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Potevio

中国普天

成都普天電纜股份有限公司

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

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

(Stock Code: 1202)

2020 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Chengdu PUTIAN Telecommunications Cable Company Limited (the “**Company**” or “**Chengdu PUTIAN**”) hereby announces the audited consolidated financial data of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2020 (the “**Year**”) together with comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

Assets	Note No.	Monetary unit: RMB Yuan	
		31 Dec 2020	31 Dec 2019
Current assets			
Cash and bank balances		424,800,107.42	459,059,145.36
Settlement funds			
Loans to other banks			
Held-for-trading financial assets			
Derivative financial assets			
Notes receivable	V、(I)、1	37,152,364.95	39,263,164.85
Accounts receivable	V、(I)、2	59,894,569.81	74,162,187.82
Receivables financing	V、(I)、3	42,524,298.26	23,544,919.54
Advances paid		24,428,049.75	5,227,159.45
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables		11,190,594.20	9,417,517.89
Financial assets under reverse repo			
Inventories		61,420,721.02	84,117,089.03
Contractual asset			
Assets classified as held for sale		59,083,708.14	
Non-current assets due within one year			
Other current assets		10,991,490.98	13,414,824.98
Total current assets		731,485,904.53	708,206,008.92

		Monetary unit: RMB Yuan	
Assets	Note No.	31 Dec 2020	31 Dec 2019
Non-current assets:			
Loans and advances paid			
Debt investment			
Other debt investment			
Long-term receivables			
Long-term equity investments		52,515,656.12	123,928,703.14
Other equity instrument investments		4,261,335.00	4,977,441.00
Other non-current financial assets			
Investment property		74,185,437.86	70,579,366.92
Fixed assets		152,148,313.22	170,358,882.98
Construction in progress		1,621,829.16	8,841,518.20
Productive biological assets			
Oil&gas assets			
Right-of-use assets			
Intangible assets		42,352,983.54	45,009,933.83
Development expenditure			
Goodwill			
Long-term prepayments		1,418,508.80	
Deferred tax assets			
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

		<i>Monetary unit: RMB Yuan</i>	
Liabilities & Equity	<i>Note No.</i>	31 Dec 2020	31 Dec 2019
Current liabilities:			
Short-term borrowing			
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes payable			
Accounts payable	<i>V、(I)、4</i>	24,543,558.75	50,506,098.62
Advanced received		236,733.80	254,715.26
Contract liabilities		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		22,178,836.03	24,383,820.96
Taxes and rates payable		1,605,093.85	1,485,079.75
Other payables		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 1 year			
other current liabilities			
Total current liabilities		95,802,180.91	101,956,688.99

Liabilities & Equity	<i>Note No.</i>	<i>Monetary unit: RMB Yuan</i>	
		31 Dec 2020	31 Dec 2019
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings		6,176,328.82	6,483,910.19
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income		54,068,997.52	57,742,528.84
Deferred tax liabilities		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

Liabilities & Equity	<i>Note No.</i>	<i>Monetary unit: RMB Yuan</i>	
		31 Dec 2020	31 Dec 2019
Shareholders' equity:			
Share capital		400,000,000.00	400,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		638,760,122.08	638,760,122.08
Less: treasury shares			
Other comprehensive income	<i>V、(I)、5</i>	3,017,621.29	3,626,311.39
Special reserve			
Surplus reserve		8,726,923.61	8,726,923.61
General risk reserve			
Undistributed profit		-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 & shareholders' equity		1,059,989,968.23	1,131,901,854.99

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

		Monetary unit: RMB 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	V、(II)、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	V、(II)、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	V、(II)、2	6,404,373.46	6,520,263.69
Selling expenses	V、(II)、3	7,884,452.39	12,093,142.13
Administrative expenses	V、(II)、4	45,751,374.76	51,866,992.48
R&D expenses	V、(II)、5	11,148,461.30	10,699,510.81
Financial expenses	V、(II)、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		8,898,641.77	9,901,962.97
Investment income (or less: losses)		-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		2,092,075.53	8,862,441.79
Assets impairment loss		-10,361,807.87	-13,404,534.70
Gains on asset disposal (or less: losses)		1,399,343.13	-1,007,902.95

		<i>Monetary unit: RMB Yuan</i>	
Items	Note No.	Current period cumulative	Preceding period comparative
III. Operating profit (or less: losses)		-59,321,431.74	-60,487,805.00
Add: Non-operating revenue		4,571,839.37	18,281,948.00
Less: Non-operating expenditures		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	V、(II)、7		-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. Non-controlling interest (or less: net loss)		-13,868,452.72	-13,225,019.50

