,877,056.60
Call loans	10,000,000.00	80,000,000.00
Temporary advance payment receivable	38,391,908.61	28,108,386.38
Total	54,979,758.12	123,985,442.98

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 Bada Connector Co., Ltd.	Call loans, temporary advance payment receivable	10,520,502.79	Within 1 year	19.14	
Tazishan Materials Plant	Temporary advance payment receivable	8,391,138.00	Over 5 years	15.26	8,391,138.00
Putian Intelligent Lighting Research Institute Co., Ltd.	Temporary advance payment receivable	7,906,650.54	Within 1 year	14.38	
Tianyun Technology (Suzhou) Co., Ltd.	Deposit as security	4,786,324.75	Over 5 years	8.71	4,786,324.75
Shenzhen Fu Zhang Company	Temporary advance payment receivable	3,566,915.53	Over 5 years	6.49	3,566,915.53
Subtotal		35,171,531.61		63.98	16,744,378.28

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

6. Inventories

(1) Details

Items	Book balance	Closing balance Provision for write-down	Carrying amount
Raw materials	50,245,386.01	13,017,161.36	37,228,224.65
Revolving materials (packages and low-value consumables)	2,550,623.56	2,549,849.56	774.00
Semi-finished goods and work in process	20,318,844.07	11,817,273.33	8,501,570.74
Goods on hand	141,786,147.28	37,528,331.45	104,257,815.83
Others	10,118,518.58		10,118,518.58
Total	225,019,519.50	64,912,615.70	160,106,903.80

Items	Book balance	Opening balance Provision for write-down	Carrying amount
Raw materials	99,815,695.71	13,868,939.36	85,946,756.35
Revolving materials (packages and low-value consumables)	2,549,849.56	2,549,849.56	
Semi-finished goods and work in process	37,156,995.19	10,592,641.86	26,564,353.33
Goods on hand	123,015,084.47	40,233,827.41	82,781,257.06
Others	2,124,884.35	590,507.91	1,534,376.44
Total	264,662,509.28	67,835,766.10	196,826,743.18

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

6. Inventories (Continued)

(2) Provision for inventory write-down

1) Details

Items	Opening balance	Increase Provision	Reversal	Decrease Written-off	Others	Closing balance
Raw materials	13,868,939.36	2,049,401.38		2,289,982.72	611,196.66	13,017,161.36
Revolving materials (packages and low-value consumables)	2,549,849.56					2,549,849.56
Semi-finished goods and work in process	10,592,641.86	4,179,995.46	2,369,419.07	585,944.92		11,817,273.33
Goods on hand	40,233,827.41	6,162,185.15	567,888.17	5,487,844.44	2,811,948.50	37,528,331.45
Others	590,507.91		40,637.97	511,337.52	38,532.42	
Subtotal	67,835,766.10	12,391,581.99	2,977,945.21	8,875,109.60	3,461,677.58	64,912,615.70

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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

6. Inventories (Continued)

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

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

Reason for reversal of provision for inventory write-down is that reasons for which provisions were made have disappeared.

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

7. Other current assets

Items	Closing balance	Opening balance
Input VAT to be credited	19,451,948.98	16,393,322.70
Total	19,451,948.98	16,393,322.70

8. 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	13,811,275.00	6,625,000.00	7,186,275.00	15,389,734.00	6,625,000.00	8,764,734.00
Including: at fair value	7,186,275.00		7,186,275.00	8,764,734.00		8,764,734.00
at cost	6,625,000.00	6,625,000.00		6,625,000.00	6,625,000.00	
Total	13,811,275.00	6,625,000.00	7,186,275.00	15,389,734.00	6,625,000.00	8,764,734.00

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

8. Available-for-sale financial assets (Continued)

(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	711,192.32		711,192.32
Fair value	7,186,275.00		7,186,275.00
Changes in fair value through other comprehensive income	6,475,082.68		6,475,082.68
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 (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

8. Available-for-sale financial assets (Continued)

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

Investees	Provision for impairment			Closing balance	Holding proportion in investees (%)	Cash dividend in current period
	Opening balance	Increase	Decrease			
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 (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

9. Held-to-maturity investments

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	

10. 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	124,104,020.03	125,903.35	123,978,116.68	5,779,557.27	125,903.35	5,653,653.92
Total	124,104,020.03	125,903.35	123,978,116.68	5,779,557.27	125,903.35	5,653,653.92

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

10. Long-term equity investments (Continued)

(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.	4,353,700.05			415,325.50	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	1,299,953.87			185,377.01	
Putian Fasten Cable Telecommunication Co., Ltd.		112,500,000.00		1,547,260.25	
Total	5,779,557.27	112,500,000.00		2,147,962.76	

Investees	Changes in other equity	Increase/Decrease Cash dividend/profit declared for distribution	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
Chengdu Telecommunications Cable Factory					125,903.35	125,903.35
Chengdu Bada Connector Co., Ltd.					4,769,025.55	
Chengdu Yuexin Telecommunications Materials Co., Ltd.					1,485,330.88	
Putian Fasten Cable Telecommunication Co., Ltd.				3,676,500.00	117,723,760.25	
Total				3,676,500.00	124,104,020.03	125,903.35

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

10. Long-term equity investments (Continued)

(3) Remarks on investments in unlisted and listed companies

Items	Closing balance	Opening balance
Investments in unlisted companies	123,978,116.68	5,653,653.92
Total	123,978,116.68	5,653,653.92

11. Investment property

(1) Details

Items	Buildings and structures	Total
Cost		
Opening balance	30,249,604.61	30,249,604.61
Increase	20,139,508.16	20,139,508.16
1) Transferred in from fixed assets	20,139,508.16	20,139,508.16
Decrease		
Closing balance	50,389,112.77	50,389,112.77
Accumulated depreciation and amortization		
Opening balance	10,434,524.47	10,434,524.47
Increase	6,398,422.90	6,398,422.90
1) Accrual or amortization	376,441.16	376,441.16
2) Transferred in from fixed assets	6,021,981.74	6,021,981.74
Closing balance	16,832,947.37	16,832,947.37
Carrying amount		
Closing balance	33,556,165.40	33,556,165.40
Opening balance	19,815,080.14	19,815,080.14

(2) Investment property with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	6,422,021.49	Unfinished fire control acceptance check because of the adjustment of fire-control regulations
Subtotal	6,422,021.49	

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

12. Fixed assets

(1) Details

Items	Buildings and structures	Machinery	Transport facilities	Other equipment	Total
Cost					
Opening balance	394,658,332.67	629,875,253.00	10,789,588.20	39,697,583.14	1,075,020,757.01
Increase		21,584,921.42	1,650,453.66	4,220,714.64	27,456,089.72
1) Acquisition		5,529,616.75	1,650,453.66	3,403,638.17	10,583,708.58
2) Transferred in from construction in progress		15,226,073.89		817,076.47	16,043,150.36
3) Contributed by owners		829,230.78			829,230.78
Decrease	191,345,696.30	252,177,875.63	5,025,264.47	19,224,412.45	467,773,248.85
1) Disposal/scrap	537,410.00	18,922,853.36	2,040,980.86	1,892,421.27	23,393,665.49
2) Transferred out to investment property	20,139,508.16				20,139,508.16
3) Entities excluded from the consolidation scope	170,668,778.14	233,255,022.27	2,984,283.61	17,331,991.18	424,240,075.20
Closing balance	203,312,636.37	399,282,298.79	7,414,777.39	24,693,885.33	634,703,597.88
Accumulated depreciation					
Opening balance	148,398,042.17	364,376,367.95	8,611,113.42	25,717,546.87	547,103,070.41
Increase	15,005,022.96	37,629,941.14	650,320.89	2,650,713.16	55,935,998.15
1) Accrual	15,005,022.96	37,629,941.14	650,320.89	2,650,713.16	55,935,998.15
Decrease	104,683,714.37	134,985,395.51	3,408,820.40	11,327,334.24	254,405,264.52
1) Disposal/scrap	537,410.00	15,972,166.71	1,935,692.91	1,194,743.76	19,640,013.38
2) Transferred out to investment property	6,021,981.74				6,021,981.74
3) Entities excluded from the consolidation scope	98,124,322.63	119,013,228.80	1,473,127.49	10,132,590.48	228,743,269.40
Closing balance	58,719,350.76	267,020,913.58	5,852,613.91	17,040,925.79	348,633,804.04
Provision for impairment					
Opening balance		16,725,880.83	18,346.43	407,185.25	17,151,412.51
Increase		12,791,417.44	1,736.89	87,868.29	12,881,022.62
1) Provision made		12,791,417.44	1,736.89	87,868.29	12,881,022.62
Decrease		4,455,971.15	18,556.32		4,474,527.47
1) Disposal/scrap		1,853,757.58	18,556.32		1,872,313.90
2) Entities excluded from the consolidation scope		2,602,213.57			2,602,213.57
Closing balance		25,061,327.12	1,527.00	495,053.54	25,557,907.66
Carrying amount					
Closing balance	144,593,285.61	107,200,058.09	1,560,636.48	7,157,906.00	260,511,886.18
Opening balance	246,260,290.50	248,773,004.22	2,160,128.35	13,572,851.02	510,766,274.09

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

12. Fixed assets (Continued)

(2) 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	57,740,637.03	Unfinished fire control acceptance check because of the adjustment of fire-control regulations
Subtotal	57,740,637.03	

(3) Other remarks

The Company considered market value of disposed fixed assets and quick realization factors to decide the amount of impairment.

