

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



2020
ANNUAL REPORT

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CORPORATE PROFILE

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

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

Self-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

SUMMARY OF OPERATIONS

	2020 RMB'000	2019 RMB'000
Operating revenue	417,285.97	449,256.75
Operating profit/("–" represents loss)	-59,321.43	-60,487.81
Share of profit/("–" represents loss) of associates	-12,156.68	-7,845.25
Profit/("–" represents loss) before income tax	-57,060.16	-63,430.88
Profit/("–" represents loss) attributable to equity holders of the Company	-43,191.71	-50,135.42
Basic earnings/("–" represents loss) per share	RMB-0.11	RMB-0.13

SUMMARY OF NET ASSETS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Total liabilities	156,580.03	166,823.07
Total net assets	903,409.94	965,078.79
Total assets	1,059,989.97	1,131,901.85
Net assets per share *	RMB2.26	RMB2.41

* As at 31 December 2020, net assets per share is calculated on the basis of shareholders' equity of the Group of RMB903,409,939.58 (31 December 2019: RMB965,078,789.67) and the total number of issued shares of 400,000,000 shares (31 December 2019: 400,000,000 shares).

CHAIRMAN'S STATEMENT



Wu Changlin
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 2020 (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 RMB57,060,159.99 and loss attributable to Shareholders of the Company amounted to approximately RMB43,191,707.27. Basic losses per share was approximately RMB0.11.

In 2020, under the leadership of the Board and the Supervisory Committee, and based on the “Seven Improvements and Enhancements”, the Company has promoted innovation to meet market demand, earnestly performed its duties and made considerable achievement.

CHAIRMAN'S STATEMENT

2020 was an extraordinary year. The COVID-19 pandemic placed the Company's operation under tremendous pressure. On the basis of its industrial development plan, the Company was guided by Party construction, and placed development as its goal whilst adhering to the general principal of proactive and enterprising work. Committing to a pragmatic development approach of 'quality first, benefits first', the Company focused on major responsibilities and core businesses, adjusting and optimizing its industrial structure around the telecommunications business. To support "Disposal and Governance of Zombie Enterprises and Assisting Enterprises with Difficulties", the Company placed emphasis on the core technological and business capabilities of enterprises and focused on reducing the annual losses of loss-making subsidiaries. In connection with this, it implemented various works focused on target markets, product research and development, and team-building. Austerity measures were further implemented to release idle resources, enhance management service capabilities, continue to reduce costs and increase efficiency, optimise and improve internal control, and support the healthy development of the Company.

In 2021, the Company will closely follow the guidance of national policies, implement new development concept based on the new development stage, take the benchmarks of the targeted industry as a starting point and focus on the industrial development by closely surrounding the main line of promoting the improvement on quality and efficiency, so as to strengthen the guidance to the goal, target accurately, strengthen the building of capabilities and systems, increase industrial investment, further implement austerity measures, continue to reduce costs and increase efficiency, optimise and improve internal control and endeavor to complete various business goals.

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.

Wu Changlin

Chairman

26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS



Hu Jiangbing
General Manager

REVIEW OF PRINCIPAL BUSINESS

I Information about major operations

During the Year, under the leadership of the Board and the Supervisory Committee and based on the “Seven Improvements and Enhancements”, the Company has promoted innovation to meet market demand, earnestly performed its duties and made considerable achievement.

In 2020, the COVID-19 epidemic placed the Company's operations under tremendous pressure. On the basis of its industrial development plan, the Company was guided by Party construction, and placed development as its goal whilst adhering to the general principal of proactive and enterprising work. Committing to a pragmatic development approach of ‘quality first, benefits first’, the Company focused on major responsibilities and core businesses, adjusting and optimizing its industrial structure around the telecommunications business. To support “Disposal and Governance of Zombie Enterprises and Assisting Enterprises with Difficulties”, the Company placed emphasis on the core technological and business capabilities of enterprises and focused on reducing the annual losses of loss-making subsidiaries. In connection with this, it implemented various works focused on target markets, product research and development, and team-building. Austerity measures were further implemented to release idle resources, enhance management service capabilities, continue to reduce costs and increase efficiency, optimise and improve internal control, and support the healthy development of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Optical telecommunications business

Having been impacted by the COVID-19 epidemic and operators' centralized procurement bidding, the average unit selling price for domestic optical fiber further declined, resulting in decreased revenue from the Company's optical fiber products. During the Year, the Company focused on strengthening production and operational management. In terms of innovation, the Company completed a small batch of customized optical fiber trials for HUAWEI and obtained one utility model patent, with another 14 patents pending. In terms of supply chain management, the Company negotiated prices with important suppliers, with the procurement price of raw materials dropping significantly from the beginning of the year. Performance trials of domestic joint factories were also completed to a preliminary stage. In terms of sales, the Company improved its sales volume of optical fiber, with the sales proportion of higher gross profit products exceeding 50%. Despite a continuing market decline and the declining price of optical fiber, the Company effectively controlled its deficit.

2. Energy transmission cable business

In compliance with industrial development requirements, the Company expanded its market share by improving customer satisfaction and maintaining good relationships with major customers. Through innovation, selection of high-quality material formulae and price negotiation with qualified suppliers, product costs were lowered to focus on the market competitiveness of superior products. The Company built a new innovative ecosystem to implement refined management, upgrade its technical standards and optimise special technical processes. As a result, the structure and formula for the National and European Standard for original single-core products were completed. Modifications and upgrades were carried out to maintain the stable operation of equipment and improve production efficiency. Foundation assurance works were also implemented. The Company established a product technology department responsible for the development of new products relating to locomotive cables. Additionally, the European Standards single-core series products obtained EU CE certification and passed qualification review requirements for OEM overseas projects as well as CRCC re-evaluation and certificate renewal. Industry revenue and gross profit for the Year increased significantly compared to the previous year.

II Work progress

1. Strengthening the core role of Party construction guidance

By carrying out education on the "Remain True to Our Original Aspiration and Keep Our Mission Firmly in Mind" concept, the Company reviewed its list of issues and rectification resolutions on inspection work, the actual integration of the Party construction and production and operation are strengthened.

The Party committee fulfilled its main responsibilities, adhered to the principal of the management of the Party, and followed the Rules of Procedure and decision-making procedures for matters involving the "Three Key and One Major" system. During the Year, the Party committee deliberated and discussed a total of 12 major operation and management issues of the Company in advance, and appointment and removal of 12 cadres of the Company, which played the role of the Party committee in "Directing, Overseeing the Overall Situation and Ensuring the Implementation".

The guidance of the Party construction is strengthened to pick pioneer and build up fortresses. With the success of the branch construction, a branch was identified by the Chengdu SASAC as the "Pioneer of Rongcheng" which multiplier the demonstration point and carried out the "Two Excellent and One Advanced" commendation.

By performing the social responsibility of a state-owned enterprise, the Company completed the transfer of socialization management for more than 440 retired party members. The Company also assisted in poverty alleviation and implemented the poverty alleviation work in Dari County, Qinghai.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Refining management for greater efficiency

Technological innovation

In January 2020, the Company established a product technology department responsible for developing new products relating to locomotive cables, selecting and improving insulating materials and sheath materials, and assisting the energy transmission division to complete product upgrades, etc. The department's related annual research and development investment amounted to approximately RMB3.5 million, with 23 sets of new production and inspection equipment added and 17 patent applications made.

Risk control and compliance management

The Company and its controlling companies took several measures to improve internal control and authorization management systems, strengthen risk classification and identification management, and implement risk management on a routine basis. These included a comprehensive inspection of risk management and internal systems, the completed revision of the "Control Manual of Chengdu Putian – 2020 Edition", and drafting of a "List of Authorized Items of Chengdu Putian". A total of nine litigation and arbitration cases were handled during the year, with seven cases subsequently closed.

Investment management

In accordance with the "Notice Concerning Several Items in Relation to Central Enterprises Strengthening Equity Investment Management", the Company strengthened its management of investments in state-owned equity interests. For the less-profitable Putian Fasten Cable Telecommunications Co., Ltd., the Company transferred its 12.5% equity interest, while for the continuously loss-making Chengdu Yuexin Telecommunications Materials Co., Ltd., it applied for liquidation and exit and proposed a liquidation plan. In this case, the other party has begun negotiations with lawyers on the matters involved.

Team building and cultivation

To strengthen team-building, establish and improve the management mechanism for cadres "capable of working at senior and junior positions", and accelerate the rejuvenation of the cadre team, during the Year, three in-service middle-level managers retired from their current middle-level management positions and three reserve cadres were appointed.

Improving management

The Company took measures to rectify "institutionalization" issues at headquarters by promoting the transformation of positions, functions and work styles of functional departments. Rectification of 17 issues was completed, as well as the publication and revision of 30 systems, providing a basis and guarantee for standardization of corporate governance.

During the period, expenses decreased by RMB9.58 million compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Special tasks

A task force was established to deepen the Company's efforts in "Two Funds" reduction. Progress in this area was taken into account in the annual performance assessment. At the end of the year, the remaining balance of "Two Funds" had been reduced by RMB42.0727 million compared to the beginning of the year.

In the area of "Disposing of Zombie Enterprises and Assisting Enterprises with Difficulties", targeting work was initiated to select benchmarking enterprises in the industry.

Following the completion of work on the separation and transfer of "Three Supplies and Estate Management", auditing of the maintenance and transformation was completed. The transfer of socialization management for 2033 retirees was also completed.

FINANCIAL ANALYSIS

Turnover

During the Year, the turnover of the Group amounted to RMB417,285,973.17, representing a decrease of 7.12% as compared with RMB449,256,750.53 for the year ended 31 December 2019 (the "**Previous Year**"). The decrease in turnover was due to the decrease in unit price of domestic optical fiber.

During the Year, the turnover of the Company was RMB259,861,890.93, representing an increase of 4.84% as compared to the corresponding period of the Previous Year. Chengdu SEI Optical Fiber Co., Ltd., a company in which the Company owns 60% equity interest, recorded a turnover of RMB157,540,589.52, representing a decrease of 16.99% as compared to the Previous Year. Chengdu Zhongling Radio Communications Co., Ltd., a wholly-owned subsidiary of the Company, recorded a turnover of RMB27,514,679.74, representing a decrease of 19.09% as compared to the Previous Year.

Net loss attributable to shareholders of the Company for the Year

The net loss attributable to shareholders of the Company for the Year amounted to RMB43,191,707.27, while a net loss attributable to shareholders of the Company of RMB50,135,424.57 was recorded for the Previous Year.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS ANALYSIS

The Group's total assets decreased by 6.35% from RMB1,131,901,854.99 as at 31 December 2019 to RMB1,059,989,968.23 as at 31 December 2020, of which total current assets amounted to RMB731,485,904.53, accounting for 69.01% of the total assets and representing an increase of 3.29% as compared with RMB708,206,008.92 as at 31 December 2019. Property, plant and equipment amounted to RMB227,955,580.24, accounting for 21.51% of the total assets and representing a decrease of 8.74% as compared with RMB249,779,768.10 as at 31 December 2019.

As at 31 December 2020, the Group's total liabilities amounted to RMB156,580,028.65; total liability-total asset ratio was 14.77%; bank and other short-term loans were RMB6,176,328.82, which decreased by 4.74% as compared with RMB6,483,910.19 as at 31 December 2019. During the Year, the Group did not conduct other capital raising activities.

As at 31 December 2020, the Group's bank deposits and cash totaled RMB424,800,107.42, representing a decrease of 7.46% as compared with RMB459,059,145.36 as at 31 December 2019.

During the Year, the Group's selling expenses, administration expenses, research and development expenses and finance expenses amounted to RMB7,884,452.39, RMB45,751,374.76, RMB11,148,461.3 and RMB-5,222,499.13 respectively, representing a decrease of 34.80%, a decrease of 11.79%, an increase of 4.20% and an increase of RMB292,192.67 respectively as compared with RMB12,093,142.13, RMB51,866,992.48, RMB10,699,510.81 and RMB-5,514,691.80 respectively in the Previous Year.

As at 31 December 2020, the Group's account receivables and bill receivables amounted to RMB59,894,569.81 and RMB37,152,364.95 respectively, representing a decrease of 19.24% and a decrease of 5.38% respectively as compared with RMB74,162,187.82 and RMB39,263,164.85 respectively as at 31 December 2019.

Analysis of Capital Liquidity

As at 31 December 2020, the Group's current assets amounted to RMB731,485,904.53 (as at 31 December 2019: RMB708,206,008.92), current liabilities were RMB95,802,180.91 (as at 31 December 2019: RMB101,956,688.99), the annual receivables turnover period was 106 days and the annual inventory turnover period was 84 days. The above data indicates that the Company has strong solvency but its liquidity ability and management are yet to be improved.

Analysis of Financial Resources

As at 31 December 2020, the Group's bank and other short-term loans were RMB6,176,328.82. As the Group had comparatively sufficient bank deposits and cash of RMB424,800,107.42, the Group does not have short-term insolvency risk.

Non-current Liabilities or Loans

As at 31 December 2020, the outstanding amount of the Group's long-term loan incurred as a result of the purchase of a French accelerator was RMB6,176,328.82 (equivalent to EUR769,635.99). The loan is a French government loan at an interest rate of 0.5% per annum. The loan denominated in Euro is subject to exchange rate risks resulting from fluctuations of the exchange rate in the international foreign exchange market. This long-term loan is an instalment loan in respect of which the maximum repayment period is thirty-six years. As the outstanding amount of the long-term loan is relatively small, there is no material impact on the operations of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure of the Group

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

Liquidity and Source of Funds

During the Year, the Group's net cash flow from operating activities amounted to RMB-5,770,065.72, representing a decrease of RMB77,913,944.15 as compared with RMB72,143,878.43 in the Previous Year.

During the Year, the Group spent RMB3,200,689.39, representing a decrease of RMB15,295,762.25 as compared with RMB18,496,451.64 in the Previous Year, for the purchase of property, plant and equipment and expenses on the construction in progress.

As at 31 December 2020, the Group's total liabilities and shareholders' equity amounted to RMB1,059,989,968.23 (as at 31 December 2019: RMB1,131,901,854.99). The Group's interest expenses amounted to RMB96,735.06 for the Year (for Previous Year: RMB102,087.06).

Contingent Liabilities

As at 31 December 2020, the Group did not have any contingent liabilities (as at 31 December 2019: Nil).

BUSINESS OUTLOOK

In 2021, the Company will closely follow the guidance of national policies, seize opportunities arising from national strategic adjustment, take the benchmarks of the targeted industry as the starting point and focus on the industrial development by closely surrounding the main line of promoting the improvement on quality and efficiency, so as to strengthen the guidance to the goal, target accurately, strengthen the building of capabilities and systems, increase industrial investment requirements and endeavor to complete various goals.

I. Strengthening industrial development and increasing industrial investment

1. Optical telecommunications business

The price of optical fiber is expected to remain low in 2021. The Company will focus on improving the quality and efficiency of procedures such as procurement, production and sales, so as to reduce the cost of raw materials and adapt to the competitive environment.

The Company will continue to negotiate with suppliers on the price of large procurements of raw materials. Without compromising product quality, it will stringently select suppliers, accurately control procurement volume, and continue its efforts to reduce costs and increase inventory turnover. At the same time, the Company plans to complete the smooth transition of domestic procurement of light rods and guarantee the pass rate. In terms of sales, the Company will continue to enlarge sales of G657 optical fiber and expand the market for Huawei's customized products. In terms of technological research and development, the Company will increase investment to strengthen the research and development and production of customized and specialized optical fiber.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Energy transmission cable business

The Company will continue to focus on “increasing revenue, reducing costs and turning losses”. With “quality, efficiency and innovation” as the starting point, the Company will promote market development and increased sales revenue, decreased production consumption expense, and cost-saving and efficiency-increasing work in various procedures.

The Company will increase its investment in technology, expand product categories, deepen existing locomotive cable markets, enhance its ability to innovatively meet market demand, and expand the market share for locomotives. The Company will also strengthen the construction of talent teams, improve the collaborative innovation system, and focus on the upstream and downstream industrial chain to introduce high-end talent.

3. Park operations

The Company will ensure the normal operation of parks by continuing COVID-19 prevention and control measures in accordance with requirements for normalization of epidemic prevention and control. The Company will also enhance its service quality, build characteristic parks, and expand value-added services within parks to realize value-added revenue. Continuing promotion of the Company’s energy-saving air compressor projects will further improve its energy-efficient control system.

II. Maintaining corporate governance in line with Party leadership

The Company will improve the system of Party construction and regulate the decision-making process of the Party Committee. By further studying and implementing the spirit of the Fifth Plenary Sessions of the 19th Central Commission for Discipline Inspection, the Company urges to review its list of issues and rectification resolutions on inspection work.

The Company will give full play to the role of political leadership to grasp the “Three Bases” construction, actively explore ways and means to effectively link the Party building responsibility system and the production and operation responsibility system, and to deepen the actual integration of the Party construction and the production and operation. By spending efforts in maintaining Party integrity and paying close attention to the working styles of cadres, the Company will thereby implement the “One Post with Two Responsibilities”.

The Company will organize the “100th Anniversary of the Founding of the Party” activities; ensure that the term of the Party committee is changed on time. By strengthening the construction of corporate culture, implement the main responsibility of forming ideology, the corporate cohesion will be enhanced.

III. Arrangements on key tasks

In light of the three-year reform requirements for state-owned enterprises, the Company will identify gaps, make up for shortcomings, strengths and weaknesses by comparing to benchmarked enterprises industry so as to solve outstanding problems of basic management. By comprehensively enhancing competitiveness, creativity, control, influence and anti-risk capabilities, the Company will effectively improve quality and efficiency.

1. Strategic management

Guided by industrial strategic planning for research and development, optical fiber and cable product sales, and Shuangchuang Park service operations, the Company will ensure the implementation of strategic planning on entities. The Company will follow the dual-driver development model for industry and resources, focus on optical communication industry development, strengthen its innovative capability, and make up for shortcomings in key businesses. For the energy transmission cable industry, the Company will focus on its professional products which will continue to be upgraded for professional group customers. For industrial park services, the Company aims to improve resource efficiency and increase service value.

2. Operation and management

The Company will strengthen its lean management, emphasize management efficiency and strive to reduce expenditures. The Company will increasingly adopt pragmatic measures to strengthen all-round and full-process refined management. It will strengthen on-site management to continuously improve gross profit margin, increase the market influence of energy transmission cable products, develop key new customers, and cultivate business cooperation in radiation processing.

The Company will continue to implement the “practice of austerity”, increase cost awareness, and implement cost controls on all staff, all elements and the whole process. It will continue to control the expense list and strengthen the refined management of the monthly budget. It will reduce non-production expenditures, stringently review budgetary expenditures, and prohibit expenditures not in the budget. Finally, it will regulate management’s post-related consumption and eliminate extravagance and waste unrelated to business operations.

The Company will deepen “Two Funds” reduction and control, improve the accuracy of reduction and control and enhance turnover efficiency. It will duly collect customer information and conduct credit evaluation, acquire and retain high-quality customers so as to control risks arising from account receivables from the source. It will establish and improve the sales account, monitor receipts, deliveries and contract execution, and send timely warning letters for outstanding accounts receivable. In accordance with the relevant provisions of the Company’s “Account Receivables Management System”, each entity regularly issues reconciliation letters to customers, and reports to the commerce department of the Company sales center, which will summarize the Company’s responses. In accordance to the principle of “determining production by sales and determining procurement by production”, it will strengthen source control, determine economic procurement volume, standardize process management of the receipt and delivery of inventory, strengthen the inventory system, carry out regular inventory counts, and clean out inefficient and invalid inventory, and also attempt to perform inventory audits of all entities to prevent further incurrence of inferior inventory.

The Company will strengthen its management of core businesses and concentrate appropriate resources in these businesses. It will strictly control investment in non-core businesses, accelerate the stripping of non-core and non-advantageous businesses, and dispose of inefficient and ineffective assets. The Company will give prominence to the strategic key direction of resource allocation, review and evaluate leftover investments, concentrate resources in core businesses with a good investment return and basic advantages as well as to serve strategic focuses. It will promote the implementation of special governance for loss-making enterprises, steer its joint ventures toward the goal of reducing losses and achieving turnaround, and boost their confidence and determination.

The Company will benchmark against industry leaders, identify gaps, make up for shortcomings and improve the overall standard of management. It will strengthen top-level design, coordination and planning, establish a scientific organizational structure and a sound and streamlined organizational system with clear objectives, clear boundaries and equal powers and responsibilities. We will improve the operating mechanism of organizations, compress management chains, optimize workflows, give full play to the leading role of information technology, and facilitate the in-depth integration of business and information technology. We will further improve the regulations and systems, accelerate the institutionalization, standardization, flow, and informatization of management, and strengthen the implementation and supervision of the system.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Science and technology management

The Company will establish a market-oriented innovation system, implement a product technology platform, increase research and development investment, and explore the product demands of established customers. It will establish development projects and gradually take into account the technical difficulties of developing products such as thin-walled cables, multi-core wire bundle, fire-resistant cables and high-temperature cables, and will strive for the commercialization of new energy cables.

The Chengdu Putian Cable Testing Center will be established to strengthen cooperation between colleges and enterprises and aid in the Company's product research and development.

The Company will improve its talent identification, attraction, appraisal and incentive system, strengthen training, and reinforce the building of a talent reserve. It will constantly improve talent development, the structure of its talent pool and talent quality. Channels of promotion for certain management and technical personnel will be refined, and the innovative vitality of scientific and technological talent fully exploited.

4. Risk management

The Company will optimize internal controls, its risk and compliance management system, and improve the risk prevention and control accountability performed as part of every party's duties and responsibilities. Internal risk investigation will be strengthened, and trade business and disguised financing trade business that are unrelated to the core businesses will be prohibited. At the same time, the Company will strengthen investment risk prevention and control and provide legal support for pre-investment due diligence. It will further enhance risk prevention and control awareness and ability, monitor early warnings, identify, evaluate, examine and respond to risks, and resolutely minimize the Company's exposure to major risks. The Company will implement relevant requirements of accountability for illegal operation and investment, improve the accountability work system and work plan, and strengthen work training and policy promotion. The Company will investigate the existence of any illegal operation and investment, and report to the discipline committee any violations of discipline and law that are found. In accordance with the specific requirements of "the subject of accountability covers all levels of enterprises", all levels of Company enterprises are to implement accountability in respect of the responsible person of an enterprise, the functional department and working personnel, and implement the underlying system to ensure full accountability of illegal operation and investment. The Company will conduct regular benchmarking supervision and inspection of operation and investment activities, and prevent and control behaviors that deviate from system requirements at an early stage.

The Company will continue 'three-system management' and identify risks related to the quality of product processes. The Company will strengthen its safety and environmental protection management at all levels to prevent accidents and ensure smooth production and operation. The Company will further enhance its energy conservation and environmental protection work and continue to implement COVID-19 prevention and control measures in accordance with requirements for the normalization of epidemic prevention and control. These measures include checks on visitors from medium and high risk areas, disinfection of parks; replenish everything in time and make reasonable reserves.

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 63 to 64 of this annual report.
2. The financial position of the Group as at 31 December 2020 is set out in the consolidated balance sheet on pages 58 to 60 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 71 of this annual report.
4. The cash flows of the Group are set out in the consolidated cash flow statement on pages 67 to 68 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 (2019: 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 14 of this annual report. These discussions form a part of the Report of the Directors.

FINANCIAL HIGHLIGHTS

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

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Operating income	417,285.97	449,256.75	614,607.55	763,966.05	1,332,288.89
Profit/("–" represents loss) before income tax	-57,060.16	-63,430.88	40,165.92	94,259.25	25,242.42
Income tax expense/("–" represents income)	0	-70.43	22,473.33	25,785.24	17,984.52
Profit/("–" represents loss) for the Year	-57,060.16	-63,360.44	17,692.59	68,474.01	7,257.90
Of which:					
Profit/("–" represents loss) attributable to shareholders of the Company	-43,191.71	-50,135.42	-15,012.92	30,325.35	-16,103.26
Minority interests	-13,868.45	-13,225.02	32,705.51	38,148.66	23,361.17
Total assets	1,059,989.97	1,131,901.85	1,257,656.67	1,373,945.77	1,307,464.50
Total liabilities	156,580.03	166,823.07	213,118.95	302,058.08	289,526.05
Minority interests	89,284.03	107,152.49	136,475.99	130,629.82	104,481.17
Total net assets	903,409.94	965,078.79	1,044,537.72	1,071,887.69	1,017,938.46

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

The principal activities of the Group are electric wire and cable, optical fiber and cable, wire and cable specific materials, irradiation processing, cable accessories, special equipment, equipment and different kinds of information industrial products (except categories restricted or prohibited by the State Council of the PRC) devices and equipment technology research and development, product manufacturing, sales and service. 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 XII 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.

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 fulfill 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 are as follows:

	Percentage (%)	
	2020	2019
Purchase		
Single largest supplier	45.64	45.66
Five largest suppliers	100	99.99
Sales		
Single largest customer	78	79
Five largest customers	100.00	100.00

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 2020 are set out in note VI 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 note V to the financial statements on pages 128 to 132 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 141 of this annual report.

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

BANK BALANCES

Details of changes in bank balances of the Group for the Year are set out in note V to the financial statements on page 107.

