

Nanjing Putian Telecommunications Co., Ltd.  
 Consolidated balance sheet as at June 30, 2018  
 (Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	Opening balance
Current assets:			
Cash and bank balances	1	229,753,501.34	327,477,701.36
Settlement funds			
Loans to other banks			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	2	30,493,288.75	32,477,463.59
Accounts receivable	3	882,369,626.89	780,089,607.41
Advances paid	4	206,155,009.33	53,821,937.79
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Interest receivable			
Dividend receivable			
Other receivables	5	42,136,776.14	29,325,423.73
Reverse-REPO financial assets			
Inventories	6	348,787,164.38	489,898,057.36
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets	7	22,084,720.05	45,282,892.44
Total current assets		1,761,780,086.88	1,758,373,083.68
Non-current assets:			
Loans and advances paid			
Available-for-sale financial assets	8	741,953.00	741,953.00
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments	9	187,187,732.13	186,977,506.23
Investment property	10	12,436,912.05	12,802,485.28
Fixed assets	11	111,442,156.95	119,741,921.78
Construction in progress	12	3,940,454.72	2,163,267.89
Construction materials			
Fixed assets disposal			
Productive biological assets			
Oil & gas assets			
Intangible assets	13	30,543,370.00	30,736,816.88
Development expenditures			
Goodwill			
Long-term prepayments	14	2,584,659.96	2,795,194.76
Deferred tax assets			
Other non-current assets			
Total non-current assets		348,877,238.81	355,959,145.82
Total assets		2,110,657,325.69	2,114,332,229.50

Nanjing Putian Telecommunications Co., Ltd.  
Consolidated balance sheet as at June 30, 2018 (continued)

Liabilities & Equity	Note No.	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	15	447,510,000.00	387,550,000.00
Central bank loans			
Absorbing deposit and interbank deposit			
Loans from other banks			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	16	86,064,736.10	20,161,687.14
Accounts payable	17	709,927,684.11	806,672,174.17
Advances received	18	305,508,384.02	317,197,824.66
Proceeds from sale of repurchase financial assets			
Handling fee and commission payable			
Employee benefits payable	19	19,956,577.66	21,033,311.73
Taxes and rates payable	20	10,581,322.26	18,883,017.18
Interest payable	21	460,593.19	531,667.36
Dividend payable	22	1,692,213.38	1,692,213.38
Other payables	23	55,733,308.84	60,803,921.89
Reinsurance accounts payable			
Insurance policy reserve			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Liabilities classified as held-for-sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		1,637,434,819.56	1,634,525,817.51
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Special payables			
Provisions			
Deferred income	24	4,867,153.00	8,664,102.90
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		4,867,153.00	8,664,102.90
Total liabilities		1,642,301,972.56	1,643,189,920.41
Equity:			
Share capital	25	215,000,000.00	215,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	26	185,374,533.85	185,374,533.85
Less: Treasury shares			
Other comprehensive income	27	-4,251,665.75	-4,129,619.45
Special reserve			
Surplus reserve	28	589,559.77	589,559.77
General risk reserve			
Undistributed profit	29	-57,007,697.24	-46,585,991.64
Total equity attributable to the parent company		339,704,730.64	350,248,482.53
Non-controlling interest		128,650,622.50	120,893,826.56
Total equity		468,355,353.13	471,142,309.09
Total liabilities & equity		2,110,657,325.69	2,114,332,229.50

Nanjing Putian Telecommunications Co., Ltd.  
Parent company balance sheet as at June 30, 2018  
(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	Opening balance
Current assets:			
Cash and bank balances		131,149,266.49	124,709,891.97
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		9,420,178.00	9,184,642.99
Accounts receivable	1	438,085,618.02	425,563,836.97
Advances paid		182,617,525.35	22,368,455.10
Interest receivable			
Dividend receivable			
Other receivables	2	247,983,945.47	41,195,020.22
Inventories		203,410,015.28	349,450,010.57
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets		14,360,717.44	38,624,058.06
Total current assets		1,227,027,266.05	1,011,095,915.88
Non-current assets:			
Available-for-sale financial assets		741,953.00	741,953.00
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments	3	356,024,381.33	355,814,155.43
Investment property			
Fixed assets		52,104,507.77	56,349,626.12
Construction in progress		3,213,787.88	1,830,131.25
Construction materials			
Fixed assets disposal			
Productive biological assets			
Oil & gas assets			
Intangible assets		12,788,775.67	12,676,942.23
Development expenditures			
Goodwill			
Long-term prepayments		2,415,655.96	2,580,098.76
Deferred tax assets			
Other non-current assets			
Total non-current assets		427,289,061.61	429,992,906.79
Total assets		1,654,316,327.66	1,441,088,822.67

Nanjing Putian Telecommunications Co., Ltd.  
Parent company balance sheet as at June 30, 2018 (continued)  
*(Expressed in Renminbi Yuan)*

Liabilities & Equity	Note No.	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		336,000,000.00	309,000,000.00
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		86,064,736.10	19,161,687.14
Accounts payable		335,068,651.52	387,637,755.76
Advances received		284,002,513.52	290,793,176.69
Employee benefits payable		8,538,543.97	7,816,724.35
Taxes and rates payable		2,668,681.57	4,595,540.32
Interest payable		396,333.33	396,333.33
Dividend payable			
Other payables		417,182,955.06	213,668,065.12
Liabilities classified as held-for-sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		1,469,922,415.07	1,233,069,282.71
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Special payables			
Provisions			
Deferred income			1,770,926.90
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities			1,770,926.90
Total liabilities		1,469,922,415.07	1,234,840,209.61
Equity:			
Share capital		215,000,000.00	215,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		172,417,299.81	172,417,299.81
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		589,559.76	589,559.76
Undistributed profit		-203,612,946.98	-181,758,246.51
Total equity		184,393,912.59	206,248,613.06
Total liabilities & equity		1,654,316,327.66	1,441,088,822.67

Nanjing Putian Telecommunications Co., Ltd.  
 Consolidated income statement for the year ended June 30, 2018  
 (Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue	1	966,850,604.95	1,012,396,407.39
Including: operating revenue	1	966,850,604.95	1,012,396,407.39
Interest proceeds			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost	2	1,006,737,060.12	1,021,785,412.19
Including: Operating cost	2	824,358,695.32	854,596,490.18
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes & surcharge for operations	3	5,664,250.54	4,727,442.61
Selling expenses	4	79,696,183.64	79,331,110.14
Administrative expenses	5	83,788,682.07	72,960,165.72
Financial expense	6	10,198,465.39	8,701,588.82
Assets impairment loss	7	3,030,783.16	1,468,614.72
Add: Gains on changes in fair value (or less: losses)			
Investment income (or less: losses)	8	407,793.10	-618,093.05
Including: Investment income from associates and joint ventures		407,793.10	-618,093.05
Gains on asset disposal (or less: losses)	9	30,156,818.80	-663,364.82
Gains on foreign exchange (or less: losses)			
Other income	10	5,799,343.86	2,784,809.60
III. Operating profit (or less: losses)		-3,522,499.41	-7,885,653.07
Add: Non-operating revenue	11	2,825,854.15	2,739,810.93
Including: Gains on disposal of non-current assets			
Less: Non-operating expenditures	12	308,586.00	236,523.22
Including: Losses on disposal of fixed assets			
IV. Profit before tax (or less: total loss)		-1,005,231.26	-5,382,365.36
Less: Income tax	14	1,646,117.70	3,203,411.84
V. Net profit (or less: net loss)		-2,651,348.96	-8,585,777.20
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		-2,651,348.96	-8,585,777.20
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)		-10,421,705.60	-13,246,723.63
2. Non-controlling interest (or less: net loss)		7,770,356.64	4,660,946.43
VI. Other comprehensive income after tax	15	-135,607.00	-164,503.71
Items attributable to the owners of the parent company		-122,046.30	-148,053.34
(I) Not reclassified subsequently to profit or loss			
1. Changes in re-measurement on the net defined benefit liability/asset			
2. Items attributable to investees under equity method that will not			
(II) To be reclassified subsequently to profit or loss		-122,046.30	-148,053.34
1. Items attributable to investees under equity method that may be			
2. Profit or loss from changes in fair value of available-for-sale financial			
3. Profit or loss from reclassification of held-to-maturity investments as			
4. Profit or loss on cash flow hedging			
5. Translation reserve		-122,046.30	-148,053.34
6. Others			
Items attributable to non-controlling shareholders		-13,560.70	-16,450.37
VII. Total comprehensive income		-2,786,955.96	-8,750,280.91
Items attributable to the owners of the parent company		-10,543,751.90	-13,394,776.97
Items attributable to non-controlling shareholders		7,756,795.94	4,644,496.06
VIII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)		-0.05	-0.06
(II) Diluted EPS (yuan per share)		-0.05	-0.06

Nanjing Putian Telecommunications Co., Ltd.  
Parent company income statement for the year ended June 30, 2018  
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue	1	497,806,967.24	492,270,145.47
Less: Operating cost	1	461,016,015.39	440,095,821.25
Taxes & surcharge for operations		2,188,404.36	1,953,988.13
Selling expenses		33,623,765.06	33,154,285.12
Administrative expenses		32,847,514.97	29,286,433.07
Financial expense		10,288,228.05	8,503,408.00
Assets impairment loss		1,674,589.82	1,566,147.48
Add: Gain on changes in fair value (or less: losses)			
Investment income (or less: losses)	2	407,793.10	-655,221.71
Including: investment income from associates and joint ventures		407,793.10	-655,221.71
Gains on asset disposal (or less: losses)		18,909,015.41	
Other income		876,429.06	44,991.45
II. Operating profit (or less: losses)		-23,638,312.84	-22,900,167.84
Add: Non-operating revenue		1,994,545.83	760,110.35
Including: Gains on disposal of non-current assets			
Less: Non-operating expenditures		210,933.46	216,150.19
Including: Losses on disposal of non-current assets			
III. Profit before tax (or less: total loss)		-21,854,700.47	-22,356,207.68
Less: Income tax			
IV. Net profit (or less: net loss)		-21,854,700.47	-22,356,207.68
(I) Net profit from continuing operations (or less: net loss)		-21,854,700.47	-22,356,207.68
(II) Net profit from discontinued operations (or less: net loss)			
V. Other comprehensive income after tax			
(I) Not reclassified subsequently to profit or loss			
1. Changes in re-measurement on the net defined benefit liability/asset			
2. Items attributable to investees under equity method that will not reclassified to profit or loss			
(II) To be reclassified subsequently to profit or loss			
1. Items attributable to investees under equity method that may be reclassified to profit or loss			
2. Profit or loss from changes in fair value of available-for-sale financial assets			
3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
4. Profit or loss on cash flow hedging			
5. Translation reserve			
6. Others			
VI. Total comprehensive income		-21,854,700.47	-22,356,207.68
VII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)		-0.10	-0.10
(II) Diluted EPS (yuan per share)		-0.10	-0.10

Nanjing Putian Telecommunications Co., Ltd.  
Consolidated cash flow statement for the year ended June 30, 2018

Items	Note No.	Current period cumulative	Preceding period comparative
<b>I. Cash flows from operating activities:</b>			
Cash receipts from sale of goods or rendering of services		823,226,257.29	1,425,486,893.70
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			
Net increase from disposal of financial assets at fair value through profit or loss			
Cash receipts from interest, handling charges and commission			
Net increase of loans from others			
Net increase of repurchase			
Receipts of tax refund		3,751,204.59	2,787,151.76
Other cash receipts related to operating activities	1	37,651,747.79	89,760,092.99
Subtotal of cash inflows from operating activities		864,629,209.67	1,518,034,138.45
Cash payments for goods purchased and services received		795,841,324.87	1,349,795,208.94
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			
Cash payments for interest, handling charges and commission			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		134,614,701.29	135,086,143.63
Cash payments for taxes and rates		43,357,641.42	50,137,010.08
Other cash payments related to operating activities	2	116,090,771.02	119,180,369.61
Subtotal of cash outflows from operating activities		1,089,904,438.60	1,654,198,732.26
Net cash flows from operating activities		-225,275,228.93	-136,164,593.81
<b>II. Cash flows from investing activities:</b>			
Cash receipts from withdrawal of investments			
Cash receipts from investment income		197,567.20	
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		30,244,870.00	29,417.47
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities			
Subtotal of cash inflows from investing activities		30,442,437.20	29,417.47
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		7,937,241.37	4,378,311.80
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			20,000,000.00
Subtotal of cash outflows from investing activities		7,937,241.37	24,378,311.80
Net cash flows from investing activities		22,505,195.83	-24,348,894.33
<b>III. Cash flows from financing activities:</b>			
Cash receipts from absorbing investments		2,169,200.00	
Including: Cash received by subsidiaries from non-controlling shareholders as investments		2,169,200.00	
Cash receipts from borrowings		266,510,000.00	232,350,000.00
Cash receipts from issuing of bonds			
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities		268,679,200.00	232,350,000.00
Cash payments for the repayment of borrowings		206,550,000.00	337,500,000.00
Cash payments for distribution of dividends or profits and for interest expenses		13,087,901.03	9,694,078.68
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit		2,169,200.00	
Other cash payments related to financing activities			
Subtotal of cash outflows from financing activities		219,637,901.03	347,194,078.68
Net cash flows from financing activities		49,041,298.97	-114,844,078.68
IV. Effect of foreign exchange rate changes on cash & cash equivalents		-92,357.05	-23,235.89
V. Net increase in cash and cash equivalents		-153,821,091.18	-275,380,802.71
Add: Opening balance of cash and cash equivalents		311,056,919.17	484,683,980.96
VI. Closing balance of cash and cash equivalents		157,235,827.99	209,303,178.25

