

Nanjing Putian Telecommunications Co., Ltd.
 Consolidated balance sheet as at June 30, 2019
 (Expressed in Renminbi Yuan)

Assets	Note No.	Jun. 30, 2019	Dec. 31, 2018
Current assets:			
Cash and bank balances		136,567,071.22	261,938,068.72
Settlement funds			
Loans to other banks			
Held-for-trading financial assets			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		36,976,983.83	46,475,656.01
Accounts receivable		959,336,259.46	941,068,459.35
Advances paid		29,915,309.02	188,848,712.69
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables		34,203,510.56	33,734,948.67
Financial assets under reverse repo			
Inventories		255,486,163.16	286,972,632.59
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		17,580,665.17	13,497,540.69
Total current assets		1,470,065,962.42	1,772,536,018.72
Non-current assets:			
Loans and advances paid			
Debt investments			
Available-for-sale financial assets			741,953.00
Other debt investments			
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments		181,617,987.10	183,244,080.23
Other equity instrument investments		741,953.00	
Other non-current financial assets			
Investment property		8,103,661.99	8,397,113.98
Fixed assets		110,559,771.46	112,504,807.11
Construction in progress		17,268,676.17	9,472,383.76
Productive biological assets			
Oil & gas assets			
Intangible assets		29,300,021.15	30,285,598.77
Development expenditures			
Goodwill			
Long-term prepayments		3,037,751.17	3,562,336.84
Deferred tax assets			
Other non-current assets			
Total non-current assets		350,629,822.04	348,208,273.69
Total assets		1,820,695,784.46	2,120,744,292.41

Nanjing Putian Telecommunications Co., Ltd.
Consolidated balance sheet as at June 30, 2019 (continued)

Liabilities & Equity	Note No.	Jun. 30, 2019	Dec. 31, 2018
Current liabilities:			
Short-term borrowings		464,183,401.05	445,010,000.00
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		91,238,774.75	84,374,916.99
Accounts payable		695,496,740.26	743,028,953.62
Advances received		33,841,758.85	259,545,648.66
Financial liabilities under repo			
Employee benefits payable		21,259,466.94	21,132,336.19
Taxes and rates payable		3,836,621.32	17,230,159.02
Other payables		41,857,252.04	55,128,492.65
Handling fee and commission payable			
Reinsurance accounts payable			
Contract liabilities			
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		1,351,714,015.21	1,625,450,507.13
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payables		28,947,368.42	
Long-term employee benefits payable			
Provisions			
Deferred income		6,004,873.00	7,296,315.00
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		34,952,241.42	7,296,315.00
Total liabilities		1,386,666,256.63	1,632,746,822.13
Equity:			
Share capital/Paid-in capital		215,000,000.00	215,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		185,374,533.85	185,374,533.85
Less: Treasury shares			
Other comprehensive income		-5,012,479.78	-4,947,588.58
Special reserve			
Surplus reserve		589,559.77	589,559.77
General risk reserve			
Undistributed profit		-98,255,301.68	-40,726,776.80
Total equity attributable to the parent company		297,696,312.16	355,289,728.24
Non-controlling interest		136,333,215.67	132,707,742.04
Total equity		434,029,527.83	487,997,470.28
Total liabilities & equity		1,820,695,784.46	2,120,744,292.41

Nanjing Putian Telecommunications Co., Ltd.

Parent company balance sheet as at June 30, 2019

(Expressed in Renminbi Yuan)

Assets	Note No.	Jun. 30, 2019	Dec. 31, 2018
Current assets:			
Cash and bank balances		78,496,286.22	80,553,208.65
Held-for-trading financial assets			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		3,142,881.55	6,620,178.00
Accounts receivable		569,391,656.54	586,635,878.62
Advances paid		8,639,524.01	155,717,638.43
Other receivables		37,779,362.09	31,077,389.58
Inventories		110,644,059.39	143,432,315.11
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		4,268,385.84	6,222,172.75
Total current assets		812,362,155.64	1,010,258,781.14
Non-current assets:			
Debt investments			
Available-for-sale financial assets			741,953.00
Other debt investments			
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments		332,925,737.74	333,367,967.90
Other equity instrument investments		741,953.00	
Other non-current financial assets			
Investment property			
Fixed assets		48,729,251.36	50,769,872.87
Construction in progress		5,984,113.43	5,839,892.88
Productive biological assets			
Oil & gas assets			
Intangible assets		11,922,705.47	12,305,246.69
Development expenditures			
Goodwill			
Long-term prepayments		2,960,931.17	3,403,376.01
Deferred tax assets			
Other non-current assets			
Total non-current assets		403,264,692.17	406,428,309.35
Total assets		1,215,626,847.81	1,416,687,090.49

Nanjing Putian Telecommunications Co., Ltd.
Parent company balance sheet as at June 30, 2019 (continued)
(Expressed in Renminbi Yuan)

Liabilities & Equity	Note No.	Jun. 30, 2019	Dec. 31, 2018
Current liabilities:			
Short-term borrowings		374,183,401.05	355,000,000.00
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		87,955,415.63	80,759,989.55
Accounts payable		354,176,500.26	340,405,588.53
Advances received		13,033,438.34	227,951,168.81
Contract liabilities			
Employee benefits payable		8,664,119.99	7,854,213.23
Taxes and rates payable		31,150.92	8,674,579.20
Other payables		193,246,486.58	187,172,612.82
Liabilities classified as held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		1,031,290,512.77	1,207,818,152.14
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payables		28,947,368.42	
Long-term employee benefits payable			
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		29,947,368.42	1,000,000.00
Total liabilities		1,061,237,881.19	1,208,818,152.14
Equity:			
Share capital/Paid-in 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		-233,617,892.95	-180,137,921.22
Total equity		154,388,966.62	207,868,938.35
Total liabilities & equity		1,215,626,847.81	1,416,687,090.49