THE GROUP'S DISTRIBUTABLE RESERVES

The Group's reserves available for distribution to shareholders are the accumulated profits contained in the Group's financial statements prepared in accordance with the 《Accounting Standards for Business Enterprises – Basic Standards issued by the Ministry of Finance》. Accumulated undistributed profit as at 31 December 2020 is approximately RMB-236,378,761.97 (2019: Accumulated undistributed profit was approximately RMB-193,187,054.70) as set out in note V to the financial statements on page 142 of this annual report.

OVERDUE TIME DEPOSITS

As at 31 December 2020, 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

The company obtained the High-tech Enterprise Certificate on 3 December 2018, with a validity period of 3 years, and the certificate number is GR201851001557. The enterprise income tax will be paid at a reduced tax rate of 15% from 2018 to 2020.

The subsidiary company Chengdu SEI Optical Fiber Co., Ltd. obtained the High-tech Enterprise Certificate on 11 September 2020. The certificate is valid for 3 years. The certificate number is GR202051001074. The enterprise income tax will be paid at a reduced tax rate of 15% from 2020 to 2022.

REPORT OF THE DIRECTORS

RISK MANAGEMENT

The Group adheres to the principle that risk management must be in line with its overall business strategies and serve the Group's strategic concept while strengthening the risk classification and identification management and taking risk management as its daily routine. The Group's risk management targets to seek appropriate balance between the risks and benefits and minimize the effects of the risks on the Group's financial performance and maximize the interests of the shareholders and other equity investors. Based on such objectives, the Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor and control risks within a stipulated range in a timely and reliable manner.

1. Foreign exchange rate risk

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

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.

3. Market risk

The market risk refers to the risk that the decline in the market demand for the products of the Group when it's affected by the communication industry and advance of science and technology and that its market position being threatened by substitute products. The Group constantly and actively focuses on the development of communication industry and energy transmission technology. The information on developments and changes in new technology is timely reported back to technology system and will be handled by technology system as the development trend for product technology analysis; in connection with universities, we will explore ways of co-operation among schools, make use of school resources to establish new models for product research and development as well as talents introduction and cultivation; meanwhile, the Group strengthens its market forecasting capabilities, improves its respective management and maintenance for its different customer levels comprising of key customers, major customers and general customers, explores new customers and develops new markets.

4. Supply chain risk

The supply chain risks exposed by the Group refers to the costs which may be affected by price fluctuation of key raw materials due to the impact of the international situation and the COVID-19 epidemic, which may also cause risks to the sales and delivery of key products, affecting the Company's industrial production and sales in general. The Group will adjust its procurement strategy in a timely manner, adopt a procurement plan, lock in raw materials prices in accordance with the orders contract and continue to strengthen the management of prevention and control so as to ensure the safety of production.

5. Human resources risk

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

NUMBER OF SHAREHOLDERS

Details of the number of Shareholders as recorded in the register of members of the Company as at 31 December 2020 are as follows:

Classification	Number of Shareholders
State-owned legal person shares	1
Overseas listed foreign invested shares — H Shares	184
Total number of Shareholders	185

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, 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 156,232,999 H Shares of the Company, representing 39.06% of the total issued share capital of the Company. At the end of the Year, HKSCC held 156,250,999 H Shares of the Company, representing 39.06% 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 Group’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 2020, 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 Hong Kong & Shanghai Banking Corporation Limited	18,037,000	11.27%	4.51%
BOCI Securities Limited	10,477,000	6.54%	2.62%

Save as disclosed above, as at 31 December 2020, 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

SUFFICIENT PUBLIC FLOAT

According to public information available to the Company and to the best knowledge of each of the Directors, the Company has confirmed that the public have held sufficient shares during the Year and up to the date of this report.

DIRECTORS AND SUPERVISORS

During the Year and up to the date of this report, the Directors and Supervisors of the Company are as follows:

Executive Directors

Wu Changlin (*Chairman*)

Hu Jiangbing (*Vice Chairman*)

Han Shu

Wang Micheng

Xu Liying (*resigned on 22 December 2020*)

Liu Yun

Jiang Jianping (*appointed on 22 December 2020*)

Independent Non-executive Directors

Mao Yaping

Xiao Xiaozhou

Feng Gang

Supervisors

Lyu Dong (*Chairman, appointed on 24 June 2020*)

Xiong Ting

Liu Jun

PROFILE OF DIRECTORS, SUPERVISORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

1. Directors

Executive Directors

Mr. Wu Changlin, aged 55, a bachelor's degree holder, has a bachelor's degree in Economics (majoring Finance and Accounting) from Beijing Vocational College of Finance and Commerce. He is an executive Director and the Chairman of the ninth session of the Board of the Company. He is the general accountant and standing committee member of the party committee of China PUTIAN Corporation, and concurrently serves as an executive director, a member of executive committee and financial controller of China Potevio Company Limited, a director and chairman (legal representative) of Putian Yintong Payment Co., Ltd., a director and chairman of Putian New Energy Co., Ltd. (普天新能源有限責任公司), etc. Mr. Wu was previously the manager and deputy general manager of finance department of Wanda Posts and Telecommunications Co., Ltd. (郵電萬達通信有限公司), deputy general manager and general accountant of Beijing Putian Taili Telecommunications Technology Co., Ltd. (北京太力通信技術開發公司), deputy division chief of capital division of finance department of China PUTIAN Corporation, general manager of finance department and general manager of capital operation department of China Potevio Company Limited, deputy general accountant of China PUTIAN Corporation, etc. Mr. Wu joined the Company in November 2018. He has nearly 30 years of extensive experience in financial management and capital operation.

Mr. Hu Jiangbing, aged 52, a bachelor's degree holder, has a bachelor's degree in Engineering (majoring Telecommunication Engineering) from Chongqing Institute of Posts and Telecommunications. He is an executive Director and the Vice Chairman of the ninth session of the Board of the Company. He is the Secretary of the Party Committee and General Manager of the Company. Mr. Hu was previously a technician of institute, an engineer of video branch of factory, deputy factory manager of machine branch of factory, general manager and secretary of branch of technical quality department and deputy factory manager of Xi'an Putian Communication Equipment Factory (西安普天通信設備廠), general manager of China Putian Information Industrial Xi'an Company (中國普天信息產業西安公司), and a committee member of party committee and deputy general manager of Xi'an Putian Telecommunication Co., Ltd (西安普天通信有限公司). Mr. Hu joined the Company in November 2018. He has extensive experience in telecommunication technology and corporate management.

Mr. Han Shu, aged 57, 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 ninth session of the Board of the Company and senior manager of capital operation department of China PUTIAN Corporation. 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 and business department I of China Potevio Company Limited, and chairman of Putian Logistics Technology Co., Ltd. Mr. Han has over twenty years of extensive experience in communication and information technology.

Mr. Wang Micheng, aged 54, 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 of the ninth session of the Board 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). 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 and general manager of the Company. Mr. Wang has over twenty years of extensive experience in corporate management.

REPORT OF THE DIRECTORS

Ms. Liu Yun, aged 47, 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 an executive Director of the ninth session of the Board of the Company and the general manager of corporate operation department of China PUTIAN Corporation, 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), Putian Logistics Technology Co., Ltd (普天物流技術有限公司), Nanjing Putian Communication Co., Ltd. (南京普天通信股份有限公司), Putian New Energy Co., Ltd. (普天新能源有限責任公司) and Tianjin Zhongtian Communication Co., Ltd. (天津中天通信有限公司). 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, the investment management supervisor, investment management manager and deputy general manager of Enterprise Development Department of China Potevio Company Limited and the deputy general manager of Putian Innovation and Entrepreneurship Management Co., Ltd. (普天創新創業管理有限公司). Ms. Liu has extensive experience in finance, economic management and investment.

Mr. Jiang Jianping, aged 50, a master's degree holder, holds a bachelor's degree in economics majoring in accounting and a master's degree in economics majoring finance from Central University of Finance and Economics. He is currently a deputy general manager of the capital operation department of China PUTIAN Corporation and an executive director of Beijing PUTIAN Investment Management Company Limited* (北京普天聯創投資管理有限公司). Mr. Jiang had been an executive director of the sixth session of the Board of the Company from September 2009 to November 2012. Mr. Jiang had consecutively held positions as a deputy division chief of the general affairs division of China Everbright Group Limited (中國光大(集團)總公司), investment business manager, senior investment business manager, deputy manager of corporate development department, deputy general manager of enterprise development department of China Potevio Company Limited*, deputy general manager of Putian Sea Oil New Energy Power Co., Ltd (普天海油新能源動力有限責任公司), and assistant general manager, deputy general manager, secretary of the discipline inspection commission, chairman of the trade union, deputy secretary of party committee, member of the standing committee of Liaoyuan City, Jilin Province, and deputy mayor (temporary post for training) of Putian New Energy Limited Liability Company* (普天新能源有限責任公司). Mr. Jiang has over 20 years of extensive experience in economic analysis and capital operation.

Independent Non-executive Directors

Ms. Mao Yaping, aged 54, holds the Certificate of Certified Public Accountants, the Certificate of Expert Reviewer Qualification of Sichuan Province, the Certificate of Expert Reviewer Qualification of Sichuan Provincial Government and the Certificate of Senior Consultant. She is an independent non-executive director of the ninth session of the Board of the Company. She serves as the legal representative and the CPA-in-chief of Sichuan Xieyi Accounting Firm (四川協誼會計師事務所). She has been engaged by the People's Government of Sichuan Province as an expert for engineering and economics and PPP projects. She has been engaged by Sichuan Provincial Finance Department as an expert for economics. Ms. Mao has presided over and accomplished various accounting, auditing, financial and economic analysis, research on regional economy, industry development planning and engineering and construction consultation in Sichuan Province and Chengdu. Ms. Mao has extensive experience in financial, economics and management and project review. Ms. Mao joined the Company in April 2018.

Mr. Xiao Xiaozhou, aged 67, has a bachelor's degree in engineering from Southwest Jiaotong University. He is an independent non-executive director of the ninth 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 and eighth session of the Board of the Company. Mr. Xiao joined the Company in July 2013.

Mr. Feng Gang, aged 55, has a doctor's degree in philosophy from Chinese University of Hong Kong and a master's degree and bachelor's degree in electronics and communication from the University of Electronic Science and Technology of China ("UESTC"). He is an independent non-executive director of the ninth session of the Board of the Company. He is the professor and doctoral advisor of the National Key Laboratory of Science and Technology on Communications of UESTC. Mr. Feng was previously a teaching assistant of the information system office and a lecturer of the department of radio technology of UESTC. Mr. Feng worked at the School of Electrical & Electronic Engineering, division of Information Communication Institute of Singapore ("ICIS") of Nanyang Technological University ("NTU"), and later the associate professor at the Network Technology Research Centre of NTU. Mr. Feng joined the Company in November 2018.

Independence of Independent Non-executive Directors

The Company has received annual written confirmation of independence from all independent non-executive Directors under Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Service Contracts of Directors

Each of the existing Directors appointed or re-elected on 13 November 2018 has entered into a service contract with the Company, with a term of three years commencing from 13 November 2018 to the date when a new session of the Board is elected at an extraordinary general meeting to be held in 2021. Mr. Wu Changlin and Mr. Hu Jiangbing have also entered into service contracts with the Company, with a term commencing from 22 November 2018 to the expiry date of the term of the ninth session of the Board. All the executive Directors will not receive Director's remuneration. Mr. Jiang Jianping has also entered into a service contract with the Company, with a term commencing from 22 December 2020 to the conclusion of the 2020 annual general meeting. Instead, their remuneration will be determined by China Putian with reference to his specific administrative duties and upon assessment by China Putian in accordance with relevant requirements of the PRC and its internal remuneration management regulations. The remuneration for each independent non-executive Director for his/her services provided under his/her service contract is RMB50,000 per annum (before tax).

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. Lyu Dong ("Mr. Lyu"), aged 49, a postgraduate, holds a bachelor's degree in economics from Xi'an Jiaotong University and a master's degree in management from the Chinese Academy of Sciences. He currently serves as the deputy general manager of China PUTIAN Corporation (中國普天信息產業集團有限公司), and concurrently serves as a supervisor and the chairman of supervisory committee of Wuhan PUTIAN Power Co., Ltd. (武漢普天電源有限公司) and Beijing Putian Taili Telecommunications Technology Co., Ltd. (北京普天太力通信科技有限公司) and a supervisor of Jinde Town Putian Technology Co., Ltd. (景德鎮普天科技有限公司), Puxing Mobile Tech Company Limited (普興移動通訊設備有限公司), Putian Information Engineering Design Services Co., Ltd. (普天信息工程設計服務有限公司) and Putian International Trade Co. Ltd. (普天國際貿易有限公司). From August 1995 to February 2002, Mr. Lyu successively served as an accountant in the finance department of Beijing Power Equipment Factory (北京電力設備總廠), the auditor in the audit office of North China Electric Power Bureau (華北電力局), and project managers in the 13th Office of Central Work Committee for Enterprises (中央企業工委監事會13辦事處) and Tianhua Accounting Firm (天華會計師事務所). Mr. Lyu then joined Potevio Group in February 2002, and successively served as an auditor in the audit department, the audit manager and deputy manager in the audit and supervision department and the manager and deputy general manager in the audit, supervision and legal affair department of China Potevio Company Limited (中國普天信息產業股份有限公司). Mr. Lyu has over 20 years of experience in internal control management and supervision and auditing.

Mr. Xiong Ting, aged 58, obtained a bachelor's degree in university. He is the Supervisor of the ninth 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, seventh and eighth 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

Mr. Liu Jun, aged 51. Mr. Liu graduated from Chengdu Radio and Television University with a College degree in property management. He is an assistant engineer. Mr. Liu currently is manager of the Party-Masses Work Department and the vice chairman of the labor union of the Company. Mr. Liu joined the Company in August 1990, and served as a technician, assistant engineer and factory assistant of power plant, assistant manager of the property management department and the deputy director of Party-Masses Work Department. Mr. Liu was democratically elected by the staff of the Company at the labor congress as a staff representative Supervisor of the ninth session of the Supervisory Committee of the Company.

Service Contracts of Supervisors

Each of the existing Supervisors appointed or re-elected on 13 November 2018 has entered into a service contract with the Company, with a term of three years commencing from 13 November 2018 to the date when a new session of the Supervisory Committee is elected at an extraordinary general meeting to be held in 2021. Mr. Lyu Dong has also entered into a service contract with the Company, with a term commencing from 24 June 2020 to the date when a new session of the Supervisory Committee is elected at an extraordinary general meeting to be held in 2021. Terms of office of all Supervisors are renewable for re-election or reappointment upon expiration.

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

Mr. Shum Shing Kei, aged 49, joined the Company on 1 August 2017. Mr. Shum holds a Bachelor Degree (Hon) in Accountancy from Hong Kong Polytechnics and a Master Degree in Financial Management from University of London, United Kingdom. Mr. Shum is a fellow member of The Hong Kong Institute of Certified Public Accountants and has extensive working experience in financial management and company secretarial fields.

4. Senior Management

Ms. Yu Qian, aged 52, 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 Optical Fiber Co., Ltd (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 54, 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.

Ms. Dai Xiaoyi, aged 47, has a college degree in fiber-optic communication from faculty of telecommunication engineering of Chongqing Institute of Posts and Telecommunications. She currently serves as the deputy general manager of the Company. Ms. Dai joined the Company in 1995. She served as a technician of quality division, an engineer of examination center, the deputy director and director of Party-Masses Work Department, the vice chairman of the labor union, the deputy secretary of Disciplinary Commission, assistant to general manager, etc.

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 its staff and contributed to the social insurance for staff in accordance with the regulatory requirements. Sexual or racial discrimination, child labor and forced labor are strictly prohibited, and the 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 2020, the Group had 588 staff members.

The Group has formulated Measures for Employee Performance Management of the Company (《公司員工績效管理辦法》), Measures for Performance Management of Managers (grade III and above) of the Company (《公司三級以上經理績效管理辦法》) and Measures for Remunerations and Incentives Management (《薪酬激勵管理辦法》) and Measures for the Work Plan System Management (《工作計劃系統管理辦法》), by which the Group has established a complete remuneration system and specified the remuneration structure, remuneration standards and remuneration management. Employees are remunerated based on their position levels, working ability and performance levels, and they are awarded with performance bonus and remuneration adjustment according to their results of performance assessment. 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 Group 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. The Company made a total contribution amounting to approximately RMB2.2152 million in the Year (Previous Year: approximately RMB2.9180 million). 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

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 subsidy for students offered by Chengdu SEI Optical Fiber Co., Ltd, a subsidiary of the Company, amounted to RMB30,000 (2019: 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 other 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 2020, none of the Directors, Supervisors and Chief Executives or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under Part XV of the SFO), or which would have to be, pursuant to section 352 of the SFO, entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (for this purpose, the relevant provisions of the SFO were interpreted as the same also applicable to Supervisors).

SHAREHOLDING OF DIRECTORS AND SUPERVISORS

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

PURCHASE AND SALE OF SHARES OR DEBENTURES BY DIRECTORS AND SUPERVISORS

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

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details about the remuneration of Directors, Supervisors and Senior Management are set out in note IX to the financial statements on pages 172 to 173 of this annual report.

FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest paid individuals in the Group during the Year are set out in note IX to the financial statements on page 174 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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 page 139 of this annual report.

PLEDGE OF ASSETS

During the Year, due to sufficient working capital for production and operation, the Group did not obtain any new loan from banks which was secured by the Group's assets (2019: the Group did not obtain any loan from banks which was secured by the Group's assets). As of 31 December 2020, the Group did not pledge any asset as security (2019: Nil).

PRE-EMPTIVE RIGHTS

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

CONVERTIBLE SECURITIES, SHARE OPTIONS, WARRANTS OR RELEVANT ENTITLEMENTS

During the Year, the Group did not issue any convertible securities, share options, warrants or relevant entitlements.

REPORT OF THE DIRECTORS

PERMITTED INDEMNITY PROVISION

The Company has purchased and maintained liability insurance for its Directors and Senior Management for any possible legal liabilities arising from the performance of their duties, so that they are secured harmless against all actions, costs, losses, damages and expenses which they may incur or sustain arising from any act of execution of their duties in the Company.

Significant Events

1. 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.

(i) *Sumitomo Framework Purchase Agreement*

On 20 December 2019, the Company entered into the Sumitomo Framework Purchase Agreement for a term of one year commencing from 1 January 2020, in respect of the purchase of optical fiber preform and paints and subscription for related technical services 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 under the Sumitomo Framework Purchase Agreement are as follows:

Date	:	20 December 2019
Parties	:	The Company and Sumitomo Electric
Subject matter	:	The Group shall purchase optical fiber preform and paints and subscribe for related technical services from Sumitomo Electric Group from time to time during the tenure of the Sumitomo Framework Purchase Agreement
Tenure	:	1 January 2020 to 31 December 2020

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.

REPORT OF THE DIRECTORS

The annual caps under the Sumitomo Framework Purchase Agreement for the Year is RMB260,000,000.

During the Year, the aggregate payment made by the Company to Sumitomo Electric was approximately RMB87,794,000.

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:

- (i) have not been approved by the Board;
- (ii) were not, in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of goods or services by the Group;
- (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
- (iv) have exceeded the relevant annual caps as disclosed in the previous announcement dated 20 December 2019 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.

Details of the above continuing connected transaction is set out in the announcement dated 11 December 2020,

REPORT OF THE DIRECTORS

(ii) *The disposal of 12.5% equity interest in Putian Fasten*

On 24 July 2020, the Board resolved on the disposal of 12.5% equity interest (the "Disposal") in Putian Fasten Cable Telecommunications Co. Ltd. ("Putian Fasten").

As China Potevio Company Limited is the controlling shareholder of the Company holding 60% equity interest in the Company, China Potevio is a connected person of the Company under Chapter 14A of the Listing Rules. As the Company and China Potevio Company Limited had sold their equity interests, 12.5% and 5% in Putian Fasten respectively at the same time, the transaction constituted as a connected transaction of the Company under Chapter 14A of the Listing Rules.

According to the relevant laws and regulations of the PRC and the Disposal was subject to a public tender process organized by an approved equity exchange in accordance with the relevant laws and regulations of the PRC concerning the disposal of state-owned assets.

On 16 October 2020, an extraordinary general meeting was convened, and the independent shareholders of the Company resolved on the Disposal. On 11 December 2020, Jiangsu Fasten Optics Telecommunications Technology Limited ("Fasten Optics") won the bid to acquire the 12.5% interest of Putian Fasten from the Company at the consideration of RMB 67,614,500. The completion of the Disposal shall take place after the consideration has been fully settled. Upon completion the Company's equity interest in Putian Fasten would decrease from 22.5% to 10%.

Details of the above connected transaction is set out in the announcement dated 11 December 2020.

2. Related party transactions

Related party transactions of the Company are set out in note IX 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 "Connected Transactions" on pages 28 to 30 of this annual report. It has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

3. Contract of significance

Save as disclosed in the section headed "Connected Transactions" of this Report of the Directors, none of the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder or any of its subsidiaries, and there is no contract of significance in relation to provision of services by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

MATERIAL LITIGATION

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

CORPORATE GOVERNANCE AND CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

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

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

The Company established the Audit Committee in accordance with the Listing Rules. The members of the Audit Committee are Ms. Mao Yaping (Chairman of the Audit Committee), Mr. Xiao Xiaozhou and Mr. Feng Gang, 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 2020.

The Audit Committee considered that the audited financial statements and annual results of the Company for 2020 were in full compliance with the requirements of the applicable accounting standards, laws and regulations and appropriate disclosure was made.

AUDITORS

The Company re-appointed Pan-China Certified Public Accountants as the auditors of the Company at the annual general meetings held on 24 June 2020.

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
Wu Changlin
Chairman

26 March 2021

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 2020 (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:



GOVERNANCE STRUCTURE

(a) Corporate Governance and Corporate Governance Code

The Company acknowledges the need and importance of corporate governance as one of the key elements in creating shareholder's value. 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.

(c) The Board of Directors

The ninth session of the Board was elected at the first extraordinary general meeting for 2018 held on 13 November 2018 and the annual general meeting for 2018 held on 20 June 2019. On 22 December 2020, Ms. Xu Liying resigned from the positions of executive director and member of the Remuneration and Appraisal Committee due to personal reasons. The Board appointed Mr. Jiang Jianping as an executive director and a member of the Remuneration and Appraisal Committee, and he shall re-elect at the 2020 annual general meeting. The Board currently comprises a total of 9 members, with 6 executive Directors and 3 independent non-executive Directors.

Executive Directors

Mr. Wu Changlin (*Chairman*)
Mr. Hu Jiangbing (*Vice Chairman*)
Mr. Han Shu
Mr. Wang Micheng
Ms. Liu Yun
Mr. Jiang Jianping

Independent Non-executive Directors

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

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.

CORPORATE GOVERNANCE REPORT

Each of the existing Directors appointed or re-elected on 13 November 2018 has entered into a service contract with the Company, with a term of three years, commencing from 13 November 2018 to the date when a new session of Board is elected at an extraordinary general meeting to be held in 2021. Mr. Wu Changlin and Mr. Hu Jiangbing have also entered into service contracts with the Company, with a term commencing from 22 November 2018 to the date when a new session of Board is elected at an extraordinary general meeting to be held in 2021. Mr. Jiang Jianping has also entered into a service contract with the Company, with a term commencing from 22 December 2020 to the date of the 2020 annual general meeting, and to re-elect on the meeting. 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 is able to fulfill the requirements set out in rules 3.10(1) and (2) of the Listing Rules.

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 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 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 the Directors and senior management;
- (d) to review and monitor the 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 the CG Code and disclosure in the corporate governance report.

During the Year, five 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

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	2019 Annual General Meeting Attended
Executive Directors		
Mr. Wu Changlin (<i>Chairman</i>)	5/5	
Mr. Hu Jiangbing (<i>Vice Chairman</i>)	5/5	✓
Mr. Han Shu	5/5	
Mr. Wang Micheng	5/5	
Ms. Xu Liying ¹	5/5	
Ms. Liu Yun	5/5	
Mr. Jiang Jianping ²	-/-	
Independent Non-executive Directors		
Ms. Mao Yaping	5/5	✓
Mr. Xiao Xiaozhou	5/5	
Mr. Feng Gang	5/5	✓

1. Resigned on 22 December 2020

2. Appointed on 22 December 2020

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

The reporting responsibilities of the Company's external auditors on the financial statements of the Group are set out in the "Auditor's 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.

CORPORATE GOVERNANCE REPORT

Independent non-executive directors

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 independence of Listing Rules. According to the Listing Rules, each independent non-executive Director had confirmed his/her independence to the Stock Exchange prior to his/her 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 meetings, either by attending in person or by way of electronic communication, was relatively high.

Board meetings

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

(d) Chairman and General Manager

The Company's Chairman and the General Manager are appointed by the Board. The positions are respectively taken up by Mr. Wu Changlin and Mr. Hu Jiangbing. 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. The Chairman also encourages the Directors to make full and active contributions to the Board's affairs, to voice their concerns or different views and ensure that the decisions fairly reflect the consensus.