Nanjing Putian Telecommunications Co., Ltd.  
Parent company cash flow statement for the year ended June 30, 2018  
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods and rendering of services		348,436,329.15	847,352,874.13
Receipts of tax refund		226,972.07	47,333.61
Other cash receipts related to operating activities		68,779,821.99	114,587,795.86
Subtotal of cash inflows from operating activities		417,443,123.21	961,988,003.60
Cash payments for goods purchased and services received		372,154,435.27	843,778,952.58
Cash paid to and on behalf of employees		53,879,491.46	58,743,976.97
Cash payments for taxes and rates		11,331,804.57	16,423,861.43
Other cash payments related to operating activities		60,181,711.77	23,342,375.76
Subtotal of cash outflows from operating activities		497,547,443.07	942,289,166.74
Net cash flows from operating activities		-80,104,319.86	19,698,836.86
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments			
Cash receipts from investment income		197,567.20	
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		18,187,870.00	
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities			
Subtotal of cash inflows from investing activities		18,385,437.20	
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		6,483,699.11	3,322,596.02
Cash payments for investments			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		6,483,699.11	3,322,596.02
Net cash flows from investing activities		11,901,738.09	-3,322,596.02
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			
Cash receipts from borrowings		192,000,000.00	170,850,000.00
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities		192,000,000.00	170,850,000.00
Cash payments for the repayment of borrowings		165,000,000.00	266,000,000.00
Cash payments for distribution of dividends or profits and for interest expenses		9,668,959.87	9,341,661.54
Other cash payments related to financing activities			
Subtotal of cash outflows from financing activities		174,668,959.87	275,341,661.54
Net cash flows from financing activities		17,331,040.13	-104,491,661.54
IV. Effect of foreign exchange rate changes on cash and cash equivalents			-100,956.62
V. Net increase in cash and cash equivalents		-50,871,541.64	-88,216,377.32
Add: Opening balance of cash and cash equivalents		109,752,099.29	164,090,964.56
VI. Closing balance of cash and cash equivalents		58,880,557.65	75,874,587.24



Nanjing Putian Telecommunications Co., Ltd.  
 Consolidated statement of changes in equity for the year ended June 30, 2018  
 (Expressed in Renminbi Yuan)

Items	Current period cumulative												Non-controlling interest	Total equity
	Equity attributable to parent company													
	Share capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit			
	Preferred shares	Perpetual bonds	Others											
I. Balance at the end of prior year	215,000,000.00				185,374,533.85		-4,129,619.45		589,559.77		-44,605,902.63	120,893,826.56	473,122,398.10	
Add: Cumulative changes of accounting policies														
Error correction of prior period											-1,980,089.01		-1,980,089.01	
Business combination under common control														
Others														
II. Balance at the beginning of current year	215,000,000.00				185,374,533.85		-4,129,619.45		589,559.77		-46,585,991.64	120,893,826.56	471,142,309.09	
III. Current period increase (or less: decrease)							-122,046.30				-10,421,705.60	7,756,795.94	-2,786,955.96	
(I) Total comprehensive income							-122,046.30				-10,421,705.60	7,756,795.94	-2,786,955.96	
(II) Capital contributed or withdrawn by owners												2,169,200.00	2,169,200.00	
1. Capital contributed by owners												2,169,200.00	2,169,200.00	
2. Capital contributed by holders of other equity instruments														
3. Amount of share-based payment included in equity														
4. Others														
(III) Profit distribution												-2,169,200.00	-2,169,200.00	
1. Appropriation of surplus reserve														
2. Appropriation of general risk reserve														
3. Appropriation of profit to owners												-2,169,200.00	-2,169,200.00	
4. Others														
(IV) Internal carry-over within equity														
1. Transfer of capital reserve to capital														
2. Transfer of surplus reserve to capital														
3. Surplus reserve to cover losses														
4. Others														
(V) Special reserve														
1. Appropriation of current period														
2. Application of current period														
(VI) Others														
IV. Balance at the end of current period	215,000,000.00				185,374,533.85		-4,251,665.75		589,559.77		-57,007,697.24	128,650,622.50	468,355,353.13	

# Nanjing Putian Telecommunications Co., Ltd.

## Consolidated statement of changes in equity for the year ended June 30, 2018 (continued)

(Expressed in Renminbi Yuan)

Items	Preceding period comparative												
	Equity attributable to parent company											Non-controlling interest	Total equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
	Preferred shares	Perpetual bonds	Others										
I. Balance at the end of prior year	215,000,000.00				185,374,533.85		-4,634,605.50		589,559.76		-56,491,072.91	112,578,132.06	452,416,547.26
Add: Cumulative changes of accounting policies													
Error correction of prior period											922,223.51	681,444.01	1,603,667.52
Business combination under common control													
Others													
II. Balance at the beginning of current year	215,000,000.00				185,374,533.85		-4,634,605.50		589,559.76		-55,568,849.40	113,259,576.07	454,020,214.78
III. Current period increase (or less: decrease)							-148,053.34				-13,246,723.63	4,644,496.06	-8,750,280.91
(I) Total comprehensive income							-148,053.34				-13,246,723.63	4,644,496.06	-8,750,280.91
(II) Capital contributed or withdrawn by owners													
1. Capital contributed by owners													
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution													
1. Appropriation of surplus reserve													
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners													
4. Others													
(IV) Internal carry-over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Others													
(V) Special reserve													
1. Appropriation of current period													
2. Application of current period													
(VI) Others													
IV. Balance at the end of current period	215,000,000.00				185,374,533.85		-4,782,658.84		589,559.76		-68,815,573.03	117,904,072.13	445,269,933.87

# Nanjing Putian Telecommunications Co., Ltd.

Parent company statement of changes in equity for the year ended June 30, 2018

(Expressed in Renminbi Yuan)

Items	Current period cumulative										
	Share capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	215,000,000.00				172,417,299.81				589,559.76	-179,778,157.50	208,228,702.07
Add: Cumulative changes of accounting policies											
Error correction of prior period										-1,980,089.01	-1,980,089.01
Others											
II. Balance at the beginning of current year	215,000,000.00				172,417,299.81				589,559.76	-181,758,246.51	206,248,613.06
III. Current period increase (or less: decrease)										-21,854,700.47	-21,854,700.47
(I) Total comprehensive income										-21,854,700.47	-21,854,700.47
(II) Capital contributed or withdrawn by owners											
1. Capital contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners											
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	215,000,000.00				172,417,299.81				589,559.76	-203,612,946.98	184,393,912.59

# Nanjing Putian Telecommunications Co., Ltd.

Parent company statement of changes in equity for the year ended June 30, 2018 (continued)

(Expressed in Renminbi Yuan)

Items	Preceding period comparative										
	Share capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds	Others							
I. Balance at the end of prior year	215,000,000.00				172,417,299.81				589,559.76	-188,427,625.86	199,579,233.71
Add: Cumulative changes of accounting policies											
Error correction of prior period										-1,122,108.50	-1,122,108.50
Others											
II. Balance at the beginning of current year	215,000,000.00				172,417,299.81				589,559.76	-189,549,734.36	198,457,125.21
III. Current period increase (or less: decrease)										-22,356,207.68	-22,356,207.68
(I) Total comprehensive income										-22,356,207.68	-22,356,207.68
(II) Capital contributed or withdrawn by owners											
1. Capital contributed by owners											
2. Capital contributed by holders of other equity instruments											
3. Amount of share-based payment included in equity											
4. Others											
(III) Profit distribution											
1. Appropriation of surplus reserve											
2. Appropriation of profit to owners											
3. Others											
(IV) Internal carry-over within equity											
1. Transfer of capital reserve to capital											
2. Transfer of surplus reserve to capital											
3. Surplus reserve to cover losses											
4. Others											
(V) Special reserve											
1. Appropriation of current period											
2. Application of current period											
(VI) Others											
IV. Balance at the end of current period	215,000,000.00				172,417,299.81				589,559.76	-211,905,942.04	176,100,917.53

[Li Linzhen]  
[Legal representative]  
(Signature and stamp)

[Cao Xurong]  
[Officer in charge of accounting]  
(Signature and stamp)

[Gao Wen]  
[Head of accounting department]  
(Signature and stamp)

# Nanjing Putian Telecommunications Co., Ltd.

## Notes to Financial Statements

### Semi-annual Report 2018

Monetary unit: RMB Yuan

#### I. Company profile

Nanjing Putian Telecommunications Co., Ltd. (the “Company”), whose predecessor is 邮电部南京通信设备厂 (Nanjing Telecommunication Facility Factory\*), was established as a limited liability company (by shares) through financing under the approval of National Economic Institutional Reform Commission with document of approval numbered TGS [1997] 28 dated March 21, 1997. The Company is headquartered in Nanjing City, Jiangsu Province. Currently it holds a business license with unified social credit code of 91320000134878054G, with registered capital of 215,000,000.00 yuan, total share of 215,000,000.00 shares, with par value of 1 yuan per share. Among them, 115,000,000 shares are state-owned legal person shares, and 100,000,000 shares are B shares. The Company was listed on the Shenzhen Stock Exchange on May 22, 1997 and its stocks has been suspended on May 11, 2017 when receiving the decision of the Shenzhen stock exchange to suspend the listing of the shares of Nanjing Putian Telecommunications Co., LTD. (Shenzhen Certificate No. 294, 2017)

The Company belongs to telecommunication equipment manufacture industry and is mainly engaged in R&D, production, and sale of data, wire and wireless telecommunication equipment, distribution and allocation of layout of telecommunication product, multimedia computer, digital television, vehicle electronics and conference video system. The main services rendered by the Company include installation and maintenance equipment, communication information network and computer information system projects design, and systems integration and related consultancy service.

The financial statements have been deliberated and approved for issue by the 13<sup>th</sup> meeting of the 7<sup>th</sup> session of the Board of Directors dated August 24, 2018.

The Company has brought 11 subsidiaries including 南京南方电讯有限公司 (Nanjing South Telecommunications Company Limited\*), 南京普天天纪楼宇智能有限公司 (Nanjing Putian Telege Intelligent Building Ltd.\*) and 南京曼奈柯斯电器有限公司 (Nanjing Mennekes Electrics Co., Ltd.\*) etc. into the consolidated scope. Please refer to notes to changes in the consolidated scope and interest in other entities for details.

#### II. Preparation basis of the financial statements

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\* The English names are for identification purpose only.

(I) Preparation basis

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

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

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

**III. Significant accounting policies and estimates**

Important note:

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

(I) Statement of compliance

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

(II) Accounting period

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

(III) Operating cycle

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

(IV) Functional currency

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

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

1. Accounting treatment of business combination under common control

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

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of

identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

(VI) Compilation method of consolidated financial statements

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

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

1. Joint arrangements include joint operations and joint ventures.

2. When the Company is a joint operator of a joint operation, it recognizes in relation to its interest in a joint operation:

- (1) its assets, including its share of any assets held jointly;
- (2) its liabilities, including its share of any liabilities incurred jointly;
- (3) its revenue from the sale of its share of the output arising from the joint operation;
- (4) its share of the revenue from the sales of the output by the joint operation; and
- (5) its expenses, including its share of any expenses incurred jointly.

(VIII) Recognition criteria of cash and cash equivalents

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

(IX) Foreign currency translation

1. Translation of transactions denominated in foreign currency

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

2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot rate

at the transaction date; the revenues and expenses in the income statement are translated into RMB at the spot exchange rate at the transaction date. The difference arising from foreign currency translation is included in other comprehensive income.

(X) Financial instruments

1. Classification of financial assets and financial liabilities

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

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

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

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

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

The Company measures its financial liabilities at the amortized costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are



measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, and for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items 1) The amount as determined according to “CASBE13 - Contingencies”; 2) the surplus after accumulative amortization as determined according to “CASBE14 - Revenues”.

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

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

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

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

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the book value

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

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

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

(1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;

(3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, and financial forecast developed using the Company's own data, etc.

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

(1) An impairment test is carried out at the balance sheet date on the financial assets other than those at fair value through profit or loss, and provisions for impairment loss should be made if there is objective evidence indicating impairment loss.

(2) For held-to-maturity investments, borrowings, and receivables, an impairment test is made on an individual basis on financial assets of individually significant amount; with regard to the financial assets of individually insignificant amount, they may be included in a portfolio of financial assets with similar credit risk features so as to carry out an impairment-related test; where, upon the impairment test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not

impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.

(3) Available-for-sale financial assets

1) Objective evidence indicating that available-for-sale debt instrument investments may be impaired includes:

- a. significant financial difficulties in the debtor;
- b. breach of contract by the debtor, such as principal or interest past due or default;
- c. concessions made to debtors with financial difficulties considering economic and legal factors;
- d. it is highly probable that the debtor is going to dissolve or going through other terms of financial restructuring;
- e. owing to significant financial difficulties occurred to the debtor, the debt instrument is discontinued to trade in active market; or
- f. Other circumstances indicating that available-for-sale debt instrument may be impaired.

2) Evidence indicating that available-for-sale equity instrument investment may be impaired includes the fair value of equity instrument investment is suffered from significant or non-temporary decline and the technical, market, economic, or legal environment in which the investee operates has significant adverse changes under which the Company may not be able to recover its investment cost.

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

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognized directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognized on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of

the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognized is directly recognized in other comprehensive income.

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

(XI) Receivables

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

Judgment basis or amount criteria of individually significant amount	Receivables amounting to more than 10 million yuan
Provision method for receivables of individually significant amount and with provision made on an individual basis	Provisions are made on the difference between the lower of present value of future cash flow and their carrying amount based on impairment testing on an individual basis.

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

(1) Specific portfolios and provision method

Provision method of provision being made on collective basis using portfolios with similar credit risk features:	
Portfolio 1	Grouped with related party balances within the consolidation scope
Portfolio 2	Grouped with age
Portfolios and provision method	
Portfolio 1	Provisions are made on the difference between the lower of present value of future cash flow and their carrying amount based on impairment testing on an individual basis.
Portfolio 2	Age analysis method

(2) Age analysis method

Ages	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (inclusive, the same hereinafter)	0.00	0.00
1-2 years	0.00	0.00
2-3 years	10.00	10.00
3-4 years	30.00	30.00
4-5 years	40.00	40.00
5-6 years	80.00	80.00
Over 6 years	100.00	100.00

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

Reasons for provision made on an	Impairment test on an individual basis with objective
----------------------------------	---

individual basis	evidence indicating that the receivable is impaired
Provision method	Provision method made on an individual basis

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

## (XII) Inventories

### 1. Classification of inventories

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

### 2. Accounting method for dispatching inventories:

Inventories dispatched from storage are accounted for with weighted average method.