Items	Note No.	Monetary unit: RMB Yuan	
		Current period cumulative	Preceding period comparative
VI. Other comprehensive income after tax	<i>V、(I)、5</i>	-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 (RMB/share)		-0.11	-0.13
(II) Diluted EPS (RMB/share)		-0.11	-0.13

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

Items	Note No.	Monetary unit: RMB Yuan	
		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		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		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

Items	Note No.	Monetary unit: RMB Yuan	
		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		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

Items	Note No.	Monetary unit: RMB Yuan	
		Current period cumulative	Preceding period comparative
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			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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2020

Monetary unit: RMB Yuan

Current period cumulative												
Items	Shareholders' equity attributable to parent company											
	Other equity instruments			Other				Undistributed profit	Non-controlling interests	Total shareholders' equity		
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income				Special reserve	Surplus reserve
I. Balance at the end of prior year	400,000,000.00				638,760,122.08		3,626,311.39		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	-193,187,054.70	107,152,487.29	965,078,789.67
III. Current period increase (or less: decrease)							-608,690.10		-43,191,707.27	-17,868,452.72	-17,868,452.72	-61,668,850.09
(I) Total comprehensive income							-608,690.10		-43,191,707.27	-13,868,452.72	-13,868,452.72	-57,668,850.09
(II) Capital contributed or withdrew 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											-4,000,000.00	-4,000,000.00
(III) Profit distribution												
1. Appropriation of surplus reserve												
2. Appropriation of general risk reserve												
3. Appropriation of profit to owners												
4. Others											-4,000,000.00	-4,000,000.00
(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	-236,378,761.97	89,284,034.57	903,409,939.58

Preceding period comparative

Items	Shareholders' equity attributable to parent company											Total shareholders' equity	
	Other equity instruments				Other								
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		Non-controlling interests
I. Balance at the end of prior year	400,000,000.00				638,760,122.08		3,626,311.39		8,726,923.61		-143,051,630.13	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				638,760,122.08		3,626,311.39		8,726,923.61		-143,051,630.13	136,475,990.37	1,044,537,717.32
III. Current period increase (or less: decrease)													
(I) Total comprehensive income													
(II) Capital contributed or withdrew 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 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		3,626,311.39		8,726,923.61		-193,187,054.70	107,152,487.29	965,078,789.67

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 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 RMB400,000,000, total share of 400,000,000.00 shares (each with par value of one yuan), of which, equity interest of China Potevio Company Limited amounts to RMB240,000,000, representing 60% of the total shares; equity interest of public holders of ordinary shares (H Shares) listed in Hong Kong amounts to RMB160,000,000, representing 40% of the total shares. The Company’s shares were listed at The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) respectively on 13 December 1994.

The Company’s business is in the sector of 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. Based on the actual transactions and items occurred, in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of China (the Ministry of Finance Degree No. 33, the amended Degree No. 76), Specific accounting standards of 42 items which are issued and amended after 15 February 2006, Guidelines for application of enterprise accounting standards, Interpretation of enterprise accounting standards and other relevant regulations (the “Accounting Standards”).

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

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

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

III. Significant changes in accounting policies

Changes in accounting policies arising from changes in CASBEs

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

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 and township land use tax	Actual area of land occupied	RMB6/m ² , RMB8/m ²

Different enterprise income tax rates applicable to different taxpayers:

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

(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.

V. Notes to items of consolidated financial statements

(I) Notes to items of the consolidated balance sheet

1. Notes receivable

(1) Details

1) Details on categories

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

Categories	Book balance		Closing balance of the preceding period		Carrying amount
	Amount	% to total	Provision for bad debts		
			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

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

Items	Opening balance	Accrual	Increase Recovery	Others	Reversal	Decrease Write-off	Others	Closing balance
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.

(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.

2. Accounts receivable

(1) Details

1) Details on categories

Categories	Book balance		Closing balance		Carrying amount
	Amount	% to total	Provision for bad debts 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	<u>67,897,954.17</u>	<u>59.41</u>	<u>8,003,384.36</u>	<u>11.79</u>	<u>59,894,569.81</u>
Total	<u><u>114,282,190.17</u></u>	<u><u>100.00</u></u>	<u><u>54,387,620.36</u></u>	<u><u>47.59</u></u>	<u><u>59,894,569.81</u></u>