CORPORATE GOVERNANCE REPORT

(e) Independent Non-Executive Directors

The Company has three independent non-executive Directors, representing one-third of the Board. They are assumed by persons totally independent of Directors, Supervisors, Chief Executives and substantial shareholders (as defined in the Listing Rules). Each of the independent non-executive Directors has a term of office for three years commencing from 13 November 2018. Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang, our independent non-executive Directors, strictly comply with the independent requirements of the Listing Rules. The three independent non-executive Directors assume membership in the audit committee, nomination committee, remuneration and appraisal committee, and strategic development committee under the Board.

(f) Professional Trainings Taken by Directors

Directors shall keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company. All Directors are encouraged to participate in continuous professional development to further develop their knowledge and skills. The Company has arranged lawyers' training and 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. Wu Changlin (<i>Chairman</i>)	✓	✓
Mr. Hu Jiangbing (<i>Vice Chairman</i>)	✓	✓
Mr. Han Shu	✓	✓
Mr. Wang Micheng	✓	✓
Ms. Xu Liying ¹	✓	✓
Ms. Liu Yun	✓	✓
Mr. Jiang Jianping ²	–	–
Independent Non-executive Directors		
Ms. Mao Yaping	✓	✓
Mr. Xiao Xiaozhou	✓	✓
Mr. Feng Gang	✓	✓

1. Resigned on 22 December 2020

2. Appointed on 22 December 2020

(g) Remuneration and Appraisal Committee

The remuneration and appraisal committee currently comprises five members, comprising three independent non-executive Directors, Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang and two executive Directors, Mr. Han Shu and Mr. Jiang Jianping. 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.

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.

During the Year, the committee held one meeting to review the remuneration of senior management.

During the Year, independent non-executive Directors, namely Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang, 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.

CORPORATE GOVERNANCE REPORT

(h) **Nomination Committee**

The nomination committee currently comprises five members, including three independent non-executive Directors, Mr. Feng Gang, Ms. Mao Yaping, Mr. Xiao Xiaozhou and two executive Directors, Mr. Wang Micheng and Ms. Liu Yun. The committee is chaired by Mr. Feng Gang. 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. In January 2019, the Company has revised director nomination policy to comply with the new requirement under the Listing Rules. The committee is also responsible for reviewing the structure, size, composition and diversity (including but not limited to gender, ages, cultural and education backgrounds, occupations, experience, skills, knowledge and length of service) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. The committee supervises the implementation of Board Diversity Policy, reviews such policy at least once a year to ensure its effectiveness, and advise the Board of Directors on any proposed revision of the policy. The committee carries out extensive search for qualified candidates for Directors and managers and it is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and the vice chairman and the chief executive officer of the Company. The committee consults the chairman of the Board about his proposals relating to the process for Board appointments and for identifying and nominating candidates as members of the Board.

The criteria for the committee to select and recommend a candidate for directorship include the candidate's skills, knowledge, experience and integrity and whether he/she can demonstrate a standard of competence commensurate with his/her position as a director of the Company. The chairman of the nomination committee shall report the approved resolution(s) and the voting results to the Board after each meeting in writing. The terms of reference of the nomination committee shall be made available for inspection on request, details of which are also published at the website of the Company (<http://cdc.com.cn>).

During the Year, the nomination committee had convened one meeting to discuss the candidates for executive director.

(i) **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 Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang, and is chaired by Ms. Mao Yaping.

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 were revised in January 2019 to comply with the new requirement under the Listing Rules and it 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 2019, the interim results and its corresponding accounts for the six months ended 30 June 2020, discussed the Company's works on internal control matters and other works as required under the CG Code. 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.

(j) **Strategic Development Committee**

The strategic development committee currently comprises five members, including three independent non-executive Directors, Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang and two executive Directors, Mr. Wu Changlin and Mr. Hu Jiangbing. The committee is chaired by Mr. Wu Changlin.

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 three-year development plan of the Company and the management objective of ESG 2020.

CORPORATE GOVERNANCE REPORT

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:

Name of Directors	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. Wu Changlin (<i>Chairman</i>)	–	–	–	1/1
Mr. Hu Jiangbing (<i>Vice Chairman</i>)	–	–	–	1/1
Mr. Han Shu	–	–	1/1	–
Mr. Wang Micheng	–	1/1	–	–
Ms. Xu Liying ¹	–	–	1/1	–
Ms. Liu Yun	–	1/1	–	–
Mr. Jiang Jianping ²	–	–	–	–
Independent Non-executive Directors				
Ms. Mao Yaping	2/2	1/1	1/1	1/1
Mr. Xiao Xiaozhou	2/2	1/1	1/1	1/1
Mr. Feng Gang	2/2	1/1	1/1	1/1

1. Resigned on 22 December 2020

2. Appointed on 22 December 2020

(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 by the Company to the auditor totaled RMB820,000.

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 13 November 2018, the 2018 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 Company held a labor congress on 27 July 2017. At the labor congress, Mr. Liu Jun was democratically elected by the staff of the Company as a staff representative Supervisor of the Supervisory Committee of the Company to take the place of Ms. Dai Xiaoyi. On 29 November 2019, Mr. Zheng Zhili resigned from the positions of the supervisor and chairman of the Supervisory Committee of the Company. On 24 June 2020, the Company held the 2019 annual general meeting to elect Mr. Lyu Dong as a supervisor of the Company. The Supervisory Committee of the Company also held a meeting on the same day to elect Mr. Lyu Dong as the chairman of the Supervisory Committee. The current members of Supervisory Committee are Mr. Lyu Dong (Chairman), Mr. Xiong Ting and Mr. Liu Jun.

During the Year, the Supervisory Committee convened three 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, 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

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. The Company has set up a comprehensive risk management committee headed by Hu Jiangbing, General Manager, 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

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

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 2020, 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
0-1,000	4

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, 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.

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.

DIVIDEND POLICY

The Company is allowed to distribute dividends pursuant to the Articles of Association. The Company may distribute profit in the form of cash, shares, or by the combination of cash and shares, and shall adopt cash distribution as the prioritised mean to distribute profit provided that the conditions for cash distribution are satisfied. Subject to the fulfilment of the conditions for declaring cash dividend, in addition to propose a cash dividend proposal, the Board can propose and implement a script dividend proposal if it considers the scale of the share capital and shareholding structure of the Company are reasonable.

Subject to compliance with the principle of profit distribution, and provided that normal operation and long term development of the Company is guaranteed, if the conditions for declaring cash dividends are fulfilled, the Company shall, in principle, declare cash dividends once a year. The Board may also propose to the Company to make interim cash dividends based on the Company's profitability and capital needs.

In formulating a dividend plan, the Board will consider factors including but not limited to: the actual and expected financial results of the Group; the retained earnings and distributable reserves of the Group; the debt-to-equity ratio and return on equity of the Group, and the financial restrictions of the Group; the overall economic situation, the business cycle of the Group's business, and other internal or external factors that may affect the Group's business or financial performance and position, etc. In principle, the dividend pay-out ratio of the Company shall not be less than 25% of the distributable profit.

For the purposes of determining the dividend payable by the Company, the Company's statutory surplus reserve fund and the Company's public welfare fund will not form part of the distributable profit of the Company. The statutory surplus reserve fund of the Company can only be used for making up any losses of the Company by being transformed into share capital of the Company. The distributable profit is based on the net profit attributable to the owner of the parent company in the current interim financial statements audited by the accounting firm or the net profit in the parent company's statement, whichever is higher, after deducting the unrecovered losses of the previous year and the balance of statutory provident fund after allocation.

The profit distribution plan shall be proposed by the Board and finally submitted to the shareholders of the Company for consideration and approval at the shareholders' general meeting. The Company shall actively communicate with shareholders (especially minority shareholders) through various channels to listen to opinions and demands of minority shareholders.

Under the Articles of Association, the cash dividends of H Shares are announced in RMB and will be distributed in Hong Kong dollars to the holders of H Shares, the exchange rate being the average closing exchange rate of designated bank in the previous week prior to distribution. Where the foreign reserve is not sufficient to meet the dividends to be distributed, the Company will make currency exchange in RMB at designated bank to distribute dividends.

For ordinary Shareholders, including holder of Domestic Shares, the dividends of the Company will be distributed in RMB. For holders of H Shares, the dividends of the Company will be distributed in Hong Kong dollars in accordance with the regulations of the State Administration of Foreign Exchanges (SAFE) of the PRC.

COMPANY SECRETARY

The Company engages an external service provider company secretarial services and Mr. Shum Shing Kei is appointed as the Company Secretary. The primary contact person in the Company for Mr. Shum in relation to company secretarial matters is Mr. Hu Jiangbing, 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 he has taken no less than 15 hours of relevant professional training and has complied with the requirements in Rule 3.29.

CORPORATE GOVERNANCE REPORT

GENERAL MEETING

The general meeting, as 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 20 Hong Kong working days 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 2020, the Company convened one annual general meeting and one extraordinary general meeting.

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 3% 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.

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 2020, 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>).

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 2020, 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 2020, 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 2020 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.

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 2020, the Company had no other material litigations.

In 2020, under the leadership of the Board and the Supervisory Committee and based on the “Seven Improvements and Enhancements”, the Company has promoted innovation to meet market demand. The Company focused on major responsibilities and core businesses, adjusting and optimizing its industrial structure around the telecommunications business. To support “Disposal and Governance of Zombie Enterprises and Assisting Enterprises with Difficulties”, the Company placed emphasis on the core technological and business capabilities of enterprises and focused on reducing the annual losses of loss-making subsidiaries. In connection with this, it implemented various works focused on target markets, product research and development, and team-building. Austerity measures were further implemented to release idle resources, enhance management service capabilities, continue to reduce costs and increase efficiency, optimise and improve internal control, and support the healthy development of the Company.

In 2021, 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 as always 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.

Supervisory Committee

Lyu Dong
Chairman

25 March 2021

AUDITOR'S REPORT



PCCPAAR [2021] No. 1-508

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 December 31, 2020, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

II. BASIS FOR AUDIT OPINION

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

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 express a separate opinion on these matters.

(I) Impairment of accounts receivable

1. Key audit matters

Please refer to section III (IX) 5 and V (I) 3 of the notes to the financial statements for details.

As of December 31, 2020, the book balance of accounts receivable amounted to 114,282,190.17 yuan, with provision for bad debts of 54,387,620.36 yuan, and the carrying amount amounted to 59,894,569.81 yuan.

For accounts receivable with impairment tested on an individual basis, if there is objective evidence indicating impairment loss, the management of Chengdu PUTIAN Telecommunications Cable Company Limited (the "Management") shall estimate present value of future cash flows and determine provision for bad debts to be accrued based on a comprehensive consideration of debtors' industry condition, management situation, financial status, lawsuits, repayment records, value of collaterals and other factors; for accounts receivable with impairment tested on a collective basis, the Management classifies portfolios of accounts receivable based on ages, related Party relationship, and estimates present value of future cash flows and determines provision for bad debts to be accrued based on the historical loss rate of portfolios with similar credit risk features after making adjustments in combination with actual situation.

As the amount of accounts receivable is significant and impairment test involves significant judgment of the Management, we have identified impairment of accounts receivable as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for impairment of accounts receivable are as follows:

- (1) We obtained understandings of key internal controls related to impairment of accounts receivable, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of the operation;
- (2) We reviewed the accounts receivable with provision for bad debts made in previous periods for their subsequent write-off or reversal, and assessed the accuracy of historical estimations made by the Management;
- (3) We reviewed the consideration of the Management on credit risk assessment for the receivables and objective evidence, and assessed whether the credit risk characteristics of each receivable had been sufficiently identified by the Management;
- (4) For accounts receivable with impairment test performed on an individual basis, we obtained the Management's estimations on the present value of future cash flows, assessed the reasonableness of key assumptions and the accuracy of data adopted in the estimations, and checked them with the external evidence we obtained in the course of audit;

AUDITOR'S REPORT

- (5) For accounts receivable with impairment test performed on a collective basis, we assessed the reasonableness of portfolio classification on the basis of credit risk features; we assessed the reasonableness of the impairment test method (including the proportion of provision for bad debts in each portfolio determined based on the historical loss rate and relevant observable data that can reflect current situation, etc.); we tested the accuracy and integrity of data (including ages of accounts receivable, etc.) used by the Management and whether the calculation of provision for bad debts was accurate;
- (6) We checked the subsequent collection of accounts receivable and assessed the reasonableness of provision for bad debts made by the Management;
- (7) We checked whether information related to impairment of accounts receivable had been presented appropriately in the financial statements.

(II) Net realizable value of inventories

1. Key audit matters

Please refer to section III(X), (XXVIII) 3 and V (I) 7 of the notes to the financial statements for details.

As of December 31, 2020, the book balance of inventories amounted to 80,431,355.16 yuan, with provision for bad debts of 19,010,634.14 yuan, and the carrying amount amounted to 61,420,721.02 yuan.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value, with provisions for inventory write-down made on the excess of its cost over the net realizable value on a collective basis/on an individual basis. Based on the Management's consideration over purposes that the inventories were held for, the estimated selling price is determined based on historical selling price, actual selling price, contractual selling price, market price of identical or similar products, future market trend, etc., and the net realizable value of these inventories is determined based on the amount of the estimated selling price less the cost to be incurred upon completion, estimated selling expenses and relevant taxes and surcharges.

As the amount of inventories is significant and determination of net realizable value involves significant judgment of the Management, we have identified net realizable value of inventories as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for net realizable value of inventories are as follows:

- (1) We obtained understandings of key internal controls related to net realizable value of inventories, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of their operation;
- (2) We reviewed the net realizable value estimated by the Management in previous years and the actual operating results, and assessed the accuracy of the Management's historical estimations;
- (3) We reviewed the estimation on selling price made by the Management by sampling method and compared the estimated selling price with historical data, subsequent situation, market information, etc.; For the inventory sold after the period, the estimated selling price is compared with the actual sales price; for the inventory that has not been sold after the period, the information of the selling price of the public market is independently obtained and compared with the estimated sales price.
- (4) We assessed the reasonableness of estimation on cost to be incurred upon completion, selling expenses and relevant taxes and surcharges made by the Management;
- (5) We tested whether the calculation of net realizable value of inventories made by the Management was accurate;
- (6) We checked whether there existed situations such as inventories with long stock age and obsolete model, decline in production, fluctuation of production cost or selling price, change in technology or market needs, etc. in combination with stocktaking, and assessed whether the net realizable value of inventories was reasonably estimated by the Management;
- (7) We checked whether information related to net realizable value of inventories had been presented appropriately in the financial statements.

IV. OTHER INFORMATION

The Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be available to us after the audit report date.

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.

AUDITOR'S REPORT

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

The Management is responsible for preparing and presenting fairly the financial statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

VI. CERTIFIED PUBLIC ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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. Misstatement 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.

We exercise professional judgment and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. 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.
- (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's 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.

AUDITOR'S REPORT

- (V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain sole responsibility for our audit opinion.

We communicate with those charged with governance regarding the planned audit scope, time schedule and significant audit findings, including any deficiencies in internal control of concern 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.

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
(Engagement Partner)

Zhou Zhongkui

Chinese Certified Public Accountant

Liu Pengyu

Hangzhou • China

Date of Report: 26 March 2021

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

CONSOLIDATED BALANCE SHEET

As at December 31, 2020

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2019
Current assets:			
Cash and bank balances	1	424,800,107.42	459,059,145.36
Settlement funds			
Loans to other banks			
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable	2	37,152,364.95	39,263,164.85
Accounts receivable	3	59,894,569.81	74,162,187.82
Receivables financing	4	42,524,298.26	23,544,919.54
Advances paid	5	24,428,049.75	5,227,159.45
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables	6	11,190,594.20	9,417,517.89
Financial assets under reverse repo			
Inventories	7	61,420,721.02	84,117,089.03
Contract assets			
Assets classified as held for sale	8	59,083,708.14	
Non-current assets due within one year			
Other current assets	9	10,991,490.98	13,414,824.98
Total current assets		731,485,904.53	708,206,008.92
Non-current assets:			
Loans and advances paid			
Debt investments	10		
Other debt investments			
Long-term receivables			
Long-term equity investments	11	52,515,656.12	123,928,703.14
Other equity instrument investments	12	4,261,335.00	4,977,441.00
Other non-current financial assets			
Investment property	13	74,185,437.86	70,579,366.92
Fixed assets	14	152,148,313.22	170,358,882.98
Construction in progress	15	1,621,829.16	8,841,518.20
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	16	42,352,983.54	45,009,933.83
Development expenditures			
Goodwill			
Long-term prepayments	17	1,418,508.80	
Deferred tax assets	18		
Other non-current assets			
Total non-current assets		328,504,063.70	423,695,846.07
Total assets		1,059,989,968.23	1,131,901,854.99

CONSOLIDATED BALANCE SHEET

As at December 31, 2020

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2019
Current liabilities:			
Short-term borrowings			
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	19	24,543,558.75	50,506,098.62
Advances received	20	236,733.80	254,715.26
Contract liabilities	21	2,895,447.37	4,161,020.10
Financial liabilities under repo			
Absorbing deposit and interbank deposit			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Employee benefits payable	22	22,178,836.03	24,383,820.96
Taxes and rates payable	23	1,605,093.85	1,485,079.75
Other payables	24	44,342,511.11	21,165,954.30
Handling fee and commission payable			
Reinsurance accounts payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		95,802,180.91	101,956,688.99
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	25	6,176,328.82	6,483,910.19
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income	26	54,068,997.52	57,742,528.84
Deferred tax liabilities	18	532,521.40	639,937.30
Other non-current liabilities			
Total non-current liabilities		60,777,847.74	64,866,376.33
Total liabilities		156,580,028.65	166,823,065.32

CONSOLIDATED BALANCE SHEET

As at December 31, 2020

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2019
Equity:			
Share capital/Paid-in capital	27	400,000,000.00	400,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	28	638,760,122.08	638,760,122.08
Less: Treasury shares			
Other comprehensive income	29	3,017,621.29	3,626,311.39
Special reserve			
Surplus reserve	30	8,726,923.61	8,726,923.61
General risk reserve			
Undistributed profit	31	-236,378,761.97	-193,187,054.70
Total equity attributable to the parent company		814,125,905.01	857,926,302.38
Non-controlling interest		89,284,034.57	107,152,487.29
Total equity		903,409,939.58	965,078,789.67
Total liabilities & equity		1,059,989,968.23	1,131,901,854.99

Legal representative: Wu Changlin

Officer in charge of accounting: Yu Qian

Head of accounting department: Peng Xiaoli

PARENT COMPANY BALANCE SHEET

As at December 31, 2020

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2019
Current assets:			
Cash and bank balances		343,132,678.62	323,030,109.04
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable		398,000.00	11,027,992.05
Accounts receivable	1	36,348,173.52	42,782,831.45
Receivables financing		39,587,038.16	21,928,377.28
Advances paid		24,266,381.71	432,864.23
Other receivables	2	35,769,665.05	35,092,298.50
Inventories		6,182,818.46	14,841,576.60
Contract assets			
Assets classified as held for sale		57,311,071.43	
Non-current assets due within one year			
Other current assets		5,003,731.36	7,908,708.27
Total current assets		547,999,558.31	457,044,757.42
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	3	228,738,516.57	298,378,926.88
Other equity instrument investments		4,261,335.00	4,977,441.00
Other non-current financial assets			
Investment property		56,654,782.16	44,846,325.24
Fixed assets		53,927,471.68	70,200,267.11
Construction in progress		1,383,199.68	6,891,761.65
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets		29,179,122.58	31,505,072.91
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred tax assets			
Other non-current assets			
Total non-current assets		374,144,427.67	456,799,794.79
Total assets		922,143,985.98	913,844,552.21

PARENT COMPANY BALANCE SHEET

As at December 31, 2020

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2019
Current liabilities:			
Short-term borrowings			15,853,871.62
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable		20,515,608.27	15,853,871.62
Advances received		119,324.68	254,715.26
Contract liabilities		2,282,079.05	1,949,181.33
Employee benefits payable		13,917,328.53	15,013,109.80
Taxes and rates payable		1,558,261.11	1,454,617.12
Other payables		48,473,287.49	25,134,802.67
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		86,865,889.13	59,660,297.80
Non-current liabilities:			
Long-term borrowings		6,176,328.82	6,483,910.19
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities		532,521.40	639,937.30
Other non-current liabilities			
Total non-current liabilities		6,708,850.22	7,123,847.49
Total liabilities		93,574,739.35	66,784,145.29
Equity:			
Share capital/Paid-in capital		400,000,000.00	400,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		648,262,469.64	648,262,469.64
Less: Treasury shares			
Other comprehensive income		3,017,621.29	3,626,311.39
Special reserve			
Surplus reserve		8,726,923.61	8,726,923.61
Undistributed profit		-231,437,767.91	-213,555,297.72
Total equity		828,569,246.63	847,060,406.92
Total liabilities & equity		922,143,985.98	913,844,552.21

Legal representative: Wu Changlin

Officer in charge of accounting: Yu Qian

Head of accounting department: Peng Xiaoli

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue		417,285,973.17	449,256,750.53
Including: Operating revenue	1	417,285,973.17	449,256,750.53
Interest income			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		466,478,974.96	506,251,276.90
Including: Operating cost	1	400,512,812.18	430,586,059.59
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	2	6,404,373.46	6,520,263.69
Selling expenses	3	7,884,452.39	12,093,142.13
Administrative expenses	4	45,751,374.76	51,866,992.48
R&D expenses	5	11,148,461.30	10,699,510.81
Financial expenses	6	-5,222,499.13	-5,514,691.80
Including: Interest expenses		96,735.06	102,087.06
Interest income		5,002,732.92	6,717,918.25
Add: Other income	7	8,898,641.77	9,901,962.97
Investment income (or less: losses)	8	-12,156,682.51	-7,845,245.74
Including: Investment income from associates and joint ventures		-12,156,682.51	-7,845,245.74
Gains from derecognition of financial assets at amortized cost			
Gains on foreign exchange (or less: losses)			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)			
Credit impairment loss	9	2,092,075.53	8,862,441.79
Assets impairment loss	10	-10,361,807.87	-13,404,534.70
Gains on asset disposal (or less: losses)	11	1,399,343.13	-1,007,902.95
III. Operating profit (or less: losses)		-59,321,431.74	-60,487,805.00
Add: Non-operating revenue	12	4,571,839.37	18,281,948.00
Less: Non-operating expenditures	13	2,310,567.62	21,225,021.69
IV. Profit before tax (or less: total loss)		-57,060,159.99	-63,430,878.69
Less: Income tax	14		-70,434.62
V. Net profit (or less: net loss)		-57,060,159.99	-63,360,444.07
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		-57,060,159.99	-63,360,444.07
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership			
1. Net profit attributable to owners of parent company (or less: net loss)		-43,191,707.27	-50,135,424.57
2. Net profit attributable to non-controlling shareholders (or less: net loss)		-13,868,452.72	-13,225,019.50

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
VI. Other comprehensive income after tax	15	-608,690.10	
Items attributable to the owners of the parent company		-608,690.10	
(I) Not to be reclassified subsequently to profit or loss		-608,690.10	
1. Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments		-608,690.10	
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss			
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from reclassification of financial assets into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Translation reserve			
7. Others			
Items attributable to non-controlling shareholders			
VII. Total comprehensive income		-57,668,850.09	-63,360,444.07
Items attributable to the owners of the parent company		-43,800,397.37	-50,135,424.57
Items attributable to non-controlling shareholders		-13,868,452.72	-13,225,019.50
VIII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)		-0.11	-0.13
(II) Diluted EPS (yuan per share)		-0.11	-0.13

Legal representative: Wu Changlin

Officer in charge of accounting: Yu Qian

Head of accounting department: Peng Xiaoli

PARENT COMPANY INCOME STATEMENT

For the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue	1	259,861,890.93	247,868,172.87
Less: Operating cost	1	238,087,180.80	223,630,562.29
Taxes and surcharges		4,618,198.35	4,511,737.06
Selling expenses		1,348,307.33	2,407,645.75
Administrative expenses		34,037,713.64	34,493,304.80
R&D expenses	2	3,497,319.18	1,726,725.16
Financial expenses		-3,099,580.34	-4,411,424.33
Including: Interest expenses		96,735.06	102,087.06
Interest income		3,391,703.07	4,505,507.68
Add: Other income		2,637,096.24	6,037,862.51
Investment income (or less: losses)	3	-6,156,682.51	15,700,410.00
Including: Investment income from associates and joint ventures		-12,156,682.51	-7,845,245.74
Gains from derecognition of financial assets at amortized cost			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)			
Credit impairment loss		2,947,649.48	7,038,024.40
Assets impairment loss		-2,220,461.51	-5,602,460.54
Gains on asset disposal (or less: losses)		1,263,447.86	26,003.58
II. Operating profit (or less: losses)		-20,156,198.47	8,709,462.09
Add: Non-operating revenue		4,535,279.17	17,867,398.90
Less: Non-operating expenditures		2,261,550.89	21,110,227.12
III. Profit before tax (or less: total loss)		-17,882,470.19	5,466,633.87
Less: Income tax			
IV. Net profit (or less: net loss)		-17,882,470.19	5,466,633.87
(I) Net profit from continuing operations (or less: net loss)		-17,882,470.19	5,466,633.87
(II) Net profit from discontinued operations (or less: net loss)			