Nanjing Putian Telecommunications Co., Ltd.
 Consolidated income statement for the year ended June 30, 2019
 (Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue		757,197,371.80	757,197,371.80
Including: Operating revenue		757,197,371.80	757,197,371.80
Interest income			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		815,094,836.61	1,003,706,276.96
Including: Operating cost		633,095,768.07	824,358,695.32
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges		4,493,183.68	5,664,250.54
Selling expenses		78,513,462.05	79,696,183.64
Administrative expenses		47,259,575.67	47,390,575.27
R&D expenses		35,909,040.49	36,398,106.80
Financial expense		15,823,806.65	10,198,465.39
Including: Interest expenses		12,296,091.86	11,625,553.62
Interest income		2,400,422.53	1,692,017.07
Assets impairment loss			-3,030,783.16
Credit impairment loss		-668,512.60	
Add: Other income		6,006,842.30	5,799,343.86
Investment income (or less: losses)		-442,230.16	407,793.10
Including: Investment income from associates and joint ventures		-442,230.16	407,793.10
Gains on foreign exchange (or less: losses)			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)			
Gains on asset disposal (or less: losses)		98,840.67	30,156,818.80
III. Operating profit (or less: losses)		-52,902,524.60	-3,522,499.41
Add: Non-operating revenue		1,312,115.17	2,825,854.15
Less: Non-operating expenditures		238,652.04	308,586.00
IV. Profit before tax (or less: total loss)		-51,829,061.47	-1,005,231.26
Less: Income tax		2,066,779.65	1,646,117.70
V. Net profit (or less: net loss)		-53,895,841.12	-2,651,348.96
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		-53,895,841.12	-53,895,841.12
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)		-57,528,524.88	-10,421,705.60
2. Net profit attributable to non-controlling shareholders (or less: net loss)		3,632,683.76	7,770,356.64
VI. Other comprehensive income after tax		-72,101.33	-135,607.00
Items attributable to the owners of the parent company		-64,891.20	-122,046.30
(I) Not to be reclassified subsequently to profit or loss			
1. Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
(II) To be reclassified subsequently to profit or loss		-64,891.20	-122,046.30
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from changes in fair value of available-for-sale financial assets			
4. Profit or loss from reclassification of financial assets into other comprehensive income			
5. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Provision for credit impairment of other debt investments			
7. Cash flow hedging reserve (profit or loss on cash flow hedging)		-64,891.20	-122,046.30
8. Translation reserve			
9. Others			
Items attributable to non-controlling shareholders		-7,210.13	-13,560.70
VII. Total comprehensive income		-53,967,942.45	-2,786,955.96
Items attributable to the owners of the parent company		-57,593,416.08	-10,543,751.90
Items attributable to non-controlling shareholders		3,625,473.63	7,756,795.94
VIII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)		-0.27	-0.05
(II) Diluted EPS (yuan per share)		-0.27	-0.05

Nanjing Putian Telecommunications Co., Ltd.
Parent company income statement for the year ended June 30, 2019
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue		341,411,818.58	497,806,967.24
Less: Operating cost		321,158,291.44	461,016,015.39
Taxes and surcharges		973,408.31	2,188,404.36
Selling expenses		28,375,553.20	33,623,765.06
Administrative expenses		24,427,461.58	22,687,329.39
R&D expenses		8,648,006.73	10,160,185.58
Financial expense		14,954,773.35	10,288,228.05
Including: Interest expenses		9,868,608.51	11,625,553.62
Interest income		481,846.95	1,692,017.07
Assets impairment loss			-1,674,589.82
Credit impairment loss		2,562,201.43	
Add: Other income		800,000.00	876,429.06
Investment income (or less: losses)		-442,230.16	407,793.10
Including: Investment income from associates and joint ventures		-442,230.16	407,793.10
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)			
Gains on asset disposal (or less: losses)		8,421.83	18,909,015.41
Gains on foreign exchange (or less: losses)			
II. Operating profit (or less: losses)		-54,197,282.93	-23,638,312.84
Add: Non-operating revenue		954,802.59	1,994,545.83
Including: Gains on disposal of non-current assets			
Less: Non-operating expenditures		237,491.39	210,933.46
Including: Losses on disposal of non-current assets			
III. Profit before tax (or less: total loss)		-53,479,971.73	-21,854,700.47
Less: Income tax			
IV. Net profit (or less: net loss)		-53,479,971.73	-21,854,700.47
(I) Net profit from continuing operations (or less: net loss)		-53,479,971.73	-21,854,700.47
(II) Net profit from discontinued operations (or less: net loss)			
V. Other comprehensive income after tax			
(I) Not to be reclassified subsequently to profit or loss			
1. Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss			
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from changes in fair value of available-for-sale financial assets			
4. Profit or loss from reclassification of financial assets into other comprehensive income			
5. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Provision for credit impairment of other debt investments			
7. Cash flow hedging reserve (profit or loss on cash flow hedging)			
8. Translation reserve			
9. Others			
VI. Total comprehensive income		-53,479,971.73	-21,854,700.47
VII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)		-0.25	-0.10
(II) Diluted EPS (yuan per share)		-0.25	-0.10

Nanjing Putian Telecommunications Co., Ltd.
Consolidated cash flow statement for the year ended June 30, 2019

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:			
Cash receipts from sale of goods or rendering of services		634,459,933.46	823,226,257.29
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		4,281,155.44	3,751,204.59
Other cash receipts related to operating activities	1	34,101,264.61	37,651,747.79
Subtotal of cash inflows from operating activities		672,842,353.51	864,629,209.67
Cash payments for goods purchased and services received		584,963,313.52	795,841,324.87
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		123,749,018.11	134,614,701.29
Cash payments for taxes and rates		49,887,398.91	43,357,641.42
Other cash payments related to operating activities	2	78,339,353.71	116,090,771.02
Subtotal of cash outflows from operating activities		836,939,084.25	1,089,904,438.60
Net cash flows from operating activities		-164,096,730.74	-225,275,228.93
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments		1,183,862.97	
Cash receipts from investment income			197,567.20
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		397,940.00	30,244,870.00
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		1,581,802.97	30,442,437.20
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		7,306,368.27	7,937,241.37
Cash payments for investments			
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities			
Subtotal of cash outflows from investing activities		7,306,368.27	7,937,241.37
Net cash flows from investing activities		-5,724,565.30	22,505,195.83
III. Cash flows from financing activities:			
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		295,400,273.89	266,510,000.00
Cash receipts from issuing of bonds			
Other cash receipts related to financing activities			
Subtotal of cash inflows from financing activities		295,400,273.89	268,679,200.00
Cash payments for the repayment of borrowings		213,539,162.28	206,550,000.00
Cash payments for distribution of dividends or profits and for interest expenses		15,154,944.10	13,087,901.03
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit			2,169,200.00
Other cash payments related to financing activities		20,051,791.37	
Subtotal of cash outflows from financing activities		248,745,897.75	219,637,901.03
Net cash flows from financing activities		46,654,376.14	49,041,298.97
IV. Effect of foreign exchange rate changes on cash & cash equivalents			-92,357.05
V. Net increase in cash and cash equivalents		-123,166,919.90	-153,821,091.18
Add: Opening balance of cash and cash equivalents		201,369,317.42	311,056,919.17
VI. Closing balance of cash and cash equivalents		78,202,397.52	157,235,827.99

Nanjing Putian Telecommunications Co., Ltd.