Categories	Closing balance of the preceding period		Closing balance of the preceding period		Carrying amount
	Book balance Amount	% to total	Provision for bad debts 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	<u>86,154,317.86</u>	<u>65.97</u>	<u>11,992,130.04</u>	<u>13.92</u>	<u>74,162,187.82</u>
Total	<u><u>130,597,441.26</u></u>	<u><u>100.00</u></u>	<u><u>56,435,253.44</u></u>	<u><u>43.21</u></u>	<u><u>74,162,187.82</u></u>

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	Bankruptcy liquidation is in progress, 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 Electrical and Mechanical 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 Electronic 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 Co. Ltd.	1,156,614.94	1,156,614.94	100.00	Not expect to be recoverable
Zhejiang Wanneng Communication Equipment 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	<u>46,384,236.00</u>	<u>46,384,236.00</u>	<u>100.00</u>	

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

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

- 4) Accounts receivable with provision made on a collective basis using a combination of non-related parties (age analysis method)

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

(2) Age analysis

Ages	Closing balance			Closing balance of the preceding period		
	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	Accrual	Increase Recovery	Others	Reversal	Decrease Write-off	Others	Closing balance
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.

(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 Telecom Co., Ltd.	12,025,456.06	10.52	658,885.39
Liuzhou Locomotive and Rolling Stock Co., Ltd.	6,427,684.94	5.62	352,237.13
CRRC Logistics Co., Ltd.	5,200,800.10	4.55	285,003.85
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd	2,580,313.34	2.26	2,580,313.34
CRRC Ziyang Locomotive Co., Ltd.	2,681,682.14	2.35	820,876.38
Subtotal	28,915,936.58	25.30	4,697,316.09

3. Receivables financing

(1) *Details*

1) Details on categories

Items	Initial cost	Closing balance			Carrying amount	Provision for impairment
		Interest adjustment	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	

Items	Initial cost	Closing balance of the preceding period			Carrying amount	Provision for impairment
		Interest adjustment	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	

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		

(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.

4. Accounts payable

(1) Details

Items	Closing balance	Closing balance of the preceding period
Material purchase payment	24,366,948.53	50,129,194.54
Equipment and engineering payment	65,000.00	
Operating expenses payment	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 years	813,107.27
Subtotal	24,543,558.75

5. Other comprehensive income (OCI)

Items	Opening balance	Current period cumulative before income tax	Current period cumulative		Less: Income tax	Attributable to parent company	Attributable to non-controlling shareholders	Closing balance
			Less: OCI previously recognized but transferred to profit or loss in current period	Less: OCI previously recognized but transferred to retained earnings in current period				
Items not to be reclassified subsequently to profit or loss	3,626,311.39	-716,106.00			-107,415.90	-608,690.10		3,550,142.69
Including: Changes in fair value of other equity instrument investments	3,626,311.39	-716,106.00			-107,415.90	-608,690.10		3,550,142.69
Total	3,626,311.39	-716,106.00			-107,415.90	-608,690.10		3,550,142.69

(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

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

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 Surcharges	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
Packing expenses	1,053,086.11	1,269,941.92
Business expenses	1,236,928.42	1,064,288.18
Advertising and promotion expenses	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

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 RMB820,000.00 (2019: RMB820,000.00) 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	<u>11,148,461.30</u>	<u>10,699,510.81</u>

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	<u>-5,222,499.13</u>	<u>-5,514,691.80</u>

7. *Income tax expenses*

(1) *Details*

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses		-70,434.62
Total		<u>-70,434.62</u>

(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
	<hr/>	<hr/>
Income tax expenses	<hr/>	<hr/> -70,434.62

(III) Others

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	<hr/> 2,306,564.30	Pledge
	<hr/>	
Total	<hr/> 18,764,452.83	

VI. Interest in other entities

(I) Interest in significant subsidiaries

1. Significant subsidiaries

(1) Basis information

Subsidiaries	Main operating place	Place of registration	Business nature	Registered Capital	Holding proportion (%)		Acquisition method	Type of legal entity
				(Unit: 10,000)	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	RMB 8,210.00	100.00		Business combination not under common control	Limited Liability Company
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	RMB 5,982.00	100.00		Business combination not under common control	Limited Liability Company
Chengdu SEI Optical Fiber Co., Ltd.	Chengdu City, the PRC	Chengdu City, the PRC	Production and sales of optical fiber and related materials	USD 1,700.00	60.00		Business combination not under common control	Limited Liability Company

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

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

(1) Assets and liabilities

Currency unit: RMB10,000

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

Closing balance of the preceding period

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

Currency unit: RMB10,000

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

Preceding period comparative

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

(II) Interest in associates

1. Significant associates

Associates	Main operating place	Place of registration	Business nature	Registered Capital (Unit: 10,000)	Holding proportion (%)		Accounting treatment on investments in associates	Type of legal entity
					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	RMB 300.00	35.00		Equity method	Limited Liability Company
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	RMB 500.00	49.00		Equity method	Limited Liability Company
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	RMB 50,000.00	22.50		Equity method	Limited Liability Company