PARENT COMPANY INCOME STATEMENT

For the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
V. Other comprehensive income after tax			
(I) Not to be reclassified subsequently to profit or loss		-608,690.10	
1. Changes in remeasurement on the net defined benefit plan		-608,690.10	
2. Items under equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments		-608,690.10	
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss			
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from reclassification of financial assets into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Translation reserve			
7. Others			
VI. Total comprehensive income		-18,491,160.29	5,466,633.87
VII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)			
(II) Diluted EPS (yuan per share)			

Legal representative: Wu Changlin

Officer in charge of accounting: Yu Qian

Head of accounting department: Peng Xiaoli

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2020

(Expressed in Renminbi 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		220,256,788.73	368,760,790.17
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts from original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policy-holder deposit and investment			
Cash receipts from interest, handling charges and commission			
Net increase of loans from others			
Net increase of repurchase			
Net cash receipts from agency security transaction			
Receipts of tax refund		417,053.60	1,984,693.34
Other cash receipts related to operating activities	1	120,061,487.99	130,818,251.25
Subtotal of cash inflows from operating activities		340,735,330.32	501,563,734.76
Cash payments for goods purchased and services received		232,515,888.69	253,856,370.92
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payments for insurance indemnities of original insurance contracts			
Net increase of loans to others			
Cash payments for interest, handling charges and commission			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		46,884,143.98	55,291,251.83
Cash payments for taxes and rates		7,430,407.80	14,997,060.46
Other cash payments related to operating activities	2	59,674,955.57	105,275,173.12
Subtotal of cash outflows from operating activities		346,505,396.04	429,419,856.33
Net cash flows from operating activities		-5,770,065.72	72,143,878.43

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments		20,284,350.00	
Cash receipts from investment income			686,000.00
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		2,425,500.00	194,485.00
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities	3	1,000,000.00	3,200,000.00
Subtotal of cash inflows from investing activities		23,709,850.00	4,080,485.00
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		3,200,689.39	18,496,451.64
Cash payments for investments			
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		3,200,689.39	18,496,451.64
Net cash flows from investing activities		20,509,160.61	-14,415,966.64
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			
Including: Cash received by subsidiaries from non-controlling shareholders as investments			
Cash receipts from borrowings			
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities			
Cash payments for the repayment of borrowings		469,898.28	462,625.23
Cash payments for distribution of dividends or profits and for interest expenses		4,096,735.06	16,102,087.06
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit		4,000,000.00	16,000,000.00
Other cash payments related to financing activities	4		98,483.58
Subtotal of cash outflows from financing activities		4,566,633.34	16,663,195.87
Net cash flows from financing activities		-4,566,633.34	-16,663,195.87
IV. Effect of foreign exchange rate changes on cash & cash equivalents		-262,969.32	400,417.24
V. Net increase in cash and cash equivalents		9,909,492.23	41,465,133.16
Add: Opening balance of cash and cash equivalents		398,432,726.66	356,967,593.50
VI. Closing balance of cash and cash equivalents		408,342,218.89	398,432,726.66

Legal representative: Wu Changlin

Officer in charge of accounting: Yu Qian

Head of accounting department: Peng Xiaoli

PARENT COMPANY CASH FLOW STATEMENT

For the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		63,047,408.37	135,443,636.56
Receipts of tax refund		32,525.88	1,170,519.07
Other cash receipts related to operating activities		45,407,160.63	66,027,525.36
Subtotal of cash inflows from operating activities		108,487,094.88	202,641,680.99
Cash payments for goods purchased and services received		62,699,338.07	31,241,615.34
Cash paid to and on behalf of employees		24,282,664.49	24,608,429.53
Cash payments for taxes and rates		5,012,192.64	5,314,735.21
Other cash payments related to operating activities		23,948,653.21	56,663,754.72
Subtotal of cash outflows from operating activities		115,942,848.41	117,828,534.80
Net cash flows from operating activities		-7,455,753.53	84,813,146.19
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments		20,284,350.00	
Cash receipts from investment income		6,000,000.00	24,686,000.00
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		1,686,200.00	69,200.00
Net cash receipts from the disposal of subsidiaries & other business units		1,000,000.00	65,655.74
Other cash receipts related to investing activities			3,200,000.00
Subtotal of cash inflows from investing activities		28,970,550.00	28,020,855.74
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		845,593.55	1,635,108.42
Cash payments for investments			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		845,593.55	1,635,108.42
Net cash flows from investing activities		28,124,956.45	26,385,747.32

PARENT COMPANY CASH FLOW STATEMENT

For the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			
Cash receipts from borrowings			
Other cash receipts related to financing activities			
<hr/>			
Subtotal of cash inflows from financing activities			
<hr/>			
Cash payments for the repayment of borrowings		469,898.28	462,625.23
Cash payments for distribution of dividends or profits and for interest expenses		96,735.06	102,087.06
Other cash payments related to financing activities			
<hr/>			
Subtotal of cash outflows from financing activities		566,633.34	564,712.29
<hr/>			
Net cash flows from financing activities		-566,633.34	-564,712.29
<hr/>			
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
<hr/>			
V. Net increase in cash and cash equivalents			
Add: Opening balance of cash and cash equivalents		20,102,569.58	110,634,181.22
		323,030,109.04	212,395,927.82
<hr/>			
VI. Closing balance of cash and cash equivalents			
		343,132,678.62	323,030,109.04

Legal representative: Wu Changlin

Officer in charge of accounting: Yu Qian

Head of accounting department: Peng Xiaoli

(Expressed in Renminbi Yuan)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

Items	Current period cumulative							Total equity				
	Share capital/ Paid-in capital	Preferred shares	Other equity instruments Perpetual bonds	Others	Equity attributable to parent company	Other comprehensive income	Special reserve		Surplus reserve	General risk reserve	Undistributed profit	Non-controlling interest
I. Balance at the end of prior year	400,000,000.00				638,760,122.08	3,626,311.39	8,726,923.61	8,726,923.61		-193,187,054.70	107,152,487.29	965,078,789.67
Add: Cumulative changes of accounting policies												
Error correction of prior period												
Business combination under common control												
Others												
II. Balance at the beginning of current year	400,000,000.00				638,760,122.08	3,626,311.39	8,726,923.61	8,726,923.61		-193,187,054.70	107,152,487.29	965,078,789.67
III. Current period increase (or less: decrease)												
(I) Total comprehensive income						-608,690.10				-43,191,707.27	-17,868,452.72	-61,668,850.09
(II) Capital contributed or withdrawn by owners						-608,690.10				-43,191,707.27	-13,868,452.72	-57,668,850.09
1. Ordinary shares contributed by owners												
2. Capital contributed by holders of other equity instruments												
3. Amount of state-based payment included in equity												
4. Others												
(III) Profit distribution												
1. Appropriation of surplus reserve												
2. Appropriation of general risk reserve												
3. Appropriation of profit to owners												
4. Others												
(IV) Internal carry-over within equity												
1. Transfer of capital reserve to capital												
2. Transfer of surplus reserve to capital												
3. Surplus reserve to cover losses												
4. Changes in defined benefit plan carried over to retained earnings												
5. Other comprehensive income carried over to retained earnings												
6. Others												
(V) Special reserve												
1. Appropriation of current period												
2. Application of current period												
(VI) Others												
IV. Balance at the end of current period	400,000,000.00				638,760,122.08	3,017,621.29	8,726,923.61	8,726,923.61		-236,378,761.97	89,284,034.57	903,409,939.58

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Share capital/ Paid-in capital		Other equity instruments		Equity attributable to parent company		Preceding period comparative				Total equity
	Preferred shares	Perpetual bonds	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Non-controlling interest	
I. Balance at the end of prior year	400,000,000.00		638,700,122.08			638,700,122.08	8,726,923.61		-143,051,620.13	136,475,990.37	1,044,537,717.32
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Business combination under common control											
Others											
II. Balance at the beginning of current year	400,000,000.00		638,700,122.08			638,700,122.08	8,726,923.61		-143,051,620.13	136,475,990.37	1,044,537,717.32
III. Current period increase (or less: decrease)											
(I) Total comprehensive income											
(II) Capital contributed or withdrawn by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of state-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Appropriation of general risk reserve											
3. Appropriation of profit to owners											
4. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	400,000,000.00		638,700,122.08			638,700,122.08	8,726,923.61		-193,187,054.70	107,152,487.29	965,078,789.67

Legal representative: Wu Changlin

Officer in charge of accounting: Yu Qian

Head of accounting department: Peng Xiaoli

(Expressed in Renminbi Yuan)

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

Items	Share capital/ Paid-in capital	Other equity instruments			Current period cumulative					Total equity	
		Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve		Undistributed profit
I. Balance at the end of prior year	400,000,000.00				648,262,469.64		3,626,311.39		8,726,923.61	-213,555,297.72	847,060,406.92
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	400,000,000.00				648,262,469.64		3,626,311.39		8,726,923.61	-213,555,297.72	847,060,406.92
III. Current period increase (or less: decrease)											
(I) Total comprehensive income											
(II) Capital contributed or withdrawn by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners											
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	400,000,000.00				648,262,469.64		3,017,621.29		8,726,923.61	-231,437,767.91	828,569,746.63

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

(Expressed in Renminbi Yuan)

Items	Share capital/ Paid-in capital		Other equity instruments		Preceding period comparative					Total equity	
	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit		
I. Balance at the end of prior year											
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	400,000,000.00			648,262,469.64		3,626,311.39		8,726,923.61	-219,021,931.59		841,593,773.05
III. Current period increase (or less: decrease)											
(I) Total comprehensive income											
(II) Capital contributed or withdrawn by owners											
1. Ordinary shares contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners											
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Changes in defined benefit plan carried over to retained earnings											
5. Other comprehensive income carried over to retained earnings											
6. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	400,000,000.00			648,262,469.64		3,626,311.39		8,726,923.61	-213,555,297.72		847,050,406.92

Legal representative: Wu Changlin

Officer in charge of accounting: Yu Qian

Head of accounting department: Peng Xiaoli

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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. The Company currently holds a business license with unified social credit code of 9151010020193968XY, with registered capital of 400,000,000 yuan. There are a total of 400,000,000.00 shares in issue with the nominal value of RMB1 each of which: equity interest of China PUTIAN Corporation amounts to RMB240,000,000, representing 60% of the total shares; equity interest of public holders of ordinary shares (H Shares) listed in Hong Kong amounts to RMB160,000,000, representing 40% of the total shares. The Company's shares were listed at the Stock Exchange of Hong Kong Limited (the "Stock Exchange") respectively on 13 December 1994.

The Company belongs to the manufacturing industry. Main business activities: wire and cable, fiber optic cable, radiation processing, cable technology research and development, product production, sales and service, electrical technology development, transfer, consulting and related ancillary services; import and export of self-operated commodities and their similar products; own real estate, machinery and equipment leasing and property management.

The financial statements were approved and authorized for issue by the 16th meeting of the 9th session of the Board of Directors dated 26 March 2021.

The Company has brought 3 subsidiaries including Chengdu Zhongling Wireless Communication Cable Co., Ltd., Chengdu SEI Optical Fiber Co., Ltd., Chengdu PUTIAN New Material Co., Ltd. into the consolidation scope. Please refer to section VI of notes to financial statements for details.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

(I) Preparation basis

The financial statements have been prepared on the basis of going concern.

(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 impairment of financial instruments, depreciation of fixed assets, depreciation of right-of-use 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(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.

(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

1. The parent company brings all its controlled subsidiaries into the 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) 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(VIII) Foreign currency translation

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate/the approximate exchange rate similar to 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 the RMB amounts 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.

(IX) Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1); (4) financial liabilities at amortized cost.

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

(1) Recognition criteria and measurement method 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. However, at initial recognition, for accounts receivable that do not contain a significant financing component or contracts in which the financing components with associated period less than one year are not considered, the Company measures at their transaction price in accordance with "CASBE 14 – Revenues".

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

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

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

The Company measures its financial assets at the amortized costs using effective interest method. Gains or losses on financial assets that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial assets are derecognized, reclassified, amortized using effective interest method or recognized with impairment loss.

2) Debt instrument investments at fair value through other comprehensive income

The Company measures its debt instrument investments at fair value. Interests, impairment gains or losses, and gains and losses on foreign exchange that calculated using effective interest method shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into profit or loss when the financial assets are derecognized.

3) Equity instrument investments at fair value through other comprehensive income

The Company measures its equity instrument investments at fair value. Dividends obtained (other than those as part of investment cost recovery) shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into retained earnings when the financial assets are derecognized.

4) Financial assets at fair value through profit or loss

The Company measures its financial assets at fair value. Gains or losses arising from changes in fair value (including interests and dividends) shall be included into profit or loss, except for financial assets that are part of hedging relationships.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

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

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities (including derivatives that are liabilities) and financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. The amount of changes in the fair value of the financial liabilities that are attributable to changes in the Company's own credit risk shall be included into other comprehensive income, unless such treatment would create or enlarge accounting mismatches in profit or loss. Other gains or losses on those financial liabilities (including interests, changes in fair value that are attributable to reasons other than changes in the Company's own credit risk) shall be included into profit or loss, except for financial liabilities that are part of hedging relationships. Accumulated gains or losses that originally recognized as other comprehensive income should be transferred out into retained earnings when the financial liabilities are derecognized.

2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

The Company measures its financial liabilities in accordance with "CASBE 23 – Transfer of Financial Assets".

3) Financial guarantee contracts not fall within the above categories 1) and 2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category 1)

The Company measures its financial liabilities at the higher of: a. the amount of loss allowances in accordance with impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with "CASBE 14 – Revenues".

4) Financial liabilities at amortized cost

The Company measures its financial liabilities at amortized cost using effective interest method. Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial liabilities are derecognized and amortized using effective interest method.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

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

(4) Derecognition of financial assets and financial liabilities

- 1) Financial assets are derecognized when:
 - a. the contractual rights to the cash flows from the financial assets expire; or
 - b. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with “CASBE 23 – Transfer of Financial Assets”.
- 2) 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, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability. If it retained substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset. 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 does not retain its control over the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability; (2) if the Company retains 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 carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carrying amount 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 carrying amount 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 other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

4. Fair value determination method of financial assets and liabilities

The Company uses 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 unadjusted quoted prices 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 of financial instruments

(1) Measurement and accounting treatment

The Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost, debt instrument investments, contract assets or leases receivable at fair value through other comprehensive income, loan commitments other than financial liabilities at fair value through profit or loss, financial guarantee contracts not belong to financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Among which, purchased or originated credit-impaired financial assets are discounted at the credit-adjusted effective interest rate.

At the balance sheet date, the Company shall only recognize the cumulative changes in the lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

5. Impairment of financial instruments (Continued)

(1) Measurement and accounting treatment (Continued)

For accounts receivable and contract assets that do not contain a significant financing component or financing components in contracts with associated period less than one year that are not considered by the Company, which result from transactions as regulated in "CASBE 14 – Revenues", the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For lease receivables, accounts receivable and contract assets that result from transactions as regulated in "CASBE 14 – Revenues" and contain a significant financing component, the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than the above, on each balance sheet date, the Company shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. The Company shall measure the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; otherwise, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have relatively low credit risk at the balance sheet date.

The Company shall estimate expected credit risk and measure expected credit losses on an individual or a collective basis. When the Company adopts the collective basis, financial instruments are grouped with similar credit risk features.

The Company shall remeasure expected credit loss on each balance sheet date, and increased or reversed amounts of loss allowance arising therefrom shall be included into profit or loss as impairment losses or gains. For a financial asset measured at amortized cost, the loss allowance reduces the carrying amount of such financial asset presented in the balance sheet; for a debt investment measured at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of such financial asset.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

5. Impairment of financial instruments (Continued)

- (2) *Financial instruments with expected credit risk assessed and expected credit losses measured on a collective basis*

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Other receivables – Portfolio grouped with non-related party receivables of deposit, reserve and assurance	Nature of receivables	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and 12-month or lifetime expected credit loss rate.
Other receivables – Portfolio grouped with related party receivables		
Other receivables – Other Portfolio		

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

5. Impairment of financial instruments (Continued)

(3) Accounts receivable with expected credit losses measured on a collective basis

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Bank acceptance receivable Trade acceptance receivable	Type of notes	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Accounts receivable – Portfolio grouped with related party receivables	Related party	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Accounts receivable – Portfolio grouped with non-related party receivables	Ages	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and lifetime expected credit loss rate of accounts receivable, so as to calculate expected credit loss.
Other receivables – Portfolio grouped with leasing receivables	Nature of receivables	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(IX) Financial instruments (Continued)

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

For a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred asset and the associated liability.

(X) 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 supplies etc. to be consumed in the production process or in the rendering of services.

2. Accounting method for dispatching inventories:

Inventories include raw materials, finished goods, revolving materials are accounted for planned cost, the difference in cost shall be calculated and taken up at the end of each period, and adjust the budget cost of inventory to historical cost.

3. Basis for determining net realizable value

At the balance sheet date, inventories are measured at the lower of cost and 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.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(X) Inventories (Continued)

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.

(XI) Contract costs

Assets related to contract costs including costs of obtaining a contract and costs to fulfil a contract.

The Company recognizes as an asset the incremental costs of obtaining a contract if those costs are expected to be recovered. The costs of obtaining a contract shall be included into profit or loss when incurred if the amortization period of the asset is one year or less.

If the costs incurred in fulfilling a contract are not within the scope of standards related to inventories, fixed assets or intangible assets, etc., the Company shall recognize the costs to fulfil a contract as an asset if all the following criteria are satisfied:

1. The costs relate directly to a contract or to an anticipated contract, including direct labor, direct materials, manufacturing overhead cost (or similar cost), cost that are explicitly chargeable to the customer under the contract, and other costs that are only related to the contract;
2. The costs enhance resources of the Company that will be used in satisfying performance obligations in the future; and
3. The costs are expected to be recovered.

An asset related to contract costs shall be amortized on a systematic basis that is consistent with related goods or services, with amortization included into profit or loss.

The Company shall make provision for impairment and recognize an impairment loss to the extent that the carrying amount of an asset related to contract costs exceeds the remaining amount of consideration that the Company expects to receive in exchange for the goods or services to which the asset relates less the costs expected to be incurred. The Company shall recognize a reversal of an impairment loss previously recognized in profit or loss when the impairment conditions no longer exist or have improved. The carrying amount of the asset after the reversal shall not exceed the amount that would have been determined on the reversal date if no provision for impairment had been made previously.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XII) Non-current assets or disposal groups classified as held for sale

1. Classification of non-current assets or disposal groups as held for sale

Non-current assets or disposal groups are accounted for as held for sale when the following conditions are all met: a. the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets or disposal groups; b. its sales must be highly probable, i.e., the Company has made a decision on the sale plan and has obtained a firm purchase commitment, and the sale is expected to be completed within one year.

When the Company acquires a non-current asset or disposal group with a view to resale, it shall classify the non-current asset or disposal group as held for sale at the acquisition date only if the requirement of "expected to be completed within one year" is met at that date and it is highly probable that other criteria for held for sale will be met within a short period (usually within three months).

An asset or a disposal group is still accounted for as held for sale when the Company remains committed to its plan to sell the asset or disposal group in the circumstance that non-related party transactions fail to be completed within one year due to one of the following reasons: a. a buyer or others unexpectedly set conditions that will extend the sale period, while the Company has taken timely actions to respond to the conditions and expects a favorable resolution of the delaying factors within one year since the setting; (2) a non-current asset or disposal group classified as held for sale fails to be sold within one year due to rare cases, and the Company has taken action necessary to respond to the circumstances during the initial one-year period and the criteria for held for sale are met.

2. Measurement of non-current assets or disposal groups as held for sale

(1) Initial measurement and subsequent measurement

For initial measurement and subsequent measurement as at the balance sheet date of a non-current asset or disposal group as held for sale, where the carrying amount is higher than the fair value less costs to sell, the carrying amount is written down to the fair value less costs to sell, and the write-down is recognized in profit or loss as assets impairment loss, meanwhile, provision for impairment of assets as held for sale shall be made.

For a non-current asset or disposal group classified as held for sale at the acquisition date, the asset or disposal group is measured on initial recognition at the lower of its initial measurement amount had it not been so classified and fair value less costs to sell. Apart from the non-current asset or disposal group acquired through business combination, the difference arising from the initial recognition of a non-current asset or disposal group at the fair value less costs to sell shall be included into profit or loss.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XII) Non-current assets or disposal groups classified as held for sale (Continued)

2. Measurement of non-current assets or disposal groups as held for sale (Continued)

(1) Initial measurement and subsequent measurement (Continued)

The assets impairment loss recognized for a disposal group as held for sale shall reduce the carrying amount of goodwill in the disposal group first, and then reduce its carrying amount based on the proportion of each non-current asset's carrying amount in the disposal group.

No provision for depreciation or amortization shall be made on non-current assets as held for sale or non-current assets in disposal groups as held for sale, while interest and other expenses attributable to the liabilities of a disposal group as held for sale shall continue to be recognized.

(2) Reversal of assets impairment loss

When there is a subsequent increase in fair value less costs to sell of a non-current asset as held for sale at the balance sheet date, the write-down shall be recovered, and shall be reversed not in excess of the impairment loss that has been recognized after the non-current asset was classified as held for sale. The reversal shall be included into profit or loss. Assets impairment loss that has been recognized before the classification is not reversed.

When there is a subsequent increase in fair value less costs to sell of a disposal group as held for sale at the balance sheet date, the write-down shall be recovered, and shall be reversed not in excess of the non-current assets impairment loss that has been recognized after the disposal group was classified as held for sale. The reversal shall be included into profit or loss. The reduced carrying amount of goodwill and non-current assets impairment loss that has been recognized before the classification is not reversed.

For the subsequent reversal of the impairment loss that has been recognized in a disposal group as held for sale, the carrying amount is increased based on the proportion of carrying amount of each non-current asset (excluding goodwill) in the disposal group.

(3) Non-current asset or disposal group that is no longer classified as held for sale and derecognized

A non-current asset or disposal group that does not meet criteria for held for sale and no longer classified as held for sale, or a non-current asset that removed from a disposal group as held for sale shall be measured at the lower of: a. its carrying amount before it was classified as held for sale, adjusted for any depreciation, amortization or impairment that would have been recognized had it not been classified as held for sale; and b. its recoverable amount.

When a non-current asset or disposal group classified as held for sale is derecognized, unrecognized gains or losses shall be included into profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

((XIII) 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 investments and the carrying amount 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”, on the date of combination, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost of long-term equity investments at the acquisition date and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIII) 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 amount of the acquirer’s previously held equity interest in the acquiree is remeasured 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 acquiree 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 remeasurement of defined benefit plan of the acquiree.
- (3) Long-term equity investments obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to “CASBE 12 – Debt Restructuring”; and that obtained through non-cash assets exchange is determined according to “CASBE 7 – Non-cash Assets Exchange”.

3. Subsequent measurement and recognition method of profit or loss

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

((XIII) 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 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 remeasured 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. However, before the Company loses control, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIV) Investment property

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

(XV) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production of goods or rendering of 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)	Residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	15–30	3	3.23–6.47
General equipment	Straight-line method	5–18	3	5.39–19.40
Transport facilities	Straight-line method	4–6	3	16.17–24.25
Other equipment	Straight-line method	4–15	3	6.47–24.25

(XVI) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.
2. Construction in progress is transferred into fixed assets at its actual cost when it reaches the designed usable conditions. When the auditing of the construction in progress was not finished while 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVII) 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 the 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 in the current period less the interest income 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 less the general borrowing by the capitalization rate of the general borrowing used.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XVIII) Intangible assets

1. Intangible assets include land use right, patent right and non-patented technology etc. The initial measurement of intangible assets is based on its cost.
2. For intangible assets with finite useful lives, their amortization amounts are amortized within their 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 right	10–15
Franchises	5–10
Others	10–15

Intangible assets with uncertain service life are not amortized, and the company reviews the useful life of the intangible assets during each accounting period. For intangible assets with uncertain service life, the judgment of the service life is based on:

- (1) From contractual rights or other statutory rights, but there are no clear years of use in contractual or legal provisions.
 - (2) It is still impossible to judge the period in which intangible assets bring economic benefits to the company by synthesizing the same industry situation or related expert arguments.
3. Expenditures on the research phase of an internal project are recognized as profit or loss when they are incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the followings: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits, among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XIX) Impairment of part of long-term assets

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

When the recoverable amount of such long-term assets is lower than their carrying amount, the difference is recognized as provision for assets impairment through profit or loss.

(XX) 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 the 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.

(XXI) Employee benefits

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

2. Short-term employee benefits

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

3. Post-employment benefits

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXI) Employee benefits (Continued)

3. Post-employment benefits (Continued)

- (2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:
- 1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. Meanwhile, the Company discounts obligations under the defined benefit plan 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 fair value of defined benefit plan assets from the present value of the defined benefit plan obligation 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 the 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 remeasurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

4. Termination benefits

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXI) Employee benefits (Continued)

5. Other long-term employee benefits

When other long-term employee benefits provided 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, while other benefits are accounted for in accordance with the requirements relating to defined benefit plan. The Company recognizes the 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 remeasurement of the net liability or net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts is recognized in profit or loss or included in the cost of a relevant asset.

(XXII) Revenue

1. Revenue recognition principles

At contract inception, the Company shall assess the contracts and shall identify each performance obligation in the contracts, and determine whether the performance obligation should be satisfied over time or at a point in time.