Parent company cash flow statement for the year ended June 30, 2019

(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		196,554,502.38	348,436,329.15
Receipts of tax refund			226,972.07
Other cash receipts related to operating activities		32,644,987.12	68,779,821.99
Subtotal of cash inflows from operating activities		229,199,489.50	417,443,123.21
Cash payments for goods purchased and services received		143,162,629.87	372,154,435.27
Cash paid to and on behalf of employees		52,522,811.25	53,879,491.46
Cash payments for taxes and rates		17,627,190.91	11,331,804.57
Other cash payments related to operating activities		66,818,288.91	60,181,711.77
Subtotal of cash outflows from operating activities		280,130,920.94	497,547,443.07
Net cash flows from operating activities		-50,931,431.44	-80,104,319.86
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments			
Cash receipts from investment income		400,000.00	197,567.20
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		40,890.00	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		440,890.00	18,385,437.20
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		358,326.21	6,483,699.11
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		358,326.21	6,483,699.11
Net cash flows from investing activities		82,563.79	11,901,738.09
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			
Cash receipts from borrowings		176,839,010.00	192,000,000.00
Other cash receipts related to financing activities		38,561,263.89	
Subtotal of cash inflows from financing activities		215,400,273.89	192,000,000.00
Cash payments for the repayment of borrowings		133,529,162.28	165,000,000.00
Cash payments for distribution of dividends or profits and for interest expenses		11,315,171.30	9,668,959.87
Other cash payments related to financing activities		20,000,000.00	
Subtotal of cash outflows from financing activities		164,844,333.58	174,668,959.87
Net cash flows from financing activities		50,555,940.31	17,331,040.13
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents			
Add: Opening balance of cash and cash equivalents		23,812,669.19	109,752,099.29
VI. Closing balance of cash and cash equivalents			
		23,519,741.85	58,880,557.65

Nanjing Putian Telecommunications Co., Ltd.
 Consolidated statement of changes in equity for the year ended June 30, 2019
 (Expressed in Renminbi Yuan)

Items	Current period cumulative												
	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		-4,947,588.58		589,559.77		-40,726,776.80	132,707,742.04	487,997,470.28
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control													
Others													
II. Balance at the beginning of current year	215,000,000.00				185,374,533.85		-4,947,588.58		589,559.77		-40,726,776.80	132,707,742.04	487,997,470.28
III. Current period increase (or less: decrease)							-64,891.20				-57,528,524.88	3,625,473.63	-53,967,942.45
(I) Total comprehensive income							-64,891.20				-57,528,524.88	3,625,473.63	-53,967,942.45
(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		-5,012,479.78		589,559.77		-98,255,301.68	136,333,215.67	434,029,527.83

Nanjing Putian Telecommunications Co., Ltd.

Consolidated statement of changes in equity for the year ended June 30, 2019 (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		-4,129,619.45		589,559.76		-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		589,559.76		-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		589,559.76		-57,007,697.24	128,650,622.50	468,355,353.13

Nanjing Putian Telecommunications Co., Ltd.

Parent company statement of changes in equity for the year ended June 30, 2019

(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	-180,137,921.22	207,868,938.35
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	215,000,000.00				172,417,299.81				589,559.76	-180,137,921.22	207,868,938.35
III. Current period increase (or less: decrease)										-53,479,971.73	-53,479,971.73
(I) Total comprehensive income										-53,479,971.73	-53,479,971.73
(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	-233,617,892.95	154,388,966.62

Nanjing Putian Telecommunications Co., Ltd.

Parent company statement of changes in equity for the year ended June 30, 2019 (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	-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

[Wang Wen Kui]
[Legal representative]
(Signature and stamp)

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

[Cao Xu Rong]
[Head of accounting department]
(Signature and stamp)

Nanjing Putian Telecommunications Co., Ltd.

Notes to Financial Statements

Semi-annual Report 2019

Monetary unit: RMB Yuan

I. Company profile

Nanjing Putian Telecommunications Co., Ltd. (the “Company”), whose predecessor is 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 session of the Board of Directors dated August 28, 2019.

The Company has brought 11 subsidiaries including Nanjing South Telecommunications Co., Ltd., Nanjing Putian Telege Intelligent Building 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

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

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

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

(1) Recognition criteria and measurement method of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount. However, at initial recognition, for accounts receivable that do not contain a significant financing component or contracts in which the financing components with associated period less than one year are not considered, the Company measures at their transaction price in accordance with “CASBE14 – Revenues”.

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

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

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

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

derecognized.

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

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

4) Financial assets at fair value through profit or loss

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

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

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

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

The Company measures its financial liabilities in accordance with "CASBE23 – Transfer of Financial Assets".

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

The Company measure its financial liabilities at the higher of: a. the amount of loss allowances in according to impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with "CASBE14 – Revenues".

4) Financial liabilities at amortized cost

The Company measure its financial liabilities at amortized cost using effective interest method.

Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial liabilities are derecognized and through the amortization process.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

- a. the contractual rights to the cash flows from the financial assets expire; or
- b. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with “CASBE23 – Transfer of Financial Assets”.

2) Only when the underlying present obligations of a financial liability are relieved totally or partly may the financial liability be derecognized accordingly.

3. Recognition criteria and measurement method of financial assets transfer

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

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carry amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which

is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

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 of financial instruments

(1) Measurement and accounting treatment

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

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

For accounts receivable do not contain a significant financing component or contracts in which the financing components with associated period less than one year are not considered, which result from transactions as regulated in "CASBE14 - Revenues", the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For lease receivables, accounts receivable and contract assets that result from transactions as

regulated in “CASBE14 - Revenues” and contain a significant financing component, the Company chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

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

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition. For loan commitments and financial guarantee contracts, the date that the Company becomes a part to the irrecoverable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements.

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

The following factors should be considered when the Company makes the above assessment:

- 1) Whether the contract payment is overdue for more than 30 days. If the delay exceeds 30 days, the company determines that the credit risk of the financial instrument has increased significantly. Unless the company does not have to pay much cost or effort to obtain reasonable and substantiated information proving that the credit risk has not increased significantly since the initial confirmation, although the payment term stipulated in the contract has exceeded 30 days.
- 2) Whether the company's credit management methods for financial instruments have changed.
- 3) Whether there are significant changes in the expected performance and repayment behavior of the debtor.
- 4) Whether there is any significant change in the actual or expected operating results of the debtor.
- 5) Whether there has been a significant adverse change in the regulatory, economic or technical environment of the debtor.
- 6) Whether there are adverse changes in business financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its obligations.
- 7) Whether the internal price index caused by the change of credit risk changes significantly.
- 8) If an existing financial instrument is originated or issued as a new financial instrument on the reporting date, will the interest rate or other terms of the financial instrument change significantly.
- 9) Whether the external market indicators of credit risk of the same financial instrument or similar

financial instrument with the same expected duration change significantly. These include credit spreads, the price of credit default swaps for borrowers, the length and extent to which the fair value of a financial asset is less than its amortized cost, and other market information relevant to the borrower (such as changes in the price of the borrower's debt instruments or equity instruments).

10) Whether there has been a significant change in the actual or expected external credit rating of financial instruments.

11) Whether the actual or expected internal credit rating of the debtor is downgraded.

12) Does the credit risk of other financial instruments issued by the same debtor increase significantly.