13. Construction in progress

(1) Details

Projects	Closing balance		Carrying amount
	Book balance	Provision for impairment	
Integrated technology improvement	6,576,797.90	5,919,118.11	657,679.79
Chengdu Zhongling production line F12#,F13# deuterium treatment equipment	920,124.20		920,124.20
C11# screening machine	153,846.16		153,846.16
Furnace installation engineering	13,982.53		13,982.53
Aluminum continuous rolling mill 01	60,364.79		60,364.79
Aluminum continuous rolling mill 02	1,188,820.65		1,188,820.65
Other projects	1,931,503.69		1,931,503.69
	235,967.51		235,967.51
Total	11,081,407.43	5,919,118.11	5,162,289.32

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

13. Construction in progress (Continued)

(1) Details (Continued)

Projects	Book balance	Opening balance Provision for impairment	Carrying amount
Integrated technology improvement	7,961,117.46	5,919,118.11	2,041,999.35
Project for improvement on capacity of prefabricate stick	1,068,252.06		1,068,252.06
Chengdu Zhongling production line	920,124.20		920,124.20
SEI K5-02B06#wire drawing	4,728,278.18		4,728,278.18
Other projects	65,418.78		65,418.78
Total	14,743,190.68	5,919,118.11	8,824,072.57

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

13. Construction in progress (Continued)

(2) Changes in significant projects

Projects	Budgets (unit: RMB10,000.00)		Increase	Transferred to		Entities excluded from the consolidation scope	Closing balance
	Opening balance			fixed assets	Other decrease		
Integrated technology improvement	700.00	7,961,117.46		37,435.90	1,346,883.66		6,576,797.90
Project for improvement on capacity of prefabricate stick	2,000.00	1,068,252.06	319,835.51	265,579.97		1,122,507.60	
Chengdu Zhongling production line	500.00	920,124.20					920,124.20
SEI K5-02B06#wire drawing	700.00	4,728,278.18		4,728,278.18			
F12#,F13# deuterium treatment equipment	20.00		153,846.16				153,846.16
C11# screening machine	110.00		13,982.53				13,982.53
B06# coating can	25.00		208,547.01	208,547.01			
F10#,F11# deuterium treatment equipment	18.00		169,230.78	169,230.78			
B06# wire drawing	1,090.00		7,690,972.48	7,690,972.48			
Furnace installation engineering	10.00		60,364.79				60,364.79
Aluminum continuous rolling mill 01	120.00		1,188,820.65				1,188,820.65
Aluminum continuous rolling mill 02	200.00		1,931,503.69				1,931,503.69
Aluminum continuous rolling mill 3	100.00		947,486.24	947,486.24			
Fuel and power	16.00		159,501.47	159,501.47			
The vertical aluminum melting furnace	30.00		308,376.08	308,376.08			
Natural gas pipeline installation	120.00		1,208,205.13	1,208,205.13			
Other projects	100.00	65,418.78	558,581.55	319,537.12	68,495.70		235,967.51
Cable line 3 and line 4 reconstruction project	50.50		431,623.94			431,623.94	
Cabling machine	57.00		487,179.49			487,179.49	
Plastic production line	35.00		299,145.30			299,145.30	
Tinting machine	42.00		358,974.36			358,974.36	
Subtotal		14,743,190.68	16,496,177.16	16,043,150.36	1,415,379.36	2,699,430.69	11,081,407.43

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

13. 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	113.73	100.00				Internal funds
Project for improvement on capacity of prefabricate stick	5.34	10.00				Internal funds
Chengdu Zhongling production line	18.40	20.00				Internal funds
SEI K5-02B06#wire drawing	67.55	65.00				Internal funds
F12#,F13# deuterium treatment equipment	76.92	80.00				Internal funds
C11# screening machine	1.27	2.00				Internal funds
B06# coating can	83.42	80.00				Internal funds
F10#,F11# deuterium treatment equipment	94.02	80.00				Internal funds
B06# wire drawing	70.56	80.00				Internal funds
Furnace installation engineering	60.36	80.00				Internal funds
Aluminum continuous rolling mill 01	99.07	90.00				Internal funds
Aluminum continuous rolling mill 02	96.58	90.00				Internal funds
Aluminum continuous rolling mill 3	94.75	90.00				Internal funds
Fuel and power	99.69	90.00				Internal funds
The vertical aluminum melting furnace	102.79	90.00				Internal funds
Natural gas pipeline installation	100.68	90.00				Internal funds
Other projects	55.86	50.00				Internal funds
Cable line 3 and line 4 reconstruction project	85.47	85.00				Internal funds
Cabling machine	85.47	85.00				Internal funds
Plastic production line	85.47	85.00				Internal funds
Tinting machine	85.47	85.00				Internal funds
Subtotal						

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

14. 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	750,394.13	135,228,653.02
Increase				3,377,358.50	3,377,358.50
(1) Acquisition				3,377,358.50	3,377,358.50
Decrease	46,600,744.16		28,800,000.00	388,964.28	75,789,708.44
(1) Entities excluded from the consolidation scope	46,600,744.16		28,800,000.00	388,964.28	75,789,708.44
Closing balance	58,005,842.45	1,071,672.28		3,738,788.35	62,816,303.08
Accumulated amortization					
Opening balance	15,328,199.76	839,477.34	3,316,710.67	422,602.81	19,906,990.58
Increase	2,281,854.98		458,333.33	1,045,255.88	3,785,444.19
(1) Accrual	2,281,854.98		458,333.33	1,045,255.88	3,785,444.19
Decrease	7,026,425.29		3,775,044.00	304,688.76	11,106,158.05
(1) Entities excluded from the consolidation scope	7,026,425.29		3,775,044.00	304,688.76	11,106,158.05
Closing balance	10,583,629.45	839,477.34		1,163,169.93	12,586,276.72
Provision for impairment					
Opening balance			1,899,956.00		1,899,956.00
Increase					
Decrease			1,899,956.00		1,899,956.00
(1) Entities excluded from the consolidation scope			1,899,956.00		1,899,956.00
Closing balance					
Carrying amount					
Closing balance	47,422,213.00	232,194.94		2,575,618.42	50,230,026.36
Opening balance	89,278,386.85	232,194.94	23,583,333.33	327,791.32	113,421,706.44

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

14. Intangible assets (Continued)

(2) Analysis of carrying amount of land use right

Items	Closing balance	Opening balance
Outside Hong Kong Including: Mid-term lease (Note)	47,422,213.00	89,278,386.85
Subtotal	47,422,213.00	89,278,386.85

Note: The lease term is 50 years.

15. Goodwill

(1) Cost

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

(2) Other remarks

The opening balance was the book value of goodwill of the subsidiary, Putian Fasten Cable Telecommunication Co., Ltd. Because parts of its equity were disposed in this period, it was excluded from the consolidation scope at the balance sheet date and the goodwill was transferred out.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

16. Long-term prepayments

Items	Opening balance	Increase	Amortization	Entities excluded from the consolidation scope	Closing balance
Factory decoration and improvement	16,695,564.61	163,166.62	2,376,998.25	14,318,566.40	
Total	16,695,564.61	163,166.62	2,376,998.25	14,318,566.40	

17. 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	94,234,210.13	14,135,131.52	108,640,539.86	16,819,344.28
Total	94,234,210.13	14,135,131.52	108,640,539.86	16,819,344.28

Note: Because entities were excluded from the consolidation scope, deferred tax assets decreased RMB1,723,974.37 at the balance sheet date.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

17. Deferred tax assets and deferred tax liabilities (Continued)

(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
Changes in fair value of available-for-sale financial assets	6,475,082.68	971,262.40	8,053,541.69	1,208,031.25
Total	6,475,082.68	971,262.40	51,836,323.12	10,537,626.62

Note: Because entities were excluded from the consolidation scope, deferred tax liabilities decreased RMB8,775,759.01 at the balance sheet date.