### 3. Basis for determining net realizable value

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

### 4. Inventory system

Perpetual inventory method is adopted.

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

#### (1) Low-value consumables

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

#### (2) Packages

Packages are amortized with one-off method.

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

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

an irrevocable transfer agreement with the transferee; and d. the transfer is expected to be completed within one year.

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

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

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

##### 2. Determination of investment cost

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

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

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

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

1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.

2) In the case of consolidated financial statements, the Company determines whether it is a

“bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, the carrying value of the acquirer’s previously held equity interest in the acquire is re-measured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer’s previously held equity interest in the acquire involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from re-measurement of defined benefit plan of the acquiree.

(3) Long-term equity investment obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to “CASBE12 - Debt Restructuring”; and that obtained through non-cash assets exchange is determined according to “CASBE7 - Non-cash Assets Exchange”.

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

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

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

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

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

#### (2) Consolidated financial statements

##### 1) Disposal of a subsidiary in stages not qualified as “bundled transaction” resulting in the Company’s loss of control

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

When the Company loses control, the remained equity is re-measured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained

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

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

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

#### (XV) Investment property

1. Investment property includes land use right of rent-out property and of property held for capital appreciation and buildings that have been leased out.

2. The initial measurement of investment property is based on its cost, and subsequent measurement is made using the cost model, the depreciation or amortization method is the same as that of fixed assets and intangible assets.

#### (XVI) Fixed assets

1. Recognition principles of fixed assets

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

2. Depreciation method of different categories of fixed assets

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	15-35	3.00	2.77-6.47
Machinery	Straight-line method	10-15	3.00	6.47-9.70
Transport facilities	Straight-line method	6-8	3.00	12.13-16.17
Electronic equipment	Straight-line method	4-11	3.00	2.2-24.25
Office equipment and others	Straight-line method	4-11	3.00	2.2-24.25

#### (XVII) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic



benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its designed usable conditions. When the construction completion cost reaches final estimating and auditing of the construction in progress was not finished while it reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

#### (XVIII) Borrowing costs

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

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

##### 2. Borrowing costs capitalization period

(1) The borrowing costs are not capitalized unless they following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

(3) Ceasing of capitalization: when the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

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

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

accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

(XIX) Intangible assets

1. Intangible asset includes land use right, patent right and non-patented technology etc. The initial measurement of intangible asset is based its cost.

2. For intangible assets with finite useful lives, its amortization amount is amortized within its useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Software	3-10
Patent right and non-patented technology	5-10
Land use right	40-50

3. Expenditures on the research phase of an internal project are recognized as profit or loss when it is incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(XX) Impairment of part of non-current assets

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

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

(XXI) Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within its beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to

the following accounting periods, residual values of such items are included in profit or loss.

(XXII) Employee benefits

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

2. Short-term employee benefits

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

3. Post-employment benefits

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

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

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. The Company discounts obligations under the defined benefit plan using the discount rate to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by deducting the present value of the defined benefit plan obligation from the fair value of defined benefit plan assets as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of reporting period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. Changes as a result of re-measurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

4. Termination benefits

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

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

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

#### (XXIII) Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.

2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

#### (XXIV) Revenue

##### 1. Revenue recognition principles

##### (1) Sale of goods

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

##### (2) Rendering of services

When the outcome of the transaction can be estimated reliably (the amount of revenue can be measured reliably, it is probable that the economic benefits will flow to the Company, the percentage of completion of the transaction can be determined reliably, and the costs of the

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

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

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

## 2. Revenue recognition method adopted by the Company

The Company's main product is the telecommunication product. Revenue is recognized if, and only if, the following conditions are all met: the Company has delivered goods to the purchaser based on contractual agreements; customers have accepted goods and settled the payment; goods payment has been collected or the Company has obtained receipts invoices and it is probable that economic benefits associated with the transaction will flow to the Company; and the costs of the transaction incurred and to be incurred can be measured reliably.

## (XXV) Government grants

### 1. Government grants related to assets

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

### 2. Government grants related to income

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

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

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the

difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (a) business combination; and (b) the transactions or items directly recognized in equity.

#### (XXVII) Operating leases

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

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

#### (XXVIII) Segment reporting

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

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

flows is available.

(XXIX) Changes in accounting policies

(1) The Company has adopted “CASBE 42 - Non-current Assets and Disposal Groups Held for Sale and Discontinued Operations” promulgated by Ministry of Finance of PRC since May 28, 2017, and has adopted “CASBE 16 - Government Grants” revised by Ministry of Finance of PRC since June 12, 2017. The change is applicable to prospective application method.

(2) The Company prepared the financial statements for the year ended December 31, 2017 in accordance with “Notice of the Ministry of Finance on Revising and Issuing Financial Statement Templates for General Enterprises” (numbered Cai Kuai [2017] 30), and gains and losses on disposal of non-current assets and gains and losses on trading of non-cash assets which originally presented under the items “Non-operating revenue” and “Non-operating expenditures” were presented under the item “Gains on asset disposal”. As this change is applicable to retrospective application method, non-operating revenue and non-operating expenditures of semi-annual of 2017 are respectively decreased by 29,788.25 yuan and 693,153.07 yuan, while gains on asset disposal is increased by -663,364.82 yuan.

**IV. Taxes**

(I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	17%、16%、6%
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 payable	7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	15%、16.5%、25%

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
Nanjing Mennekes Electric Appliances Co., Ltd	15%
Nanjing Putian Telege Intelligent Building Ltd.	15%

Taxpayers	Income tax rate
南京普天长乐通信设备有限公司 (Nanjing Putian Changle Telecommunications Equipment Co., Ltd. *)	15%
南京普天大唐信息电子有限公司 (Nanjing Putian Datang Information Electronic Co., Ltd.*)	15%
南京普天网络有限公司 (Nanjing Putian Network Co., Ltd.*)	15%
普天通信(香港)股份有限公司 (Putian Telecommunications (H.K.) Co., Ltd.*)	16.5%
Taxpayers other than the above-mentioned	25%

The subsidiary, Putian Telecommunications (H.K.) Co., Ltd., was established in Hong Kong on December 1, 2000, and is subject to the enterprise income tax at a rate of 16.5%, according to relevant rules in Hong Kong.

#### (II) Tax preferential policies

The subsidiary, Nanjing Putian Telege Intelligent Building Ltd., obtained high-tech enterprise certificate in December 7, 2017, valid for 3 years. The certificate number is GR201732002774. As a result, it is subject to the enterprise income tax at a rate of 15% for 2017 to 2019.

The subsidiary, Nanjing Mennekes Electric Appliances Co., Ltd obtained high-tech enterprise certificate in October 20, 2016, valid for 3 years. The certificate number is GR201632000065. As a result, it is subject to the enterprise income tax at a rate of 15% for 2017 to 2019.

The subsidiary, Nanjing Putian Changle Telecommunications Equipment Co., Ltd., obtained high-tech enterprise certificate in October 10, 2015, valid for 3 years. The certificate number is GR201532001302. As a result, it is subject to the enterprise income tax at a rate of 15% for 2015 to 2017.

The subsidiary, Nanjing Putian Network Co., Ltd., obtained high-tech enterprise certificate in December 7, 2017, valid for 3 years. The certificate number is GF201732003495. As a result, it is subject to the enterprise income tax at a rate of 15% for 2017 to 2019.

The subsidiary, Nanjing Putian Datang Information Electronic Co., Ltd., obtained high-tech enterprise certificate in August 24, 2015, valid for 3 years. The certificate number is GF201532000188. As a result, it is subject to the enterprise income tax at a rate of 15% for 2015 to 2017.

The subsidiary, Nanjing Telecommunication Equipment Factory - the Seventh Branch\*), is a social welfare enterprise. Accordance to the provisions of Guo Shui Fa [2007] No.067, it enjoys the preferential tax policy of VAT refund upon collection and plus deduction of wages paid to the disabled employees.

The subsidiaries, Nanjing Putian Datang Information Electronic Co., Ltd. and Nanjing Putian

\* The English names are for identification purpose only.



Telecommunication Technology Co., Ltd.\*), were certified as software enterprises, and some of the software products produced by Nanjing South Telecommunications Company Limited and Nanjing Putian Network Co., Ltd. are entitled to enjoy the preferential tax policy of 3% VAT refund upon collection in accordance with the provisions of Cai Shui [2011] No.100.

## V. Notes to items of consolidated financial statements

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

#### 1. Cash and bank balances

##### (1) Details

Items	Closing balance	Opening balance
Cash on hand	4,218.51	5,458.17
Cash in bank	157,231,609.48	311,051,461.00
Other cash and bank balances	72,517,673.35	16,420,782.19
Total	229,753,501.34	327,477,701.36

##### (2) Other remarks

Other cash and bank balances include deposit for acceptance and deposit for L/G, which are with use restrictions.

#### 2. Notes receivable

##### (1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for bad debts	Carrying amount	Book balance	Provision for bad debts	Carrying amount
Bank acceptance	29,943,288.75		29,943,288.75	20,715,749.22		20,715,749.22
Trade acceptance	550,000.00		550,000.00	11,761,714.37		11,761,714.37
Total	30,493,288.75		30,493,288.75	32,477,463.59		32,477,463.59

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

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	1,640,625.03	1,093,750.02
Trade acceptance	546,875.01	
Subtotal	2,187,500.04	1,093,750.02

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.

In the current period, trade acceptance is endorsed for goods payment. As it relates to many endorsements and the drawer is always in good commercial credit level, it is with low default risk and thus derecognized.

### 3. Accounts receivable

#### (1) Details

##### 1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	921,138,806.63	98.72	38,769,179.74	4.21	882,369,626.89
Portfolio 1					
Portfolio 2	921,138,806.63	98.72	38,769,179.74	4.21	882,369,626.89
Receivable of individually insignificant amount but with provision made on an individual basis	11,921,451.05	1.28	11,921,451.05	100.00	
Total	933,060,257.68	100.00	50,690,630.79	5.43	882,369,626.89

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	815,282,308.11	98.56	35,192,700.70	4.32	780,089,607.41
Portfolio 1					
Portfolio 2	815,282,308.11	98.56	35,192,700.70	4.32	780,089,607.41
Receivable of individually insignificant amount but with provision made on an individual basis	11,901,554.08	1.44	11,901,554.08	100.00	
Total	827,183,862.19	100.00	47,094,254.78	5.69	780,089,607.41

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

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

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	638,568,099.60		
1-2 years	187,811,924.60		
2-3 years	36,740,459.85	3,679,648.39	10.00
3-4 years	20,510,586.37	6,153,175.93	30.00
4-5 years	9,466,123.63	3,786,449.46	40.00
5-6 years	14,458,535.09	11,566,828.47	80.00
Over 6 years	13,583,077.49	13,583,077.49	100.00
Subtotal	921,138,806.63	38,769,179.74	4.21

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

1) Provision for bad debts made in current period totaled 3,534,469.53 yuan, and provision increased due to fluctuations in exchange totaled 61,906.48 yuan.

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

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
中国联合网络通信有限公司河南省分公司 (China United Network Communications Group Co., Ltd., Henan Branch*)	48,118,986.00	5.16	
北京融通致远科技有限责任公司 (Beijing Rongtong Zhiyuan Science and Technology Co., Ltd.)	32,406,347.08	3.47	
普天信息技术有限公司 (Petevio information technology Co., Ltd.)	16,964,697.28	1.82	
中国铁塔股份有限公司鹤岗市分公司 (Hegang branch of China Tower Limited by Share Ltd(China Tower))	15,714,957.42	1.68	
中国普天信息产业股份有限公司 (China Potevio Information Industry Inc.)	13,819,926.92	1.48	
Subtotal	127,024,914.70	13.61	

4. Advances paid

(1) Age analysis

1) Details

Ages	Closing balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year	184,879,585.79	89.68%		184,879,585.79
1-2 years	9,038,065.59	4.38%		9,038,065.59
2-3 years	4,346,007.03	2.11%		4,346,007.03
Over 3 years	7,891,350.92	3.83%		7,891,350.92
Total	206,155,009.33	100.00%		206,155,009.33

(Continued)

Ages	Opening balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year	36,704,841.98	68.20		36,704,841.98
1-2 years	11,206,192.14	20.82		11,206,192.14
2-3 years	1,456,310.44	2.70		1,456,310.44
Over 3 years	4,454,593.23	8.28		4,454,593.23
Total	53,821,937.79	100.00		53,821,937.79

2) Reasons for unsettlement on advances paid with age over one year and significant amount

Debtors	Closing balance	Reasons for unsettlement
江苏中厦劳务有限公司南京分公司 (Nanjing branch of Jiangsu Zhongxia Labor Service Co., Ltd. *)	940,000.00	The contract hasn't been fulfilled
北京光宇文庆科技有限公司 (Beijing guangyu wenqing technology co. LTD. *)	729,330.00	The contract hasn't been fulfilled
江苏天泽智能科技有限公司 (Jiangsu Tianze Intelligent and Technology Co., Ltd. *)	481,771.60	The contract hasn't been fulfilled
南京艾尔特光电有限公司 (Nanjing aite photoelectric co. LTD. *)	439,507.50	The contract hasn't been fulfilled
普天和平科技有限公司 (Putian peace technology co. LTD)	436,294.00	The contract hasn't been fulfilled
Subtotal	3,026,903.10	

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

Debtors	Book balance	Proportion to the total balance of advances paid (%)
上海星地通信科技有限公司 (Shanghai xingditong communication technology co. LTD. *)	108,765,000.00	52.76%
舜天国际集团江苏机械进出口公司 (Jiangsu Machinery Import and Export Corporation of Shuntian International Group *)	39,676,000.00	19.25%
上海擎天电子科技有限公司 (Shanghai optimus electronics technology co. LTD. *)	4,215,050.00	2.04%
上海瀛联信息科技股份有限公司 (Shanghai yinglian information technology co. LTD. *)	2,282,800.00	1.11%
南京斯尔特科技有限公司 (Nanjing sierte technology co. LTD. *)	1,519,459.31	0.74%
Subtotal	156,458,309.31	75.89%

5. Other receivables

(1) Details

1) Details on categories

Categories	Closing balance		
	Book balance	Provision for bad debts	Carrying amount

	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	28,912,122.71	38.44	28,912,122.71	100.00	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	46,295,617.70	61.56	4,158,841.56	8.98	42,136,776.14
Including: Portfolio 1					
Portfolio 2	46,295,617.70	61.56	4,158,841.56	8.98	42,136,776.14
Receivable of individually insignificant amount but with provision made on an individual basis					
Total	75,207,740.41	100.00	33,070,964.27	43.97	42,136,776.14

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	28,912,122.71	45.97	28,912,122.71	100.00	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	33,987,705.89	54.03	4,662,282.16	13.72	29,325,423.73
Including: Portfolio 1					
Portfolio 2	33,987,705.89	54.03	4,662,282.16	13.72	29,325,423.73
Receivable of individually insignificant amount but with provision made on an individual basis					
Total	62,899,828.60	100.00	33,574,404.87	53.38	29,325,423.73

2) Other receivables of individually significant amount and with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons for provision made
北京立康普通通信设备有限公司 (Beijing Likangpu Communications Equipment Co., Ltd. *)	28,912,122.71	28,912,122.71	100.00	With long age and hard to recover
Subtotal	28,912,122.71	28,912,122.71	100.00	

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

Ages	Closing balance

\* The English name is for identification purpose only.