13) Whether there has been a significant change in the value of collateral or the quality of collateral or credit enhancement provided by third parties.

14) Whether there is a significant change in the economic incentives that are expected to reduce borrowers' ability to meet contractual deadlines.

15) Anticipated changes to a loan contract, including whether the expected breach of contract may result in the release or revision of contractual obligations, the granting of an interest free period, a jump in interest rates, the demand for additional collateral or guarantees, or other changes to the contractual framework of a financial instrument.

The company evaluates the expected credit risk and measures the expected credit loss on the basis of a single financial instrument or a combination of financial instruments. When the financial instrument portfolio is the basis, the company divides the financial instruments into different portfolios based on the common risk characteristics.

The company re-measures the expected credit loss on each balance sheet date, and the increase or reversal of the loss provision resulting therefrom is recorded as impairment loss or profit in the current profit and loss. For a financial asset measured at amortized cost, the loss provision shall be set off against the carrying value of the financial asset shown in the balance sheet; For creditor's rights investment measured at fair value and whose changes are included in other comprehensive income, the company shall recognize its loss provision in other comprehensive income and shall not deduct the book value of the financial asset.

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

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Other receivables – Portfolio grouped with temporary payments receivable	Have similar risk characteristics, combined with historical experience grouping	Loss reserves are measured against the amount of expected credit losses for the next 12 months or for the entire duration
Other receivables – Portfolio grouped with deposit receivables	Have similar risk characteristics, combined	Loss reserves are measured against the amount of expected credit

Items	Basis for determination of portfolio	Method for measuring expected credit loss
	with historical experience grouping	losses for the next 12 months or for the entire duration
Other receivables – Portfolio grouped with petty cash receivables	Have similar risk characteristics, combined with historical experience grouping	Loss reserves are measured against the amount of expected credit losses for the next 12 months or for the entire duration
Other receivables – Portfolio grouped with other combinations	Have similar risk characteristics, combined with historical experience grouping	Loss reserves are measured against the amount of expected credit losses for the next 12 months or for the entire duration

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

Specific portfolios and method for measuring expected credit loss

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Notes receivable – Bank acceptance	With similar risk characteristics, the risk of bank acceptance bill is low, which is generally accepted by the bank	By referring to the historical experience of credit losses and combining with the current situation and the forecast of the future economic situation, the comparison table of the aging of bank acceptance bills receivable and the expected credit loss rate of the whole duration was prepared to calculate the expected credit loss
Notes receivable – Trade acceptance	Have similar risk characteristics	With reference to the historical experience of credit losses and combined with the current situation and the forecast of the future economic situation, the comparison table of the aging of commercial acceptance receivables and the expected credit loss rate of the entire duration was prepared to calculate the expected credit loss
Accounts receivable – Portfolio of affiliated parties	Merchandise sales receivables, with similar risks, recognize expected credit losses throughout the life after initial recognition	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, prepare the comparison table of overdue days/ages and lifetime expected credit loss rate of accounts receivable, so as to calculate expected credit

Items	Basis for determination of portfolio	Method for measuring expected credit loss
		loss.
Accounts receivable – Portfolio of non-affiliate parties	Merchandise sales receivables, with similar risks, recognize expected credit losses throughout the life after initial recognition	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, prepare the comparison table of overdue days/ages and lifetime expected credit loss rate of accounts receivable, so as to calculate expected credit loss.

(XI) 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.

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

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

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

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

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

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

(1) Initial measurement and remeasurement

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

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

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

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

(2) Reversal of assets impairment loss

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

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

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

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

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

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

(XIII) Long-term equity investments

1. Judgment of joint control and significant influence

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

2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party

is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included 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 remeasurement of defined benefit plan of the acquiree.

(3) Long-term equity investments obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to “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 investments with control relationship, it is accounted for with cost method; for long-term equity investments with joint control or significant influence relationship, it is accounted for with equity method.

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

(1) Stand-alone financial statements

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

(2) Consolidated financial statements

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

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

When the Company loses control, the remained equity is 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.

(XIV) 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.

(XV) 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

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

Finance lease is determined when one or a combination of the following conditions are satisfied: (1) the ownership has been transferred to the lessee when the leasing term is due; (2) the lessee has the option to purchase the leasing asset at a price that is much lower than its fair value, so it can be reasonably determined that the lessee will take the option at the very beginning of the lease; (3) the leasing term accounts for most time of the useful life (ordinarily accounting for 75% or higher) even if the ownership does not transfer to the lessee; (4) the present value of the minimum amount of rent that the lessee has to pay at the first day of the lease amounts to 90% or higher of its fair value at the same date; or the present value of the minimum amount of rent that the lessor collects at the first day of the lease amounts to 90% or higher of its fair value at the same date; and/or (5)

the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

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

(XVI) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches 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.

(XVII) Borrowing costs

1. Recognition principle of borrowing costs capitalization

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

2. Borrowing costs capitalization period

(1) The borrowing costs are not capitalized unless 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.

(XVIII) 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.

(XIX) 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.

(XX) Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within 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.

(XXI) Employee benefits

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

2. Short-term employee benefits

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

3. Post-employment benefits

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

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

(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.

(XXII) 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.

(XVIII) 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.

(XIX) Government grants

Government grants

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

2. Government grants related to assets

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

3. Government grants related to income

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

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

5. Policy interest subvention

(1) In the circumstance that government appropriates interest subvention to lending bank, who provides loans for the Company with a policy subsidised interest rate, borrowings are carried at the amount received, with relevant borrowings cost computed based on the principal and the policy subsidised interest rate.

(2) In the circumstance that government directly appropriates interest subvention to the Company, the subsidised interest shall offset relevant borrowing cost.

(XXV) Deferred tax assets/Deferred tax liabilities

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

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

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

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

(XXVI) Leases

1. Operating leases

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

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

2. Finance leases

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

When the Company is the lessor, at the commencement of the lease, lessor recognizes the aggregate of minimum lease receipts and initial direct costs, each determined at the inception of the lease, as the entering value of finance lease receivables, and recognize the unguaranteed residual value at the same time. The difference between the aggregate of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present

values is recognized as unrealized finance income. The effective interest method is used to recognize finance income of the period during the lease term.

(XXVII) Segment reporting

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

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

(XXVIII) Other significant accounting policies and estimates

1. Recognition criteria and accounting treatment of discontinued operations

A component of the Company that has been disposed of, or is classified as held for sale and can be clearly distinguished is recognized as a discontinued operation when it fulfills any of the following conditions:

- (1) it represents a separate major line of business or a separate geographical area of operations;
- (2) it is part of a related plan to dispose of a separate major line of business or a separate geographical area of operations; or
- (3) it is a subsidiary acquired exclusively with a review to resale.