(3) Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	91,390,702.87	74,819,326.65
Deductible losses	233,535,446.27	289,142,603.59
Subtotal	324,926,149.14	363,961,930.24

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

Maturity years	Closing balance	Opening balance	Remarks
Year 2016		95,383,036.98	
Year 2017	104,667,588.73	104,667,588.73	
Year 2018	1,689,674.33	1,689,674.33	
Year 2019	25,794,306.01	25,794,306.01	
Year 2020	61,607,997.54	61,607,997.54	
Year 2021	39,775,879.66		
Subtotal	233,535,446.27	289,142,603.59	

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

18. Short-term borrowings

Items	Closing balance	Opening balance
Mortgage borrowings		50,000,000.00
Secured borrowings		150,000,000.00
Total		200,000,000.00

19. Notes payable

Items	Closing balance	Opening balance
Trade acceptance		3,603,546.89
Bank acceptance		36,000,000.00
Total		39,603,546.89

20. Accounts payable

(1) Details

Items	Closing balance	Opening balance
Borrowings	99,868,127.80	189,005,353.53
Payment for project and equipment	1,189,410.25	7,801,454.06
Others	633,749.25	10,948,395.19
Total	101,691,287.30	207,755,202.78

(2) Age analysis

Ages	Closing balance	Opening balance
Within 1 year	88,026,688.95	188,032,257.43
1–2 years	10,302,231.14	10,541,582.73
2–3 years	387,727.62	4,856,696.67
Over 3 years	2,974,639.59	4,324,665.95
Total	101,691,287.30	207,755,202.78

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

20. Accounts payable (Continued)

(2) Age analysis (Continued)

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.

21. Advances received

Items	Closing balance	Opening balance
Payment for goods	34,255,233.51	17,387,434.92
Total	34,255,233.51	17,387,434.92

22. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	25,772,266.71	108,043,812.18	107,485,981.99	26,330,096.90
Post-employment benefits				
— defined benefit plan	292,903.28	12,104,431.19	11,940,956.78	456,377.69
Termination benefits	4,066,225.00	20,972,020.00	6,194,585.00	18,843,660.00
Total	30,131,394.99	141,120,263.37	125,621,523.77	45,630,134.59

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

22. Employee benefits payable (Continued)

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	19,104,397.60	91,372,785.51	90,873,291.36	19,603,891.75
Employee welfare fund	26,286.00	4,366,499.67	4,365,165.07	27,620.60
Social insurance premium	46,960.15	5,416,077.09	5,419,998.29	43,038.95
Including: Medicare premium	43,896.51	4,767,474.65	4,771,201.63	40,169.53
Occupational injuries premium	288.00	359,611.80	359,605.36	294.44
Maternity premium	2,775.64	288,630.64	288,831.30	2,574.98
Others		360.00	360.00	
Housing provident fund	-12,454.00	4,894,161.07	4,740,848.07	140,859.00
Trade union fund and employee education fund	6,607,076.96	1,847,883.27	1,940,273.63	6,514,686.60
Others		146,405.57	146,405.57	
Subtotal	25,772,266.71	108,043,812.18	107,485,981.99	26,330,096.90

(3) Details of defined benefit plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium	297,364.63	11,481,325.52	11,318,090.96	460,599.19
Unemployment insurance premium	-4,461.35	623,105.67	622,865.82	-4,221.50
Subtotal	292,903.28	12,104,431.19	11,940,956.78	456,377.69

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 (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

22. Employee benefits payable (Continued)

(4) Other remarks

The decrease included RMB557,593.35 for entities excluded from the consolidation scope in current period.

23. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	1,366,397.40	3,431,018.46
Business tax	23,560.00	163,032.42
Urban maintenance and construction tax	3,863.55	169,866.95
Enterprise income tax	7,967,246.31	2,754,877.22
Housing property tax	45,410.90	572,984.16
Land use tax		134,633.25
Individual income tax withheld for tax authorities	55,802.77	83,806.30
Education surcharge	1,689.37	74,820.20
Local education surcharge	1,126.24	49,880.13
Others		146,841.55
Total	9,465,096.54	7,581,760.64

24. Other payables

Items	Closing balance	Opening balance
Deposits	702,985.77	616,858.80
Temporary receipts payable	18,350,413.81	17,752,324.36
Others	4,357,032.97	2,785,225.43
Total	23,410,432.55	21,154,408.59

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

25. Long-term borrowings

(1) Details

Items	Closing balance	Opening balance
Secured borrowings	7,376,797.32	7,518,503.53
Total	7,376,797.32	7,518,503.53

(2) Analysis of long-term borrowings maturity dates

Items	Closing balance	Opening balance
Over 5 years	7,376,797.32	7,518,503.53
Subtotal	7,376,797.32	7,518,503.53
Including: Long-term borrowings due within one year	141,706.21	143,142.01
Long-term borrowings due more than one year	7,235,091.11	7,375,361.52

26. Deferred income

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	70,435,682.28		3,709,880.40	66,725,801.88	Land acquisition compensation
Total	70,435,682.28		3,709,880.40	66,725,801.88	

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

26. Deferred income (Continued)

(2) Details of government grants

Items	Opening balance	Included in non-operating revenue in current period	Other movements	Closing balance	Related to assets/income
Shuangliu land Acquisition compensation	70,035,682.28	3,709,880.40		66,325,801.88	Related to assets
Subsidy of development and application of nuclear-grade special cable	400,000.00			400,000.00	Related to income
Subtotal	70,435,682.28	3,709,880.40		66,725,801.88	

(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 Jindu Village, Baijia Town, Shuangliu County, from the subsidiary at a consideration of RMB87.2043 million.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

27. Share capital

Items	Opening balance	Issue of new shares	Bonus shares	Movements Reserve transferred to shares	Others	Subtotal	Closing balance
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

28. Capital reserve

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	302,343,510.57			302,343,510.57
Other capital reserve	349,057,269.26			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	5,023,899.10			5,023,899.10
Total	651,400,779.83			651,400,779.83

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

29. Other comprehensive income (OCI)

Items	Opening balance	Current period cumulative before income tax	Current period cumulative		Attributable to parent company	Attributable to non-controlling interest	Closing balance
			Less: OCI transferred to profit or loss	Less: income tax			
Items to be reclassified subsequently to profit or loss Including: Gains/losses on changes in fair value of available-for-sale financial assets	6,845,510.44	-1,578,459.00	-236,768.85	-1,341,690.15			5,503,820.29
Total	6,845,510.44	-1,578,459.00	-236,768.85	-1,341,690.15			5,503,820.29

30. 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

31. Undistributed profit

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	-136,070,969.11	-95,442,673.91
Add: Increase due to adjustment (or less: decrease) Opening balance after adjustment	-136,070,969.11	-95,442,673.91
Add: Net profit attributable to owners of the parent company	-16,103,263.89	-40,628,295.20
Closing balance	-152,174,233.00	-136,070,969.11

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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/Operating cost

Items	Current period cumulative		Preceding period comparative	
	Income	Cost	Income	Cost
Revenue from main operations	1,310,935,419.63	1,075,737,745.08	1,156,775,229.92	1,035,691,452.67
Revenue from other operations	21,353,465.65	13,469,614.09	52,746,826.81	28,339,466.09
Total	1,332,288,885.28	1,089,207,359.17	1,209,522,056.73	1,064,030,918.76

2. Taxes and surcharge for operations

(1) Details

Items	Current period cumulative	Preceding period comparative
Business tax	277,346.97	1,049,875.20
Urban maintenance and construction tax	3,395,165.97	2,283,212.40
Education surcharge	1,446,568.25	1,172,060.17
Local education surcharge	964,378.84	485,965.45
Housing property tax	3,264,413.69	1,399,596.19
Price regulation fund		167,154.77
Stamp duty	686,655.96	
Vehicle and vessel tax	3,960.00	
Land use tax	1,594,662.57	
Total	11,633,152.25	6,557,864.18

(2) Other remarks

Pursuant to the Provisions Concerning the Accounting Treatments on VAT (Cai Kuai [2016] 22) and Interpretation on Several Issues about Provisions Concerning the Accounting Treatments on VAT, the Company reported the amount of housing property tax, vehicle and vessel tax, land use tax and stamp duty for May to December 2016 through the "taxes and surcharge for operations" item and the amount for prior to May 2016 was reported through "administrative expenses" item.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Staff salaries	11,405,161.89	8,979,585.94
Transportation cost	21,051,415.92	18,540,166.01
Packing expenses	2,458,217.06	2,472,304.12
Business expenses	11,758,175.34	10,123,334.14
Advertising and promotion expenses	234,702.98	899,136.66
Office and travelling expenses	2,957,588.86	4,024,984.17
Sales service expenses	4,090,898.27	1,308,895.28
Others	6,882,848.98	3,676,548.30
Total	60,839,009.30	50,024,954.62

4. Administrative expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Staff salaries	62,979,004.22	45,240,669.50
Depreciation and amortisation	17,575,573.08	11,846,611.27
Business entertainment	3,053,880.59	2,164,167.37
Office and travelling expenses	3,939,098.11	3,762,886.04
Research and development costs	18,948,613.12	20,389,934.63
Taxes (Note)	2,258,456.16	6,265,889.75
Agency fee	2,966,795.19	5,368,686.93
Repairs and maintenance	4,186,093.54	3,893,367.20
Water and electricity	1,680,193.22	997,573.31
Loss from work suspension		1,074,692.06
Others	14,263,916.14	11,355,417.99
Total	131,851,623.37	112,359,896.05

Note: Please refer notes to V. (II).2

- (2) Of current period administrative expenses, auditor's remuneration totaled RMB1,080,000.00 (2015: RMB1,080,000.00).