The Company satisfies a performance obligation over time if one of the following criteria is met, otherwise, the performance obligation is satisfied at a point in time: (1) the customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs; (2) the customer can control goods as they are created by the Company's performance; (3) goods created during the Company's performance have irreplaceable uses and the Company has an enforceable right to receive the payments for performance completed to date during the whole contract period.

For each performance obligation satisfied over time, the Company shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. In the circumstance that the progress cannot be measured reasonably, but the costs incurred in satisfying the performance obligation are expected to be recovered, the Company shall recognize revenue only to the extent of the costs incurred until it can reasonably measure the progress. For each performance obligation satisfied at a point in time, the Company shall recognize revenue at the time point that the client obtains control of relevant goods or services. To determine whether the customer has obtained control of goods, the Company shall consider the following indications: (1) the Company has a present right to payment for the goods, i.e., the customer is presently obliged to pay for the goods; (2) the Company has transferred the legal title of the goods to the customer, i.e., the customer has legal title to the goods; (3) the Company has transferred physical possession of the goods to the client, i.e., the customer has physically possessed the goods; (4) the Company has transferred significant risks and rewards of ownership of the goods to the client, i.e., the customer has obtained significant risks and rewards of ownership of the goods; (5) the customer has accepted the goods; (6) other evidence indicating the customer has obtained control over the goods.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXII) Revenue (Continued)

2. Revenue measurement principle

- (1) Revenue is measured at the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and those expected to be refunded to the customer.
- (2) If the consideration promised in a contract includes a variable amount, the Company shall confirm the best estimate of variable consideration at expected value or the most likely amount. However, the transaction price that includes the amount of variable consideration only to the extent that it is high probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
- (3) In the circumstance that the contract contains a significant financing component, the Company shall determine the transaction price based on the price that a customer would have paid for if the customer had paid cash for obtaining control over those goods or services. The difference between the transaction price and the amount of promised consideration is amortized under effective interest method over contractual period. The effects of a significant financing component shall not be considered if the Company expects, at the contract inception, that the period between when the customer obtains control over goods or services and when the customer pays consideration will be one year or less.
- (4) For contracts containing two or more performance obligations, the Company shall determine the stand-alone selling price at contract inception of the distinct good underlying each performance obligation and allocate the transaction price to each performance obligation on a relative stand-alone selling price basis.

3. Revenue recognition method

Revenue recognized based on the time point

The company's main products are copper cable and related products, optical cable and related products, wire bushing and related products, it satisfies the performance obligation at a point in time. Revenue from domestic sales is recognized if, and only if, the following conditions are all met: the Company has delivered goods to the customer based on contractual agreements and the customer has accepted the goods; 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; significant risks and rewards of ownership of the goods has been transferred; and the legal title of the goods has been transferred. Revenue from overseas sales is recognized if, and only if, the following conditions are all met: the Company has declared goods to the customs based on contractual agreements and has obtained a bill of lading; 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; significant risks and rewards of ownership of the goods has been transferred; and the legal title of the goods has been transferred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXIII) Government grants

1. Government grants shall be recognized if, and only if, the following conditions are all met: (1) the Company will comply with the conditions attaching to the grants; (2) the grants will be received. Monetary government grants are measured at the amount received or receivable. Non-monetary government grants are measured at fair value, and can be measured at nominal amount in the circumstance that fair value cannot be assessed.

2. **Government grants related to assets**

Government grants related to assets are government grants with which the Company constructs or otherwise acquires long-term assets under requirements of government. In the circumstances that there is no specific government requirement, the Company shall determine based on the primary condition to acquire the grants, and government grants related to assets are government grants whose primary condition is to construct or otherwise acquire long-term assets. They offset carrying amount of relevant assets, or they are recognized as deferred income. If recognized as deferred income, they are included in profit or loss on a systematic basis over the useful lives of the relevant assets. Those measured at notional amount are directly included into profit or loss. For assets sold, transferred, disposed or damaged within the useful lives, balance of unamortized deferred income is transferred into profit or loss of the period in which the disposal occurred.

3. **Government grants related to income**

Government grants related to income are government grants other than those related to assets. For government grants that contain both parts related to assets and parts related to income, in which those two parts are blurred, they are thus collectively classified as government grants related to income. For government grants related to income used for compensating the related future cost, expenses or losses, they are recognized as deferred income and included in profit or loss or used to offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for government grants related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or used to offset relevant cost.

4. Government grants related to the ordinary course of business shall be included into other income or used to offset relevant cost based on business nature, while those not related to the ordinary course of business shall be included into non-operating revenue or expenditures.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXIV) Contract assets, contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance obligations and customers' payments. Contract assets and contract liabilities under the same contract shall offset each other and be presented on a net basis.

The Company presents an unconditional right to consideration (i.e., only the passage of time is required before the consideration is due) as a receivable, and presents a right to consideration in exchange for goods that it has transferred to a customer (which is conditional on something other than the passage of time) as a contract asset.

The Company presents an obligation to transfer goods to a customer for which the Company has received consideration (or the amount is due) from the customer as a contract liability.

(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 income 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 income 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXVI) Leases

1. Identification of a lease

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, the customer has both of the following: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

2. Identification of separate leases

For a contract that contains more than one lease component, the Company separates the components and accounts for each lease component separately. The right to use an underlying asset is a separate lease component if both: (a) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee; and (b) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

3. The Company as lessee

At the commencement date, the Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option; the Company recognizes a lease as a lease of a low-value asset if the underlying asset is of low value when it is new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

For all short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or loss with straight-line method over the lease term.

Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate shall be used. Unrecognized financing expenses, calculated at the difference between the lease payment and its present value, are recognized as interest expenses over the lease term using the discount rate which has been used to determine the present value of lease payment and included in profit or loss. Variable lease payments not included in the measurement of lease liabilities are included in profit or loss in the periods in which they are incurred.

After the commencement date, if there is a change in the following items: (a) actual fixed payments; (b) amounts expected to be payable under residual value guarantees; (c) an index or a rate used to determine lease payments; (d) assessment result or exercise of purchase option, extension option or termination option, the Company remeasures the lease liability based on the present value of lease payments after changes.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXVI) Leases (Continued)

4. Accounting treatments for lease modifications in which the Company as lessee

(1) *A lease modification as a separate lease*

The Company accounts for a lease modification as a separate lease if both: 1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and 2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope.

(2) *A lease modification not as a separate lease*

At the effective date of the lease modification, the Company redetermines the lease term of the modified lease and remeasures the lease liability by discounting the revised lease payment using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term; if the interest rate implicit in the lease cannot be readily determined, the revised discount rate is determined as the Company's incremental borrowing rate at the effective date of the modification.

The Company accounts for the remeasurement of the lease liability by:

- 1) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Company recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.
- 2) making a corresponding adjustment to carrying amount of the right-of-use asset for all other lease modifications.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXVI) Leases (Continued)

5. The Company as lessor

At the commencement date, the Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is classified as an operating lease.

(1) Operating lease

Lease receipts are recognized as lease income with straight-line method over the lease term. Initial direct costs incurred shall be capitalized, amortized on the same basis as the recognition of lease income, and included into profit or loss by installments. Variable lease payments related to operating lease which are not included in the lease payment are charged as profit or loss in the periods in which they are incurred.

(2) Finance lease

At the commencement date, the Company recognizes the finance lease payment receivable based on the net investment in the lease (sum of the present value of unguaranteed residual value and lease receipts that are not received at the commencement date, discounted by the interest rate implicit in the lease), and derecognizes assets held under the finance lease. The Company calculates and recognizes interest income using the interest rate implicit in the lease over the lease term.

Variable lease payments not included in the measurement of the net investment in the lease are charged as profit or loss in the periods in which they are incurred.

6. Accounting treatments for lease modifications in which the Company as lessor

(1) Operating lease

The Company accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(2) Finance lease

1) A lease modification as a separate lease

The Company accounts for a lease modification as a separate lease if both: (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXVI) Leases (Continued)

6. Accounting treatments for lease modifications in which the Company as lessor (Continued)

- 2) A lease modification not as a separate lease

If the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Company accounts for the lease modification as a new lease from the effective date of the modification, and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification. Otherwise, the Company applies regulations in the "CASBE 22 – Financial Instruments: Recognition and Measurement" regarding the modification or renegotiation of contracts.

(XXVII) Segment reporting

Operating segments 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:

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

(XXVIII) Critical accounting judgments and estimates

In the course of preparing financial statements, the Company shall use estimates and assumptions, which may have effects on the application of accounting policies and amount of assets, liabilities, revenue and expenses. Concerning the discrepancy in practice, the Company performs ongoing assessment on key assumptions and key sources of estimation uncertainty. Effects arising from changes in accounting estimates are recognized at the period when such change occurs and subsequent period onwards.

Key sources of estimation uncertainty are:

1. Recognition of deferred tax assets

As stated in section III (XXV) of the notes to financial statements, deferred tax assets are recognized based on the deductible temporary difference (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) between the carrying amount and the tax base of assets or liabilities and the applicable tax rate at the time when such asset is collected or such liability is liquidated. 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.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

(XXVIII) Critical accounting judgments and estimates (Continued)

2. Impairment of financial instruments and contract assets

As stated in section III (IX) of the notes to financial statements, the Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost (notes receivable, accounts receivable, other receivables, debt investments, long-term receivables)/debt instrument investments (other debt investments, receivables financing)/contract assets/leases receivable/at fair value through other comprehensive income.

3. Provision for inventory write-down

As stated in section III (X) of the notes to financial statements, at the balance sheet date, inventories are measured at the lower of cost and net realizable value; provision for inventory write-down is made on the difference between the cost and 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 has agreed price, its 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. Impairment of long-term assets

As stated in section III (XXX) of the notes to financial statements, for long-term 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 to be 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 asset groups or asset group portfolios. When the measurement result indicates that the recoverable amount of such long-term assets is lower than their carrying amount, the carrying amount is reduced to the recoverable amount, and the difference is recognized as assets impairment loss through profit or loss, and provision for impairment loss of assets is made accordingly.

(XXIX) Significant changes in accounting policies and estimates

Changes in accounting policies arising from changes in CASBEs

The Company has adopted the "Interpretation of China Accounting Standards for Business Enterprises No. 13" issued by the Ministry of Finance in 2019 since January 1, 2020, and changes in accounting policies are applicable to prospective application method.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

IV. TAXES

(I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The output tax calculated based on the revenue from sales of goods or rendering of services in accordance with the tax law, net of the input tax that is allowed to be deducted in the current period	13%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	1.2%, 12%
Urban maintenance and construction tax	Turnover tax actually paid	7%
Education surcharge	Turnover tax actually paid	3%
Local education surcharge	Turnover tax actually paid	2%
Enterprise income tax	Taxable income	15%, 25%
Urban land use tax	Land area actually occupied	6 yuan/m ² , 8 yuan/m ²

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
The Company	15%
Chengdu SEI Optical Fiber Co., Ltd.	15%
Chengdu PUTIAN New Material Co., Ltd.	25%
Chengdu Zhongling Wireless Communication Cable Co., Ltd.	15%

(II) Tax preferential policies

The company obtained the High-tech Enterprise Certificate on 3 December 2018, with a validity period of 3 years, and the certificate number is GR201851001557. The enterprise income tax will be paid at a reduced tax rate of 15% from 2018 to 2020.

The subsidiary company Chengdu SEI Optical Fiber Co., Ltd. obtained the High-tech Enterprise Certificate on 11 September 2020. The certificate is valid for 3 years. The certificate number is GR202051001074. The enterprise income tax will be paid at a reduced tax rate of 15% from 2020 to 2022.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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	December 31, 2019
Cash on hand	5,304.40	5,969.18
Cash in bank	424,258,945.67	445,329,592.05
Other cash and bank balances	535,857.35	13,723,584.13
Total	424,800,107.42	459,059,145.36

(2) Other remarks

At the end of the period, 15,922,031.18 yuan of bank deposit is the balance of fixed deposit that has been used for pledge, and 535,857.35 yuan of other cash and bank balances is the L/C guarantee deposit, which is the restricted monetary funds. The above are restricted cash and bank balances.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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

(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 for bad debts made on a collective basis	37,158,434.69	100.00	6,069.74	0.02	37,152,364.95
Including: Bank acceptance	35,944,487.62	96.73			35,944,487.62
Trade acceptance	1,213,947.07	3.27	6,069.74	0.50	1,207,877.33
Total	37,158,434.69	100.00	6,069.74	0.02	37,152,364.95

(Continued)

Categories	Book balance		December 31, 2019 Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	39,322,586.97	100.00	59,422.12	0.15	39,263,164.85
Including: Bank acceptance	27,438,163.04	69.78			27,438,163.04
Trade acceptance	11,884,423.93	30.22	59,422.12	0.50	11,825,001.81
Total	39,322,586.97	100.00	59,422.12	0.15	39,263,164.85

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

2. Notes receivable (Continued)

(1) Details (Continued)

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

Items	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Bank acceptance portfolio	35,944,487.62		
Trade acceptance portfolio	1,213,947.07	6,069.74	0.50
Subtotal	37,158,434.69	6,069.74	0.02

(2) Changes in provision for bad debts

- 1) Details

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Write-off	Others	
Trade acceptance	59,422.12	-53,352.38						6,069.74
Subtotal	59,422.12	-53,352.38						6,069.74

(3) Notes receivable written off in current period

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

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

2. Notes receivable (Continued)

(4) Pledged notes at the balance sheet date

Items	Closing balance of pledged notes
Bank acceptance	2,306,564.30
Subtotal	2,306,564.30

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

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	10,218,809.66	
Subtotal	10,218,809.66	

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

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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

(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 an individual basis	46,384,236.00	40.59	46,384,236.00	100.00	
Receivables with provision made on a collective basis	67,897,954.17	59.41	8,003,384.36	11.79	59,894,569.81
Total	114,282,190.17	100.00	54,387,620.36	47.59	59,894,569.81

(Continued)

Categories	Book balance		December 31, 2019 Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	44,443,123.40	34.03	44,443,123.40	100.00	
Receivables with provision made on a collective basis	86,154,317.86	65.97	11,992,130.04	13.92	74,162,187.82
Total	130,597,441.26	100.00	56,435,253.44	43.21	74,162,187.82

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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) Accounts receivable with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd	2,580,313.34	2,580,313.34	100.00	The company is going bankruptcy, not expect to be recoverable
KAB/VOLEX KABKableprektion	2,058,597.74	2,058,597.74	100.00	Not expect to be recoverable
Shenyang Hengyuanda Communication Equipment Co., Ltd.	1,621,814.62	1,621,814.62	100.00	Not expect to be recoverable
Sichuan Chuandong Electromechanical Equipment Installation Company	1,606,692.41	1,606,692.41	100.00	Not expect to be recoverable
Chongqing Xiongying Communication Co., Ltd	1,414,724.47	1,414,724.47	100.00	Not expect to be recoverable
Yiwu Zhihaoda e-commerce Co., Ltd	1,344,969.65	1,344,969.65	100.00	Not expect to be recoverable
Zhongnan Company, China Postal And Electrical Material Company	1,116,797.27	1,116,797.27	100.00	Not expect to be recoverable
Hangzhou Hanyi Plastic Pipe Materials Co., Ltd.	1,156,614.94	1,156,614.94	100.00	Not expect to be recoverable
Zhejiang Wanneng Communications Group Co., Ltd.	1,079,528.38	1,079,528.38	100.00	Not expect to be recoverable
Others	32,404,183.18	32,404,183.18	100.00	Not expect to be recoverable
Subtotal	46,384,236.00	46,384,236.00	100.00	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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)

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

Items	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Related party portfolio	1,441,049.20	7,205.24	12.03
Non-related party portfolio	66,456,904.97	7,996,179.12	0.50
Subtotal	67,897,954.17	8,003,384.36	11.79

- 4) In non-related party portfolios, accounts receivable with provision made on a collective basis using age analysis method

Ages	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Within 1 year	48,312,162.64	1,771,755.19	3.67
1-2 years	10,910,151.80	2,506,647.75	22.98
2-3 years	4,759,068.56	1,948,768.19	40.95
Over 3 years	2,475,521.97	1,769,007.99	71.46
Subtotal	66,456,904.97	7,996,179.12	12.03

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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

Ages	Closing balance			December 31, 2019		
	Book balance	Provision for bad debts	Provision proportion (%)	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	48,526,963.24	1,772,829.19	3.65	66,290,153.35	2,401,540.51	3.62
1-2 years	11,125,092.93	2,721,588.88	24.46	11,583,493.23	2,857,020.87	24.66
2-3 years	5,985,317.16	1,954,899.43	32.66	1,934,821.41	1,362,976.94	70.44
Over 3 years	48,644,816.84	47,938,302.86	98.55	50,788,973.27	49,813,715.12	98.08
Total	114,282,190.17	54,387,620.36	47.59	130,597,441.26	56,435,253.44	43.21

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

The credit terms granted to customers are generally 3 to 6 months. A few customers have credit terms of 1 or 12 months. Accounts receivable that past due are reviewed by the Management on a regular basis.

(3) Changes in provision for bad debts

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Write-off	Others	
Receivables with provision made on an individual basis	44,443,123.40	2,006,112.60			65,000.00			46,384,236.00
Receivables with provision made on a collective basis	11,992,130.04	-3,988,745.68						8,003,384.36
Subtotal	56,435,253.44	-1,982,633.08			65,000.00			54,387,620.36

(4) Accounts receivable written off in current period

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

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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)

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

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
ZTE Kangxun Telecom Co., Ltd.	12,025,456.06	10.52	658,885.39
Liuzhou Locomotives Vehicle Factory	6,427,684.94	5.62	352,237.13
Crrc Logistics Co., Ltd.	5,200,800.10	4.55	285,003.85
Crrc Ziyang Co., Ltd.	2,681,682.14	2.35	820,876.38
Dongfang Electric New Energy Equipment (hangzhou) Co., Ltd.	2,580,313.34	2.26	2,580,313.34
Subtotal	28,915,936.58	25.30	4,697,316.09

4. Receivables financing

(1) Details

1) Details on categories

Items	Initial cost	Interest adjustment	Closing balance		Carrying amount	Provision for impairment
			Interest accrued	Changes in fair value		
Notes receivable	42,524,298.26				42,524,298.26	
Total	42,524,298.26				42,524,298.26	

(Continued)

Items	Initial cost	Interest adjustment	December 31, 2019		Carrying amount	Provision for impairment
			Interest accrued	Changes in fair value		
Notes receivable	23,544,919.54				23,544,919.54	
Total	23,544,919.54				23,544,919.54	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

4. Receivables financing (Continued)

(1) Details (Continued)

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

Items	Book balance	Closing balance Provision for impairment	Provision proportion (%)
Bank acceptance portfolio	42,524,298.26		
Subtotal	42,524,298.26		

(2) Receivables financing written off in current period

Receivables financing actually written off in current period totaled 0 yuan.

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

Items	Closing balance derecognized
Bank acceptance	65,411,725.22
Subtotal	65,411,725.22

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

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

5. Advances paid

(1) Age analysis

Ages	Book balance	Closing balance		December 31, 2019				
		% to total	Provision for impairment	Carrying amount	Book balance	% to total	Provision for impairment	Carrying amount
Within 1 year	24,239,153.45	99.23		24,239,153.45	5,054,193.01	96.69		5,054,193.01
1-2 years	17,077.22	0.07		17,077.22	6,147.36	0.12		6,147.36
2-3 years	5,000.00	0.02		5,000.00	10,925.00	0.21		10,925.00
Over 3 years	166,819.08	0.68		166,819.08	155,894.08	2.98		155,894.08
Total	24,428,049.75	100.00		24,428,049.75	5,227,159.45	100.00		5,227,159.45

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

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Beijing Zhongpuda Technology Co., Ltd.	23,602,650.00	96.62
Sumitomo Electric Asia Ltd.	214,899.23	0.88
State Grid Sichuan Electric Power Company	205,097.74	0.84
Chongqing Xingyue Environmental Testing Equipment Co., Ltd.	72,400.00	0.30
Tongling Tinco Tinned Wires Co., Ltd.	71,757.32	0.29
Subtotal	24,166,804.29	98.93

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

6. Other receivables

(1) Details

1) Details on categories

Categories	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	4,320,646.95	10.82	4,320,646.95	100.00	
Receivables with provision made on a collective basis	35,625,213.01	89.18	24,434,618.81	68.59	11,190,594.20
Subtotal/Total	39,945,859.96	100.00	28,755,265.76	71.99	11,190,594.20

(Continued)

Categories	Book balance		December 31, 2019 Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	4,320,646.95	11.32	4,320,646.95	100.00	
Receivables with provision made on a collective basis	33,843,226.77	88.68	24,425,708.88	72.17	9,417,517.89
Subtotal/Total	38,163,873.72	100.00	28,746,355.83	75.32	9,417,517.89

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

6. Other receivables (Continued)

(1) Details (Continued)

2) Other receivables with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons for provision made
XIACHADE	3,000,000.00	3,000,000.00	100.00	Aged receivables, not expect to be recoverable
Sichuan Tianxin Investment Group Co., Ltd	500,000.00	500,000.00	100.00	Aged receivables, not expect to be recoverable
Chengdu Peak Power Supply Co., Ltd.	248,940.91	248,940.91	100.00	Aged receivables, not expect to be recoverable
Others	571,706.04	571,706.04	100.00	Aged receivables, not expect to be recoverable
Subtotal	4,320,646.95	4,320,646.95	100.00	

3) Other receivables with provision made on a collective basis

Portfolios	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Portfolio grouped with lease receivable	7,160,930.87	35,804.65	0.50
Portfolio grouped with deposit, reserve and assurance of non-related party	6,766,639.35	5,744,774.35	84.90
Portfolio grouped with related party	2,498,309.79	12,491.55	0.50
Others	19,199,333.00	18,641,548.26	97.09
Subtotal	35,625,213.01	24,434,618.81	68.59

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

6. Other receivables (Continued)

(2) Age analysis

Ages	Closing book balance
Within 1 year	8,250,923.53
1-2 years	1,359,128.39
2-3 years	1,365,310.23
3-4 years	221,716.19
4-5 years	50,000.00
Over 5 years	28,698,781.62
Subtotal/Total	39,945,859.96

(3) Changes in provision for bad debts

Items	Phase I	Phase II	Phase III	Subtotal
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	47,324.21		28,699,031.62	28,746,355.83
Opening balance in the current period				
- Transferred to phase II				
- Transferred to phase III				
- Reversed to phase II				
- Reversed to phase I				
Provision made in the current period	8,909.93			8,909.93
Provision recovered in current period				
Provision reversed in current period				
Provision written off in current period				
Other changes				
Closing balance	56,234.14		28,699,031.62	28,755,265.76

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

6. Other receivables (Continued)

(4) Other receivables categorized by nature

Nature of receivables	Closing balance	December 31, 2019
Lease receivable	7,160,930.87	4,713,685.10
Deposit, reserve, assurance	7,424,771.74	7,542,771.74
Proceeds on disposal of long-term asset	793,780.00	1,374,780.00
Temporary advance payment receivable	24,566,377.35	24,532,636.88
Subtotal/Total	39,945,859.96	38,163,873.72

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

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Tazishan Material Factory	Temporary payment receivable	8,391,138.00	Over 5 years	21.01	8,391,138.00
Soundtek Technology (Suzhou) Co., Ltd.	Security deposit	4,786,324.75	Over 5 years	11.98	4,786,324.75
Shenzhen Fuyu Industrial Industrial Co., Ltd	Temporary payment receivable	3,566,915.53	Over 5 years	8.93	3,566,915.53
Chade Xia	Temporary payment receivable	3,000,000.00	Over 5 years	7.51	3,000,000.00
Chengdu high tech Pukang hospital	Lease receivables, water and electricity charges	2,542,493.97	Within 1 year, 1-2 years, 2-3 years, 3-4 years	6.36	12,712.47
Subtotal		22,286,872.25		55.79	19,757,090.75

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

7. Inventories

(1) Details

Items	Book balance	Closing balance	
		Provision for write-down	Carrying amount
Raw materials	46,896,974.77	5,974,750.87	40,922,223.90
Semi-finished goods and work in process	7,149,594.10	1,000,030.05	6,149,564.05
Goods on hand	26,384,786.29	12,035,853.22	14,348,933.07
Total	80,431,355.16	19,010,634.14	61,420,721.02

(Continued)

Items	Book balance	December 31, 2019	
		Provision for write-down	Carrying amount
Raw materials	52,818,759.10	3,131,739.63	49,687,019.47
Semi-finished goods and work in process	8,199,307.44	1,347,228.23	6,852,079.21
Goods on hand	45,170,715.64	17,592,725.29	27,577,990.35
Total	106,188,782.18	22,071,693.15	84,117,089.03

(2) Provision for inventory write-down

1) Details

Items	Opening balance	Increase		Decrease		Closing balance
		Accrual	Others	Reversal or write-off	Others	
Raw materials	3,131,739.63	6,251,547.07		3,408,535.83		5,974,750.87
Semi-finished goods and work in process	1,347,228.23	765,645.32		1,112,843.50		1,000,030.05
Goods on hand	17,592,725.29	3,125,317.38		8,682,189.45		12,035,853.22
Subtotal	22,071,693.15	10,142,509.77		13,203,568.78		19,010,634.14

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

7. Inventories

- 2) The provision for impairment in this period is mainly due to the decline of the optical fibers price, resulting that the realized value of some optical fiber raw materials, semi-finished goods and work in process, inventory decline. Meanwhile, due to the small scale, the high fixed cost allocated to each unit product, the small material procurement and the insufficient bargaining power which makes the cost higher than the selling price of track cable products, resulting in the decrease of the net realizable value of raw materials, semi-finished goods and work in process, inventory. Determination basis of net realizable value and reasons for the reversal or write-off of provision for inventory write-down

Items	Determination basis of net realizable value	Reasons for reversal of provision for inventory write-down	Reasons for write-off of provision for inventory write-down
Raw materials	Estimated selling price of relevant finished goods less cost to be incurred upon completion, estimated selling expenses, and relevant taxes and surcharges	Net realizable value of inventories with provision for inventory write-down made in preceding period increased	Inventories with provision for inventory write-down made in preceding period were used in current period
Work in process	Estimated selling price of relevant finished goods less cost to be incurred upon completion, estimated selling expenses, and relevant taxes and surcharges	Net realizable value of inventories with provision for the overstocked semi-finished goods write-down made in preceding period increased because of the increase of copper price at the end of the period.	Inventories with provision for inventory write-down made in preceding period were used produced as finished products in current period
Goods on hand	Estimated selling price of relevant finished goods less estimated selling expenses, and relevant taxes and surcharges		Inventories with provision for inventory write-down made in preceding period were sold in current period

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

8. Assets as held for sale

(1) Details

Items	Closing balance		December 31, 2019		Carrying amount
	Book balance	Provision for impairment	Book balance	Provision for impairment	
Long-term equity investments	59,083,708.14				59,083,708.14
Total	59,083,708.14				59,083,708.14

(2) Assets as held for sale at the balance sheet date

Non-current assets as held for sale

Items	Segments	Closing balance	Fair value	Estimated sale expenses	Reason and method of sale	Estimated disposal date
Long-term equity investments	Copper cable and related products	59,083,708.14	67,614,500.00		12.5% equity is transferred due to strategic focus adjustment and other reasons	December 2021
Subtotal		59,083,708.14	67,614,500.00			

(3) Other remarks

In order to implement the requirements of improving quality and efficiency, reducing the number of legal persons and reducing management level, and as the strategic focus of the company is transferred from outside to inside to strengthen its own development, it is proposed to transfer 12.5% of the equity of Putian Fasten Cable Telecommunication Co., Ltd.