(XXXIV) Significant changes in accounting policies and estimates

1. Changes in accounting policies

(1) Changes in accounting policies arising from changes in CASBEs

The Company prepared the financial statements for the year ended December 31, 2019 in accordance with "Notice of the Ministry of Finance on Revising and Issuing Financial Statement Templates for General Enterprises" (numbered Cai Kuai [2019] 6), its interpretations and CASBEs, and changes in accounting policies are applicable to retrospective application method. Financial statement items and amounts significantly affected of 2018 are as follows:

Original financial statement items and amounts		Revised financial statement items and amounts	
Notes receivable and accounts receivable	987,544,115.36	Notes receivable	46,475,656.01
		Accounts receivable	941,068,459.35
Notes payable and accounts payable	827,403,870.61	Notes payable	84,374,916.99
		Accounts payable	743,028,953.62
Available-for-sale	741,953.00	Other equity	741,953.00

financial assets		instrument investments	
Less:Assets impairment loss	3,030,783.16	Add:Assets impairment loss	-3,030,783.16

2) The Company has adopted “CASBE 22 – Recognition and measurement of Financial Assets”, “CASBE 23 – Transfer of Financial Assets”, “CASBE 24 - Hedging” and “CASBE 37 - Presentation of Financial Instruments” (collectively, the “revised financial instrument standard”) revised by Ministry of Finance of PRC. Pursuant to regulations on convergence between old and new standards, no adjustment shall be made on comparable information, and the difference arising from adoption on the adopting date shall be retrospectively adjusted into retained earnings or other comprehensive income at the beginning of the reporting period.

The revised financial instrument standard changes classification and measurement method of financial assets, and determines three major categories of measurement: amortized cost; fair value through other comprehensive income; fair value through profit or loss. The Company makes the above classification based on its own business model and the contractual cash flow characteristics of the financial assets. The Company measures equity investments at fair value through profit or loss, but may make an irrevocable election at initial recognition to measure them at fair value through other comprehensive income.

The revised financial instrument standard requires for a “expected credit loss model” instead of “incurred loss model”, which is applicable to financial assets at amortized cost, financial assets, contract assets, lease receivable at fair value through other comprehensive income.

2. Significant changes in accounting estimates

None.

3. Implementation of the new financial instruments guidelines, revenue standards and lease standards adjustments for the first time implementation of the relevant financial statements at the beginning of the year

Consolidated Financial Statement

Items	Dec,31 2018	Jau,1 2019	adjustments
Current assets:			
Cash and bank balances	261,938,068.72	261,938,068.72	
Notes receivable	46,475,656.01	46,475,656.01	
Accounts receivable	941,068,459.35	941,068,459.35	
Advances paid	188,848,712.69	188,848,712.69	
Other receivables	33,734,948.67	33,734,948.67	
Inventories	286,972,632.59	286,972,632.59	
Other current assets	13,497,540.69	13,497,540.69	

Total current assets	1,772,536,018.72	1,772,536,018.72	
Available-for-sale financial assets	741,953.00		-741,953.00
Long-term equity investments	183,244,080.23	183,244,080.23	
Other equity instrument investments		741,953.00	741,953.00
Investment property	8,397,113.98	8,397,113.98	
Fixed assets	112,504,807.11	112,504,807.11	
Construction in progress	9,472,383.76	9,472,383.76	
Intangible assets	30,285,598.77	30,285,598.77	
Long-term prepayments	3,562,336.84	3,562,336.84	
Total non-current assets	348,208,273.69	348,208,273.69	
Total assets	2,120,744,292.41	2,120,744,292.41	
Current liabilities:	445,010,000.00	445,010,000.00	
Short-term borrowings	84,374,916.99	84,374,916.99	
Notes payable	743,028,953.62	743,028,953.62	
Accounts payable	259,545,648.66	259,545,648.66	
Advances received	21,132,336.19	21,132,336.19	
Employee benefits payable	17,230,159.02	17,230,159.02	
Taxes and rates payable	55,128,492.65	55,128,492.65	
Other payables	1,625,450,507.13	1,625,450,507.13	
Total current liabilities	7,296,315.00	7,296,315.00	
Non-current liabilities:	7,296,315.00	7,296,315.00	
Deferred income	1,632,746,822.13	1,632,746,822.13	
Total non-current liabilities	215,000,000.00	215,000,000.00	
Total liabilities	185,374,533.85	185,374,533.85	
Equity:	-4,947,588.58	-4,947,588.58	
Share capital/Paid-in capital	589,559.77	589,559.77	
Capital reserve	-40,726,776.80	-40,726,776.80	
Other comprehensive income	355,289,728.24	355,289,728.24	
Surplus reserve	132,707,742.04	132,707,742.04	
Undistributed profit	487,997,470.28	487,997,470.28	
Total equity attributable to the parent company	2,120,744,292.41	2,120,744,292.41	

4. Implementation of the new financial instrument guidelines, new lease criteria retrospective adjustment pre-comparison data description

None.

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	16%、13%、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
The “Company”	15%
Nanjing Mennekes Electrics Co., Ltd.	15%
Nanjing Putian Telege Intelligent Building Co., Ltd.	15%
Nanjing Putian Changle Telecommunications Equipment Co., Ltd.	15%
Nanjing Putian Datang Information Electronic Co., Ltd.	15%
Nanjing Putian Network Co., Ltd.	15%
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 company obtained the high-tech enterprise certificate in December 2018, which is valid for 3 years and shall pay the enterprise income tax at the rate of 15%.

The subsidiary, Nanjing Putian Telege Intelligent Building Co., Ltd. obtained high-tech enterprise certificate in December , 2017, valid for 3 years. It is subject to the enterprise income tax at a rate of 15% .

The subsidiary, Nanjing Mennekes Electrics Co., Ltd. obtained high-tech enterprise certificate in October , 2016, valid for 3 years. It is subject to the enterprise income tax at a rate of 15% .

The subsidiary, Nanjing Putian Changle Telecommunications Equipment Co., Ltd. obtained high-tech enterprise certificate in October 10, 2015, valid for 3 years. It is subject to the enterprise

income tax at a rate of 15% .

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

The subsidiary, Nanjing Putian Datang Information Electronic Co., Ltd. obtained high-tech enterprise certificate in November, 2018, valid for 3 years. It is subject to the enterprise income tax at a rate of 15% .