	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	29,810,982.32		
1-2 years	8,530,117.55		
2-3 years	2,400,123.20	240,012.32	10.00
3-4 years	1,361,898.00	407,669.40	30.00
4-5 years	1,018,458.70	406,583.48	40.00
5-6 years	347,307.85	277,846.28	80.00
Over 6 years	2,826,730.08	2,826,730.08	100.00
Subtotal	46,295,617.70	4,158,841.56	8.98

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

Provision for bad debts made in current period totaled -503,686.37 yuan, and provision increased due to fluctuations in exchange totaled 245.77 yuan.

(3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Petty cash for business traveling	3,024,173.05	2,856,176.36
Deposits	17,573,250.56	21,876,987.95
Temporary advance payment receivable	42,906,197.19	27,377,794.22
Others	11,704,119.61	10,788,870.07
Total	75,207,740.41	62,899,828.60

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

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Beijing Likangpu Communications Equipment Co., Ltd.	Temporary advance payment receivable	28,912,122.71	Over 6 years	38.44	28,912,122.71
China putian information industry co. LTD	Temporary advance payment receivable	1,000,000.00		1.33	40,000.00
Putian information technology co. LTD	Temporary advance payment receivable	835,252.00	1-3 years	1.11	
Jiangsu tianye engineering consulting real estate appraisal co. LTD bid bond	Deposits	800,000.00	Within 1 year	1.06	
Nanjing Putian Communication Industry Co., Ltd.	Temporary advance payment receivable	738,706.63	1-6 years	0.98	
Subtotal		32,286,081.34		46.56	28,952,122.71

6. Inventories

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw materials	51,622,472.32	2,938,752.56	48,683,719.76	32,589,471.27	2,938,752.56	29,650,718.71
Work in process	90,757,012.61		90,757,012.61	9,304,009.61		9,304,009.61
Goods on hand	111,240,428.46	3,087,176.10	108,153,252.36	310,378,245.32	3,087,176.10	307,291,069.22
Merchandise shipped	103,952,498.53	7,751,357.94	96,201,140.59	147,425,970.58	7,758,200.35	139,667,770.23
Materials in consignors	5,796,731.05	804,691.99	4,992,039.06	4,789,181.58	804,691.99	3,984,489.59
Total	363,369,142.97	14,581,978.59	348,787,164.38	504,486,878.36	14,588,821.00	489,898,057.36

## (2) Provision for inventory write-down

### 1) Details

Items	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Reversal or written-off	Others	
Raw materials	2,938,752.56					2,938,752.56
Goods on hand	3,087,176.10					3,087,176.10
Goods dispatched	7,758,200.35			6,842.41		7,751,357.94
Materials on consignment for further processing	804,691.99					804,691.99
Subtotal	14,588,821.00			6,842.41		14,581,978.59

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

Please refer to XII for determination basis of net realizable value. Reversal of provision for inventory write-down due to the sale of raw materials in the current period, which is with provision for inventory write-down made in prior period, totaled 6,842.41 yuan.

## 7. Other current assets

Items	Closing balance	Opening balance
Input VAT to be credited	21,971,751.01	45,282,892.44
Advance payment of income tax	112,969.04	
Total	22,084,720.05	45,282,892.44

## 8. Available-for-sale financial assets

### (1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Available-for-sale equity instrument						
Including: at cost	2,596,863.00	1,854,910.00	741,953.00	2,596,863.00	1,854,910.00	741,953.00
Total	2,596,863.00	1,854,910.00	741,953.00	2,596,863.00	1,854,910.00	741,953.00

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

Investees	Book balance			
	Opening balance	Increase	Decrease	Closing balance
南京雨花电镀厂 (Nanjing Yuhua Electroplating Factory *)	420,915.00			420,915.00
杭州鸿雁电器有限公司 (Hangzhou Honyar Electrical Co., Ltd. *)	321,038.00			321,038.00
北京立康普通通信设备有限公司 Beijing Likangpu Communications Equipment Co., Ltd. [Note]	1,854,910.00			1,854,910.00
Subtotal	2,596,863.00			2,596,863.00

(Continue)

Investees	Provision for impairment				Holding proportion in investees (%)	Cash dividend in current period
	Opening balance	Increase	Decrease	Closing balance		
Nanjing Yuhua Electroplating Factory					10.00	
Hangzhou Honyar Electrical Co., Ltd.					2.26	
Beijing Likangpu Communications Equipment Co., Ltd.	1,854,910.00			1,854,910.00	51.00	
Subtotal	1,854,910.00			1,854,910.00		

Note: Up to the end of 2007, Beijing Likangpu Communications Equipment Co., Ltd. was significantly insolvent and was shut down with no operations since 2008. In October 2007, Beijing Administration for Industry and Commerce issued the decision on treatment of cancellation of license and required it to carry out liquidation under laws and regulations. Pursuant to “CASBE 33 - Consolidated Financial Statements”, Beijing Likangpu Communications Equipment Co., Ltd. shall no longer be brought into consolidation scope since 2008 and such event has been reported to China Potevio Information Industry Inc. and State-owned Assets Supervision and Administration Commission of the State Council.

## 9. Long-term equity investments

### (1) Categories

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in associates	173,806,943.51		173,806,943.51	173,681,413.39		173,681,413.39
Investments in joint ventures	13,380,788.62		13,380,788.62	13,296,092.84		13,296,092.84
Total	187,187,732.13		187,187,732.13	186,977,506.23		186,977,506.23

### (2) Details

Investees	Opening balance	Increase/decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income

\* The English names are for identification purpose only.



Investees	Opening balance	Increase/decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Joint ventures					
南京普住光网络有限公司 (SEI-Nanjing Potevio Optical Network Co., Ltd. *)	13,296,092.84			84,695.78	
Subtotal	13,296,092.84			84,695.78	
Associates					
南京普天天纪线缆有限公司 (Nanjing Potevio Telege Cable Co., Ltd. *)	3,040,101.44				
普天高新科技产业有限公司 (Potevio Hi-tech Industry Co., Ltd. *)	170,641,311.95			323,097.32	
Subtotal	173,681,413.39			323,097.32	
Total	186,977,506.23			407,793.10	

(Continued)

Investees	Increase/decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/profit declared for distribution	Provision for impairment	Others		
Joint ventures					13,380,788.62	
SEI-Nanjing Potevio Optical Network Co., Ltd.					13,380,788.62	
Subtotal						
Associates						
Nanjing Potevio Telege Cable Co., Ltd.					3,040,101.44	
Potevio Hi-tech Industry Co., Ltd.		197,567.20			170,766,842.07	
Subtotal		197,567.20			173,806,943.51	
Total		197,567.20			187,187,732.13	

#### 10. Investment property

Items	Buildings and structures	Land use right	Total
Cost			
Opening balance	23,851,020.30	3,642,147.87	27,493,168.17
Increase			
Decrease			
1) Transferred into fixed assets			
Closing balance	23,851,020.30	3,642,147.87	27,493,168.17
Accumulated depreciation and amortization			
Opening balance	11,083,691.02	1,764,573.87	12,848,264.89
Increase	322,337.59	43,235.64	365,573.23

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Items	Buildings and structures	Land use right	Total
1) Accrual or amortization	322,337.59	43,235.64	365,573.23
Decrease			
1) Transferred into fixed assets			
Closing balance	11,406,028.61	1,807,809.51	13,213,838.12
Provision for impairment			
Opening balance	1,842,418.00		1,842,418.00
Increase			
Decrease			
Closing balance	1,842,418.00		1,842,418.00
Carrying amount			
Closing balance	10,602,573.69	1,834,338.36	12,436,912.05
Opening balance	10,924,911.28	1,877,574.00	12,802,485.28

## 11. Fixed assets

### (1) Details

Items	Buildings and structures	Machinery equipment	Transport facilities	Electronic equipment	Office equipment and others	Total
Cost						
Opening balance	154,660,368.48	58,096,595.23	13,247,627.08	6,659,225.73	50,842,510.16	283,506,326.68
Increase	138,474.74	185,022.83	618,809.35	115,157.85	404,413.92	1,461,878.69
1) Acquisition	138,474.74	185,022.83	618,809.35	115,157.85	404,413.92	1,461,878.69
Decrease	13,881,674.82	702,332.25	375,030.95	92,396.60	12,994,545.98	28,045,980.60
1) Disposal/scrap	13,881,674.82	702,332.25	375,030.95	92,396.60	12,994,545.98	28,045,980.60
Closing balance	140,917,168.40	57,579,285.81	13,491,405.48	6,681,986.98	38,252,378.10	256,922,224.77
Accumulated depreciation						
Opening balance	53,189,862.57	47,038,059.99	12,073,510.18	5,875,572.02	44,637,453.40	162,814,458.16
Increase	1,932,394.12	741,070.76	270,726.77	687,602.63	1,441,730.46	5,073,524.74
1) Accrual	1,932,394.12	741,070.76	270,726.77	687,602.63	1,441,730.46	5,073,524.74
Decrease	9,632,361.23	687,733.20	363,780.02	89,587.67	12,584,399.70	23,357,861.82
1) Disposal/scrap	9,632,361.23	687,733.20	363,780.02	89,587.67	12,584,399.70	23,357,861.82
Closing balance	45,489,895.46	47,091,397.55	11,980,456.93	6,473,586.98	33,494,784.16	144,530,121.08
Provision for impairment						
Opening balance	539,124.00	10,863.02		103,112.78	296,846.94	949,946.74
Increase						
Decrease						
1) Disposal/scrap						
Closing balance	539,124.00	10,863.02		103,112.78	296,846.94	949,946.74
Carrying amount						
Closing balance	94,888,148.94	10,477,025.24	1,510,948.55	105,287.22	4,460,747.00	111,442,156.95
Opening balance	100,931,381.91	11,047,672.22	1,174,116.90	680,540.93	5,908,209.82	119,741,921.78

## (2) Fixed assets temporarily idle

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying amount	Note
Machinery equipment	218,700.00	202,437.65		16,262.35	
Transport facilities	225,000.00	218,250.00		6,750.00	
Electronic equipment	19,100.00	18,527.00		573.00	
Office equipment and others	630,241.55	314,868.89	296,846.94	18,525.72	
Subtotal	1,093,041.55	754,083.54	296,846.94	42,111.07	

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

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	4,917,169.73	Not applicable for allocated land
Buildings and structures	32,472,530.91	Under procedure
Subtotal	37,389,700.64	

## 12. Construction in progress

## (1) Details

Projects	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Nanjing putian science and technology pioneer park intelligent park construction related building intelligent equipment.	3,213,787.88		3,213,787.88	1,830,131.25		1,830,131.25
Reconstruction of distribution building	726,666.84		726,666.84	333,136.64		333,136.64
Total	3,940,454.72		3,940,454.72	2,163,267.89		2,163,267.89

## (2) Changes in significant projects

Projects	Budgets	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Yuhua Scientific Innovation Industry Park	6,100,437.50	1,830,131.25	1,383,656.63			3,213,787.88
Reconstruction of distribution building	600,000.00	333,136.64	393,530.20			726,666.84
Subtotal	6,700,437.50	2,163,267.89	1,777,186.83			3,940,454.72

(Continued)

Projects	Accumulated investment to budget	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in current period	Annual capitalization rate (%)	Fund source
Yuhua Scientific Innovation Industry Park	50.00	50.00				Self-owned fund
Reconstruction of distribution building	121.11	90.00				Self-owned fund
Subtotal						

### 13. Intangible assets

Items	Software	Land use right	Patent right	Non-patent technology	Total
Cost					
Opening balance	10,889,840.33	34,760,072.04	607,500.00	4,560,000.00	50,817,412.37
Increase	499,306.89				499,306.89
1) Acquisition	499,306.89				499,306.89
Decrease					
Closing balance	11,389,147.22	34,760,072.04	607,500.00	4,560,000.00	51,316,719.26
Accumulated amortization					
Opening balance	8,858,384.46	6,054,711.03	607,500.00	4,560,000.00	20,080,595.49
Increase	428,272.54	264,481.23			692,753.77
1) Accrual	428,272.54	264,481.23			692,753.77
Decrease					
Closing balance	9,286,657.00	6,319,192.26	607,500.00	4,560,000.00	20,773,349.26
Carrying amount					
Closing balance	2,102,490.22	28,440,879.78			30,543,370.00
Opening balance	2,031,455.87	28,705,361.01			30,736,816.88

### 14. Long-term prepayments

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Reconstruction of canteen	503,316.01		82,920.00		635,492.01
Reconstruction of office building	1,181,112.19		129,109.88		836,906.31
Factory building decoration		1,070,715.95	89,226.33		981,489.62
Others	1,110,766.56	106,499.20	1,086,493.74		130,772.02
Total	2,795,194.76	1,177,215.15	1,387,749.95		2,584,659.96

### 15. Short-term borrowings

Items	Closing balance	Opening balance
Pledged borrowings	205,500,000.00	164,000,000.00
Mortgaged borrowings	77,010,000.00	78,550,000.00
Secured borrowings	165,000,000.00	145,000,000.00
Total	447,510,000.00	387,550,000.00

In the current period, the Company entrusted the parent company to apply for loans from Bank of Beijing, which is the pledged borrowings amounting to 201,000,000.00 yuan. The Company pledged its holding equities to the parent company, which include equity of Nanjing putian tianji building intelligence co. LTD amounting to 4.80 million yuan, Nanjing South Telecommunications Co amounting to 33.17 million yuan, equity of Nanjing Putian Changle Telecommunications Equipment Co., Ltd. amounting to 5.07 million yuan, equity of Nanjing Putian Wangzhi

Electronic Co., Ltd.\* amounting to 60.43 million yuan, equity of Nanjing Putian Network Co., Ltd. amounting to 7.80 million yuan. The Company has registered the equity pledge at Nanjing Jiangning Market Supervision Administration.