9. Other current assets

Items	Closing balance	December 31, 2019
VAT Input Tax to be Certified	10,991,490.98	13,354,722.01
Prepaid tax		60,102.97
Total	10,991,490.98	13,414,824.98

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

10. Debt investments

(1) Details

Items	Initial cost	Closing balance		Provision for impairment	Carrying amount
		Interest adjustment	Interest accrued		
Corporate bond	60,000.00			60,000.00	
Total	60,000.00			60,000.00	

(Continued)

Items	Initial cost	December 31, 2019		Provision for impairment	Carrying amount
		Interest adjustment	Interest accrued		
Corporate bond	60,000.00			60,000.00	
Total	60,000.00			60,000.00	

(2) Provision for impairment of debt investments

Items	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance			60,000.00	60,000.00
Opening balance in current period	-	-	-	
- Transferred to phase II				
- Transferred to phase III				
- Reversed to phase II				
- Reversed to phase I				
Provision made in current period				
Provision recovered in current period				
Provision reversed in current period				
Provision written off in current period				
Other changes				
Closing balance			60,000.00	60,000.00

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

11. Long-term equity investments

(1) Categories

Items	Book balance	Closing balance Provision for impairment	Carrying amount
Investments in associates	52,814,215.84	298,559.72	52,515,656.12
Total	52,814,215.84	298,559.72	52,515,656.12

(Continued)

Items	Book balance	December 31, 2019 Provision for impairment	Carrying amount
Investments in associates	124,054,606.49	125,903.35	123,928,703.14
Total	124,054,606.49	125,903.35	123,928,703.14

(2) Details

Investees	Opening balance	Investments increased	Investments decreased	Increase/Decrease	
				Investment income recognized under equity method	Adjustment in other comprehensive income
Associates					
Chengdu Cable Material Factory					
Chengdu Bada Socket Connector Co., Ltd.	4,887,525.63			361,163.98	
Chengdu Yuexin Communication Materials Co., Ltd	172,656.37				
Putian Fasten Cable Telecommunication Co., Ltd.	118,868,521.14			-12,517,846.49	
Total	123,928,703.14			-12,156,682.51	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

11. Long-term equity investments (Continued)

(2) Details (Continued)

(Continued)

Investees	Changes in other equity	Increase/Decrease			Closing balance	Closing balance of provision for impairment
		Cash dividend/ Profit declared for distribution	Provision for impairment	Others		
Associates						
Chengdu Cable Material Factory						125,903.35
Chengdu Bada Socket Connector Co., Ltd.					5,248,689.61	
Chengdu Yuexin Communication Materials Co., Ltd			172,656.37			172,656.37
Putian Fasten Cable Telecommunication Co., Ltd.				-59,083,708.14 [Note]	47,266,966.51	
Total			172,656.37	-59,083,708.14	52,515,656.12	298,559.72

(3) [Note] Others are assets held for sale. See note V (I) 8 of the financial statements for details

12. Other equity instrument investments

(1) Details

Items	Closing balance	December 31, 2019	Dividend income	Accumulated amount of gains or losses transferred from other comprehensive income to retained earnings	
				Amount	Reasons
ChengDu Hi-Tech Development Co., Ltd.	4,261,335.00	4,977,441.00			
Subtotal	4,261,335.00	4,977,441.00			

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

12. Other equity instrument investments (Continued)

(2) *Reasons for equity instrument investments designated as at fair value through other comprehensive income*

The Company's equity instrument investment is a long-term investment that the Company plans to hold for strategic purposes. Therefore, the Company designates it as a financial asset measured at fair value through other comprehensive income.

13. Investment property

(1) *Details*

Items	Buildings and structures	Total
Cost		
Opening balance	107,406,288.15	107,406,288.15
Increase	13,081,649.30	13,081,649.30
1) Transferred in from fixed assets	13,081,649.30	13,081,649.30
Decrease		
Closing balance	120,487,937.45	120,487,937.45
Accumulated depreciation and amortization		
Opening balance	36,826,921.23	36,826,921.23
Increase	9,475,578.36	9,475,578.36
1) Accrual	3,513,260.87	3,513,260.87
2) Transferred in from fixed assets	5,962,317.49	5,962,317.49
Decrease		
Closing balance	46,302,499.59	46,302,499.59
Carrying amount		
Closing balance	74,185,437.86	74,185,437.86
Opening balance	70,579,366.92	70,579,366.92

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

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	36,614,745.63	Fire acceptance has not yet passed, and the property right certificate is in process
Subtotal	36,614,745.63	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

14. Fixed assets

(1) Details

Items	Buildings and structures	General equipment	Transport facilities	Other equipment	Subtotal/Total
Cost					
Opening balance	144,974,310.72	309,121,645.49	4,736,250.42	25,472,533.34	484,304,739.97
Increase	7,936,932.92	4,816,790.70		1,015,514.34	13,769,237.96
1) Acquisition		955,300.80		90,765.59	1,046,066.39
2) Transferred in from construction in progress	7,319,613.52	872,971.95		924,748.75	9,117,334.22
3) Others	617,319.40	2,988,517.95			3,605,837.35
Decrease	13,081,649.30	9,969,596.70	416,255.73	4,223,451.19	27,690,952.92
1) Disposal/Scrapping		9,969,596.70	416,255.73	617,613.84	11,003,466.27
2) Transferred out to investment property	13,081,649.30				13,081,649.30
3) Others				3,605,837.35	3,605,837.35
Closing balance	139,829,594.34	303,968,839.49	4,319,994.69	22,264,596.49	470,383,025.01
Accumulated depreciation					
Opening balance	63,490,709.92	208,380,057.72	4,064,975.15	18,396,865.54	294,332,608.33
Increase	5,287,725.22	16,465,748.07	222,599.77	2,077,211.39	24,053,284.45
1) Accrual	4,732,137.76	13,804,238.06	222,599.77	2,077,211.39	20,836,186.98
2) Others	555,587.46	2,661,510.01			3,217,097.47
Decrease	5,962,317.49	6,543,941.04	397,081.87	3,708,820.13	16,612,160.53
1) Disposal/Scrapping		6,543,941.04	397,081.87	491,722.66	7,432,745.57
2) Transferred out to investment property	5,962,317.49				5,962,317.49
3) Others				3,217,097.47	3,217,097.47
Closing balance	62,816,117.65	218,301,864.75	3,890,493.05	16,765,256.80	301,773,732.25
Provision for impairment					
Opening balance		19,354,914.59		258,334.07	19,613,248.66
Increase		204,324.26		96.12	204,420.38
1) Accrual		46,545.61		96.12	46,641.73
2) Transferred out to investment property					
3) Others		157,778.65			157,778.65
Decrease		3,124,514.23		232,175.27	3,356,689.50
1) Disposal/Scrapping		3,124,514.23		74,396.62	3,198,910.85
2) Others				157,778.65	157,778.65
Closing balance		16,434,724.62		26,254.92	16,460,979.54
Carrying amount					
Closing balance	77,013,476.69	69,232,250.12	429,501.64	5,473,084.77	152,148,313.22
Opening balance	81,483,600.80	81,386,673.18	671,275.27	6,817,333.73	170,358,882.98

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

14. Fixed assets (Continued)

(2) Fixed assets with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	17,731,448.11	Fire acceptance has not yet passed, and the property right certificate is in process
Subtotal	17,731,448.11	

15. Construction in progress

(1) Details

Projects	Closing balance		
	Book balance	Provision for impairment	Carrying amount
Comprehensive technical transformation	6,576,797.90	5,919,118.11	657,679.79
China Putian Chengdu Industrial Base supporting plant			
Aluminum rod production line	3,499,183.32	3,243,576.02	255,607.30
Aluminum rolling 01	1,188,820.65	780,081.05	408,739.60
B07# Utility Engineering	238,629.48		238,629.48
Air compressor Chengdu Putian Shuangchuang Park Planning and Construction Project			
Sporadic Projects	61,172.99		61,172.99
Total	11,564,604.34	9,942,775.18	1,621,829.16

(Continued)

Projects	December 31, 2019		
	Book balance	Provision for impairment	Carrying amount
Comprehensive technical transformation	6,576,797.90	5,919,118.11	657,679.79
China Putian Chengdu Industrial Base supporting plant	5,422,798.74		5,422,798.74
Aluminum rod production line	3,499,183.32	3,243,576.02	255,607.30
Aluminum rolling 01	1,188,820.65	780,081.05	408,739.60
B07# Utility Engineering	1,949,756.55		1,949,756.55
Air compressor Chengdu Putian Shuangchuang Park Planning and Construction Project	105,122.64		105,122.64
Sporadic Projects	41,813.58		41,813.58
Total	18,784,293.38	9,942,775.18	8,841,518.20

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

15. Construction in progress (Continued)

(2) Changes in significant projects

Projects	Budgets	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Comprehensive technical transformation	700.00	6,576,797.90				6,576,797.90
China Putian Chengdu Industrial Base supporting plant	733.00	5,422,798.74	1,896,814.78	7,319,613.52		
Aluminum rod production line	450.00	3,499,183.32				3,499,183.32
Aluminum rolling 01	120.00	1,188,820.65				1,188,820.65
B07# Utility Engineering	120.00	1,949,756.55	56,603.77	247,900.00	1,519,830.84	238,629.48
Chengdu Putian Shuangchuang Park Planning and Construction Project	14,000.00	105,122.64	29,433.96		134,556.60	
Sporadic Projects	741.00	41,813.58	41,596.46	22,237.05		61,172.99
Compact Substation	54.00		532,038.44	532,038.44		
Z-20-01 PK2800-1	80.00		651,460.37	651,460.37		
Z-20-02 PK2311	30.00		273,288.38	273,288.38		
Activated carbon box	8.00		70,796.46	70,796.46		
Subtotal	17,036.00	18,784,293.38	3,552,032.62	9,117,334.22	1,654,387.44	11,564,604.34

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

15. Construction in progress (Continued)

(2) Changes in significant projects (Continued)

(Continued)

Projects	Accumulated input to budget (%)	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in current period	Annual capitalization rate (%)	Fund source
Comprehensive technical transformation	93.95	100.00				Self-raising
China Putian Chengdu Industrial Base supporting plant	99.86	95.00				Self-raising
Aluminum rod production line	77.76	75.00				Self-raising
Aluminum rolling 01	99.07	100.00				Self-raising
B07# Utility Engineering	167.20	90.00				Self-raising
Chengdu Putian Shuangchuang Park Planning and Construction Project	0.10	1.00				Self-raising
Sporadic Projects	1.13	75.00				Self-raising
Compact Substation	98.53	100.00				Self-raising
Z-20-01 PK2800-1	81.43	100.00				Self-raising
Z-20-02 PK2311	91.10	100.00				Self-raising
Activated carbon box	88.50	100.00				Self-raising
Subtotal						

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

16. Intangible assets

(1) Details

Items	Land use right	Patent right	Non-patent technology	Others	Total
Cost					
Opening balance	58,005,842.45	1,071,672.28	6,759,683.36	224,388.02	66,061,586.11
Increase					
Decrease					
Closing balance	58,005,842.45	1,071,672.28	6,759,683.36	224,388.02	66,061,586.11
Accumulated amortization					
Opening balance	14,430,560.29	1,071,672.28	5,407,482.15	141,937.56	21,051,652.28
Increase	1,282,310.28		1,352,201.21	22,438.80	2,656,950.29
1) Accrual	1,282,310.28		1,352,201.21	22,438.80	2,656,950.29
Decrease					
Closing balance	15,712,870.57	1,071,672.28	6,759,683.36	164,376.36	23,708,602.57
Carrying amount					
Closing balance	42,292,971.88			60,011.66	42,352,983.54
Opening balance	43,575,282.16		1,352,201.21	82,450.46	45,009,933.83

(2) Analysis of carrying amount of land use right

Items	Closing balance	December 31, 2019
Outside Hong Kong	42,292,971.88	43,575,282.16
Including: Mid-term lease [Note]	42,292,971.88	43,575,282.16
Subtotal	42,292,971.88	43,575,282.16

[Note]: The remaining lease term is 42 years.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

17. Long-term prepayments

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
House decoration expense		1,519,830.84	101,322.04		1,418,508.80
Total		1,519,830.84	101,322.04		1,418,508.80

18. Deferred tax assets and deferred tax liabilities

(1) Deferred tax liabilities before offset

Items	Closing balance		December 31, 2019	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Changes in fair value of other debt investments	3,550,142.68	532,521.40	4,266,248.68	639,937.30
Total	3,550,142.68	532,521.40	4,266,248.68	639,937.30

(2) Details of unrecognized deferred tax assets

Items	Closing balance	December 31, 2019
Deductible temporary difference	128,623,344.72	136,928,748.38
Deductible losses	282,152,216.33	211,257,335.14
Subtotal	410,775,561.05	348,186,083.52

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

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

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

Maturity years	Closing balance	December 31, 2019	Remarks
Year 2021	54,576,698.48	54,576,698.48	
Year 2022	28,463,226.14	28,463,226.14	
Year 2023	23,865,978.87	23,865,978.87	
Year 2024	12,917,080.02	12,917,080.02	
Year 2025	2,118,289.79		
Year 2028	38,568,875.20	38,568,875.20	
Year 2029	52,865,476.43	52,865,476.43	
Year 2030	68,776,591.40		
Subtotal	282,152,216.33	211,257,335.14	

19. Accounts payable

(1) Details

Items	Closing balance	December 31, 2019
Material purchase	24,366,948.53	50,129,194.54
Equipment and engineering funds	65,000.00	
Payable operating expenses	111,610.22	376,904.08
Total	24,543,558.75	50,506,098.62

(2) Age analysis

Ages	Closing balance
Within 1 year	22,575,851.21
1-2 years	1,140,698.88
2-3 years	13,901.39
Over 3 year	813,107.27
Subtotal	24,543,558.75

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

20. Advances received

Items	Closing balance	December 31, 2019
Within 1 year	236,733.80	254,715.26
Total	236,733.80	254,715.26

Note: The advance payment is mainly the house rent which is paid in advance.

21. Contract liabilities

Items	Closing balance	December 31, 2019
Goods	2,895,447.37	4,161,020.10
Total	2,895,447.37	4,161,020.10

22. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	19,463,818.22	44,664,347.56	46,316,039.13	17,812,126.65
Post-employment benefits – defined contribution plan	266,066.10	689,390.54	542,046.40	413,410.24
Termination benefits	4,653,936.64	37,042.00	737,679.50	3,953,299.14
Total	24,383,820.96	45,390,780.10	47,595,765.03	22,178,836.03

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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	13,206,477.34	34,414,204.12	35,958,449.11	11,662,232.35
Employee welfare fund	11,934.00	2,353,330.36	2,365,264.36	
Social insurance premium	82,894.95	2,512,077.89	2,512,077.89	82,894.95
Including: Medicare premium	77,475.74	2,215,193.34	2,215,193.34	77,475.74
Occupational injuries premium	327.29	13,373.19	13,373.19	327.29
Maternity premium	5,091.92	283,511.36	283,511.36	5,091.92
Housing provident fund	494.00	2,615,572.00	2,615,572.00	494.00
Trade union fund and employee education fund	6,162,017.93	752,674.65	848,187.23	6,066,505.35
Others		2,016,488.54	2,016,488.54	
Subtotal	19,463,818.22	44,664,347.56	46,316,039.13	17,812,126.65

(3) Details of defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium	266,908.23	664,891.27	517,547.13	414,252.37
Unemployment insurance premium	-842.13	24,499.27	24,499.27	-842.13
Subtotal	266,066.10	689,390.54	542,046.40	413,410.24

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

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

23. Taxes and rates payable

Items	Closing balance	December 31, 2019
VAT	12,178.46	
Enterprise income tax	1,358,819.55	1,358,819.55
Individual income tax withheld for tax authorities	59,859.22	19,295.00
Urban maintenance and construction tax	106.32	2,307.78
Housing property tax	68,565.13	26,593.22
Education surcharge	45.56	989.04
Local education surcharge	30.38	659.37
Stamp duty	105,489.23	76,415.79
Total	1,605,093.85	1,485,079.75

24. Other payables

Items	Closing balance	December 31, 2019
Security deposit	4,138,749.48	3,455,565.27
Temporary receipts payable	13,292,951.07	12,098,843.04
Temporarily received equity disposal fund	20,284,350.00	
Others	6,626,460.56	5,611,545.99
Total	44,342,511.11	21,165,954.30

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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	December 31, 2019
Guaranteed borrowings	6,176,328.82	6,483,910.19
Total	6,176,328.82	6,483,910.19

(2) Analysis of long-term borrowings maturity dates

Items	Closing balance	December 31, 2019
Due on demand or within one year	481,387.17	468,820.11
1-2 years	481,387.17	468,820.11
2-5 years	1,444,161.51	1,406,460.34
Over 5 years	3,769,392.97	4,139,809.63
Subtotal	6,176,328.82	6,483,910.19
Including: Long-term borrowings due within one year	481,387.17	468,820.11
Long-term borrowings due more than one year	5,694,941.65	6,015,090.08

(3) Other remarks

The annual interest rate of the loan is 0.5%.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	57,742,528.84		3,673,531.32	54,068,997.52	
Total	57,742,528.84		3,673,531.32	54,068,997.52	

(2) Details of government grants

Items	Opening balance	Increase	Grants included into profit or loss [Note]	Closing balance	Related to assets/income
Shuangliu Land Acquisition Compensation	55,860,428.84		3,482,131.32	52,378,297.52	Related to assets
Intelligent transformation of production line	890,900.00		90,600.00	800,300.00	Related to assets
Provincial industrial development funds for technical renovation	991,200.00		100,800.00	890,400.00	Related to assets
Subtotal	57,742,528.84		3,673,531.32	54,068,997.52	

Note: Please refer to section V (IV) 3 of notes to financial statements for details on grants included into profit or loss.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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)

(3) Other remarks

According to the Supreme County People's Government of Chengdu City, "Reply on the Approval of the Acquisition of Real Estate of Chengdu Cable Shuangliu Heat Shrinking Products Factory" (Shuangfutu [2008] No. 129) and "Management Measures for Land Acquisition and Reserve of Shuangliu County", March 2009, Subsidiary Chengdu Cable Shuangliu Heat Shrinking Products Factory (now known as Chengdu Putian New Materials Co., Ltd.) signed the "State-Owned Land Acquisition Agreement" with Shuangliu County Land Reserve Center, and agreed to Shuangliu County Government to recover the Baijia Town in Shuangliu County, Chengdu for RMB87.2043 million. Among them, RMB20 million was received for the first phase relocation in 2009, RMB35 million for the second phase relocation in 2010, RMB17 million for the third phase relocation in 2011, and RMB15.2043 million for the fourth phase relocation in 2012. Nearly the village has 47,767.75 square meters of state-owned land use rights. The relocation funds that the subsidiary Chengdu Telecom Cable Shuangliu Heat Shrinkable Product Plant mainly received is mainly used for the construction of the new plant. In 2020, the deferred income of RMB 3,482,131.32 was recognized according to the depreciation of the plant.

27. Share capital

Items	Opening balance	Issue of new shares	Bonus shares	Movements		Subtotal	Closing balance
				Reserve transferred to shares	Others		
Non-tradable shares							
Held by domestic legal persons	240,000,000.00						240,000,000.00
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		336,416,611.51		336,416,611.51
Total		638,760,122.08		638,760,122.08

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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	Less: OCI previously recognized but transferred to profit or loss in current period	Current period cumulative		Attributable to parent company	Attributable to non-controlling shareholders	Closing balance
				Less: OCI previously recognized but transferred to retained earnings in current period	Less: Income tax			
Items not to be reclassified subsequently to profit or loss	3,626,311.39	-716,106.00		-107,415.90	-608,690.10			3,017,621.29
Including: Changes in fair value of other equity instrument investments	3,626,311.39	-716,106.00		-107,415.90	-608,690.10			3,017,621.29
Total	3,626,311.39	-716,106.00		-107,415.90	-608,690.10			3,017,621.29

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	-193,187,054.70	-143,051,630.13
Add: Net profit attributable to owners of the parent company	-43,191,707.27	-50,135,424.57
Closing balance	-236,378,761.97	-193,187,054.70

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 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

(1) Details

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	380,334,064.39	385,973,138.37	413,650,510.79	410,288,605.83
Other operations	36,951,908.78	14,539,673.81	35,606,239.74	20,297,453.76
Total	417,285,973.17	400,512,812.18	449,256,750.53	430,586,059.59

(2) Breakdown of revenue by main categories

Reportable segments	Copper cable and related products	Optical communication products	Cable conduct and related products	Subtotal
Main product types				
Optical fiber products		157,540,589.52		157,540,589.52
Heat shrinkable sleeve			604,730.96	604,730.96
Track cable	34,292,181.62			34,292,181.62
Component Processing and Component Trade	181,370,196.51			181,370,196.51
Electrical equipment	103,838.50			103,838.50
Feeder line	190,089.03			190,089.03
Others	14,958,870.96		3,969,766.89	18,928,637.85
Subtotal	230,915,176.62	157,540,589.52	4,574,497.85	393,030,263.99
Revenue recognition time				
Goods (transferred at a point in time)	230,915,176.62	157,540,589.52	4,574,497.85	393,030,263.99
Subtotal	230,915,176.62	157,540,589.52	4,574,497.85	393,030,263.99

Note: The difference with operating income is the income from leasing business.

(3) Revenue recognized as included in the opening balance of carrying amount of contract liabilities totaled 1,072,924.40 yuan.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

2. Taxes and surcharges

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	60,018.46	199,883.62
Housing property tax	3,570,391.47	3,470,377.62
Land use tax	2,396,164.60	2,396,164.60
Vehicle and vessel use tax	5,718.50	5,640.00
Resources tax	15,144.70	12,885.10
Education surcharge	25,722.20	85,664.40
Local education surcharge	17,148.14	57,109.59
Stamp duty	314,059.64	292,534.75
Environmental Protection Tax	5.75	4.01
Total	6,404,373.46	6,520,263.69

3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Staff Salaries	2,310,475.25	3,927,567.43
Transportation cost	2,059,006.06	2,755,498.37
Packaging expenses	1,053,086.11	1,269,941.92
Business expenses	1,236,928.42	1,064,288.18
Advertising promotion fee	27,812.87	699,758.11
Office and travelling expenses	145,252.54	315,954.68
Sales service expenses	771,181.10	1,533,803.27
Others	280,710.04	526,330.17
Total	7,884,452.39	12,093,142.13

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

4. Administrative expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Staff salaries	24,751,728.14	29,618,616.75
Depreciation and amortisation	10,136,819.21	10,683,852.49
Business entertainment	376,757.95	498,880.44
Office and travelling expenses	967,339.82	1,400,539.24
Agency fee	3,280,721.68	2,714,746.77
Disability person protection	333,461.44	451,929.14
Repairs and maintenance	1,788,376.57	1,460,219.94
Water and electricity	866,056.95	944,642.40
Shutdown loss	32,768.54	1,169,547.06
Others	3,217,344.46	2,924,018.25
Total	45,751,374.76	51,866,992.48

(2) Current period administrative expenses of 820,000.00 yuan (2019: 820,000.00yuan) is the auditor's remuneration.