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 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	3,553.38	1,886.33
Cash in bank	78,198,844.14	201,367,431.09
Other cash and bank balances	58,364,673.70	60,568,751.30
Total	136,567,071.22	261,938,068.72

(2) Details of other cash and bank balances

Items	Closing balance	Opening balance
Bank acceptance deposit	20,847,307.09	38,442,848.22
Guarantee money	37,517,366.61	22,125,903.08
Total	58,364,673.70	60,568,751.30

2. Notes receivable

(1) Details

1) Details of different categories

Categories	Closing balance		
	Book balance	Provision for bad debts	Carrying

	Amount	% to total	Amount	Provision proportion (%)	amount
Bad debts made on an individual basis					
Including: Bank acceptance					
Trade acceptance					
Bad debts made on a collective basis					
Including: Bank acceptance	32,885,730.42	88.94			32,885,730.42
Trade acceptance	4,091,253.41	11.06			4,091,253.41
Total	36,976,983.83	100.00			36,976,983.83

Items	Opening balance		
	Book balance	Provision for bad debts	Carrying amount
Bank acceptance portfolio	37,837,668.81		37,837,668.81
Trade acceptance portfolio	8,637,987.20		8,637,987.20
Subtotal	46,475,656.01		46,475,656.01

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

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	9,378,042.36	6,252,028.24
Trade acceptance	3,126,014.12	
Subtotal	12,504,056.48	6,252,028.24

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 with provision made on an individual basis					

Categories	Closing balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis	1,015,892,712.42	100.00	56,556,452.96	5.90	959,336,259.46
Portfolio 1					
Portfolio 2	1,015,892,712.42	100.00	56,556,452.96	5.90	959,336,259.46
Total	1,015,892,712.42	100.00	56,556,452.96	5.90	959,336,259.46

(Continued)

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis					
Receivables with provision made on a collective basis	997,288,551.79	100.00	56,220,092.44	5.64	941,068,459.35
Portfolio 1					
Portfolio 2	997,288,551.79	100.00	56,220,092.44	5.64	941,068,459.35
Total	997,288,551.79	100.00	56,220,092.44	5.64	941,068,459.35

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	769,215,633.23		
1-2 years	115,804,345.06		
2-3 years	55,713,805.24	5,571,380.52	10.00
3-4 years	18,835,120.82	5,650,536.25	30.00
4-5 years	15,713,782.15	6,285,512.86	40.00
5-6 years	7,805,012.96	6,244,010.37	80.00
Over 6 years	32,805,012.96	32,805,012.96	100.00
Subtotal	1,015,892,712.42	56,556,452.96	

3) Bad debts disclosed by ages

Ages	Closing balance
Within 1 year	
1-2 years	
2-3 years	5,571,380.52
Over 3 years	50,985,072.44
3-4 years	5,650,536.25
4-5 years	6,285,512.86

Ages	Closing balance
Over 5 years	39,049,023.33
Subtotal	56,556,452.96

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

Items	Opening balance	Increase			Closing balance
		Provision made	Provision collected	Others	
Accounts receivable	56,220,092.44	319,224.33	3,900.00	-21,036.19	56,556,452.96
Subtotal	56,220,092.44	319,224.33	3,900.00	-21,036.19	56,556,452.96

Provision for bad debts made in current period totaled 319,224.33 yuan, collected totaled 3,900.00yuan and provision increased due to fluctuations in exchange totaled -21,036.19yuan.

(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
Beijing UniStrong Science & Technology Co., Ltd.	52,167,500.00	5.14	
China United Network Communications Group Co.,Ltd. -Henan Branch	29,514,969.14	2.91	
Beijing Zhongrui Haotian Information Technology Co., Ltd.	25,499,700.00	2.51	
Nanjing Hehao Communication Technology Co., Ltd.	22,940,243.35	2.26	
Shenzhen Zhongchuang Electric Measurement Technology Co., Ltd.	22,904,248.79	2.25	
Subtotal	153,026,661.28	15.07	

4. Advances paid

(1) Age analysis

Ages	Closing balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year	21,515,674.72	71.92		21,515,674.72
1-2 years	3,553,031.52	11.88		3,553,031.52
2-3 years	1,139,873.30	3.81		1,139,873.30
Over 3 years	3,706,729.48	12.39		3,706,729.48
Total	29,915,309.02	100.00		29,915,309.02

(Continued)

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

Ages	Opening balance			
	Book balance	% to total	Provision for bad debts	Carrying amount
Within 1 year	179,718,854.19	95.17		179,718,854.19
1-2 years	3,256,231.30	1.72		3,256,231.30
2-3 years	1,176,772.69	0.62		1,176,772.69
Over 3 years	4,696,854.51	2.49		4,696,854.51
Total	188,848,712.69	100.00		188,848,712.69

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

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Jiangsu Sainty Machinery IMP.&Co.,Ltd.	7,342,908.43	24.55
Shenzhen KTC Commercial Display Technology Co., Ltd.	894,150.00	2.99
Xuzhou hengxun network technology Co., Ltd.	881,472.90	2.95
Jiangsu huihong intelligent engineering Co. Ltd.	746,549.33	2.50
Erdos Tianjin Electric Co., Ltd.	618,750.00	2.07
Subtotal	10,483,830.66	35.05

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 with provision made on an individual basis	28,912,122.71	42.33	28,912,122.71	100.00	
Including: Interest receivable					
Dividend receivable					
Other receivables	28,912,122.71	42.33	28,912,122.71	100.00	
Receivables with provision made on a collective basis	39,384,063.40	57.67	5,180,552.84	13.15	34,203,510.56
Including: Interest receivable					
Dividend receivable					
Other receivables	39,384,063.40	57.67	5,180,552.84	13.15	34,203,510.56
Portfolio 1					
Portfolio 2	39,384,063.40	57.67	5,180,552.84	13.15	34,203,510.56
Total	68,296,186.11	100.00	34,092,675.55	49.92	34,203,510.56

(Continued)

Categories	Opening balance		
	Book balance	Provision for bad debts	Carrying

	Amount	% to total	Amount	Provision proportion (%)	amount
Receivables with provision made on an individual basis	28,912,122.71	42.85	28,912,122.71	100.00	
Including: Interest receivable					
Dividend receivable					
Other receivables	28,912,122.71	42.85	28,912,122.71	100.00	
Receivables with provision made on a collective basis	38,562,293.97	57.15	4,827,345.30	12.52	33,734,948.67
Including: Interest receivable					
Dividend receivable					
Other receivables	38,562,293.97	57.15	4,827,345.30	12.52	33,734,948.67
Portfolio 1					
Portfolio 2	38,562,293.97	57.15	4,827,345.30	12.52	33,734,948.67
Total	67,474,416.68	100.00	33,739,468.01	50.00	33,734,948.67

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 Communication 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) Other receivables with provision made on a collective basis

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Temporary advance payment receivable	7,674,156.55	2,120,925.66	27.64
Deposits	24,776,510.58	2,037,288.82	8.22
Funds for business	1,148,198.17	92,636.03	8.07
Others	5,785,198.10	929,702.33	16.07
Subtotal	39,384,063.40	5,180,552.84	

4) Provision for bad debts

Ages	Level 1	Level 2	Level 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit loss)	Expected credit loss for the entire duration (credit loss has occurred)	
Balance at Jan 1, 2019	215,395.92		4,611,949.38	4,827,345.30