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

5. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenditures	11,096,073.96	12,791,657.80
Including: Interest on bank borrowing, overdraft and other borrowings wholly repayable within five years	11,096,073.96	12,791,657.80
Less: Interest income	8,575,509.23	9,791,300.94
Exchange gain/loss	2,062,501.81	2,364,042.76
Handling charges	799,821.31	594,489.00
Total	5,382,887.85	5,958,888.62

6. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts	8,565,797.41	3,241,963.53
Inventory write-down loss	9,413,636.78	14,598,811.13
Impairment loss of fixed assets	12,881,022.62	
Total	30,860,456.81	17,840,774.66

7. Investment income

(1) Details

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	2,147,962.76	487,687.74
Gains on disposal of long-term equity investments	3,190,746.06	
Gains on re-measurement on fair value of remaining equity after losing control	3,190,746.07	
Others		109,999.98
Total	8,529,454.89	597,687.72

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

7. Investment income (Continued)

(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	8,529,454.89	487,687.74
Subtotal	8,529,454.89	487,687.74

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	10,087,197.98	79,805.91	10,087,197.98
Including: Gains on disposal of fixed assets	10,087,197.98	79,805.91	10,087,197.98
Government grants	4,407,430.40	7,436,149.40	4,407,430.40
Others	157,430.12	1,646,570.05	157,430.12
Total	14,652,058.50	9,162,525.36	14,652,058.50

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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

Items	Current period cumulative	Preceding period comparative	Related to assets/ income
Government subsidies for qualifying safety standardization standard		100,000.00	Related to income
Subsidized interest from Wuxi City Science and Technology Board & Wuxi City Ministry of Finance		765,000.00	Related to income
Shuangliu land acquisition compensation	3,709,880.40	3,709,880.40	Related to assets
High-tech Zone economic development support funds from other province		50,000.00	Related to income
Subsidies for project of fiber preform		230,800.00	Related to 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	6,650.00	2,969.00	Related to income
Subsidies for improving international operating ability from Economic and Trade Development Bureau of High-tech Zone	187,700.00	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)	50,000.00	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

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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
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	171,800.00	100,000.00	Related to income
Chengdu High-tech Zone Torch Plan statistical enterprise subsidies	44,700.00		Related to income
Property insurance subsidies from Science and Technology Board of High-tech Zone	12,700.00		Related to income
Chengdu High-tech Zone industrial policy project technology insurance subsidies from Chengdu economic and Trade Bureau in 2016	10,000.00		Related to income
Export credit insurance subsidies	5,000.00		Related to income
Chengdu City the city-level implementation of special funds for the development of the financial industry in 2016	200,000.00		Related to income
Strategic new products and key new product R & D subsidies	9,000.00		Related to income
Subtotal	4,407,430.40	7,436,149.40	

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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	30,799.31	1,210.77	30,799.31
Including: Losses on disposal of fixed assets	30,799.31	1,210.77	30,799.31
Donation expenditures	30,000.00	53,454.62	30,000.00
Amercement Outlay	309,441.10		309,441.10
Others	83,248.06	55,104.04	83,248.06
Total	453,488.47	109,769.43	484,287.78

10. Income tax expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	17,578,117.78	1,979,462.21
Deferred income tax expenses	406,402.03	3,511,959.00
Total	17,984,519.81	5,491,421.21

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

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

10. Income tax expenses (Continued)

(2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
Profit before tax	25,242,421.45	-37,600,796.51
Income tax expenses based on applicable tax rate	3,786,363.22	-5,640,119.48
Effect of different tax rate applicable to subsidiaries	419,043.35	2,672,245.78
Effect of prior income tax reconciliation	-238,453.00	127,469.83
Effect of non-taxable income		
Effect of non-deductible costs, expenses and losses	2,109,873.51	1,263,720.89
Effect of deductible research and development costs		-1,257,567.75
Utilization of deductible losses not previously recognized	-1,788,909.69	222,106.76
Effect of deductible temporary differences or deductible losses not recognized	14,036,740.12	8,103,565.18
Others	-340,137.70	
Income tax expenses	17,984,519.81	5,491,421.21

11. Other comprehensive income, net of income tax

Please refer to notes to other comprehensive income for details.

(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	697,550.00	3,946,269.00
Interest income	5,058,570.89	9,791,300.94
Cash received from leasing of fixed assets (investment properties)	15,290,271.58	9,789,919.09
Cash received from notes and deposits for L/C	54,638,457.92	24,084,949.78
Others	9,750,715.30	4,714,536.99
Total	85,435,565.69	52,326,975.80

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

(III) Notes to items of the consolidated cash flow statement (Continued)

2. Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Administrative expenses paid by cash	41,733,863.52	41,347,705.80
Selling expenses paid by cash	48,869,869.89	46,157,899.74
Handling charges included in finance costs	799,821.31	111,069.72
Lease fee of manufacturing expense paid by cash	19,901,094.22	15,823,440.79
Notes and deposits for L/C paid by cash	89,501,749.61	45,963,385.22
Others	16,938,637.11	18,235,566.75
Total	217,745,035.66	167,639,068.02

3. Other cash receipts related to investing activities

Items	Current period cumulative	Preceding period comparative
Designated loans		50,000,000.00
Withdrawal of related party loans	60,000,000.00	
Total	60,000,000.00	50,000,000.00

4. Other cash receipts related to financing activities

Items	Current period cumulative	Preceding period comparative
Large amounts of cash received from financing activities	50,000,000.00	
Total	50,000,000.00	

5. Other cash payments related to financing activities

Items	Current period cumulative	Preceding period comparative
Handling charges and interest expense of sales with buyback agreements		10,837,730.00
Large amounts of cash paid for financing activities	50,000,000.00	
Total	50,000,000.00	10,837,730.00

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

(III) Notes to items of the consolidated cash flow statement (Continued)

6. 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	7,257,901.64	-43,092,217.72
Add: Provision for assets impairment loss	30,860,456.81	17,840,774.66
Depreciation of fixed assets, oil and gas assets, productive biological assets	56,312,439.31	59,796,324.73
Amortization of intangible assets	3,785,444.19	3,080,121.68
Amortization of long-term prepayments	2,376,998.25	2,129,271.04
Loss on disposal of fixed assets, intangible assets and other non-current assets (Less: gains)	-10,056,398.67	-78,595.14
Fixed assets retirement loss (Less: gains)		
Losses on changes in fair value (Less: gains)		
Financial expenses (Less: gains)	7,695,112.61	12,810,471.89
Investments losses (Less: gains)	-8,529,454.89	-597,687.72
Decrease of deferred tax assets (Less: increase)	960,238.39	4,327,054.12
Increase of deferred tax liabilities (Less: decrease)	-790,605.21	-815,095.12
Decrease in inventories (Less: increase)	-50,734,191.67	67,970,849.35
Decrease in operating receivables (Less: increase)	-244,972,506.51	-93,659,010.25
Increase of operating payables (Less: decrease)	244,714,585.01	3,313,178.78
Others		12,096,622.82
Net cash flow from operating activities	38,880,019.26	45,122,063.12
(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	331,032,951.89	301,159,590.59
Less: Cash at the beginning of the period	301,159,590.59	238,801,619.70
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	29,873,361.30	62,357,970.89

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

(III) Notes to items of the consolidated cash flow statement (Continued)

6. Supplement information to the cash flow statement (Continued)

(2) Net cash receipts for disposal of subsidiaries in current period

Items	Current period cumulative
Cash and cash equivalents received in current period for subsidiary disposal in current period	116,176,500.00
Including: Putian Fasten Cable Telecommunication Co., Ltd.	116,176,500.00
Less: Cash and cash equivalents held by subsidiaries on which the Company lost control	44,411,025.58
Including: Putian Fasten Cable Telecommunication Co., Ltd.	44,411,025.58
Net cash receipts for disposal of subsidiaries in current period	71,765,474.42