#### 16. Notes payable

Items	Closing balance	Opening balance
Trade acceptance	14,064,736.10	20,161,687.14
Bank acceptance	72,000,000.00	
Total	86,064,736.10	20,161,687.14

#### 17. Accounts payable

##### (1) Details

Items	Closing balance	Opening balance
Purchase of materials	696,758,127.47	790,597,232.04
Project payment	11,045,846.61	16,074,942.13
Others	2,123,710.03	
Total	709,927,684.11	806,672,174.17

##### (2) Significant accounts payable with age over one year

Items	Closing balance	Reasons for unsettlement
POLYCOM communications technology (Beijing) co. LTD	24,274,339.32	Settlement is not completed
Jiangsu machinery import and export corporation of sainty international group	24,210,574.66	Settlement is not completed
SEI-Nanjing Potevio Optical Network Co., Ltd.	19,328,017.84	Settlement is not completed
Jiangsu zhongbo communication co. LTD	16,484,933.94	Settlement is not completed
China Potevio Information Industry Inc.	16,314,294.20	Settlement is not completed
Subtotal	100,612,159.96	

#### 18. Advances received

##### (1) Details

Items	Closing balance	Opening balance
Payment for goods	305,508,384.02	317,197,824.66
Total	305,508,384.02	317,197,824.66

##### (2) Significant advances received with age over one year

Items	Closing balance	Reasons for unsettlement
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Items	Closing balance	Reasons for unsettlement
China Potevio Information Industry Inc.	3,740,144.73	The contract hasn't been fulfilled
Jiangxi communication technology co. LTD	376,719.00	The contract hasn't been fulfilled
China national materials international engineering co. LTD	213,000.00	The contract hasn't been fulfilled
Shanghai ruinian industrial co. LTD	195,000.00	The contract hasn't been fulfilled
Beijing guotong network technology co. LTD	131,190.00	The contract hasn't been fulfilled
Subtotal	4,656,053.73	

## 19. Employee benefits payable

### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	21,033,311.73	118,861,399.72	119,938,133.79	19,956,577.66
Post-employment benefits - defined benefit plan		13,618,000.60	13,618,000.60	
Termination benefits		3,003,720.00	3,003,720.00	
Total	21,033,311.73	135,483,120.32	136,559,854.39	19,956,577.66

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

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	11,712,169.62	98,522,105.50	99,584,083.50	10,650,191.62
Employee welfare fund		5,109,601.88	5,102,584.11	7,017.77
Social insurance premium		7,687,877.99	7,687,877.99	
Including: Medicare premium		6,902,431.27	6,902,431.27	
Occupational injuries premium		385,578.42	385,578.42	
Maternity premium		399,868.30	399,868.30	
Housing provident fund	119,044.35	5,254,849.48	5,221,752.60	152,141.23
Trade union fund and employee education fund	9,202,097.76	1,890,282.38	1,945,153.10	9,147,227.04
Others		396,682.49	396,682.49	
Subtotal	21,033,311.73	118,861,399.72	119,938,133.79	19,956,577.66

### (3) Details of defined benefit plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium		12,244,477.13	12,244,477.13	
Unemployment insurance premium		520,354.18	520,354.18	
Company annuity payment		853,169.29	853,169.29	

Items	Opening balance	Increase	Decrease	Closing balance
Subtotal		13,618,000.60	13,618,000.60	

## 20. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	3,687,351.15	10,280,548.54
Enterprise income tax	4,616,390.06	6,499,756.88
Individual income tax	200,837.20	237,453.57
Urban maintenance and construction tax	706,126.57	864,522.72
Housing property tax	316,941.07	275,272.72
Land use tax	48,004.38	81,754.17
Education surcharge	998,475.94	414,831.06
Local education surcharge		199,707.94
Other taxes	7,195.89	29,169.58
Total	10,581,322.26	18,883,017.18

## 21. Interest payable

Items	Closing balance	Opening balance
Short-term borrowings interest	460,593.19	531,667.36
Total	460,593.19	531,667.36

## 22. Dividend payable

### (1) Details

Items	Closing balance	Opening balance
Dividend of ordinary shares	1,692,213.38	1,692,213.38
Total	1,692,213.38	1,692,213.38

### (2) Significant dividend payable with age over one year

Items	Closing balance	Reasons for being unpaid
宁波峰诗恩塑胶有限公司 (Ningbo Fengshien Plastic Co., Ltd. *)	253,832.01	Temporarily unable to pay
余姚市国昌电器公司 (Yuyao Guochang Electric Co., Ltd. *)	423,053.34	Temporarily unable to pay
南京涌新电器配套有限公司 (Nanjing Yongxin Electric Appliance Co., Ltd. *)	253,832.01	Temporarily unable to pay
靖江市华胜通信器材有限公司 (Jingjiang Huasheng Communications Equipment Co., Ltd. *)	84,610.67	Temporarily unable to pay

\* The English names are for identification purpose only.

Items	Closing balance	Reasons for being unpaid
江都市亚特电力通讯塑料制品有限公司 (Jiangdu City Yate Power Telecommunication Plastic Product Co., Ltd.*)	423,053.34	Temporarily unable to pay
镇江市盛唐光电器件有限公司 (Zhenjiang Shengtang Photoelectricity Equipment Co., Ltd.*)	253,832.01	Temporarily unable to pay
Subtotal	1,692,213.38	

#### 23. Other payables

Items	Closing balance	Opening balance
Deposits	5,115,134.63	7,451,700.88
Temporary receipts payable	29,544,979.74	27,480,668.40
Unsettled installation cost	11,981,308.02	12,669,525.02
Operating expenses	943,123.21	6,466,718.07
Others	8,148,763.24	6,735,309.52
Total	55,733,308.84	60,803,921.89

#### 24. Deferred income

##### (1) Details

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	8,664,102.90		3,796,949.90	4,867,153.00	Subsidy for Zombie enterprises
Total	8,664,102.90		3,796,949.90	4,867,153.00	

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

Items	Opening balance	Increase	Included in non-operating revenue in current period	Closing balance	Related to assets/income
Subsidy for high-end talent project from Science and Technology Bureau of Qinhuai District, Nanjing	770,926.90		770,926.90		Related to income
Subsidy for technical development plans and technical funding targets	1,000,000.00		1,000,000.00		Related to income
Subsidy for Zombie enterprises	6,893,176.00		2,026,023.00		Related to income
Subtotal	8,664,102.90		3,796,949.90		

Note: The condition of government subsidies carried in profit and loss of current period are showed in the explanations of notes to items of consolidated financial statements as detailed.

#### 25. Share capital

Items	Opening balance	Movements	Closing balance
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		Issue of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Total shares	215,000,000.00						215,000,000.00

#### 26. Capital reserve

Items	Opening balance	Increase	Decrease	Closing balance
Share/capital premium	139,592,332.04			139,592,332.04
Other capital reserve	45,782,201.81			45,782,201.81
Total	185,374,533.85			185,374,533.85

#### 27. Other comprehensive income (OCI)

Items	Opening balance	Current period cumulative					Closing balance
		Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Less: income tax	Attributable to parent company	Attributable to non-controlling interest	
Items not to be reclassified subsequently to profit or loss							
Items to be reclassified subsequently to profit or loss	-4,129,619.45	-135,607.00			-122,046.30	-135,607.70	-4,251,665.75
Including: Translation reserve	-4,129,619.45	-135,607.00			-122,046.30	-135,607.70	-4,251,665.75
Total	-4,129,619.45	-135,607.00			-122,046.30	-135,607.70	-4,251,665.75

#### 28. Surplus reserve

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	589,559.77			589,559.77
Total	589,559.77			589,559.77

#### 29. Undistributed profit

##### (1) Details

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	-44,605,902.63	-56,491,072.91
Add: Increase due to adjustment (or less: decrease)	-1,980,089.01	922,223.51
Opening balance after adjustment	-46,585,991.64	-55,568,849.40
Add: Net profit attributable to owners of the parent company	-10,421,705.60	8,982,857.76
Closing balance	-57,007,697.24	-46,585,991.64

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

##### 1. Operating revenue/Operating cost

Items	Current period cumulative	Preceding period comparative
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	Income	Cost	Income	Cost
Revenue from main operations	934,501,599.83	796,224,938.08	988,549,333.34	835,871,803.11
Revenue from other operations	32,349,005.12	28,133,757.24	23,847,074.05	18,724,687.07
Total	966,850,604.95	824,358,695.32	1,012,396,407.39	854,596,490.18

## 2. Taxes and surcharge for operations

Items	Current period cumulative	Preceding period comparative
Business tax		70,020.78
Urban maintenance and construction tax	2,182,407.41	1,887,542.83
Education surcharge	2,054,225.98	1,333,649.74
Stamp duty [Note]	254,742.19	304,729.73
Housing property tax [Note]	749,055.08	743,011.81
Land use tax [Note]	320,919.70	307,838.40
Vehicle and vessel use tax [Note]		360.00
Others	102,900.18	80,289.32
Total	5,664,250.54	4,727,442.61

Note: Pursuant to Provisions on Accounting Treatment of Value-Added Tax (numbered Cai Kuai [2016] 22) and Interpretation about Provisions on Accounting Treatment of Value-Added Tax that issued by Ministry of Finance, amounts of housing property tax, vehicle and vessel use tax, land use tax and stamp duty for the period from May to December are listed in “taxes and surcharge for operations”, while those for the period prior to May 2016 are listed in “administrative expenses”.

## 3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	40,217,290.65	40,410,988.01
Business entertainment	12,549,783.07	12,506,326.83
Travelling expenses	7,876,538.22	8,527,473.91
Transport fees and transport damages	7,900,716.87	6,244,626.75
Office expenses	2,593,640.68	2,418,013.33
Conference expenses	720,798.25	766,886.71
Sales service charges	1,658,518.68	1,324,029.54
Promotion expenses	1,002,873.79	624,200.69
Equipment maintain fees	345,262.15	433,299.53
Others	4,830,761.28	6,075,264.84
Total	79,696,183.64	79,331,110.14

#### 4. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	29,511,436.71	26,652,034.10
Technology and development fees	36,398,106.80	33,592,736.42
Lease expenses	1,477,494.62	251,056.88
Depreciation and amortization	2,348,170.20	2,921,316.55
Office expenses	1,987,484.94	1,788,657.50
Travelling expense	1,732,042.57	777,036.64
Business entertainment	1,351,907.52	1,589,428.71
Consulting, intermediary and legal fees	3,131,873.17	1,174,061.81
Taxes		
Others	5,850,165.54	4,213,837.11
Total	83,788,682.07	72,960,165.72

Note: Showed in the explanation of notes to items for taxes and surcharge for operations.

#### 5. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenditures	11,625,553.62	9,671,043.19
Less: Interest income	1,692,017.07	1,235,408.10
Losses on foreign exchange	18,771.62	101,222.11
Less: Gains from foreign exchange	409.83	21,259.35
Handling charges	246,567.05	185,990.97
Total	10,198,465.39	8,701,588.82

#### 6. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts	3,030,783.16	1,400,299.64
Inventory write-down		68,315.08
Total	3,030,783.16	1,468,614.72

#### 7. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	407,793.10	-618,093.05
Total	407,793.10	-618,093.05

#### 8. Gains on disposal of assets

Items	Current period cumulative	Preceding period comparative	The amount included in the current non-recurring profit and loss.
Gains on disposal of non-current assets	30,156,818.80	-663,364.82	30,156,818.80
Total	30,156,818.80	-663,364.82	30,156,818.80

#### 9. Other income

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Refund of VAT	2,945,620.86	2,784,809.60	
Subsidy for Zombie enterprises	2,026,023.00		
Science and technology award by Nanjing qinhuai district	647,200.00		
Provincial award for enterprise research and development costs by Yuhua district government	158,700.00		
Science and technology R&D expenditure award	21,800.00		
Total	5,799,343.86	2,784,809.60	

Note: The amounts carried in current period are showed in the explanations of notes to items of consolidated financial statements as detailed.