Ages	Level 1	Level 2	Level 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit loss)	Expected credit loss for the entire duration (credit loss has occurred)	
Transfer level 2				
Transfer level 3	215,395.92			215,395.92
Reversed level 2				
Reversed level 1				
Provision made	232,406.89		346,177.30	578,584.19
Provision Reserved	10,000.00			10,000.00
Other changes	-19.27			-19.27
Balance at Jun30,2019	222,426.16		4,958,126.68	5,180,552.84

5) Bad debts disclosed by ages

Ages	Closing balance
Within 1 year	
1-2 years	
2-3 years	222,426.16
Over 3 years	4,958,126.68
3-4 years	268,083.90
4-5 years	103,949.20
Over 5 years	4,586,093.58
Subtotal	5,180,552.84

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

Items	Opening balance	Increase			Closing balance
		Provision made	Provision collected	Others	
Other receivables	33,739,468.01	363,188.27	10,000.00	-19.27	34,092,675.55
Subtotal	33,739,468.01	363,188.27	10,000.00	-19.27	34,092,675.55

Provision for bad debts made in current period totaled 363,188.27 yuan, collected totaled 10,000.00 yuan, and provision increased due to fluctuations in exchange totaled -19.27 yuan.

(3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Temporary advance payment receivable	36,354,429.26	33,879,523.33

Nature of receivables	Closing balance	Opening balance
Deposits	25,008,360.58	24,126,517.87
Funds for business	1,793,318.17	2,652,720.79
Others	5,140,078.10	6,815,654.69
Total	68,296,186.11	67,474,416.68

(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 5 years	42.33	28,912,122.71
Ping An International Financial Leasing Co., Ltd.	Deposits	4,000,000.00	Within 1 year	5.86	200,000.00
Haitong Unitrust International Leasing Co., Ltd.	Deposits	2,775,420.00	Within 1 year	4.06	138,771.00
China Potevio Information Industry Inc.	Deposits	1,938,000.00	1-3 years	2.84	96,900.00
Far East International Leasing Co., Ltd.	Deposits	1,578,947.37	Within 1 year	2.31	78,947.37
Subtotal		39,204,490.08		57.40	29,426,741.08

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	78,124,583.39	3,401,987.55	74,695,978.70	84,431,224.04	3,401,987.55	81,029,236.49
Work in process	9,029,205.27		9,029,205.27	33,004,830.02		33,004,830.02
Goods on hand	112,971,236.01	7,337,485.59	105,633,750.42	80,895,523.20	7,337,485.59	73,558,037.61
Merchandise shipped	74,653,070.77	13,804,319.56	60,875,368.35	108,005,683.58	13,804,319.56	94,201,364.02
Materials in consignors	6,056,552.41	804,691.99	5,251,860.42	5,983,856.44	804,691.99	5,179,164.45
Total	280,834,647.85	25,348,484.69	255,486,163.16	312,321,117.28	25,348,484.69	286,972,632.59

(2) Provision for inventory write-down

Items	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Reversal or written-off	Others	
Raw materials	3,401,987.55					3,401,987.55
Goods on hand	7,337,485.59					7,337,485.59
Goods dispatched	13,804,319.56					13,804,319.56
Materials on consignment for further processing	804,691.99					804,691.99
Subtotal	25,348,484.69					25,348,484.69

7. Other current assets

Items	Closing balance	Opening balance
Input VAT to be credited	17,477,582.88	13,497,540.69
Advance payment of income tax	103,082.29	
Total	17,580,665.17	13,497,540.69

8. 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	10,430,784.30		10,430,784.30	11,128,318.34		11,128,318.34
Investments in joint ventures	171,187,202.80		171,187,202.80	172,115,761.89		172,115,761.89
Total	181,617,987.10		181,617,987.10	183,244,080.23		183,244,080.23

(2) Details

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.	11,128,318.34			-697,534.04	
Subtotal	11,128,318.34			-697,534.04	
Associates					
Nanjing Putian Telege Cable Co., Ltd.	1,183,862.97		1,183,862.97		
Potevio Hi-tech Industry Co., Ltd.	170,931,898.92			255,303.88	
Subtotal	172,115,761.89		1,183,862.97	255,303.88	
Total	183,244,080.23		1,183,862.97	-442,230.16	

(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					10,430,784.30	
SEI-Nanjing Potevio Optical Network Co., Ltd.					10,430,784.30	
Subtotal						
Associates						
Nanjing Putian Telege Cable Co., Ltd.						
Potevio Hi-tech Industry Co., Ltd.					171,187,202.80	
Subtotal					171,187,202.80	

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		
Total					181,617,987.10	

9. Other equity instrument investments

(1) Details

Items	Closing balance	January 1, 2018	Dividend income	Accumulated amount of gains or losses transferred from other comprehensive income to retained earnings	
				Amount	Reasons
Nanjing Yuhua Electroplating Factory	420,915.00	420,915.00			
Hangzhou Honyar Electrical Co.,Ltd.	321,038.00	321,038.00			
Beijing Likangpu Communication Equipment Co., Ltd.					
Subtotal	741,953.00	741,953.00			

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

The company's equity instrument investment is an investment that the company plans to hold for a long time for strategic purposes, so the company designates it as a financial asset measured at fair value and whose changes are included in other comprehensive income.

[Note]: Beijing Likangpu Communication Equipment Co., Ltd. by the end of 2007 has become a serious insolvent situation, remain closed, since 2008, no business continues today, October 2007, the Beijing municipal administration of industry and commerce issued the license of the decision and asked the company liquidation in accordance with the law, according to "CASBE 33 - Consolidated Financial Statements", relevant provisions of the company in 2008 began to no longer be included in the annual report consolidated range, which has been submitted to the China Potevio Information Industry Inc. and the state-owned assets supervision and administration for the record.

10. Investment property

Items	Buildings and structures	Land use right	Total
Cost			
Opening balance	18,646,397.35	3,642,147.87	22,288,545.22
Increase			

Items	Buildings and structures	Land use right	Total
Decrease			
1) Transferred into fixed assets			
Closing balance	18,646,397.35	3,642,147.87	22,288,545.22
Accumulated depreciation and amortization			
Opening balance	10,164,478.73	1,884,534.51	12,049,013.24
Increase	233,471.67	59,980.32	293,451.99
1) Accrual or amortization	233,471.67	59,980.32	293,451.99
Decrease			
1) Transferred into fixed assets			
Closing balance	10,397,950.40	1,944,514.83	12,342,465.23
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	6,406,028.95	1,697,633.04	8,103,661.99
Opening balance	6,639,500.62	1,757,613.36	8,397,113.98