5. R&D expenses

Items	Current period cumulative	Preceding period comparative
Staff salaries	6,342,447.49	6,353,497.83
Including: Wage	5,368,512.52	4,409,710.95
Welfare payments	235,504.60	170,183.24
Social insurance	692,783.35	1,700,260.36
Others	45,647.02	73,343.28
Depreciation of fixed assets	3,031,565.48	1,451,593.91
Materials	629,397.53	2,726,488.65
Others	1,145,050.80	167,930.42
Total	11,148,461.30	10,699,510.81

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

6. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenditures	96,735.06	102,087.06
Less: Interest income	5,002,732.92	6,717,918.25
Gains & losses on foreign exchange	-579,063.26	703,896.32
Handling charges	262,561.99	397,243.07
Total	-5,222,499.13	-5,514,691.80

7. Other income

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants related to assets [Note]	3,673,531.32	3,514,031.32	3,673,531.32
Government grants related to income [Note]	5,171,820.19	6,278,378.49	5,171,820.19
VAT input tax additional deduction by 10%	38,137.07	22,832.23	
Refund of handling fees for withholding individual income tax	15,153.19	86,720.93	
Total	8,898,641.77	9,901,962.97	8,845,351.51

Note: Please refer to section V (IV) 3 of the notes to financial statements for details on government grants included into other income.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

8. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	-12,156,682.51	-7,845,245.74
Total	-12,156,682.51	-7,845,245.74

9. Credit impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts	2,092,075.53	8,862,441.79
Total	2,092,075.53	8,862,441.79

10. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Inventory write-down loss	-10,142,509.77	-8,664,874.65
Impairment loss of fixed assets	-46,641.73	-1,496,084.03
Impairment loss of construction in progress		-3,243,576.02
Impairment loss of long-term equity investments	-172,656.37	
Total	-10,361,807.87	-13,404,534.70

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

11. Gains on asset disposal

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of fixed assets	1,399,343.13	-1,007,902.95	1,399,343.13
Total	1,399,343.13	-1,007,902.95	1,399,343.13

12. Non-operating revenue

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants [Note 1]	2,132,000.00	9,130,000.00	2,132,000.00
Gains on damage or retirement of non-current assets		100.00	
Payments not required	117,679.17	188,547.49	117,679.17
Group subsidies for water, electricity, heating supply and property management	1,277,200.00	5,480,000.00	1,277,200.00
Compensation for associates during the transition period [Note 2]	1,000,000.00	3,200,000.00	1,000,000.00
Others	36,560.20	50.51	36,560.20
Compensation for breach of contract	8,400.00	283,250.00	8,400.00
Total	4,571,839.37	18,281,948.00	4,571,839.37

Note 1: Please refer to section V (IV) 3 of notes to financial statements for details on government grants included into non-operating revenue.

Note 2: In 2016, the Group signed an equity transfer agreement with Fasten Group, and transferred the 22.5% equity held by Putian Fasten Cable Telecommunication Co., Ltd. The income generated from the base date of assets evaluation (October 31, 2015) to the equity delivery date (November 30, 2016) agreed in the agreement shall still be enjoyed by shareholders before the delivery date in accordance with the equity proportion. During this period, the Group received the compensation payment from Fasten Group.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

13. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Donation expenditures	100,000.00	130,000.00	100,000.00
Forfeit penalty	18,880.55	329.76	18,880.55
Water, electricity, heating supply and property management asset allocation expenditure		286,176.86	
Water, electricity, heating supply and property management transformation expenditure	2,015,379.55	20,508,613.46	2,015,379.55
Quality penalty		299,788.81	
Gains on damage or retirement of non-current assets	137,661.59		137,661.59
Others	38,645.93	112.80	38,645.93
Total	2,310,567.62	21,225,021.69	2,310,567.62

14. Income tax expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses		-70,434.62
Total		-70,434.62

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

14. Income tax expenses (Continued)

(2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
Profit before tax	-57,060,159.99	-63,430,878.69
Income tax expenses based on tax rate applicable to the parent company	-8,559,024.00	-9,514,631.80
Effect of different tax rate applicable to subsidiaries	151,527.61	494,321.95
Effect of prior income tax reconciliation		-70,434.62
Effect of non-taxable income		-102,900.00
Effect of non-deductible costs, expenses and losses	149,488.78	117,621.01
Utilization of deductible losses not previously recognized as deferred tax assets	-301,767.09	
Effect of deductible temporary differences or deductible losses not recognized as deferred tax assets	9,659,988.67	9,881,829.73
Others	-1,100,213.96	-876,240.89
Income tax expenses		-70,434.62

15. Other comprehensive income, net of income tax

Please refer to section V (I) 29 of notes to financial statements for details.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

1. Other cash receipts related to operating activities

Items	Current period cumulative	Preceding period comparative
Other government subsidy income received in addition to tax refunds	7,303,820.19	19,573,099.42
Interest income	5,002,732.92	6,717,918.25
Cash received from operating rental fixed assets (investment real estate)	35,219,460.65	30,504,051.79
Recovered notes and letter of credit deposit	68,732,172.46	67,270,623.56
Others	3,803,301.77	6,752,558.23
Total	120,061,487.99	130,818,251.25

2. Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Payment of notes and letter of credit deposit	24,563,642.29	42,866,950.36
Administrative expenses	12,688,374.02	11,400,480.18
R&D expenses	1,774,448.33	183,030.22
Sales expenses	3,807,419.02	7,107,289.13
Financial expenses	262,561.99	397,243.07
Others	16,578,509.92	43,320,180.16
Total	59,674,955.57	105,275,173.12

3. Other cash receipts related to investing activities

Items	Current period cumulative	Preceding period comparative
Compensation for associates during the transition period	1,000,000.00	3,200,000.00
Total	1,000,000.00	3,200,000.00

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

4. Other cash payments related to financing activities

Items	Current period cumulative	Preceding period comparative
Liquidation subsidiary payment to minority shareholders		98,483.58
Total		98,483.58

5. 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	-57,060,159.99	-63,360,444.07
Add: Provision for assets impairment loss	10,361,807.87	13,404,534.70
Provision for credit impairment loss	-2,092,075.53	-8,862,441.79
Depreciation of fixed assets, oil and gas assets, productive biological assets	24,349,447.85	23,888,952.91
Amortization of intangible assets	2,656,950.29	2,927,390.64
Amortization of long-term prepayments	101,322.04	
Loss on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	-1,399,343.13	9,675,490.16
Fixed assets retirement loss (Less: gains)	137,661.59	286,076.86
Losses on changes in fair value (Less: gains)		
Financial expenses (Less: gains)	465,153.08	-640,704.80
Investment losses (Less: gains)	12,156,682.51	7,845,245.74
Decrease of deferred tax assets (Less: increase)		
Increase of deferred tax liabilities (Less: decrease)		
Decrease of inventories (Less: increase)	12,553,858.24	-3,844,478.00
Decrease of operating receivables (Less: increase)	24,095,587.28	137,512,309.67
Increase of operating payables (Less: decrease)	-31,096,957.82	-43,488,053.59
Others	-1,000,000.00	-3,200,000.00
Net cash flows from operating activities	-5,770,065.72	72,143,878.43

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

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

(1) Supplement information to the cash flow statement (Continued)

Supplement information	Current period cumulative	Preceding period comparative
2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets leased in under finance leases		
3) Net changes in cash and cash equivalents:		
Cash at the end of the period	408,342,218.89	398,432,726.66
Less: Cash at the beginning of the period	398,432,726.66	356,967,593.50
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	9,909,492.23	41,465,133.16

(2) Composition of cash and cash equivalents

Items	Closing balance	December 31, 2019
1) Cash	408,342,218.89	398,432,726.66
Including: Cash on hand	5,304.40	5,969.18
Cash in bank on demand for payment	408,336,914.49	398,426,757.47
Other cash and bank balances on demand for payment		0.01
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	408,342,218.89	398,432,726.66
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

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

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

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

Items	Current period cumulative	Preceding period comparative
Amount of endorsed commercial acceptance	213,309,898.68	209,081,998.45
Including: Payment for goods	213,309,898.68	209,081,998.45

(IV) Others

1. Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Cash and bank balances	16,457,888.53	Pledge, deposit
Notes receivable	2,306,564.30	Pledge
Total	18,764,452.83	

2. Monetary items in foreign currencies

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent at the end of the period
Cash and bank balances			
Including: USD	640,547.52	6.5249	4,179,508.51
Accounts payable			
Including: USD	244,073.34	6.5249	1,592,554.14
Long-term borrowings			
Including: EUR	769,635.99	8.0250	6,176,328.82

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

(IV) Others (Continued)

3. Government grants

(1) Details

1) Government grants related to assets

Items	Opening balance of deferred income	Increase	Amortization	Closing balance of deferred income	Amortization presented under	Remarks
Demolition compensation	55,860,428.84		3,482,131.32	52,378,297.52	Other income	[Note 1]
Production line intelligent	890,900.00		90,600.00	800,300.00	Other income	[Note 2]
Provincial industrial development funds for technical renovation	991,200.00		100,800.00	890,400.00	Other income	[Note 3]
Subtotal	57,742,528.84		3,673,531.32	54,068,997.52		

Note 1: Please refer to section V (I) 26 of notes to financial statements for details.

Note 2: According to the notice [2018] No. 1, "Detailed rules for the implementation of several policies on supporting the development of electronic information industry in Chengdu high-tech zone", which issued by Electronic Information Industry Development bureau of Chengdu high-tech zone, Chengdu SEI Optical Fiber Co., Ltd., a subsidiary of the Company, received RMB906,000 for intelligent transformation of the production line in 2018.

Note 3: According to the notice of Sichuan Provincial Economic and Information Technology Commission on organizing the collection of provincial industrial development fund projects in 2019, Chengdu SEI Optical Fiber Co., Ltd., a subsidiary of the Company, received RMB1,008,000 for provincial industrial development and technological transformation in 2019.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

(IV) Others (Continued)

3. Government grants (Continued)

(1) Details (Continued)

- 2) Government grants related to income and used to compensate incurred relevant costs, expenses or losses

Items	Amounts	Presented under	Remarks
Subsidies for water, electricity, heating supply and property management	2,132,000.00	Other income	According to the "Notice on Guiding Opinions on the Separation and Handover of 'water, electricity, heating supply and property management' in the family area of employees of Stateowned Enterprises" (General Office of the State Council [2016] No. 45), the Company received RMB2.132 million of subsidies for water, electricity, heating supply and property management in 2020.
Hardship enterprise subsidy	3,880,000.00	Other income	According to the "Notice of the Ministry of Finance on Distributing the Special Governance Subsidy Funds for Central Specially Poor Enterprises in the Central State-owned Capital Operating Budget for 2020" (Cai Zi [2020] No. 99), the company received RMB3.88 million in subsidies for special poor enterprises in 2020.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

(IV) Others (Continued)

3. Government grants (Continued)

(1) Details (Continued)

- 2) Government grants related to income and used to compensate incurred relevant costs, expenses or losses (Continued)

Items	Amounts	Presented under	Remarks
Subsidies for stable posts of enterprises with difficulties from Chengdu high-tech Industrial Development Zone grassroots governance and Social Affairs Bureau	543,364.50	Other income	According to the "Notice of the Stable Post Return of Enterprises with Business Difficulties and Recovery Prospects" issued by Chengdu Employment Service Administration on April 20, 2020 (ChengJiuFa [2020] No. 26), enterprises with identified business difficulties and recovery prospects will be given stable post return of unemployment insurance
Medical subsidy for retirees	230,000.00	Other income	
Special fund of Economic Operation Bureau of Chengdu high-tech Industrial Development Zone	5,000.00	Other income	
Patent subsidy of Chengdu intellectual property service center	300.00	Other income	
Subsidy for the stability of the difficult enterprises of the basic level governance and Social Affairs Bureau of Chengdu hi tech Industrial Development Zone	339,270.36	Other income	
Additional tax refund	32,525.88	Other income	
Subsidy for stabilizing posts of Chengdu social insurance administration	31,629.75	Other income	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

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

(IV) Others (Continued)

3. Government grants (Continued)

(1) Details (Continued)

2) Government grants related to income and used to compensate incurred relevant costs, expenses or losses (Continued)

Items	Amounts	Presented under	Remarks
Science and technology insurance subsidy of Finance and Finance Bureau of Chengdu high-tech Industrial Development Zone	20,000.00	Other income	
Special award for high quality development in 2020 of Chengdu high-tech Zone Economic Operation Bureau	5,000.00	Other income	
Resumption subsidy of Chengdu intellectual property service center	5,340.00	Other income	
Energy consumption expenses and special logistics subsidies of Economic Operation Bureau of Chengdu high-tech Industrial Development Zone	71,700.00	Other income	
Subsidy for job stabilization	2,689.70	Other income	
Subsidy from economic operation Bureau of Chengdu high-tech Industrial Development Zone	5,000.00	Other income	
Subtotal	7,303,820.19		

(2) In the current period, government grants included into profit or loss totaled 10,977,351.5 yuan.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

VI. INTEREST IN OTHER ENTITIES

(I) Interest in significant subsidiaries

1. Significant subsidiaries

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
Chengdu Zhongling Wireless Communication Cable Co., Ltd	Chengdu City, the PRC	Chengdu City, the PRC	Production and sales of wireless communication system cables, components and accessories	RMB8,210.00	100.00	Business combination not under common control
Chengdu PUTIAN New Material Co., Ltd.	Chengdu City, the PRC	Chengdu City, the PRC	Production and sales of heat-shrinkable casing, cold-shrinkable tube and accessories, irradiation processing and derivative technology applications and consulting	RMB5,982.00	100.00	Business combination not under common control
Chengdu SEI Optical Fiber Co., Ltd	Chengdu City, the PRC	Chengdu City, the PRC	Production and sales of optical fiber and related materials	USD1,700.00	60.00	Business combination not under common control

2. Significant not wholly-owned subsidiaries

Subsidiaries	Holding proportion of non-controlling shareholders	Non-controlling shareholders' profit or loss	Dividend declared to non-controlling shareholders	Closing balance of non-controlling interest
Chengdu SEI Optical Fiber Co., Ltd.	40.00	-13,868,452.72	4,000,000.00	89,284,034.57

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

VI. 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

Subsidiaries	Current assets	Non-current assets	Closing balance			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Chengdu SEI Optical Fiber Co., Ltd.	17,517.65	5,931.22	23,448.87	958.79	169.07	1,127.86

(Continued)

Subsidiaries	Current assets	Non-current assets	December 31, 2019			Total liabilities
			Total assets	Current liabilities	Non-current liabilities	
Chengdu SEI Optical Fiber Co., Ltd.	24,487.65	6,664.57	31,152.22	4,175.89	188.21	4,364.10

(2) Profit or loss and cash flows

Subsidiaries	Operating revenue	Net profit	Current period cumulative		Cash flows from operating activities
			Total comprehensive income		
Chengdu SEI Optical Fiber Co., Ltd.	15,754.06	-3,467.11	-3,467.11		-356.75

(Continued)

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

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

VI. INTEREST IN OTHER ENTITIES (CONTINUED)

(II) Interest in joint venture or associates

1. Significant joint ventures or associates

Associates	Main operating place	Place of registration	Business nature	Holding proportion (%)		Accounting treatment on investments in associates
				Direct	Indirect	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu City, the PRC	Chengdu City, the PRC	Production and processing, sales of cable used polyethylene material and related polyethylene products; Composite metal strip and related metal strip products; Hot bonded film and related film products	RMB300.00	35.00	Equity method
Chengdu Bada Connector Co., Ltd.	Chengdu City, the PRC	Chengdu City, the PRC	Production and sales of wire and cable and all kinds of connectors, network communication system supporting products, computer hardware and software products and plastic products	RMB500.00	49.00	Equity method
Putian Fasten Cable Telecommunication Co., Ltd.	Jiangyin City, the PRC	Jiangyin City, the PRC	Production and sales of communications optical fiber, optical cable and related products	RMB50,000.00	22.50	Equity method

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

VI. INTEREST IN OTHER ENTITIES (CONTINUED)

(II) Interest in joint venture or associates (Continued)

2. Main financial information of significant associates

Items	Closing balance/Current period cumulative		
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu Bada Connector Co., Ltd.	Putian Fasten Cable Telecommunication Co., Ltd.
Current assets	2,850,446.27	54,684,821.95	1,273,060,033.18
Non-current assets	2,197,031.78	6,235,641.36	192,221,477.99
Total assets	5,047,478.05	60,920,463.31	1,465,281,511.17
Current liabilities	4,868,332.87	48,617,402.18	713,672,771.50
Non-current liabilities		569,360.18	294,150,201.99
Total liabilities	4,868,332.87	49,186,762.36	1,007,822,973.49
Non-controlling interest		1,022,089.43	
Equity attributable to owners of parent company	179,145.18	10,711,611.52	457,458,537.68
Proportionate share in net assets	62,700.81	5,248,689.64	102,928,170.98
Adjustments			
Goodwill			3,190,746.07
Others	109,955.56	-0.03	231,757.60
Carrying amount of investments in associates	172,656.37	5,248,689.61	106,350,674.65
Fair value of equity investments in associates in association with quoted price			
Operating revenue		191,421,715.22	797,675,084.41
Net profit		737,069.36	-55,634,873.29
Net profit of discontinued operations			
Other comprehensive income		737,069.36	-55,634,873.29
Total comprehensive income			
Dividend from associates received in current period			

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

VI. INTEREST IN OTHER ENTITIES (CONTINUED)

(II) Interest in joint venture or associates (Continued)

2. Main financial information of significant associates (Continued)

(Continued)

Items	December 31, 2019/Preceding period comparative		
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	Chengdu Bada Connector Co., Ltd.	Putian Fasten Cable Telecommunication Co., Ltd.
Current assets	2,850,446.27	74,409,388.86	1,164,982,958.92
Non-current assets	2,197,031.78	6,935,149.06	225,294,332.09
Total assets	5,047,478.05	81,344,537.92	1,390,277,291.01
Current liabilities	4,868,332.87	70,645,965.11	692,283,590.97
Non-current liabilities			184,900,289.07
Total liabilities	4,868,332.87	70,645,965.11	877,183,880.04
Non-controlling interest		724,030.65	
Equity attributable to owners of parent company	179,145.18	9,974,542.16	513,093,410.97
Proportionate share in net assets	62,700.81	4,887,525.66	115,446,017.47
Adjustments			
Goodwill			3,190,746.07
Others	109,955.56	-0.03	231,757.60
Carrying amount of investments in associates	172,656.37	4,887,525.63	118,868,521.14
Fair value of equity investments in associates in association with quoted price			
Operating revenue	5,458,377.53	188,569,853.27	816,815,118.02
Net profit	-1,330,743.75	1,716,625.53	-36,536,141.97
Net profit of discontinued operations			
Other comprehensive income	-1,330,743.75	1,716,625.53	-36,536,141.97
Total comprehensive income			
Dividend from associates received in current period		686,000.00	

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS

In risk management, 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, so as to maximize the profits of shareholders and other equity investors. Based on such risk management 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 on a timely and reliable basis.

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

1. Credit risk management practice

(1) Evaluation method of credit risk

At each balance sheet date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When assessing whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, which is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. The Company determines the changes in default risk of financial instruments during the estimated lifetime through comparison of the default risk at the balance sheet date and the initial recognition date, on an individual basis or a collective basis.

The Company considers the credit risk on a financial instrument has increased significantly when one or more of the following qualitative and quantitative standards are met:

- 1) Quantitative standard mainly relates to the scenario in which, at the balance sheet date, the probability of default in the remaining lifetime has risen by more than a certain percentage compared with the initial recognition;
- 2) Qualitative standard mainly relates to significant adverse changes in the debtor's operation or financial position, present or expected changes in technology, market, economy or legal environment that will have significant adverse impact on the debtor's repayment ability;

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk (Continued)

1. Credit risk management practice (Continued)

(2) Definition of default and credit-impaired assets

A financial instrument is defined as defaulted when one or more following events have occurred, of which the standard is consistent with that for credit-impairment:

- 1) significant financial difficulty of the debtor;
- 2) a breach of binding clause of contract;
- 3) it is very likely that the debtor will enter bankruptcy or other financial reorganization;
- 4) the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

2. Measurement of expected credit losses

The key factors in the measurement of expected credit loss include the probability of default, loss rate of default, and exposure to default risk. The Company develops a model of the probability of default, loss rate of default, and exposure to default risk on the basis of quantitative analysis of historical data (e.g. counterparty rating, guarantee measures and collateral type, payment method, etc.) and forward-looking information.

3. Please refer to section V (I) 2, 3, 4, 6 of the notes to the financial statements for details on the reconciliation table of opening balance and closing balance of provision for losses of financial instrument.

4. Exposure to credit risk and concentration of credit risk

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

(1) Cash and bank balances

The Company deposits its bank balances and other cash and bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(I) Credit risk (Continued)

4. Exposure to credit risk and concentration of credit risk (Continued)

(2) Receivables

The Company performs credit assessment on customers using credit settlement on a regular/continuous basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on balance of receivables, to avoid significant risks in bad debts.

As the Company only conducts business with credible and well-reputed third parties, collateral is not required from customers. The Company manages credit risk aggregated by customers. As of December 31, 2020, the Company has certain concentration of credit risk, and 25.30% (December 31, 2019: 27.63%) 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.

The maximum amount of exposure to credit risk of the Company is the carrying amount of each financial asset at the balance sheet.

(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 counterparties of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company comprehensively utilized financing tools such as notes settlement, bank borrowings, etc. and adopts long-term and short-term financing methods to optimize 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

For the year ended December 31, 2020 Monetary unit: RMB Yuan

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(II) Liquidity risk (Continued)

Financial liabilities classified based on remaining time period till maturity

Items	Carrying amount	Contract amount not yet discounted	Closing balance		
			Within 1 year	1-3 years	Over 3 years
Accounts payable	24,543,558.75	24,543,558.75	24,543,558.75		
Other payables	44,342,511.11	44,342,511.11	44,342,511.11		
Long-term borrowings	6,176,328.82	6,176,328.82	481,387.17	962,774.34	4,732,167.31
Subtotal	75,062,398.68	69,367,457.03	69,367,457.03	962,774.34	4,732,167.31

(Continued)

Items	Carrying amount	Contract amount not yet discounted	December 31, 2019		
			Within 1 year	1-3 years	Over 3 years
Accounts payable	50,506,098.62	50,506,098.62	50,506,098.62		
Other payables	21,165,954.30	21,165,954.30	21,165,954.30		
Long-term borrowings	6,483,910.19	6,483,910.19	468,820.11	937,640.22	5,077,449.86
Subtotal	78,155,963.11	78,155,963.11	72,140,873.03	937,640.22	5,077,449.86

(III) Market risk

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

1. Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value or future cash flows of financial instruments due to changes in market interest. The Company's fair value interest risks arise from fixed-rate financial instruments, while the cash flow interest risks arise from floating-rate financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating-rate financial instruments based on the market environment, and maintains a proper financial instruments portfolio through regular review and monitoring.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

(III) Market risk (Continued)

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 section V (IV) 2 of notes to financial statements for details in foreign currency financial assets and liabilities at the end of the period.

VIII. 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 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement				
Other equity instrument investments	4,261,335.00			4,261,335.00
Total assets at recurring fair value measurement	4,261,335.00			4,261,335.00

(II) Basis for determining level 1 fair value at recurring and non-recurring fair measurement

The quotation of the same assets or liabilities in an active market (unadjusted).

(III) Fair value of financial assets and liabilities not at fair value

Financial assets and liabilities not measured at fair value mainly include cash and bank balances, accounts receivable, short-term borrowings, and accounts payable. The fair value of each project is close to the book value

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(I) Related party relationships

1. Parent company

(1) Parent company

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

(2) The Company's ultimate controlling party is China PUTIAN Corporation.

2. Please refer to section VI of notes to financial statements for details on the Company's subsidiaries.

3. Joint ventures and associates of the Company

(1) Joint ventures and associates of the Company

Please refer to section VI of notes to financial statements for details on the Company's significant joint ventures and associates.