#### 10. Non-operating revenue

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on debt restructuring	225,371.60	301,606.55	225,371.60
Government grants	2,375,370.56	2,368,873.77	2,375,370.56
Others	225,111.99	69,330.61	225,111.99
Total	2,825,854.15	2,739,810.93	2,825,854.15

#### (2) Government grants

Items	Current period cumulative	Preceding period comparative	Related to assets/income
Cooperative R&D of Intelligent Rail Transit Monitoring System Based on Optical Fiber Integrated Sensor Network	1,000,000.00		Related to income
Subsidy for Nanjing municipal high-end talent project	770,926.90	443,149.84	Related to income
Nanjing Jiangning District Finance Bureau Nanjing Famous Brand Award	100,000.00		Related to income

Items	Current period cumulative	Preceding period comparative	Related to assets/income
Annual research and development expenses provincial financial incentives	330,300.00		Related to income
Subsidy income	174,143.66	213,064.93	Related to income
Subsidy for disposal of zombie enterprises		1,662,659.00	Related to income
High-tech enterprise subsidy		50,000.00	Related to income
Subtotal	2,375,370.56	2,368,873.77	

#### 11. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Donation expenditures	97,000.00	2,000.00	97,000.00
Fines expenditures	135,029.97	1,725.22	135,029.97
Penalty		187,832.09	
Others	76,556.03	44,965.91	76,556.03
Total	308,586.00	236,523.22	308,586.00

#### 12. Income tax expenses

##### (1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	1,646,117.70	3,203,411.84
Deferred income tax expenses		
Total	1,646,117.70	3,203,411.84

##### (2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
Profit before tax	-1,005,231.26	-5,382,365.36
Income tax expenses based on statutory tax rate applicable to the parent company	-251,307.82	-1,345,591.34
Effect of different tax rate applicable to subsidiaries	-874,737.23	-409,465.39
Effect of prior income tax reconciliation	67,935.55	192,009.22
Effect of non-taxable income	-101,948.28	-163,805.43
Effect of non-deductible costs, expenses and losses	1,826,473.01	1,628,506.99
Effect of deductible temporary differences or deductible losses not recognized as deferred income tax assets	-2,407,065.64	-155,618.48

Items	Current period cumulative	Preceding period comparative
Effect of deductible temporary difference or the deductible loss of deferred income tax assets in the current period	7,620,079.35	5,733,731.90
Adjustment of valuation appreciation	92,031.50	92,031.50
Deduction of R&D expenditures	-4,233,311.26	-2,368,387.13
Income tax expenses	1,646,117.70	3,203,411.84

### 13. Other comprehensive income, net of income tax

Please refer to notes to items of the consolidated balance sheet - other comprehensive income for details.

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

#### 1. Other cash receipts related to operating activities

Items	Current period cumulative	Preceding period comparative
Government grants	4,377,764.52	9,360,520.93
Interest income	1,692,017.07	1,235,408.10
Temporary receipts and recovery of temporary payment	29,756,412.58	76,751,381.14
Others	1,825,553.62	2,412,782.82
Total	37,651,747.79	89,760,092.99

#### 2. Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Temporary payment and repayment of temporary receipts	62,678,023.35	63,705,426.62
Out of pocket expense	52,338,653.48	55,240,035.72
Others	1,074,094.19	234,907.27
Total	116,090,771.02	119,180,369.61

#### 3. Supplement information to the cash flow statement

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

Supplement information	Current period cumulative	Preceding period comparative
(1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	-2,651,348.96	-8,585,777.20
Add: Provision for assets impairment loss	3,030,783.16	1,468,614.72
Depreciation of fixed assets, oil and gas assets, productive biological assets	5,073,524.74	5,484,695.90
Amortization of intangible assets	692,753.77	601,621.91

Supplement information	Current period cumulative	Preceding period comparative
Amortization of long-term prepayments	1,387,749.95	297,974.87
Loss on disposal of fixed assets, intangible assets and other non-current assets (Less: gains)	-30,156,818.80	632,574.75
Fixed assets retirement loss (Less: gains)		30,790.07
Losses on changes in fair value (Less: gains)		
Financial expenses (Less: gains)	11,625,553.62	9,751,005.95
Investments losses (Less: gains)	-407,793.10	618,093.05
Decrease of deferred tax assets (Less: increase)		
Increase of deferred tax liabilities (Less: decrease)		
Decrease in inventories (Less: increase)	141,110,892.98	95,981,248.40
Decrease in operating receivables (Less: increase)	-263,703,522.06	-579,098,066.73
Increase of operating payables (Less: decrease)	-91,277,004.23	336,652,630.50
Others		
Net cash flow from operating activities	-225,275,228.93	-136,164,593.81
(2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into share capital		
Convertible bonds due within one year		
Fixed assets rented in under finance leases		
(3) Net changes in cash and cash equivalents:		
Cash at the end of the period	157,235,827.99	209,573,910.36
Less: Cash at the beginning of the period	311,056,919.17	484,954,713.07
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase of cash and cash equivalents	-153,821,091.18	-275,380,802.71

(2) Cash and cash equivalents

Items	Closing balance	Opening balance
1) Cash	157,235,827.99	311,056,919.17
Including: Cash on hand	4,218.51	5,458.17
Cash in bank on demand for payment	157,231,609.48	311,051,461.00
Other cash and bank balances on demand for payment		
2) Cash equivalents		
Including: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	157,235,827.99	311,051,461.00
Including: Cash and cash equivalents of parent		

company or subsidiaries with use restrictions		
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(3) Remarks on supplement information to the cash flow statement

Cash and cash equivalents with use restrictions are deposit for acceptance and deposit for L/G, of which closing balance amounts totaled 72,517,673.35 yuan and opening balance amounts totaled 16,420,782.19 yuan.

(IV) Others

1. Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Cash and bank balances	72,517,673.35	Deposit for acceptance and deposit for L/G
Fixed assets	70,069,098.63	Providing mortgaged guarantee for borrowings
Intangible assets	5,968,997.52	Providing mortgaged guarantee for borrowings
Investment property	6,110,879.51	Providing mortgaged guarantee for borrowings
Total	154,666,649.01	

Note: We remind users of financial statements that, apart from the above assets with title or use right restrictions, The Company pledged its holding equities to the parent company, which include equity of Nanjing putian tianji building intelligence co. LTD amounting to 4.80 million yuan, Nanjing South Telecommunications Co amounting to 33.17 million yuan, equity of Nanjing Putian Changle Telecommunications Equipment Co., Ltd. amounting to 5.07 million yuan, equity of Nanjing Putian Wangzhi Electronic Co., Ltd. amounting to 60.43 million yuan, equity of Nanjing Putian Network Co., Ltd. amounting to 7.80 million yuan. The Company has registered the equity pledge at Nanjing Jiangning Market Supervision Administration. Those equities are with use restrictions before released.

2. Monetary items in foreign currencies

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank balances			
Including: USD	782,842.85	6.6166	5,798,690.73
EUR	522.27	7.6515	4,874.87
HKD	641,509.93	0.8431	641,509.93
GBP	208.79	8.6551	2,192.86

3. Government grants

1. Details

(1) Government grants related to income and used to compensate future relevant costs, expenses or losses

Items	Opening balance of deferred income	Increase	Amounts carried forward	Closing balance of deferred income	Amounts carried forward presented under	Remarks
Nanjing qinhuai district	770,926.90		770,926.90		Non-operating	



science and technology bureau high-end talent team project funds subsidy					revenue	
Government subsidies on technical development plans and technical funding targets.	1,000,000.00		1,000,000.00		Non-operating revenue	
Zombie enterprise financial aid.	6,893,176.00		2,026,023.00	4,867,153.00	Other income	
Subtotal	8,664,102.90		3,796,949.90	4,867,153.00		

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

Items	Amounts	Presented under	Remarks
value-added tax refund	2,945,620.86	Other income	
Science and technology award by Nanjing qinhuai district	647,200.00	Other income	
Provincial award for enterprise research and development costs by Yuhua district government	158,700.00	Other income	
Science and technology R&D expenditure award	21,800.00	Other income	
Nanjing Jiangning District Finance Bureau Nanjing Famous Brand Award	100,000.00	Non-operating revenue	
Subsidy income	174,143.66	Non-operating revenue	
Annual research and development expenses provincial financial incentives	330,300.00	Non-operating revenue	
Subtotal	4,377,764.52		

2. The amount of government subsidy included in the current profit and loss is included in the current period is 8,174,714.42 yuan.

## 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	Holding proportion (%)		Acquisition method
				Direct	Indirect	
Nanjing South Telecommunications Company Limited	Nanjing City	Nanjing City	Manufacture	96.99	1.38	Set up
Nanjing Mennekes Electrics Co., Ltd.	Nanjing City	Nanjing City	Manufacture	75.00		Set up
Nanjing Putian Telege Intelligent Building Ltd.	Nanjing City	Nanjing City	Manufacture	45.767		Set up
Nanjing Putian Changle Telecommunications Equipment Co., Ltd.	Nanjing City	Nanjing City	Manufacture	50.70		Set up
Nanjing Putian Datang	Nanjing	Nanjing	Manufacture	40.00		Set up

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
Information Electronic Co., Ltd.	City	City				

(2) Other remarks

1) Remarks on inconsistency between holding proportion owned and voting rights proportion owned in subsidiaries

The Company holds 40% equity of Nanjing Putian Datang Information Electronic Co., Ltd. The Company signed the agreement with 严耀明 (Yan Yaoming), a shareholder of Nanjing Putian Datang Information Electronic Co., Ltd., to exercise his 21% right to vote. The agreement is valid during the period of the existence of Nanjing Putian Datang Information Electronic Co., Ltd. The Company has 61% of the voting right during the existence period of Nanjing Putian Datang Information Electronic Co., Ltd.

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

The Company holds 45.767% of voting rights in Nanjing Putian Telege Intelligent Building Ltd., the other voting rights are decentralized. The Company has over half member of the Board of Directors, and it not only controls this company but also has a privileged variable return by taking part in Nanjing Putian Telege Intelligent Building Ltd's related activity. The Company has the ability to impact the amount of return and control over Nanjing Putian Telege Intelligent Building Ltd.

2. Significant not wholly-owned subsidiaries

(1) Details

Subsidiaries	Holding proportion of non-controlling shareholders	Profit or loss attributable to non-controlling shareholders	Dividend declared to non-controlling shareholders	Closing balance of non-controlling shareholders
Nanjing South Telecommunications Company Limited	1.63%	85,452.96		1,906,515.15
Nanjing Mennekes Electrics Co., Ltd.	25.00%	-313,203.34		24,368,040.13
Nanjing Putian Telege Intelligent Building Ltd.	54.233%	4,264,516.05	2,169,200.00	69,287,303.52
Nanjing Putian Changle Telecommunications Equipment Co., Ltd.	49.30%	-1,474,270.38		13,839,755.01
Nanjing Putian Datang Information Electronic Co., Ltd.	60.00%	1,813,970.12		18,548,741.08

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

(1) Assets and liabilities

Subsidiaries	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Nanjing South Telecommunications Company Limited	289,176,667.91	13,867,668.85	303,044,336.76	186,080,216.89		186,080,216.89
Nanjing Mennekes Electrics Co., Ltd.	184,495,806.34	25,450,252.47	209,946,058.81	117,469,511.61		117,469,511.61
Nanjing Putian Telege Intelligent Building Ltd.	241,441,984.86	39,438,367.83	280,880,352.69	157,121,564.64		157,121,564.64
Nanjing Putian Changle Telecommunications Equipment Co., Ltd.	76,559,512.24	601,883.99	77,161,396.23	49,088,870.87		49,088,870.87
Nanjing Putian Datang Information Electronic Co., Ltd.	35,337,300.26	10,040,345.08	45,377,645.34	20,180,838.56		20,180,838.56

(Continued)

Subsidiaries	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Nanjing South Telecommunications Company Limited	309,537,813.81	13,592,176.13	323,129,989.94	211,408,383.03		211,408,383.03
Nanjing Mennekes Electrics Co., Ltd.	176,169,023.07	25,854,512.91	202,023,535.98	108,294,175.42		108,294,175.42
Nanjing Putian Telege Intelligent Building Ltd.	256,432,695.75	39,896,214.78	296,328,910.53	180,433,445.64		180,433,445.64
Nanjing Putian Changle Telecommunications Equipment Co., Ltd.	74,309,078.75	636,133.14	74,945,211.89	43,882,280.07		43,882,280.07
Nanjing Putian Datang Information Electronic Co., Ltd.	30,926,444.05	10,451,600.76	41,378,044.81	19,204,521.56		19,204,521.56

(2) Profit or loss and cash flows

Subsidiaries	Current period cumulative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Nanjing South Telecommunications Company Limited	189,137,568.77	5,242,512.96	5,242,512.96	-42,705,054.89
Nanjing Mennekes Electrics Co., Ltd.	76,791,799.01	-1,252,813.36	-1,252,813.36	-10,824,370.82
Nanjing Putian Telege Intelligent Building Ltd.	175,165,797.66	7,863,323.16	7,863,323.16	-63,303,867.53
Nanjing Putian Changle Telecommunications Equipment Co., Ltd.	10,520,409.96	-2,990,406.46	-2,990,406.46	-375,539.90
Nanjing Putian Datang Information Electronic Co., Ltd.	25,909,924.77	3,023,283.53	3,023,283.53	-4,119,607.34

(Continued)

Subsidiaries	Preceding period comparative
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	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Nanjing South Telecommunications Company Limited	243,730,139.55	7,650,094.68	7,650,094.68	-84,539,271.37
Nanjing Mennekes Electrics Co., Ltd.	71,301,568.30	2,326,478.84	2,326,478.84	-20,466,738.78
Nanjing Putian Telege Intelligent Building Ltd.	163,937,091.78	6,401,329.59	6,401,329.59	-39,074,056.70
Nanjing Putian Changle Telecommunications Equipment Co., Ltd.	28,820,122.05	-182.92	-182.92	-407,928.66
Nanjing Putian Datang Information Electronic Co., Ltd.	20,982,232.12	1,964,874.04	1,964,874.04	-4,741,851.24

(II) Interest in joint venture or associates

1. Significant joint ventures or associates

Joint ventures or associates	Main operating place	Place of registration	Business nature	Holding proportion (%)		Accounting treatment
				Direct	Indirect	
SEI-Nanjing Potevio Optical Network Co., Ltd.	Nanjing City	Nanjing City	Optical communication products production and sale	50.00		Equity method
Potevio Hi-tech Industry Co., Ltd.	Nanjing City	Nanjing City	Industrial park venue rental management etc.	49.64		Equity method