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			
Total comprehensive income		737,069.36	-55,634,873.29
Dividend from associates received in current period			

Items	Closing balance of the preceding period/ 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			
Total comprehensive income	-1,330,743.75	1,716,625.53	-36,536,141.97
Dividend from associates received in current period		686,000.00	

VII. Related party relationships and transactions

(I) Related party relationships

1. Parent company

(1) Parent company of the company

Parent company	Place of registration	Business nature	Registered capital (Unit: 10,000)	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
China Potevio Company Limited	Beijing	Manufacture of telecommunication products	RMB 190,305.00	60.00	60.00

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

2. Please refer to the notes on the interests of other entities in the notes of the financial statements for details on the Company's subsidiaries.

3. Associates of the Company

Please refer to the notes on the interests of other entities in the notes to the financial statements for details on the Company's significant 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

(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 materials	87,715,456.55	135,287,198.10
Sumitomo Electric Industries Ltd.	Fees for technical 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	Sale of components	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.	Supply of 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

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 and its subsidiaries 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 and debt restructuring 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

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	Wage, bonus, allowance, and subsidy	Current period cumulative			Benefit in kind	Total
			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

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							
Han Shu							
Xu Liying <i>(Note I)</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 <i>(Note II)</i>							
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 22 December 2020, Ms. Xu Liying resigned as executive director and member of the remuneration appraisal committee of the board of directors due to her wish to spend more time on her personal affairs. At the same time, Mr. Jiang Jianping was appointed as an executive director of the company and a member of the remuneration appraisal committee of the board of directors.

Note II: On 29 November 2019, Mr. Zheng Zhili resigned as supervisor and chairman of the board of supervisors of the company due for retirement reasons. The 2019 Annual General Meeting of Shareholders was held on 24 June 2020, and Mr. Lyu Dong was appointed as a supervisor of the company.

7. Five highest-paid employees

The five employees whose emoluments were the highest for the year include 1 (2019: 1) director whose emoluments are reflected in the section VII (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	<u>1,364,588.25</u>	<u>1,204,233.02</u>

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.

(III) Balance due to or from related parties**1. Balance due from related parties**

Items	Related parties	Closing balance		Closing balance of the preceding period	
		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 Co., Ltd.	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 Co., Ltd.			60,000.00	300.00
Subtotal		<u>1,774,133.39</u>	<u>340,289.44</u>	<u>2,029,956.79</u>	<u>406,243.55</u>
Advances paid	Sumitomo Electric Asia Ltd.	<u>214,899.23</u>		<u>1,567,825.16</u>	
Subtotal		<u>214,899.23</u>		<u>1,567,825.16</u>	
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		<u>1,754,529.79</u>	<u>8,772.65</u>	<u>3,086,732.65</u>	<u>15,433.66</u>

2. Balance due to related parties

Items	Related parties	Closing balance	31 December 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

VIII.Events after the balance sheet date

The Company received a notice from the controlling shareholder China Potevio Company Limited on 24 February 2021, its sole shareholder China PUTIAN Corporation is planning a reorganization with China Electronics Technology Group Corporation. At present, the reorganization does not involve the material asset reorganization of the company and will not affect the normal business activities of the company.

IX. 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	Inter-segment offsetting	Total
Revenue from main operations	253,220,017.62	155,763,601.06	604,730.96	29,254,285.25	380,334,064.39
Cost of main operations	250,019,083.49	169,432,617.27	1,007,739.03	34,486,301.42	385,973,138.37
Assets impairment loss	-3,240,788.47	-6,975,567.37	-145,452.03		-10,361,807.87
Credit impairment loss	2,510,799.77	1,463.20	-398,353.38	21,834.06	2,092,075.53
Total assets	<u>958,381,131.17</u>	<u>234,488,696.20</u>	<u>82,839,534.47</u>	<u>215,719,393.61</u>	<u>1,059,989,968.23</u>
Total liabilities	<u>125,599,251.00</u>	<u>11,278,609.73</u>	<u>59,556,790.32</u>	<u>40,387,143.80</u>	<u>156,047,507.25</u>

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

Remaining years	Closing balance	Closing balance of the preceding period
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	<u>7,580,552.17</u>	<u>3,753,891.00</u>
Total	<u>40,988,306.15</u>	<u>33,915,795.00</u>

(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 1/1/2020 to 31/12/2026	YES

(III) Other financial information

Items	Closing balance		Closing balance of the preceding period	
	Consolidated	Parent company	Consolidated	Parent company
Net current assets	576,600,015.48	403,822,597.75	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

X. 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

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	
Others Increase in net assets caused by changes in the fair value of other equity instruments	I1	-608,690.10
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%

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 pandemic 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.