(3) Cash and cash equivalents

Items	Closing balance	Opening balance
(1) Cash	331,032,951.89	301,159,590.59
Including: Cash on hand	44,151.48	1,293,988.67
Cash in bank on demand for payment	330,988,800.41	299,851,795.23
Other cash and bank balances on demand for payment		13,806.69
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	331,032,951.89	301,159,590.59
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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

(III) Notes to items of the consolidated cash flow statement (Continued)

6. Supplement information to the cash flow statement (Continued)

(4) Amount of endorsed commercial acceptance not involving cash receipts and payments

Items	Current period cumulative	Preceding period comparative
Amount of endorsed commercial acceptance	329,789,926.49	421,764,126.26
Including: Payment for goods	329,789,926.49	421,764,126.26

(IV) Others

1. Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Other cash and bank balances	25,428,747.05	L/C, deposits of bank guarantee
Cash in bank	29,554,435.85	Pledge
Total	54,983,182.90	

2. Monetary items in foreign currencies

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank balances			
Including: USD	714,379.47	6.9370	4,955,650.38
Accounts payable			
Including: USD	3,617,535.76	6.9370	25,094,845.55
Long-term borrowings			
Including: EUR	1,009,579.75	7.3068	7,376,797.32

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

VI. CHANGES IN THE CONSOLIDATION SCOPE

One-time disposal involving loss of control over a subsidiary

(1) Details

Subsidiaries	Equity disposal consideration	Equity disposal proportion (%)	Equity disposal method	Loss of control date	Determination basis for loss of control date	Difference between disposal consideration and net assets attributable to the Company at the consolidated financial statements level
Putian Fasten Cable Telecommunication Co., Ltd.	116,176,500.00	22.5	Sale	2016/12/2	Equity trading day	3,190,746.06

Subsidiaries	Proportion of remaining equity at the loss of control date	Carrying amount of remaining equity at the loss of control date	Fair value of remaining equity at the loss of control date	Gains/losses on fair value re-measurement of remaining equity	Determination method and significant assumption on fair value of remaining equity at the loss of control date	Changes in other comprehensive income/equity related to former subsidiary's equity investment transferred to investment income
Putian Fasten Cable Telecommunication Co., Ltd.	22.5%	112,985,753.93	116,176,500.00	3,190,746.07	Price of the sold equity	

(2) Other remarks

The Company disposed 22.5% equity interests in Putian Fasten Cable Telecommunication Co., Ltd. and did not have to hold shareholders' meeting according to the relevant regulation set by the Stock Exchange about listed company regulation. On 28 October 2016, the 22.5% equity interest in Putian Fasten Cable Telecommunication Co., Ltd. started to trade on the China Beijing Equity Exchange. On 2 December 2016, Fasten Group Co., Ltd. acquired 22.5% equity interest in Putian Fasten Cable Telecommunication Co., Ltd. through China Beijing Equity Exchange at the price of RMB116,176,500. The Price was on the basis of valuation report made by Beijing North Asia Asset Assessment Firm which took 31 October 2015 as base date for the report. (North Asia Ping Bao Zi [2016] No. 01-318)

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

VII. INTEREST IN OTHER ENTITIES

(I) Interest in significant subsidiaries

1. Significant subsidiaries

(1) Basis information

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
Chengdu Zhongling Radio Communications Co., Ltd.	Chengdu City	Chengdu 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

(2) Other remarks

Basis for the control of an investee while holding its half or less than half voting rights, and the non-control of an investee while holding its more than half voting rights.

As the Company holds the majority of voting right in the board of directors of Chongqing Putaifeng Aluminium Co., Ltd., 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. 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	-313,166.20		1,647,167.92
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	33.33	-10,861,614.52		2,925,656.90
Chengdu SEI Optical Fiber Co., Ltd.	40.00	25,933,936.38	5,389,720.40	89,899,328.89
Chongqing Putaifeng Aluminium Co., Ltd.	60.00	-1,990,987.84		10,009,012.16
Putian Fasten Cable Telecommunication Co., Ltd. (Note)	55.00	10,592,997.71		

Note: The Company has disposed part of the equity interest of Putian Fasten Cable Telecommunication Co., Ltd. in this period. Please refer notes to VI.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

VII. INTEREST IN OTHER ENTITIES (CONTINUED)

(I) Interest in significant subsidiaries (Continued)

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

(1) Assets and liabilities

(Expressed in RMB10,000.00)

Subsidiaries	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Chengdu Zhongling Radio Communications Co., Ltd.	7,584.97	1,014.80	8,599.77	3,653.32		3,653.32
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	1,927.02	9,849.91	11,776.93	4,266.57	6,632.58	10,899.15
Chengdu SEI Optical Fiber Co., Ltd.	25,492.71	4,115.02	29,607.73	7,132.90		7,132.90
Chongqing Putaifeng Aluminium Co., Ltd.	2,473.51	998.08	3,471.59	1,803.43		1,803.43

Subsidiaries	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total 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			

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

VII. INTEREST IN OTHER ENTITIES (CONTINUED)

(I) Interest in significant subsidiaries (Continued)

3. Main financial information of significant not wholly-owned subsidiaries (Continued)

(2) Profit or loss and cash flows

(Expressed in RMB10,000.00)

Subsidiaries	Current period cumulative			Cash flows from operating activities
	Operating revenue	Net profit	Total comprehensive income	
Chengdu Zhongling Radio Communications Co., Ltd.	3,780.33	-940.44	-940.44	-436.29
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	488.99	-3,258.81	-3,258.81	-209.30
Chengdu SEI Optical Fiber Co., Ltd.	27,717.05	6,483.48	6,483.48	7,978.28
Putian Fasten Cable Telecommunication Co., Ltd.	74,420.40	1,926.00	1,926.00	3,335.28
Chongqing Putaifeng Aluminium Co., Ltd.	8,012.96	-331.83	-331.83	-594.55

Subsidiaries	Preceding period comparative			
	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
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	2,543.36	-1,641.02	-1,641.02	-249.42
Chengdu SEI Optical Fiber Co., Ltd.	18,877.51	1,095.46	1,095.46	4,530.18
Putian Fasten Cable Telecommunication Co., Ltd.	70,487.29	-238.54	-238.54	1,090.24
Chongqing Putaifeng Aluminium Co., Ltd.				

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

VII. INTEREST IN OTHER ENTITIES (CONTINUED)

(II) Interest in joint venture or associates

1. Significant associates

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

2. 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.	Putian Fasten Cable Telecommunication Co., Ltd.	Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu Bada Connector Co., Ltd.
Current assets	9,754,992.75	57,708,427.94	673,496,691.11	9,631,033.93	61,251,570.79
Non-current assets	2,920,748.09	2,399,158.48	293,665,617.49	3,218,838.85	2,903,816.33
Total assets	12,675,740.84	60,107,586.42	967,162,308.60	12,849,872.78	64,155,387.12
Current liabilities	8,746,097.06	50,272,883.63	448,782,742.83	9,449,877.61	55,177,525.54
Non-current liabilities			10,373,980.97		
Total liabilities	8,746,097.06	50,272,883.63	459,156,723.80	9,449,877.61	55,177,525.54
Non-controlling interest		101,997.53			92,759.43
Equity attributable to owners of parent company	3,929,643.78	9,732,705.26	508,005,584.80	3,399,995.17	8,885,102.15
Proportionate share in net assets	1,375,375.32	4,769,025.58	114,301,256.58	1,189,998.31	4,353,700.05
Adjustments					
Others	109,955.56	-0.03	231,757.60	109,955.56	
Carrying amount of investments in associates	1,485,330.88	4,769,025.55	114,533,014.18	1,299,953.87	4,353,700.05
Fair value of equity investments in associates in association with quoted price					
Operating revenue	27,754,882.02	126,760,209.69	78,248,133.03	35,011,312.78	135,759,939.74
Net profit	529,648.61	847,603.06	6,876,712.23	403,863.97	706,806.83
Net profit of discontinued operations					
Other comprehensive income					
Total comprehensive income	529,648.61	847,603.06	6,876,712.23	403,863.97	706,806.83
Dividend from associates received in current period					

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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.