2. Main financial information of significant joint ventures

Items	Closing balance/ current period cumulative	Opening balance/ preceding period comparative
	SEI-Nanjing Potevio Optical Network Co., Ltd.	
Current assets	33,268,327.90	34,428,867.14
Including: Cash and cash equivalents	2,836,164.95	1,005,127.42
Non-current assets	924,878.95	1,090,709.60
Total assets	34,193,206.85	35,519,576.74
Current liabilities	7,436,554.79	8,927,391.06
Non-current liabilities		
Total liabilities	7,436,554.79	8,927,391.06
Non-controlling interest		
Equity attributable to owners of parent company	26,756,652.06	26,592,185.68
Proportionate share in net assets	13,378,326.03	13,296,092.84
Adjustments		
Goodwill		
Unrealized profit in internal		

Items	Closing balance/ current period cumulative	Opening balance/ preceding period comparative
	SEI-Nanjing Potevio Optical Network Co., Ltd.	
trading		
Others		
Carrying amount of investments in joint ventures	13,378,326.03	13,296,092.84
Fair value of equity investments in joint ventures in association with quoted price		
Operating revenue	12,270,863.27	8,226,323.40
Financial expenses	-16,611.71	-272,455.78
Income tax expenses		
Net profit	164,466.39	-447,755.41
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	164,466.39	-447,755.41
Dividend from joint ventures received in current period		

### 3. Main financial information of significant associates

Items	Closing balance/ current period cumulative	Opening balance/ preceding period comparative
	Potevio Hi-tech Industry Co., Ltd.	
Current assets	155,481,529.29	190,785,584.52
Non-current assets	192,677,112.23	160,501,673.73
Total assets	348,158,641.52	351,287,258.25
Current liabilities	4,147,967.56	7,529,465.27
Non-current liabilities		
Total liabilities	4,147,967.56	7,529,465.27
Non-controlling interest		
Equity attributable to owners of parent company	344,010,673.96	343,757,792.98
Proportionate share in net assets	170,766,842.03	170,641,311.95
Adjustments		
Goodwill		
Unrealized profit in internal trading		
Others		
Carrying amount of investments in associates	170,766,842.03	170,641,311.95
Fair value of equity investments in associates in association with quoted price		

Items	Closing balance/ current period cumulative	Opening balance/ preceding period comparative
	Potevio Hi-tech Industry Co., Ltd.	
Operating revenue	12,964,410.68	5,850,644.65
Net profit	650,880.98	-868,944.43
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	650,880.98	-868,944.43
Dividend from associates received in current period	197,567.20	

#### 4. Aggregated financial information of insignificant joint ventures and associates

Items	Closing balance/current period cumulative	Opening balance/preceding period comparative
Associates		
Total carrying amount of investments	3,040,101.44	3,040,101.44
Proportionate shares in the following items		
Net profit	75,194.64	82,508.92
Other comprehensive income		
Total comprehensive income	75,194.64	82,508.92

### VII. Risks related to financial instruments

The Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance. Based on such objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. Management have deliberated and approved policies concerning such risks, and details are:

#### (I) Credit risk

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

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

##### 1. Bank balances

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

##### 2. Receivables

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

As the Company's credit risks fall into several business partners and customers, as of June 30, 2018, 13.16% (December 31, 2017: 11.25%) of the total accounts receivable was due from the five largest customers of the Company. The Company has no significant central credit risk.

#### (II) Liquidity risk

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

In order to control such risk, the Company utilized financing tools such as notes settlement and bank borrowings, etc. to optimizing financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

#### (III) Market risk

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

##### 1. Interest risk

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

##### 2. Foreign currency risk

Foreign currency risk is the risk arising from changes in exchange rate. The Company is mainly operated in mainland China, with a small amount of imports and exports, and its main activities are denominated in RMB, hence, the Company bears insignificant market risk arising from foreign exchange changes.

Please refer to notes to foreign currency monetary items for details in foreign currency financial assets and liabilities at the end of the period.

### **VIII. Related party relationships and transactions**

#### (I) Related party relationships

##### 1. Details of parent company

##### (1) Parent company

Parent company	Place of registration	Business nature	Registered capital (in million)	Holding proportion over the Company	Voting right proportion over the Company
China Potevio Information Industry Inc	No.2 Shangdi 2 Road, Zhongguan Village Economy Zone, Haidian District, Beijing	Information industry	1,903,05	53.49%	53.49%

The Company's ultimate controlling party is 中国普天信息产业集团公司 (China POTEVIO Corporation Limited \*).

2. The details of the company's important subsidiaries are illustrated in the notes to the financial statements in other subjects.

### 3. Joint ventures and associates of the Company

Please refer to notes to interest in other entities for details on the Company's significant joint ventures and associates. Details of other joint ventures or associates carrying out related party transactions with the Company in current period or in preceding period but with balance in current period are as follows:

Joint ventures or associates	Relationships with the Company
Potevio Hi-tech Industry Co., Ltd.	Associates
Nanjing Potevio Telege Cable Co., Ltd.	Associates
SEI-Nanjing Potevio Optical Network Co., Ltd.	Joint ventures

### 4. Other related parties of the Company

Related parties	Relationships with the Company
南京普天鸿雁电器科技有限公司 (Nanjing Honyar Electrical Technology Co., Ltd.*)	An affiliated company of the ultimate controlling party
南京普天鸿雁电器有限公司 (Nanjing Honyar Electrical Co., Ltd.*)	An affiliated company of the ultimate controlling party
上海普天邮通科技股份有限公司 (Shanghai Potevio Post and Telecommunications Technology Co., Ltd.*)	An affiliated company of the ultimate controlling party
北京普天太力通信科技有限公司 (Beijing Potevio Taili Communications Technology Co., Ltd.*)	An affiliated company of the ultimate controlling party
杭州鸿雁东贝光电科技有限公司 (Hangzhou Honyar Dongbei Photoelectric Technology Co., Ltd.*)	An affiliated company of the ultimate controlling party
上海普天网络技术有限公司 (Shanghai Potevio Network Technology Co., Ltd.*)	An affiliated company of the ultimate controlling party
普天通信有限责任公司 (POTEVIO Telecommunications Co., Ltd.*)	An affiliated company of the ultimate controlling party
普天信息技术有限公司 (Potevio Information Technology Co., Ltd.*)	An affiliated company of the ultimate controlling party
北京立康普通信设备有限公司 Beijing Picom Telecommunications Equipment Co., Ltd.	An affiliated company of the Company

\* The English names are for identification purpose only.



Related parties	Relationships with the Company
曼奈柯斯工业电气（中国）有限公司 Menekes Electric Industrial Co., Ltd. (China)	Non-controlling shareholder of the Company's subsidiary
普天和平科技有限公司 (Potevio Heping Technology Co., Ltd.*)	An affiliated company of the ultimate controlling party
杭州鸿雁电器有限公司 Hangzhou Honyar Electrical Co., Ltd.	An affiliated company of the ultimate controlling party
普天国际贸易有限公司 (Potevio International Trading Co., Ltd.*)	An affiliated company of the ultimate controlling party

(II) Related party transactions

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

(1) Purchase of goods and receiving of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
SEI-Nanjing Potevio Optical Network Co., Ltd.	Telecommunication products		4,402,431.79
Nanjing Potevio Telege Cable Co., Ltd.	Telecommunication products		10,287,304.27
Nanjing Honyar Electrical Technology Co., Ltd.	Telecommunication products	85,492.00	211,020.46
Potevio Telecommunications Co., Ltd.	Telecommunication products	597,863.25	
Menekes Electric Industrial Co., Ltd. (China)	Telecommunication products		2,470,678.34

(2) Sale of goods and rendering of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Potevio Information Technology Co., Ltd.	Telecommunication products	12,975,234.34	1,088,405.13
China Potevio Information Industry Inc	Telecommunication products	238,683,644.38	11,588,384.12
Beijing Potevio Taili Communications Technology Co., Ltd.	Telecommunication products	6,423.67	
Potevio Heping Technology Co., Ltd.	Telecommunication products		30,769.23
Potevio Hi-tech Industry Co., Ltd.	Telecommunication products		107,750.15
Shanghai Potevio Post and Telecommunications Technology Co., Ltd.	Telecommunication products		156,975.39
SEI-Nanjing Potevio Optical Network Co., Ltd.	Telecommunication products		382,000.66
Potevio International Trading Co., Ltd.	Telecommunication products		449,050.85

2. Related party leases

(1) The Company as the lessor

Lessees	Types of asset leased	Lease income for current period	Lease income for the preceding period
SEI-Nanjing Potevio Optical	Buildings and	318,215.64	490,015.58

Lessees	Types of asset leased	Lease income for current period	Lease income for the preceding period
Network Co., Ltd.	structures		

(2) The Company as the lessee

Lessors	Types of asset leased	Lease expenses for current period	Lease expenses for the preceding period	Property services for current period	Property services for the preceding period
Potevio Hi-tech Industry Co., Ltd.	Buildings and structures	372,669.04	781,500.33	797,626.96	253,277.91

3. Related party guarantees

The Company and its subsidiaries as guaranteed parties

Guarantors	Amount guaranteed	Commence-ment date	Maturity date	Whether the guarantee is mature
China Potevio Information Industry Inc	30,000,000.00	2017/11/30	2018/11/30	No
China Potevio Information Industry Inc	10,000,000.00	2018/1/27	2018/9/28	No
China Potevio Information Industry Inc	30,000,000.00	2018/2/1	2018/9/28	No
China Potevio Information Industry Inc	30,000,000.00	2018/3/9	2019/3/9	No

4. Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	514,805.62	631,665.00

5. Interest expenditures

In the current period, the Company paid to China Potevio Information Industry Inc a total of 4,253,778.75 yuan as interest expenditures.

(III) Balance due to or from related parties

1. Balance due from related parties

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Notes receivable	China Putian Information Industry Co., Ltd.			3,402,240.00	
Notes receivable	Putian International Trade Co., Ltd.			3,987,403.60	
Subtotal				7,389,643.60	
Accounts receivable	China Potevio Information Industry Inc	629,899.32			
Accounts receivable	China Putian Information Industry Co., Ltd.	9,910,887.04	629,319.50	13,315,921.88	557,462.59
Accounts receivable	Potevio Information Technology Co., Ltd.	14,963,664.18		20,991,047.20	
Accounts receivable	Shanghai Potevio Network Technology Co., Ltd.	536,319.70	319,337.76	536,319.70	83,060.00
Accounts receivable	Shanghai Potevio Post and Telecommunications Technology Co., Ltd.	8,755,534.00	7,004,427.20	8,755,534.00	7,004,427.20

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Potevio Hi-tech Industry Co., Ltd.			14,455.30	
Accounts receivable	Potevio Heping Technology Co., Ltd.	333,706.00		333,706.00	
Subtotal		35,130,010.24	7,953,084.46	43,946,984.08	7,644,949.79
Advances paid	Potevio Heping Technology Co., Ltd.			436,294.00	
Subtotal				436,294.00	
Other receivables	China Putian Information Industry Co., Ltd.	1,000,000.00	40,000.00	1,020,000.00	2,000.00
Other receivables	Beijing Picom Telecommunications Equipment Co., Ltd.	28,912,122.71	28,912,122.71	28,912,122.71	28,912,122.71
Other receivables	Potevio Hi-tech Industry Co., Ltd.	255,238.96		255,238.96	
Subtotal		30,167,361.67	28,952,122.71	30,187,361.67	28,914,122.71

## 2. Balance due to related parties

Items	Related parties	Closing balance	Opening balance
Accounts payable	SEI-Nanjing Potevio Optical Network Co., Ltd.		22,584,894.54
Accounts payable	China Potevio Information Industry Inc	19,466,652.30	19,466,652.30
Accounts payable	Nanjing Honyar Electrical Technology Co., Ltd.	242,595.99	266,805.30
Accounts payable	Shanghai Potevio Network Technology Co., Ltd.	11,685.00	11,685.00
Accounts payable	Nanjing Putian Hongyan Electrical Technology Co., Ltd.	58,932.10	
Accounts payable	Mennekes Electric Industrial Co., Ltd. (China)		3,149,290.03
Accounts payable	Potevio Information Technology Co., Ltd.		845,976.50
Subtotal		19,779,865.39	46,325,303.67
Advances received	China Potevio Information Industry Inc	262,227,894.73	282,208,394.21
Advances received	Nanjing Honyar Electrical Technology Co., Ltd.		82,000.00
Subtotal		262,227,894.73	282,290,394.21
Other payables	SEI-Nanjing Potevio Optical Network Co., Ltd.		31,165.00
Other payables	China Potevio Information Industry Inc	11,040,000.00	18,260,000.00
Subtotal		11,040,000.00	18,291,165.00

## IX. Commitments and contingencies

None

## X. Events after balance sheet day

None

## XI. Other important matters

### 1. Correction of prior accounting errors

#### Retrospect method

Content	Procedure	Affected item (2014)	Cumulative impact
Corrections such as transportation costs, cost errors, bank accounts and statements not in compliance with 2014-2017	This error was approved by the 10th Board of Directors of the 7th session of the company. In this issue, the retrospective restatement method was used to correct the error.	Cash and bank balance	-203,650.67
		Inventories	-1,504,511.81
		Undistributed profit	-1,708,162.48
		Operating cost	-4,492,344.24
		Selling expenses	5,996,856.05
		Financial expenses	52,008.66
		Net profit attributable to owners of the parent company	-1,556,520.47
		Net assets attributable to owners of the parent company	-1,708,162.48

Content	Procedure	Affected item (2015)	Cumulative impact
Corrections such as transportation costs, cost errors, bank accounts and statements not in compliance with 2014-2017	This error was approved by the 10th Board of Directors of the 7th session of the company. In this issue, the retrospective restatement method was used to correct the error.	Cash and bank balance	-212,029.27
		Inventories	215,043.34
		Tax and rates payable	258,002.82
		Undistributed profit	-448,490.87
		Operating cost	-4,887,439.60
		Selling expenses	3,167,884.45
		Financial expenses	8,378.60
		Income tax expenses	258,002.82
		Net profit attributable to owners of the parent company	1,259,671.61
		Net assets attributable to owners of the parent company	-448,490.87

Content	Procedure	Affected item (2016)	Cumulative impact
Corrections such as transportation costs, cost errors, bank accounts and statements not in compliance with 2014-2017	This error was approved by the 10th Board of Directors of the 7th session of the company. In this issue, the retrospective restatement method was used to correct the error.	Cash and bank balance	-270,732.11
		Inventories	2,782,991.64
		Tax and rates payable	908,592.01
		Undistributed profit	922,223.51
		Operating cost	-6,106,245.98
		Selling expenses	3,538,297.68
		Financial expenses	58,702.84
		Income tax expenses	650,589.19
		Net profit attributable to owners of the parent company	1,370,714.38
		Net assets attributable to owners of the parent company	922,223.51

Content	Procedure	Affected item (2017)	Cumulative impact
Corrections such as transportation costs, cost errors, bank accounts and statements not in compliance with 2014-2017	This error was approved by the 10th Board of Directors of the 7th session of the company. In this issue, the retrospective restatement method was used to correct the error.	Cash and bank balance	-274,365.37
		Inventories	-1,705,723.64
		Undistributed profit	-1,980,089.01
		Operating cost	-3,964,698.85
		Selling expenses	8,453,414.13
		Financial expenses	3,633.26
		Income tax expenses	-908,592.01
		Net profit attributable to owners of the parent company	-2,902,312.52
		Net assets attributable to owners of the parent company	-1,980,089.01

## XII. Segment information

### 1. Identification basis for reportable segments

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. The Company identified reportable segments based on products, which include video conferencing products, generic cable products, electrical products, Special network communication products, wiring products and other products. Assets and liabilities shared by different segments are allocated pro rata among segments.