4. Other related parties of the Company

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

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions

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

(1) Purchase of goods and receiving of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Chengdu Bada Connector Co., Ltd.	Purchase of goods and receiving of services	177,902,213.65	167,396,243.00
Sumitomo Electric Asia Ltd.	Purchase of raw material	87,715,456.55	135,287,198.10
Sumitomo Electric Industries Ltd.	Receiving of services	78,366.96	100,914.86
Sumitomo Electric Industries Ltd.	Purchase of equipment		9,567,358.56
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Purchase of goods		4,792,171.02
Hangzhou Honyar Electrical Co., Ltd.	Purchase of goods		774,587.64
Putian Fasten Cable Telecommunication Co., Ltd.	Purchase of goods		15,403.28

(2) Sale of goods and rendering of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
China Potevio Company Limited	Component	190,089.03	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Sale of water and electricity		115,617.84
Putian Fasten Cable Telecommunication Co., Ltd.	Sale of water and electricity		1,400,418.59
Chengdu Bada Connector Co., Ltd.	Sale of water and electricity	322,174.52	131,820.93
Chengdu Bada Connector Co., Ltd.	Provide processing services	584,780.13	1,014,656.04
Sumitomo Electric Industries Ltd.	Sale of materials		58,197.87
Hangzhou Honyar Electrical Co., Ltd.	Sale of goods		37,147.31

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

2. Related party leases

The Company as the lessor

Lessees	Types of asset leased	Lease income for current period	Lease income for the preceding period
Chengdu Yuexin Telecommunications Materials Co., Ltd.	Plant		305,107.73
Putian Fasten Cable Telecommunication Co., Ltd.	Plant		2,177,998.65
Chengdu Bada Connector Co., Ltd.	Plant		306,995.51

3. Related party guarantees

The Company as guaranteed parties

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

4. Assets transfer of the related parties

Related parties	Content of related party transactions	Current period cumulative	Preceding period comparative
Xi'an PUTIAN Telecommunications Company Limited	Disposal of fixed assets		107,741.21

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

5. Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Emoluments	150,000.12	150,000.12
Wage, bonus, allowance and subsidy	1,161,035.11	1,455,270.82
Payment of pension plan	12,798.24	214,694.26
Housing provident fund	70,112.40	81,056.48
Other interest	65,308.35	110,456.99
Total	1,459,254.22	2,011,478.67

6. Directors' and supervisors' emoluments

Items	Fees	Current period cumulative				Benefit in kind	Total
		Wage, bonus, allowance, and subsidy	Housing provident fund	Payment of pension plan	Other social insurance premiums		
Executive directors:							
Wu Changlin							
Hu Jiangbing		297,182.67	31,712.40	2,679.84	14,463.06		346,037.97
Wang Micheng							
Han Shu							
Jiang Jianping (Note I)							
Xu Liying (Note I)							
Liu Yun							
Independent non-executive directors:							
Mao Yaping	50,000.04						50,000.04
Xiao Xiaozhou	50,000.04						50,000.04
Feng Gang	50,000.04						50,000.04
Supervisors:							
Lyu Dong (Note II)							
Zheng Zhili (Note II)							
Xiong Ting		221,344.59	9,600.00	2,770.72	13,793.13		247,508.44
Liu Jun		197,582.24	9,600.00	1,806.24	9,465.90		218,454.38
Total	150,000.12	716,109.50	50,912.40	7,256.80	37,722.09		962,000.91

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(II) Related party transactions (Continued)

6. Directors' and supervisors' emoluments (Continued)

(Continued)

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

[Note I] On December 22, 2020, Ms. Xu Liying resigned as an executive director and a member of the board's remuneration evaluation committee in order to devote more time to her personal affairs. At the same time, Mr. Jiang Jianping was appointed as the executive director of the company and a member of the remuneration appraisal committee of the board of directors.

[Note II] On November 29, 2019, Mr. Zheng Zhili resigned as a supervisor and chairman of the board of supervisors of the company due to retirement. The annual general meeting of shareholders of 2019 will be held on June 24, 2020, and Mr. Lyu Dong will be appointed as the supervisor of the company.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

IX. 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 1 (2019: 1) directors whose emoluments are reflected in the section IX (II) 6 of notes to financial statements. The total emoluments payable to the remaining 4 (2019: 4) non-director employees during the year are as follows:

Items	Current period cumulative	Preceding period comparative
Wage, bonus, allowance, and subsidy	1,213,918.72	951,443.84
Payment of pension plan	13,187.04	143,989.12
Housing provident fund	70,112.40	38,400.00
Other social insurance premiums	67,370.09	70,400.06
Total	1,364,588.25	1,204,233.02

The ranges of emoluments payable to 4 (2019: 4) non-director employees during the year are as follows:

Items	Number of individuals (2020)	Number of individuals 2019)
HK\$ nil – HK\$ 1,000,000	4	4

8. The Company purchases goods from Sumitomo Electric Industries Co., Ltd. and Sumitomo Electric Asia Ltd.; the Company sells goods to China Potevio Company Limited. The related party transactions listed above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on HKSE. And these transactions have been disclosed in the continuing connected transactions section of the Board report in accordance with Chapter 14A of the listing rules.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

IX. 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		December 31, 2019	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Nanjing Putian Telege Intelligent Building Ltd.	28,192.96	28,192.96	93,192.96	93,192.96
	China Potevio Company Limited	1,441,049.20	7,205.25	1,226,248.60	6,131.24
	Chengdu Branch of China Potevio Company Limited	304,891.23	304,891.23	304,891.23	304,891.23
	Chengdu Bada Connector Co., Ltd.			345,624.00	1,728.12
	Xi'an PUTIAN Telecommunications Company Limited			60,000.00	300.00
Subtotal		1,774,133.39	340,289.44	2,029,956.79	406,243.55
Advances paid	Sumitomo Electric Asia Ltd.	214,899.23		1,567,825.16	
Subtotal		214,899.23		1,567,825.16	
Other receivables	China Potevio Company Limited	1,680,942.76	8,404.71	1,680,942.76	8,404.71
	Chengdu Bada Connector Co., Ltd.	43,443.79	217.22	1,382,957.53	6,914.79
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	30,143.24	150.72	22,832.36	114.16
Subtotal		1,754,529.79	8,772.65	3,086,732.65	15,433.66

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

IX. 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	December 31, 2019
Accounts payable	Chengdu Bada Connector Co., Ltd.	5,639,495.61	777,210.69
	Sumitomo Electric Asia Ltd.	1,592,554.13	29,863,717.23
	Chengdu Huangshi shuangfeng Cable Co., Ltd.		3,426,822.79
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	993,304.33	993,304.33
	Nanjing Putian Telege Intelligent Building Ltd.		65,000.00
Subtotal		8,225,354.07	35,126,055.04
Contract liabilities	Chengdu Bada Connector Co., Ltd.	5,550.00	5,550.00
Subtotal		5,550.00	5,550.00
Other payables	Sumitomo Electric Industries Ltd.	31,158.09	34,181.73
	China Putian Corporation	1,440,800.00	
	Chengdu Yuexin Telecommunications Materials Co., Ltd.	100,000.00	100,000.00
	Chengdu Bada Connector Co., Ltd.	58,716.00	58,716.00
Subtotal		1,630,674.09	192,897.73

X. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

As of the balance sheet date, the company does not have any important commitments that need to be disclosed.

(II) Contingencies

As of the balance sheet date, the company has no contingent events that need to be disclosed.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XI. EVENTS AFTER THE BALANCE SHEET DATE

On February 24, 2021, the Company received a notice from China Potevio Company Limited (the controlling shareholder of the Company) that China Putian Corporation, the sole shareholder of China Potevio Company Limited, is planning a reorganization with China Electronics Technology Group Corporation which doesn't involve the major asset reorganization of the Company at present, nor will it affect the normal business activities of the Company.

XII. OTHER SIGNIFICANT EVENTS

(I) Segment information

1. Identification basis for reportable segments

Reportable segments are identified according to the structure of the Company's internal organization, management requirements and internal reporting system, and based on product segments.

2. Financial information of reportable segments

Items	Copper cable and related products	Optical communication products	Cable conduct and related products
Revenue from main operations	253,220,017.62	155,763,601.06	604,730.96
Cost of main operations	250,019,083.49	169,432,617.27	1,007,739.03
Assets impairment loss	-3,240,788.47	-6,975,567.37	-145,452.03
Credit impairment loss	2,510,799.77	1,463.20	-398,353.38
Total assets	958,381,131.17	234,488,696.20	82,839,534.47
Total liabilities	126,131,772.40	11,278,609.73	59,556,790.32

(Continued)

Items	Inter-segment offsetting	Total
Revenue from main operations	29,254,285.25	380,334,064.39
Cost of main operations	34,486,301.42	385,973,138.37
Assets impairment loss		-10,361,807.87
Credit impairment loss	21,834.06	2,092,075.53
Total assets	215,719,393.61	1,059,989,968.23
Total liabilities	40,387,143.80	156,580,028.65

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(II) Leases

The Company as lessor

(1) Operating lease

1) Lease income

Items	Current period cumulative	Preceding period comparative
Lease income	24,255,709.18	20,616,362.18
Including: Income relating to variable lease payments not included in the measurement of the lease liability		

2) Please refer to section V (I) 13 of notes to financial statements for details on buildings leased out under operating leases

3) Undiscounted lease payments to be received arising from non-cancellable leases based on the lease contract signed with lessee

Remaining years	Closing balance	December 31, 2019
Within 1 year	16,128,757.49	15,253,645.00
1-2 years	10,632,834.97	8,978,065.00
2-3 years	6,646,161.52	5,930,194.00
Over 3 years	7,580,552.17	3,753,891.00
Total	40,988,306.15	33,915,795.00

(2) Other information

Nature of leasing activities

Categories of underlying assets	Amount	Lease term	Whether the lease contains renewal option or not
Plant, offices	129,543.29 m ²	From 2020/1/1 to 2026/12/31	Yes

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XII. OTHER SIGNIFICANT EVENTS (CONTINUED)

(III) Other financial information

Items	Closing balance		Closing balance of the preceding period	
	Consolidated	Parent company	Consolidated	Parent company
Net current assets	635,683,723.62	461,133,669.18	606,249,319.93	397,384,459.62
Total assets less current liabilities	964,187,787.32	835,278,096.85	1,029,945,166.00	854,184,254.41

XIII. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS

(I) Notes to items of parent company balance sheet

1. Accounts receivable

(1) Details

1) Details on categories

Categories	Book balance		Closing balance Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	37,547,891.34	46.71	37,547,891.34	100.00	
Receivables with provision made on a collective basis	42,843,474.00	53.29	6,495,300.48	15.16	36,348,173.52
Total	80,391,365.34	100.00	44,043,191.82	54.79	36,348,173.52

(Continued)

Categories	Book balance		December 31, 2019 Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	37,559,690.51	41.86	37,559,690.51	100.00	
Receivables with provision made on a collective basis	52,163,969.04	58.14	9,381,137.59	17.98	42,782,831.45
Total	89,723,659.55	100.00	46,940,828.10	52.32	42,782,831.45

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIII. 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) Accounts receivable with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons for provision made
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd	2,580,313.34	2,580,313.34	100.00	Unexpect to be recovered
KAB/VOLEX KABKableprektion Shenyang Hengyuanda Communication Equipment Co., Ltd.	2,058,597.74	2,058,597.74	100.00	Unexpect to be recovered
Sichuan Chuandong Electromechanical Equipment Installation Company	1,621,814.62	1,621,814.62	100.00	Unexpect to be recovered
Yiwu Zhihaoda e-commerce Co., Ltd	1,606,692.41	1,606,692.41	100.00	Unexpect to be recovered
Zhongnan Company, China Postal And Electrical Material Company Sales branch of Chengdu Cable Factory	1,344,969.65	1,344,969.65	100.00	Unexpect to be recovered
Henan Qingfeng County Industry and Commerce Co. Ltd.	1,116,797.27	1,116,797.27	100.00	Unexpect to be recovered
Sichuan Huiyuan Optical Communications Company	1,062,382.43	1,062,382.43	100.00	Unexpect to be recovered
Others	1,007,986.64	1,007,986.64	100.00	Unexpect to be recovered
Subtotal	24,141,264.78	24,141,264.78	100.00	Unexpect to be recovered

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIII. 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)

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

Items	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Related party portfolio	42,327,344.37	6,492,719.83	15.34
Non-related party portfolio	516,129.63	2,580.65	0.50
Subtotal	42,843,474.00	6,495,300.48	15.16

4) In non-related party portfolios, accounts receivable with provision made on a collective basis using age analysis method

Ages	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Within 1 year	29,702,459.47	1,654,427.00	5.57
1-2 years	8,090,144.72	2,110,718.76	26.09
2-3 years	2,059,218.21	958,566.08	46.55
Over 3 years	2,475,521.97	1,769,007.99	71.46
Subtotal	42,327,344.37	6,492,719.83	15.34

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIII. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

1. Accounts receivable (Continued)

(2) Age analysis

Ages	Closing balance			December 31, 2019		
	Book balance	Provision for bad debts	Provision proportion (%)	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 years	30,218,589.10	1,657,007.65	5.48	39,619,563.40	1,933,436.83	4.88
1-2 years	8,142,152.07	2,162,726.11	26.56	4,764,831.53	2,170,380.76	45.55
2-3 years	2,059,218.21	958,566.08	46.55	3,290,695.58	1,276,382.57	38.79
Over 3 years	39,971,405.96	39,264,891.98	98.23	42,048,569.04	41,560,627.94	98.84
Total	80,391,365.34	44,043,191.82	54.79	89,723,659.55	46,940,828.10	52.32

Age analysis should be taken based on the month where amounts incurred. Amounts incurred first should be settled in the first priority when relevant receivables are collected.

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

(3) Changes in provision for bad debts

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Write-off	Others	
Receivables with provision made on an individual basis	37,559,690.51	53,200.83			65,000.00			37,547,891.34
Receivables with provision made on a collective basis	9,381,137.59	-2,885,837.11						6,495,300.48
Subtotal	46,940,828.10	-2,832,636.28			65,000.00			44,043,191.82

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIII. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

1. Accounts receivable (Continued)

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

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

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

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
Shenzhen ZTE Kangxun Electronics Co., Ltd.	12,025,456.06	14.96	658,885.39
Liuzhou Locomotives Vehicle Factory	6,427,684.94	8.00	352,237.13
Crrc Logistics Co., Ltd.	5,200,800.10	6.47	285,003.85
Crrc Ziyang Co., Ltd.	2,681,682.14	3.34	820,876.38
Dongfang Electric New Energy Equipment (hangzhou) Co., Ltd.	2,580,313.34	3.21	2,580,313.34
Subtotal	28,915,936.58	35.98	4,697,316.09

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIII. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

2. 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 an individual basis	4,320,646.95	6.81	4,320,646.95	100.00	
Receivables with provision made on a collective basis	59,115,696.43	93.19	23,346,031.38	39.49	35,769,665.05
Total	63,436,343.38	100.00	27,666,678.33	43.61	35,769,665.05

(Continued)

Categories	Book balance		December 31, 2019 Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	4,320,646.95	6.88	4,320,646.95	100.00	
Receivables with provision made on a collective basis	58,434,926.03	93.12	23,342,627.53	39.95	35,092,298.50
Subtotal/Total	62,755,572.98	100.00	27,663,274.48	44.08	35,092,298.50

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIII. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

2. Other receivables (Continued)

(1) Details (Continued)

2) Other receivables with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons for provision made
XIACHADE				Aged receivables, not expect to be recoverable
	3,000,000.00	3,000,000.00	100.00	
Sichuan Tianxin Investment Group Co., LTD				Aged receivables, not expect to be recoverable
	500,000.00	500,000.00	100.00	
Chengdu Pike Power Co., LTD				Aged receivables, not expect to be recoverable
	248,940.91	248,940.91	100.00	
Others				Aged receivables, not expect to be recoverable
	571,706.04	571,706.04	100.00	
Subtotal	4,320,646.95	4,320,646.95	100.00	

3) Other receivables with provision made on a collective basis

Portfolios	Book balance	Closing balance Provision for bad debts	Provision proportion (%)
Lease receivable	4,537,340.85	22,686.70	0.50
Deposit, reserve, assurance of non-related party	5,826,324.75	4,804,459.75	82.46
Related party	29,849,683.58	149,248.42	0.50
Others	18,902,347.25	18,369,636.51	97.18
Subtotal	59,115,696.43	23,346,031.38	39.49

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIII. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

2. Other receivables (Continued)

(2) Ages

Items	Closing book balance
Within 1 year	7,307,053.18
1-2 years	9,490,176.87
2-3 years	12,099,191.76
3-4 years	7,002,990.30
4-5 years	50,000.00
Over 5 years	27,486,931.27
Total	63,436,343.38

(3) Changes in provision for bad debts

Items	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses (credit not impaired)	Phase III Lifetime expected credit losses (credit impaired)	Subtotal
Opening balance	176,343.21		27,486,931.27	27,663,274.48
Opening balance in current period	-	-	-	
- Transferred to phase II				
- Transferred to phase III				
- Reversed to phase II				
- Reversed to phase I				
Provision made in current period	3,403.85			3,403.85
Provision recovered in current period				
Provision reversed in current period				
Provision written off in current period				
Other changes				
Closing balance	179,747.06		27,486,931.27	27,666,678.33

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIII. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(I) Notes to items of parent company balance sheet (Continued)

2. Other receivables (Continued)

(4) Other receivables categorized by nature

Nature of receivables	Closing balance	December 31, 2019
Lease receivable	4,537,340.85	3,080,500.28
Deposit, reserve, assurance	6,484,457.14	6,602,457.14
Proceeds on disposal of long-term asset	793,780.00	1,374,780.00
Temporary advance payment receivable	51,620,765.39	51,697,835.56
Total	63,436,343.38	62,755,572.98

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

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Chengdu Zhongling Wireless Communication Cable Co., Ltd.	Lease receivables, Advance payment	28,982,316.55	Within 1 year, 1-2 years, 2-3 years, 3-4 years	45.69	144,911.58
Tazishan Material Factory	Temporary payment receivable	8,391,138.00	Over 5 years	13.23	8,391,138.00
Tianyun Technology (Suzhou) Co., Ltd.	Deposit	4,786,324.75	Over 5 years	7.55	4,786,324.75
Shenzhen Fuyu Industrial Co., Ltd.	Temporary payment receivable	3,566,915.53	Over 5 years	5.62	3,566,915.53
XIACHADE	Temporary payment receivable	3,000,000.00	Over 5 years	4.73	3,000,000.00
Subtotal		48,726,694.83		76.81	19,889,289.86

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIII. 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) Details

Items	Closing balance			December 31, 2019		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	177,640,969.81		177,640,969.81	177,640,969.81		177,640,969.81
Investments in associates	51,396,106.48	298,559.72	51,097,546.76	120,863,860.42	125,903.35	120,737,957.07
Total	229,037,076.29	298,559.72	228,738,516.57	298,504,830.23	125,903.35	298,378,926.88

(2) Investments in subsidiaries

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for	Closing
					impairment made in current period	balance of provision for impairment
Chengdu PUTIAN New Material Co., Ltd.	34,513,376.15			34,513,376.15		
Chengdu Zhongling Wireless Communication Cable Co., Ltd.	72,702,773.95			72,702,773.95		
Chengdu SEI Optical Fiber Co., Ltd.	70,424,819.71			70,424,819.71		
Subtotal	177,640,969.81			177,640,969.81		

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIII. 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

Investees	Opening balance	Investments increased	Investments decreased	Increase/Decrease	
				Investment income recognized under equity method	Adjustment in other comprehensive income
Associates					
Chengdu Cable Material Factory					
Chengdu Bada Connector Co., Ltd.	4,887,525.63			361,163.98	
Chengdu Yuexin Telecommunications Materials Co., Ltd.	172,656.37				
Putian Fasten Cable Telecommunication Co., Ltd.	115,677,775.07			-12,517,846.49	
Total	120,737,957.07			-12,156,682.51	

(Continued)

Investees	Changes in other equity	Increase/Decrease			Closing balance	Closing balance of provision for impairment
		Cash dividend/ Profit declared for distribution	Provision for impairment	Others		
Associates						
Chengdu Cable Material Factory					125,903.35	
Chengdu Bada Connector Co., Ltd.				5,248,689.61		
Chengdu Yuexin Telecommunications Materials Co., Ltd.		172,656.37			172,656.37	
Putian Fasten Cable Telecommunication Co., Ltd.			-57,311,071.43	45,848,857.15		
				[Note]		
Total		172,656.37	-57,311,071.43	51,097,546.76	298,559.72	

[Note] Others refer to assets held for sale

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIII. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items of the parent company income statement

1. Operating revenue/Operating cost

(1) Details

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	226,235,228.09	225,396,914.42	211,778,294.82	206,175,059.37
Other operations	33,626,662.84	12,690,266.38	36,089,878.05	17,455,502.92
Total	259,861,890.93	238,087,180.80	247,868,172.87	223,630,562.29

(2) Breakdown of revenue by main categories

Reportable segment	Copper cable and related products	Subtotal
Main product categories		
Track cable	34,292,181.62	34,292,181.62
Component processing and component trade	181,370,196.51	181,370,196.51
Electrical equipment	103,838.50	103,838.50
Others	25,216,196.26	25,216,196.26
Subtotal	240,982,412.89	240,982,412.89
Revenue recognition time		
Goods (transferred at a point in time)	240,982,412.89	240,982,412.89
Subtotal	240,982,412.89	240,982,412.89

Note: The difference with operating income is the income from leasing business.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIII. NOTES TO ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

(II) Notes to items of the parent company income statement (Continued)

2. R&D expenses

Items	Current period cumulative	Preceding period comparative
Staff salaries	1,904,790.20	1,568,318.53
Including: Wage	1,609,812.30	1,083,202.12
Welfare payments	55,121.60	
Social insurance	208,297.95	461,489.12
Others	31,558.35	23,627.29
Depreciation of fixed assets	496,773.00	125,656.01
Materials	40,209.53	10,619.46
Others	1,055,546.45	22,131.16
Total	3,497,319.18	1,726,725.16

3. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	-12,156,682.51	-7,845,245.74
Investment income from long-term equity investments under cost method	6,000,000.00	24,000,000.00
Gains on disposal of long-term equity investments		-454,344.26
Total	-6,156,682.51	15,700,410.00

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIV. OTHER SUPPLEMENTARY INFORMATION

(I) Non-recurring profit or loss

1. Schedule of non-recurring profit or loss

Items	Amount	Remarks
Gains on disposal of non-current assets, including write-off of provision for impairment	1,399,343.13	
Government grants included in profit or loss (excluding those closely related to operating activities of the Company, satisfying government policies and regulations, and continuously enjoyed with certain quantity/quota based on certain standards)	10,977,351.51	
The reversed provision for impairment of receivables based on impairment testing on an individual basis	65,000.00	
Other non-operating revenue or expenditures	129,271.75	
Other profit or loss satisfying the definition of non-recurring profit or loss		
Subtotal	12,570,966.39	
Less: Enterprise income tax affected		
Non-controlling interest affected (after tax)	327,807.02	
Net non-recurring profit or loss attributable to shareholders of the parent company	12,243,159.37	

(II) RONA and EPS

1. Details

Profit of the reporting period	Weighted average RONA (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	-5.17	-0.11	-0.11
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	-6.63	-0.14	-0.14

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIV. OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

(II) RONA and EPS (Continued)

2. Calculation process of weighted average RONA

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	-43,191,707.27
Non-recurring profit or loss	B	12,243,159.37
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-55,434,866.64
Opening balance of net assets attributable to shareholders of ordinary shares	D	857,926,302.38
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	
Increase in net assets caused by changes in fair value of other equity instruments	I1	-608,690.10
Others Number of months counting from the next month when other net assets were increased or decreased to the end of the reporting period	J1	12.00
Number of months in the reporting period	K	12.00
Weighted average net assets	$L = D + A/2 + E \times F / K - G \times H / K \pm I \times J / K$	835,721,758.65
Weighted average RONA	$M = A / L$	-5.17%
Weighted average RONA after deducting non-recurring profit or loss	$N = C / L$	-6.63%

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2020 Monetary unit: RMB Yuan

XIV. 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
Net profit attributable to shareholders of ordinary shares	A	-43,191,707.27
Non-recurring profit or loss	B	12,243,159.37
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-55,434,866.64
Opening balance of total shares	D	400,000,000.00
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	
Number of shares increased due to offering of new shares or conversion of debts into shares	F	
Number of months counting from the next month when the share was increased to the end of the reporting period	G	
Number of shares decreased due to share repurchase	H	
Number of months counting from the next month when the share was decreased to the end of the reporting period	I	
Number of shares decreased in the reporting period	J	
Number of months in the reporting period	K	12.00
Weighted average of outstanding ordinary shares	$L=D+E+F \times G/K-H \times I/K-J$	400,000,000.00
Basic EPS	$M=A/L$	-0.11
Basic EPS after deducting non-recurring profit or loss	$N=C/L$	-0.14

(2) Calculation process of diluted EPS

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

Chengdu PUTIAN Telecommunications Cable Co., Ltd.

26 March 2021

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

Wu Changlin

EXECUTIVE DIRECTORS

Wu Changlin (*Chairman*)
Hu Jiangbing (*Vice Chairman*)
Han Shu
Wang Micheng
Liu Yun
Jiang Jianping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mao Yaping
Xiao Xiaozhou
Feng Gang

SUPERVISORS

Lyu Dong
Xiong Ting
Liu Jun

COMPANY SECRETARY

Shum Shing Kei

QUALIFIED ACCOUNTANT

Yu Qian

AUTHORIZED REPRESENTATIVES

Hu Jiangbing
Shum Shing Kei

BOARD COMMITTEES

AUDIT COMMITTEE

Mao Yaping (*Chairman*)
Xiao Xiaozhou
Feng Gang

REMUNERATION AND APPRAISAL COMMITTEE

Xiao Xiaozhou (*Chairman*)
Mao Yaping
Feng Gang
Han Shu
Jiang Jianping

NOMINATION COMMITTEE

Feng Gang (*Chairman*)
Mao Yaping
Xiao Xiaozhou
Wang Micheng
Liu Yun

STRATEGIC DEVELOPMENT COMMITTEE

Wu Changlin (*Chairman*)
Hu Jiangbing
Mao Yaping
Xiao Xiaozhou
Feng Gang

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SOCIAL CREDIT CODE

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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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