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 2016, the Company's risks were centered in certain credit risks, and 32.40% (31 December 2015: 34.77%) 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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

VIII.RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk (Continued)

2. Receivables (Continued)

- (1) Analysis of receivables neither past due nor impaired and receivables past due but not impaired are as follows:

Items	Closing balance				Total
	Neither past due nor impaired	Within one year	1-2 years	Over 2 years	
Notes receivable	102,488,405.74				102,488,405.74
Accounts receivable	64,492,134.27				64,492,134.27
Subtotal	166,980,540.01				166,980,540.01

Items	Neither past due nor impaired	Opening balance			Total
		Within one year	1-2 years	Over 2 years	
Notes receivable	101,785,217.79				101,785,217.79
Accounts receivable	369,370,420.28				369,370,420.28
Subtotal	471,155,638.07				471,155,638.07

- (2) Please refer to notes to receivables for receivables with provision for impairment made on individual basis.

(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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

VIII.RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(II) Liquidity risk (Continued)

Financial liabilities classified based on remaining time period till maturity

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within one year	1-3 years	Over 3 years
Financial liabilities					
Accounts payable	101,691,287.30	101,691,287.30	101,691,287.30		
Other payables	23,410,432.55	23,410,432.55	23,410,432.55		
Long-term borrowings	7,376,797.32	7,376,797.32	141,706.21	283,412.42	6,951,678.69
Subtotal	132,478,517.17	132,478,517.17	125,243,426.06	283,412.42	6,951,678.69

Items	Opening balance				
	Carrying amount	Contract amount not yet discounted	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

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 (Continued)

For the year ended 31 December 2016 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 2016, the Company did not have borrowings with interest accrued at floating interest rate (31 December 2015: RMB200,000,000.00).

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	7,186,275.00			7,186,275.00
(1) Debt instrument investments				
(2) Equity instrument investments	7,186,275.00			7,186,275.00
(3) Others				
Total assets at non-recurring fair value measurement	7,186,275.00			7,186,275.00

(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.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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 (unit: (RMB'0000))	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 (Continued)

For the year ended 31 December 2016 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 Telege Intelligent Building Ltd.	Controlled by the same parent company
Putian International Trade Co., Ltd.	Controlled by the same parent company
Chengdu Branch of China Potevio Company Limited	Controlled by the same parent company
Fasten Hongsheng Group Co., Ltd.	Ultimate controller of shareholder holding more than 5% of the former subsidiary shares
Jiangsu Fasten Company Limited	Shareholder holding more than 5% of the former subsidiary's shares
Fasten Group Co., Ltd.	Shareholder holding more than 5% of the former subsidiary's shares
Fasten Group Import & Export Co., Ltd.	Entity controlled by ultimate controller of shareholder holding more than 5% of the former subsidiary shares
Jiangyin Fasten Wire Products Company Limited	Entity controlled by ultimate controller of shareholder holding more than 5% of the former subsidiary shares
Jiangsu Fasten Optoelectronics Technology Co., Ltd.	Entity controlled by ultimate controller of shareholder holding more than 5% of the former subsidiary shares
Jiangsu Fasten Hongsheng Group Precision Machinery Branch	Entity controlled by ultimate controller of shareholder holding more than 5% of the former subsidiary shares
Jiangsu Fasten Metal Cable Sales Co. Ltd.	Entity controlled by ultimate controller of shareholder holding more than 5% of the former 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 former subsidiary shares
Sumitomo Electric Industries, Ltd.	Shareholder holding more than 5% of the subsidiary's
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
Chongqing Taishan Cable Co., Ltd.	Shareholder holding more than 5% of the subsidiary's
Hangzhou Honyar Electrical Co., Ltd.	Controlled by the same parent company
Putian Intelligent Lighting Research Institute Co., Ltd.	Controlled by the same parent company

Note: In current period, the related party transactions with entity controlled by minority shareholder of former subsidiaries and its controlled entity happened between January to November 2016.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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	93,113,738.77	96,890,127.00
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Purchase of goods	26,011,933.92	32,867,921.61
China Potevio Company Limited	Purchase of goods and receiving of services	60,325.31	335,332.67
Fasten Hongsheng Group Co., Ltd.	Purchase of goods	106,849,178.08	82,965,932.04
Fasten Group Import & Export Co., Ltd.	Purchase of goods	26,367,530.78	20,620,523.10
Jiangsu Fasten Company Limited	Purchase of goods		3,548,609.32
Jiangyin Fasten Wire Products Company Limited	Purchase of goods	428,932.12	8,544,220.12
Jiangsu Fasten Hongsheng Group Precision Machinery Branch	Purchase of goods	6,940.26	
Jiangsu Fasten Metal Cable Sales Co. Ltd.	Purchase of goods	6,688,995.81	
Sumitomo Electric Industries, Ltd.	Purchase of goods	2,747,050.43	2,262,770.48
Sumitomo Electric Asia Ltd.	Purchase of goods	102,240,218.56	57,426,540.41
Sumitomo Electric Industries, Ltd.	Receiving of services	342,796.86	159,065.31
Chengdu Huangshishuangfeng Cable Co., Ltd.	Purchase of goods	1,459,024.41	
Chongqing Taishan Cable Co., Ltd.	Purchase of goods	9,765,000.72	
Hangzhou Honyar Electrical Co., Ltd.	Purchase of goods	17,997,408.38	

2) Sale of goods and rendering of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
China Potevio Company Limited	Sale of goods	151,572,668.42	127,536,119.62
Chengdu Bada Connector Co., Ltd.	Sale of goods and rendering of services	39,908.08	5,318,504.17
Nanjing PUTIAN Telecommunications Company Limited	Sale of goods		81,822.22
Putian International Trade Co., Ltd.	Sale of goods		57,880.34
Fasten Group Import & Export Co., Ltd.	Sale of goods	35,354,646.57	36,899,624.21
Jiangsu Fasten Optoelectronics Technology Co., Ltd.	Sale of goods	1,672,527.50	1,597,952.14
Chengdu Huangshishuangfeng Cable Co., Ltd.	Sale of goods	1,304,148.55	
Chongqing Taishan Cable Co., Ltd.	Sale of goods	49,848,828.23	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Sale of goods and rendering of services		1,500,260.45
Putian Intelligent Lighting Research Institute Co., Ltd.	Sale of goods	7,906,650.54	

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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	18,980,577.00	20,706,084.00
Jiangsu Fasten Company Limited	Patent right	5,431,800.00	5,925,600.00
Fasten Group Co., Ltd.	Patent right	1,729,559.76	1,886,792.45
Fasten Hongsheng Group Co., Ltd.	Buildings and structures	763,368.84	832,766.00

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 Potevio Company Limited	7,376,797.32	1997/2/21	2033/2/21	No
Fasten Hongsheng Group Co., Ltd.	40,000,000.00	2017/11/29	2019/11/28	No
Fasten Hongsheng Group Co., Ltd.	18,000,000.00	2017/08/16	2019/8/15	No
Jiangyin Hongtai Property Company Ltd.	30,000,000.00	2014/03/06	2019/12/01	No

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

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	2016/1/1	2016/12/31	Interest income for the current period totaled RMB530,494.34.
Fasten Hongsheng Group Co., Ltd.	70,000,000.00	2016/1/1	2016/12/31	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 RMB3,408,469.17.

5. Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	1,361,271.15	1,304,439.36

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

6. Directors' and supervisors' emoluments

Items	Current period cumulative			Total
	Fees	Wage, bonus, allowance, and subsidy	Basic endowment insurance premium and other social insurance premium	
Executive directors:				
Zhang Xiaocheng				
Wang Micheng				
Wang Feng				
Han Shu				
Xu Liying				
Fan Xu				
Independent non-executive directors:				
Choy Sze Chung, Jojo		50,000.04		50,000.04
Xiao Xiaozhou		50,000.04		50,000.04
Lin Zulun		50,000.04		50,000.04
Supervisors:				
Zheng Zhili				
Xiong Ting		173,861.55	46,001.10	219,862.65
Dai Xiaoyi		127,283.19	33,758.53	161,041.72
Total		451,144.86	79,759.63	530,904.49

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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		Total
		Wage, bonus, allowance, and subsidy	Basic endowment insurance premium and other social insurance premium	
Executive directors:				
Zhang Xiaocheng				
Wang Micheng				
Wang Feng				
Han Shu				
Xu Liying				
Fan Xu	137,834.00	45,740.00	78,298.38	261,872.38
Independent non-executive directors:				
Choy Sze Chung, Jojo	50,000.04			50,000.04
Xiao Xiaozhou	50,000.04			50,000.04
Supervisors:				
Zheng Zhili				
Xiong Ting	118,636.00	9,740.00	44,506.36	172,882.36
Dai Xiaoyi	89,454.40	260.00	27,750.46	117,464.86
Total	445,924.48	55,740.00	150,555.20	652,219.68

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

7. Five highest paid employees

The five employees whose emoluments were the highest for the year include 0 (2015: 1) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 5 (2015: 4) employees during the year are as follows:

Items	Number of individuals (2016)	Number of individuals (2015)
HK\$ nil–HK\$ 1 million	5	4

8. The Company purchases goods from Fasten Hongsheng Group Co., Ltd., Fasten Company Limited, Fasten Group Import & Export Co., Ltd., Jiangyin Fasten Wire Products Company Limited, Jiangsu Fasten Hongsheng Group Precision Machinery Branch, Jiangsu Fasten Metal Cable Sales Co. Ltd., Hangzhou Honyar Electrical Co., Ltd., Sumitomo Electric Industries, Ltd. and Sumitomo Electric Asia Ltd.; the Company sales goods to China Potevio Company Limited, Fasten Group Import & Export Co., Ltd., Jiangsu Fasten Optoelectronics Technology Co., Ltd. and Chongqing Taishan Cable Co., Ltd.; the Company pays to Jiangsu Fasten Company Limited, Fasten Group Co., Ltd. and 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 (Continued)

For the year ended 31 December 2016 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
Accounts receivable	Nanjing Putian Telege Intelligent Building Ltd.	93,192.96	93,192.96	93,192.96	22,554.37
Accounts receivable	China Potevio Company Limited	11,698,366.06		74,178,044.13	
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	304,891.23	304,891.23	182,362.39
Accounts receivable	Nanjing PUTIAN Telecommunications Company Limited			3,060,450.40	
Accounts receivable	Jiangsu Fasten Optoelectronics Technology Co., Ltd.			10,940,050.20	
Accounts receivable	Fasten Group Import & Export Co., Ltd.			3,536,012.00	
Accounts receivable	Chengdu Bada Connector Co., Ltd.			406,815.40	
Accounts receivable	Hangzhou Honyar Electrical Co., Ltd.			2,000,000.00	
Accounts receivable	Putian Fasten Cable Telecommunication Co., Ltd.	2,753,034.81			
Subtotal		15,009,485.06	558,084.19	94,679,456.32	364,916.76
Advances paid	Fasten Group Import & Export Co., Ltd.			7,740,000.00	
Advances paid	Sumitomo Electric Asia Ltd.	1,261,692.79		378,674.61	
Advances paid	China Potevio Company Limited			38,644.83	
Advances paid	Hangzhou Honyar Electrical Co., Ltd.	15,090,449.79			
Subtotal		16,352,142.58		8,157,319.44	
Other receivables	Fasten Hongsheng Group Co., Ltd.			70,000,000.00	
Other receivables	China Potevio Company Limited	1,522,740.84		5,080,307.18	
Other receivables	Chengdu Bada Connector Co., Ltd.	10,520,502.79		10,508,821.76	
Other receivables	Chongqing Taishan Cable Co., Ltd.	496,822.86			
Other receivables	Chengdu Huangshishuangfeng Cable Co., Ltd.	496,822.86			
Other receivables	Chengdu Yuexin Telecommunications Materials Co., Ltd.	51,722.43			
Other receivables	Putian Fasten Cable Telecommunication Co., Ltd.	2,171,013.16			
Other receivables	Putian Intelligent Lighting Research Institute Co., Ltd.	7,906,650.54			
Subtotal		23,166,275.48		85,589,128.94	

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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		3,603,546.89
Notes payable	Fasten Hongsheng Group Co., Ltd.		21,725,121.59
Notes payable	Jiangsu Fasten Company Limited		7,626,813.57
Subtotal			32,955,482.05
Accounts payable	Chengdu Bada Connector Co., Ltd.	12,479,056.19	13,755,468.71
Accounts payable	Chengdu Yuexin Telecommunications Materials Co., Ltd.	2,444,645.31	2,016,557.36
Accounts payable	Jiangsu Fasten Company Limited		1,596,591.88
Accounts payable	Fasten Hongsheng Group Co., Ltd.		9,281,284.82
Accounts payable	Jiangyin Fasten Wire Products Company Limited		482,333.27
Accounts payable	Fasten Group Import & Export Co., Ltd.		10,160,514.69
Accounts payable	China Potevio Company Limited		
Accounts payable	Sumitomo Electric Asia Ltd.	24,599,543.75	22,426,928.20
Accounts payable	Chongqing Taishan Cable Co., Ltd.	9,000,000.00	
Accounts payable	Chengdu Huangshishuangfeng Cable Co., Ltd.		11,340,748.14
Subtotal		48,523,245.25	71,060,427.07
Other payables	Sumitomo Electric Industries, Ltd.	154,313.62	77,686.50
Subtotal		154,313.62	77,686.50

XI. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

None

(II) Contingencies

None

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

XII. EVENTS AFTER THE BALANCE SHEET DATE

None

XIII. OTHER SIGNIFICANT EVENTS

(I) Segment information

1. Identification basis for reportable segments

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

2. Financial information of reportable segments

Items	Closing balance/current period cumulative					Total
	Copper cables and related products segment	Optical cables and related products segment	Cable joint and related products	Aluminium rod and related products	Inter-segment offsetting	
Revenue from main operations	222,999,736.74	1,018,941,097.55	1,005,765.72	79,945,399.28	11,956,579.66	1,310,935,419.63
Cost of main operations	213,401,446.85	798,754,183.38	1,144,595.48	79,373,577.25	16,936,057.88	1,075,737,745.08
Total assets	1,067,271,208.95	296,077,305.31	117,769,344.04	34,715,967.81	208,369,323.42	1,307,464,502.69
Total liabilities	129,465,048.94	71,328,983.08	108,991,495.56	18,034,280.88	38,293,762.37	289,526,046.09

Items	Opening balance/preceding period comparative					Total
	Copper cables and related products segment	Optical cables and related products segment	Cable joint and related products	Other products	Inter-segment offsetting	
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

(II) Other remarks

Items	Closing balance		Opening balance	
	Consolidated	Parent company	Consolidated	Parent company
Net current assets	598,252,427.74	392,032,336.31	647,344,965.93	277,939,569.59
Total assets less current liabilities	1,092,664,233.96	897,089,717.65	1,370,091,176.45	924,470,669.79

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

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		Carrying amount
	Amount	% to total	Amount	Provision for bad debts Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	87,563,664.14	82.56	18,195,472.63	20.78	69,368,191.51
Receivable of individually insignificant amount but with provision made on an individual basis	18,499,628.06	17.44	18,499,628.06	100.00	
Total	106,063,292.20	100.00	36,695,100.69	34.60	69,368,191.51

Categories	Book balance		Opening balance		Carrying amount
	Amount	% to total	Amount	Provision for bad debts Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	95,883,279.54	83.83	16,724,346.13	17.44	79,158,933.41
Receivable of individually insignificant amount but with provision made on an individual basis	18,499,628.06	16.17	18,499,628.06	100.00	
Total	114,382,907.60	100.00	35,223,974.19	30.79	79,158,933.41

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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			Opening balance		
	Book balance	Provision for bad debts	Provision proportion (%)	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	52,841,475.38			75,482,412.70		
1-2 years	17,110,809.56	1,711,080.96	10.00	3,731,009.29	373,100.93	10.00
2-3 years	1,544,935.00	463,480.50	30.00	191,532.33	57,459.70	30.00
3-5 years	227,665.13	182,132.10	80.00	922,698.62	738,158.90	80.00
Over 5 years	15,838,779.07	15,838,779.07	100.00	15,555,626.60	15,555,626.60	100.00
Subtotal	87,563,664.14	18,195,472.63	20.78	95,883,279.54	16,724,346.13	17.44

(2) Age analysis

Ages	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Provision proportion (%)	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	52,841,475.38			75,482,412.70		
1-2 years	17,110,809.56	1,711,080.96	10.00	3,731,009.29	373,100.93	10.00
2-3 years	1,544,935.00	463,480.50	30.00	191,532.33	57,459.70	30.00
3-5 years	227,665.13	182,132.10	80.00	922,698.62	738,158.90	80.00
Over 5 years	34,338,407.13	34,338,407.13	100.00	34,055,254.66	34,055,254.66	100.00
Total	106,063,292.20	36,695,100.69	34.60	114,382,907.60	35,223,974.19	30.79

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) Provision for bad debts made in current period totaled RMB1,471,126.50.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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	18,280,344.37	17.24	
Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant	6,942,329.67	6.55	
Chongqing Putaifeng Aluminium Co., Ltd.	5,972,000.00	5.63	
CSR Investment & Leasing Co. Ltd.	3,447,224.74	3.25	344,722.47
Chengdu Huangshishuangfeng Cable Co., Ltd.	3,416,171.88	3.22	341,617.19
Subtotal	38,058,070.66	35.89	686,339.66

2. Other receivables

(1) Details

1) Details on categories of other receivables

Categories	Book balance		Closing balance		Carrying amount
	Amount	% to total	Amount	Provision for bad debts Provision proportion (%)	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	70,539,734.95	94.74	23,170,358.21	32.85	47,369,376.74
Receivable of individually insignificant amount but with provision made on an individual basis	3,913,573.65	5.26	3,913,573.65	100.00	
Total	74,453,308.60	100.00	27,083,931.86	36.38	47,369,376.74

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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	% to total	Amount	Provision for bad debts 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

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

Ages	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Provision proportion (%)	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	47,319,833.54			28,405,395.25		
1-2 years	53,781.24	5,378.12	10.00	46,201.34	4,620.13	10.00
2-3 years	1,309.52	392.86	30.00	13,536.26	4,060.88	30.00
3-5 years	1,117.09	893.67	80.00	7,188,550.32	5,750,840.26	80.00
Over 5 years	23,163,693.56	23,163,693.56	100.00	18,769,155.14	18,769,155.14	100.00
Subtotal	70,539,734.95	23,170,358.21	32.85	54,422,838.31	24,528,676.41	45.07

(2) Provisions for bad debts made in current period totaled RMB-1,358,318.20.