The Company identified reportable segments based on geographic information, revenue from main operations and costs of main operations are allocated between segments based on locations where sales realized, and assets and liabilities are allocated based on locations of operating entities.

The Company identified reportable segments based on products, assets and liabilities of each segment are the actual amount of its proportion in assets and liabilities, and revenue from main operations and cost of main operations are those generated or incurred by each product segment.

## 2. Financial information of reportable segments

### Products segment

Items	Video conferencing products	Generic cable products	Electrical products	Special network communication products	Wiring products	Inter-segment offsetting	Total
Revenue from main operations	188,928,044.96	173,351,077.26	73,588,442.32	237,230,769.20	278,378,982.33	-17,434,919.71	934,042,396.36
Cost of main operations	148,545,094.33	134,961,572.73	59,708,975.76	233,505,231.77	236,479,779.73	-17,334,805.39	795,865,848.93
Total assets	303,044,336.76	278,053,400.07	209,946,058.81	284,889,590.93	1,640,437,949.12	-614,676,991.58	2,101,694,344.11
Total liabilities	187,873,205.71	157,121,564.64	117,469,511.61	260,093,247.01	1,386,829,694.18	-462,885,196.13	1,646,502,027.02

## XIII. Notes to items of parent company financial statements

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

#### 1. Accounts receivable

##### (1) Details

##### 1) Details on categories

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	462,425,588.11	99.59	24,339,970.09	5.26	438,085,618.02
Portfolio 1					
Portfolio 2	462,425,588.11	99.59	24,339,970.09	5.26	438,085,618.02
Receivable of individually	1,881,238.51	0.41	1,881,238.51	100.00	

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
insignificant amount but with provision made on an individual basis					
Total	464,306,826.62	100.00	26,221,208.60	5.65	438,085,618.02

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis					
Receivables with provision made on a collective basis using portfolios with similar credit risk features	447,892,760.42	99.58	22,328,923.45	4.99	425,563,836.97
Portfolio 1					
Portfolio 2	447,892,760.42	99.58	22,328,923.45	4.99	425,563,836.97
Receivable of individually insignificant amount but with provision made on an individual basis	1,881,238.51	0.42	1,881,238.51	100.00	
Total	449,773,998.93	100.00	24,210,161.96	5.38	425,563,836.97

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

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	280,121,011.10		
1-2 years	130,147,379.41		
2-3 years	21,235,722.92	2,123,572.28	10.00
3-4 years	6,250,314.19	1,875,094.27	30.00
4-5 years	3,160,842.69	1,264,337.08	40.00
5-6 years	12,166,756.71	9,733,405.37	80.00
Over 6 years	9,343,561.09	9,343,561.09	100.00
Subtotal	462,425,588.11	24,339,970.09	5.26

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

Provision for bad debts made in current period totaled 2,011,046.64 yuan.

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

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
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Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
中国联合网络通信有限公司河南省分公司 (China United Network Communications Group Co., Ltd., Henan Branch*)	32,406,347.08	6.98	
中国铁塔股份有限公司鹤岗市分公司 (China Tower Co. Ltd., Hegang Branch*)	16,964,697.28	3.65	
Potevio Information Technology Co., Ltd.	13,819,926.92	2.98	
China Potevio Information Industry Inc.	11,804,926.45	2.54	
中国电信股份有限公司陕西分公司 (China Telecommunications Corporation, Shanxi Branch*)	10,205,143.45	2.20	
Subtotal	85,201,041.18	18.35	

## 2. Other receivables

### (1) Details

#### 1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	28,912,122.71	10.17	28,912,122.71	100.00	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	251,143,720.57	88.39	3,159,775.10	1.26	247,983,945.47
Portfolio 1	224,403,521.34	78.97			224,403,521.34
Portfolio 2	26,740,199.23	9.42	3,159,775.10	11.82	23,580,424.13
Receivable of individually insignificant amount but with provision made on an individual basis	4,097,886.33	1.44	4,097,886.33	100.00	
Total	284,153,729.61	100.00	36,169,784.14	12.73	247,983,945.47

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of individually significant amount and with provision made on an individual basis	28,912,122.71	37.21	28,912,122.71	100.00	
Receivables with provision made on a collective basis using portfolios with similar credit risk features	44,691,252.14	57.52	3,496,231.92	7.82	41,195,020.22

\* The English names are for identification purpose only.



Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Portfolio 1	23,644,138.80	30.43			23,644,138.80
Portfolio 2	21,047,113.34	27.09	3,496,231.92	16.61	17,550,881.42
Receivable of individually insignificant amount but with provision made on an individual basis	4,097,886.33	5.27	4,097,886.33	100	
Total	77,701,261.18	100.00	36,506,240.96	46.98	41,195,020.22

2) Other receivables of individually significant amount and with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons for provision made
Beijing Likangpu Communications Equipment Co., Ltd.	28,912,122.71	28,912,122.71	100.00	With long age and hard to recover
Subtotal	28,912,122.71	28,912,122.71		

3) In portfolios, other receivables with provision made on other method.

Portfolio	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Related parties among consolidation scope	224,403,521.34		
Subtotal	224,403,521.34		

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

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	14,076,549.27		
1-2 years	6,729,123.67		
2-3 years	1,870,743.20	187,074.32	10.00
3-4 years	1,042,298.00	312,689.40	30.00
4-5 years	511,458.70	204,583.48	40.00
5-6 years	272,992.43	218,393.94	80.00
Over 6 years	2,237,033.96	2,237,033.96	100.00
Subtotal	26,740,199.23	3,159,775.10	11.82

5) Other receivables of individually not significant amount and with provision made on an individual basis

Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons for provision made
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Debtors	Book balance	Provision for bad debts	Provision proportion (%)	Reasons for provision made
Putian Telecommunications (H.K.) Co., Ltd.	4,097,886.33	4,097,886.33	100.00	With long age and hard to recover
Subtotal	4,097,886.33	4,097,886.33		

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

Provisions for bad debts made in current period totaled -336,456.82 yuan.

(3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Petty cash for business traveling	867,221.19	1,210,331.33
Deposits	11,990,480.82	14,639,263.54
Temporary advance payment receivable	263,566,303.89	60,415,760.57
Others	7,729,723.71	1,435,905.74
Total	284,153,729.61	77,701,261.18

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

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Beijing Likangpu Communications Equipment Co., Ltd.	Temporary advance payment receivable	28,912,122.71	Over 6 years	10.17	28,912,122.71
China Putian Information Industry Co., Ltd.	Temporary advance payment receivable	1,000,000.00	1-3 years	0.35	40,000.00
Putian Information Technology Co., Ltd.	Temporary advance payment receivable	835,252.00	Within 1 year	0.29	
Nanjing Putian Communication Technology Co., Ltd.	Temporary advance payment receivable	738,706.63	1-6 years	0.26	631,796.21
Nanjing Construction Industry Construction Enterprise Migrant Workers Security Fund Management Office	Deposits	400,000.00	1-2 years	0.14	
Subtotal		31,886,081.34		11.21	29,583,918.92

3. Long-term equity investments

(1) Categories

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	173,787,270.64	1,910,520.00	171,876,750.64	173,787,270.64	1,910,520.00	171,876,750.64
Investments in associates and joint ventures	184,147,630.69		184,147,630.69	183,937,404.79		183,937,404.79

Total	357,934,901.33	1,910,520.00	356,024,381.33	357,724,675.43	1,910,520.00	355,814,155.43
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(2) Investments in subsidiaries

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Nanjing Mennekes Electrics Co., Ltd.	57,831,011.71			57,831,011.71		
Nanjing Bada Communication Equipment Co., Ltd.	5,610,000.00			5,610,000.00		
Nanjing Putian Changle Telecommunications Equipment Co., Ltd.	2,610,457.00			2,610,457.00		
Nanjing Putian Telecommunication Technology Co., Ltd.	1,294,510.00			1,294,510.00		
Nanjing Putian Information Technology Co., Ltd.*	13,860,000.00			13,860,000.00		
Nanjing Putian Telege Intelligent Building Ltd.	3,320,003.45			3,320,003.45		
Putian Telecommunications (H.K.) Co., Ltd.	1,910,520.00			1,910,520.00		1,910,520.00
Nanjing Putian Network Co., Ltd.	7,741,140.41			7,741,140.41		
Nanjing Putian Wangzhi Electronic Co., Ltd.	40,997,683.00			40,997,683.00		
Nanjing South Telecommunications Company Limited	33,175,148.00			33,175,148.00		
Nanjing Putian Datang Information Electronic Co., Ltd.	5,436,797.07			5,436,797.07		
Subtotal	173,787,270.64			173,787,270.64		1,910,520.00

(3) Investments in associates and joint ventures

Investees	Opening balance	Increase/decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Joint ventures					
SEI-Nanjing Potevio Optical Network Co., Ltd.	13,296,092.84			84,695.78	
Subtotal	13,296,092.84			84,695.78	
Associates					
Potevio Hi-tech Industry Co., Ltd.	170,641,311.95			323,097.32	
Subtotal	170,641,311.95			323,097.32	
Total	183,937,404.79			407,793.10	

(Continued)

Investees	Increase/decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/profit declared for distribution	Provision for impairment	Others		
Joint ventures						
SEI-Nanjing Potevio Optical Network Co., Ltd.					13,380,788.62	
Subtotal					13,380,788.62	
Associates						
Potevio Hi-tech Industry		197,567.20			170,766,842.07	

Investees	Increase/decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/profit declared for distribution	Provision for impairment	Others		
Co., Ltd.						
Subtotal		197,567.20			170,766,842.07	
Total		197,567.20			184,147,630.69	

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

1. Operating revenue/ Operating cost

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Revenue from main operations	473,077,482.03	437,252,856.53	477,333,066.05	428,357,160.89
Revenue from other operations	24,729,485.21	23,763,158.86	14,937,079.42	11,738,660.36
Total	497,806,967.24	461,016,015.39	492,270,145.47	440,095,821.25

2. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	407,793.10	-655,221.71
Total	407,793.10	-655,221.71

**XIV. Other supplementary information**

(I) Non-recurring profit or loss

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

Items	Amount	Remarks
Gains on disposal of non-current assets, including written-off of provision for impairment	30,156,818.80	
Government grant included in profit or loss (excluding those closely related to operating activities, or regular government grants)	3,022,570.56	
Gains on debt restructuring	225,371.60	
Other non-operating revenue or expenditures	-83,474.01	
Other profit or loss satisfying the definition of non-recurring profit or loss		
Subtotal	33,321,286.95	
Less: enterprise income tax affected	114,123.01	
Non-controlling interest affected (after tax)	36,254.07	
Net non-recurring profit or loss attributable to shareholders of the parent company	33,170,909.87	

(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	-3.02	-0.05	-0.05
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	-12.64	-0.20	-0.20

## 2. Calculation process of weighted average RONA

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	-10,421,705.60
Non-recurring profit or loss	B	33,170,909.87
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-43,592,615.47
Opening balance of net assets attributable to shareholders of ordinary shares	D	350,248,482.53
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	3.00
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	Translation reserve increased in current period	-122,046.30
	Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	3.00
Number of months in the reporting period	K	6.00
Weighted average net assets	$L = \frac{D+A \times 1/2 + E \times F/K - G \times H/K + J}{K}$	344,976,606.58
Weighted average RONA	M=A/L	-3.02
Weighted average RONA after deducting non-recurring profit or loss	N=C/L	-12.64

## 3. Calculation process of basic EPS and diluted EPS

### (1) Calculation process of basic EPS

Items	Symbols	Current period cumulative
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Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	-10,421,705.60
Non-recurring profit or loss	B	33,170,909.87
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-43,592,615.47
Opening balance of total shares	D	215,000,000.00
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	3.00
Number of shares decreased due to share repurchase	H	
Number of months counting from the next month when the share was decreased to the end of the reporting period	I	
Number of shares decreased in the reporting period	J	
Number of months in the reporting period	K	6.00
Weighted average of outstanding ordinary shares	$L=D+E+F \times G/K-H \times I / K-J$	215,000,000.00
Basic EPS	$M=A/L$	-0.0485
Basic EPS after deducting non-recurring profit or loss	$N=C/L$	-0.2028

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

Nanjing Putian Telecommunications Co., Ltd.

August 24, 2018