1. Optical telecommunications business

Having been impacted by the COVID-19 pandemic 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 the continuing market decline and 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 Standard 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 the 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 branches construction, a branch was identified by the Chengdu SASAC as the “Pioneer of Rongcheng” which multiplied 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.

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 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 control 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, recovering approximately RMB2.2 million in economic losses.

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.

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, with a savings of RMB1.4 million.

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 equity holders of the Company for the Year

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

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 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, 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 RMB nil. 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.

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 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.

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 pay 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.

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.

BASIC MEDICAL INSURANCE SCHEME FOR EMPLOYEES

The Company has participated in the basic medical insurance scheme for employees in Chengdu since October 2002. The Group made a total contribution amounting to approximately RMB2.2152 million during the Year (Previous Year: approximately RMB2.9180 million). The Board considered that the implementation of the basic medical insurance scheme for employees had no material impact on the financial status of the Company.

INCOME TAX

The company obtained the High-tech Enterprise Certificate on December 3, 2018, with a validity period of 3 years, and the certificate number is GR201851001557. The enterprise income tax was 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.

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 (Previous Year: the Group did not obtain any loan from banks which was secured by the Group's assets).

RISK MANAGEMENT

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

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 is 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 pandemic, 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.

STAFF AND REMUNERATION POLICY OF THE GROUP

As at 31 December 2020, the Group had 588 staff members.

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

SHAREHOLDING AND CHANGE IN SHARE CAPITAL STRUCTURE

1. Share capital structure

During the Year, the Company had not made any arrangements for bonus issue, share placing and issuance of new shares. There was no change in the Company's share capital structure. The total number of shares issued by the Company was 400,000,000 shares, of which China Potevio Company Limited held 240,000,000 issued state-owned legal person shares, representing 60% of the issued share capital of the Company and the overseas shareholders of H shares held 160,000,000 shares, representing 40% of the issued share capital of the Company.

2. Shareholdings of the directors and supervisors

As at 31 December 2020, none of the directors, supervisors and chief executives of the Company nor their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) as recorded in the register required to be kept by the Company under Section 352 of the SFO or which were otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

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

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

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

5. Sufficient public float

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

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the Year (Previous Year: Nil).

CODE ON CORPORATE GOVERNANCE

The Company will strive to maintain a high standard of corporate governance and transparency of the Company and to safeguard the interest of Shareholders and the Company as a whole. 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.

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, Mr. Xiao Xiaozhou and Mr. Feng Gang, all being independent non-executive directors of the Company. The Audit Committee is responsible for matters such as conducting reviews of risk management, internal control and financial reports and has reviewed the Company’s audited financial statements and annual results for the Year.

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

ANNUAL REPORT AND ANNUAL GENERAL MEETING

The annual general meeting (“AGM”) for the Year will be held on Friday, 25 June 2021 at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC. Notice of the AGM will be announced separately. The Group’s annual report for the financial year ended 31 December 2020 and the notice of the AGM will be dispatched to its shareholders as soon as possible and will also be published on the Stock Exchange’s website (<http://www.hkexnews.hk>) and the Company’s website (<http://www.cdc.com.cn>).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 May 2021 to 25 June 2021 (both days inclusive), during which period no transfer of shares will be registered.

In order to be qualified for attending and voting at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H share registrar, Hong Kong Registrars Limited at Rooms 1712-16, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for the holders of H shares; or the registered office of the Company at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC (postal code: 611731) for the holders of domestic shares for registration by 4:30 p.m. on 25 May 2021.

ACKNOWLEDGEMENT

I would like to thank the Board, the Supervisory Committee, the management and all of our staff for their hard work and dedication, as well as our shareholders and customers for their continuous support to the Group.

Notes:

1. This results announcement is prepared in both Chinese and English. Should there be any discrepancies between the two versions, the Chinese version shall prevail.
2. This results announcement will be published on the Stock Exchange’s website (<http://www.hkexnews.hk>) and the Company’s website (<http://www.cdc.com.cn>) in due course.

By order of the Board
Chengdu PUTIAN Telecommunications Cable Company Limited
Wu Changlin
Chairman

Chengdu, the PRC, 26 March 2021