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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)

(3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Deposit as security	4,932,324.75	5,252,461.37
Call loans	29,376,726.75	23,000,000.00
Temporary advance payment receivable	40,144,257.10	30,083,950.59
Total	74,453,308.60	58,336,411.96

(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	13,704,184.00	Within 1 year	18.41	
Chengdu Bada Connector Co., Ltd.	Call loans and temporary advance payment receivable	10,520,502.79	Within 1 year	14.13	
Tazishan Materials Plant	Temporary advance payment receivable	8,391,138.00	Over 5 years	11.27	8,391,138.00
Chengdu Zhongling Radio Communications Co., Ltd.	Call loans	7,687,066.27	Within 1 year	10.32	
Putian Intelligent Lighting Research Institute Co., Ltd.	Temporary advance payment receivable	7,906,650.54	Within 1 year	10.62	
Subtotal		48,209,541.60		64.75	8,391,138.00

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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

(1) Categories

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	166,140,969.81		166,140,969.81	391,140,969.81		391,140,969.81
Investments in associates and joint ventures	120,913,273.96	125,903.35	120,787,370.61	5,779,557.27	125,903.35	5,653,653.92
Total	287,054,243.77	125,903.35	286,928,340.42	396,920,527.08	125,903.35	396,794,623.73

(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	391,140,969.81		225,000,000.00	166,140,969.81		

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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

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.	4,353,700.05			415,325.50	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	1,299,953.87			185,377.01	
Putian Fasten Cable Telecommunication Co., Ltd.		112,500,000.00		1,547,260.25	
Total	5,779,557.27	112,500,000.00		2,147,962.76	

Investees	Changes in other equity	Cash dividend/profit declared for distribution	Provision for impairment	Others	Increase/Decrease	
					Closing balance	Closing balance of provision for impairment
Associates						
Chengdu Telecommunications Cable Factory					125,903.35	125,903.35
Chengdu Bada Connector Co., Ltd.					4,769,025.55	
Chengdu Yuexin Telecommunications Materials Co., Ltd.					1,485,330.88	
Putian Fasten Cable Telecommunication Co., Ltd.				485,753.93	114,533,014.18	
Total				485,753.93	120,913,273.96	125,903.35

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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)

(4) Remarks on investments in unlisted and listed companies

Items	Closing balance	Opening balance
Investments in unlisted companies	286,928,340.42	396,794,623.73
Total	286,928,340.42	396,794,623.73

(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	185,646,953.73	177,421,723.47	232,529,536.59	237,023,734.52
Revenue from other operations	30,913,999.69	19,865,399.39	59,977,673.17	32,848,274.76
Total	216,560,953.42	197,287,122.86	292,507,209.76	269,872,009.28

2. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Staff salaries	26,756,053.26	15,785,973.02
Depreciation and amortisation	7,646,485.75	5,533,961.03
Business entertainment	212,860.46	360,052.70
Office and travelling expenses	791,265.43	724,299.98
Research and development costs	4,323,160.61	5,737,633.73
Taxes	801,655.66	2,717,208.27
Agency fee	411,763.54	2,140,743.89
Repairs and maintenance	1,882,818.83	1,119,207.35
Water and electricity	1,254,323.82	514,216.61
Loss from work suspension		1,074,692.06
Others	5,486,872.12	4,906,349.28
Total	49,567,259.48	40,614,337.92

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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)

3. Investment income

(1) Details

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	6,481,461.82	487,687.74
Gains on disposal of long-term equity investments	3,676,500.00	
Investment income from long-term equity investments under cost method	8,084,580.60	
Total	18,242,542.42	487,687.74

(2) Investment income from investments in unlisted company and listed company

Items	Current period cumulative	Preceding period comparative
Investment income from unlisted companies	18,242,542.42	487,687.74
Subtotal	18,242,542.42	487,687.74

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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	16,437,890.80	
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)	4,407,430.40	
Fund possession charge from non-financial entities and included in profit or loss	3,938,963.51	
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		

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(I) Non-recurring profit or loss (Continued)

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

Items	Amount	Remarks
The reversed provision for impairment of receivables based on impairment testing on an individual basis		
Gains on designated loans		
Gains on changes in fair value of investment properties with subsequent measurement at the fair value mode		
Gains on reconciliation of current period profit or loss following legal and regulative requirements		
Management charges for consigned operations		
Other non-operating revenue or expenditures	-265,259.04	
Other profit or loss satisfying the definition of non-recurring profit or loss		
Subtotal	24,519,025.67	
Less: enterprise income tax affected	547,192.30	
Non-controlling interest affected (after tax)	2,949,537.26	
Net non-recurring profit or loss attributable to shareholders of the parent company	21,022,296.11	

(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	-1.75	-0.04	-0.04
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	-4.03	-0.09	-0.09

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 Monetary unit: RMB Yuan

XV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(II) RONA and EPS (Continued)

2. Calculation process of weighted average RONA

Items	Symbols	Current period cumulative	Preceding period comparative
Net profit attributable to shareholders of ordinary shares	A	-16,103,263.89	-40,628,295.20
Non-recurring profit or loss	B	21,022,296.11	9,244,172.00
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-37,125,559.99	-49,872,467.20
Opening balance of net assets attributable to shareholders of ordinary shares	D	930,902,244.77	967,756,026.65
Net assets attributable to shareholders of ordinary shares increased due to offering of new shares or conversion of debts into shares	E		
Number of months counting from the next month when the net assets were increased to the end of the reporting period	F		
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation	G		
Number of months counting from the next month when the net assets were decreased to the end of the reporting period	H		
Others			
Net assets increase due to changes in fair value of held-for-trading financial assets	I1	-1,341,690.15	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	6.00
Net assets increase due to long-term equity investments under equity method	I2		45,214.82
Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period	J2		
Number of months in the reporting period	K	12.00	12.00
Weighted average net assets	$L = \frac{D+A}{2} + \frac{E \times F}{K} - \frac{G \times H}{K} \pm \frac{I}{K}$	922,179,767.75	949,306,528.30
Weighted average RONA	M=A/L	-1.75	-4.28
Weighted average RONA after deducting non-recurring profit or loss	N=C/L	-4.03	-5.25

Notes to Financial Statements (Continued)

For the year ended 31 December 2016 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	-16,103,263.89	-40,628,295.20
Non-recurring profit or loss	B	21,022,296.11	9,244,172.00
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-37,125,559.99	-49,872,467.20
Opening balance of total shares	D	400,000,000.00	400,000,000.00
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E		
Number of shares increased due to offering of new shares or conversion of debts into shares	F		
Number of months counting from the next month when the share was increased to the end of the reporting period	G		
Number of shares decreased due to share repurchase	H		
Number of months counting from the next month when the share was decreased to the end of the reporting period	I		
Number of shares decreased in the reporting period	J		
Number of months in the reporting period	K	12.00	12.00
Weighted average of outstanding ordinary shares	$L=D+E+F \times G / K-H \times I / K-J$	400,000,000.00	400,000,000.00
Basic EPS	$M=A/L$	-0.04	-0.10
Basic EPS after deducting non-recurring profit or loss	$N=C/L$	-0.09	-0.12

(2) Calculation process of diluted EPS

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

Corporate Information

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*)
Liu Yun
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

Choy Sze Chung, Jojo (*Chairman*)
Xiao Xiaozhou
Lin Zulun
Liu Yun
Fan Xu

STRATEGIC DEVELOPMENT COMMITTEE

Zhang Xiaocheng (*Chairman*)
Wang Micheng
Choy Sze Chung, Jojo
Xiao Xiaozhou
Lin Zulun

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Corporate Information (Continued)

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The PRC

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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
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