11. Fixed assets

(1) Details

Items	Buildings and structures	Machinery equipment	Transport facilities	Electronic equipment	Office equipment and others	Total
Cost						
Opening balance	146,734,468.68	47,510,328.82	12,956,558.48	7,377,179.98	46,466,540.34	261,045,076.30
Increase	1,414,689.30	1,651,396.01		96,322.28	90,938.96	3,253,346.55
1) Acquisition		1,651,396.01		96,322.28	90,938.96	1,838,657.25
2) Transferred in from construction in progress	1,414,689.30					1,414,689.30
Decrease		2,728,393.48	1,591,072.72	325,115.25	253,492.00	4,898,073.45
1) Disposal/scrap		2,728,393.48	1,591,072.72	325,115.25	253,492.00	4,898,073.45
Closing balance	148,149,157.98	46,433,331.35	11,365,485.76	7,148,387.01	46,303,987.30	259,400,349.40
Accumulated depreciation						
Opening balance	50,615,949.47	37,030,086.33	11,631,222.35	5,825,140.46	42,701,045.00	147,803,443.61
Increase	2,457,450.35	952,404.53	234,157.15	623,511.43	500,825.74	4,768,349.20
1) Accrual	2,457,450.35	952,404.53	234,157.15	623,511.43	500,825.74	4,768,349.20
2) Transferred in from construction in progress						
Decrease		2,361,925.33	1,549,003.25	311,224.63	245,887.24	4,468,040.45
1) Disposal/scrap		2,361,925.33	1,549,003.25	311,224.63	245,887.24	4,468,040.45

Items	Buildings and structures	Machinery equipment	Transport facilities	Electronic equipment	Office equipment and others	Total
Closing balance	53,073,399.82	35,620,565.53	10,316,376.25	6,137,427.26	42,955,983.50	148,103,752.36
Provision for impairment						
Opening balance	539,124.00	10,863.02		11,048.35	175,790.21	736,825.58
Increase						
Decrease						
Closing balance	539,124.00	10,863.02		11,048.35	175,790.21	736,825.58
Carrying amount						
Closing balance	94,536,634.16	10,801,902.80	1,049,109.51	999,911.40	3,172,213.59	110,559,771.46
Opening balance	95,579,395.21	10,469,379.47	1,325,336.13	1,540,991.17	3,589,705.13	112,504,807.11

(2) Fixed assets temporarily idle

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery equipment	208,085.00	192,141.10	11,048.35	4,895.55
Transport facilities	225,000.00	218,250.00		6,750.00
Electronic equipment	36,000.00	34,920.00		1,080.00
Office equipment and others	370,885.18	184,349.93	175,408.71	11,126.54
Subtotal	839,970.18	629,661.03	186,457.06	23,852.09

(3) Fixed assets with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	2,455,263.86	Not applicable for allocated land
Buildings and structures	31,920,799.34	Under procedure
Subtotal	34,376,063.20	

12. Construction in progress

(1) Details

Items	Closing balance	Opening balance
Construction in progress	17,268,676.17	9,472,383.76
Total	17,268,676.17	9,472,383.76

(2) 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 construction related building intelligent equipment.	5,781,757.54		5,781,757.54	5,781,757.54		5,781,757.54
Reconstruction of distribution building				1,160,141.27		1,160,141.27
Nanjing hao Ming	58,135.34		58,135.34	58,135.34		58,135.34

Projects	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
litong information technology Co., Ltd.						
Nanjing Putian Datang Information Electronic Co., Ltd. -Product development center	11,284,562.74		11,284,562.74	2,472,349.61		2,472,349.61
Block c-2, putian No.1, geological engineering and exploration institute of jiangsu province	44,339.62		44,339.62			
Comprehensive pipeline construction of putian pioneering	70,754.72		70,754.72			
Putian science and technology pioneering park planning	29,126.21		29,126.21			
Total	17,268,676.17		17,268,676.17	9,472,383.76		9,472,383.76

(2) Changes in significant projects

Projects	Budgets	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance
Nanjing putian science and technology pioneer park intelligent park construction related building intelligent equipment	9,920,000.00	5,781,757.54				5,781,757.54
Nanjing Putian Datang Information Electronic Co., Ltd. -Product development center	20,000,000.00	2,472,349.61	8,812,213.13			11,284,562.74
Subtotal	25,920,000.00	8,254,107.15	8,812,213.13			17,066,320.28

(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
Nanjing putian science and technology pioneer park intelligent park construction related building intelligent equipment	58.28	60.00				Self-owned fund
Nanjing Putian Datang Information Electronic Co., Ltd. -Product development center	56.42	60.00				Self-owned fund
Subtotal						

13. Intangible assets

Items	Software	Land use right	Patent right	Non-patent technology	Total
Cost					
Opening balance	34,638,346.69	11,978,112.74	607,500.00	4,560,000.00	51,783,959.43
Increase					
1) Acquisition					
2) Internal research and development					
Decrease					
1) Disposal					
Closing balance	34,638,346.69	11,978,112.74	607,500.00	4,560,000.00	51,783,959.43
Accumulated amortization					
Opening balance	6,865,500.72	9,465,359.94	607,500.00	4,560,000.00	21,498,360.66
Increase					
1) Accrual	431,228.92	554,348.70			985,577.62
Decrease					
1) Disposal					
Closing balance	7,296,729.64	10,019,708.64	607,500.00	4,560,000.00	22,483,938.28
Carrying amount					
Closing balance	27,341,617.05	1,958,404.10			29,300,021.15
Opening balance	27,772,845.97	2,512,752.80			30,285,598.77

14. Long-term prepayments

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Reconstruction of canteen	789,761.03		106,524.99		683,236.04
Reconstruction of office building	1,262,446.69	131,003.64	455,399.48		938,050.85
Others	1,510,129.12	59,433.96	153,098.80		1,416,464.28
Total	3,562,336.84	190,437.60	715,023.27		3,037,751.17

15. Short-term borrowings

Items	Closing balance	Opening balance
Pledged borrowings	290,670,651.05	250,000,000.00
Mortgaged borrowings	48,820,000.00	65,010,000.00
Secured borrowings	124,692,750.00	130,000,000.00
Total	464,183,401.05	445,010,000.00

16. Notes payable

Items	Closing balance	Opening balance
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Items	Closing balance	Opening balance
Trade acceptance	10,409,478.80	15,932,068.77
Bank acceptance	80,829,295.95	68,442,848.22
Total	91,238,774.75	84,374,916.99

17. Accounts payable

(1) Details

Items	Closing balance	Opening balance
Purchase of materials	673,053,507.64	742,212,386.80
Project payment	22,443,232.62	816,566.82
Total	695,496,740.26	743,028,953.62

(2) Significant accounts payable over 1 year

Items	Closing balance	Reasons for unsettlement
Jiangsu Sainty Machinery IMP.&Co.,Ltd.	30,253,013.65	Settlement is not completed
China Potevio Information Industry Inc.	19,641,228.50	Settlement is not completed
SEI-Nanjing Potevio Optical Network Co., Ltd.	18,589,974.96	Settlement is not completed
POLYCOM communications technology (Beijing) Co.,Ltd.	17,737,438.13	Settlement is not completed
Beijing LDL Technology Co.,Ltd.	4,917,823.33	Settlement is not completed
Subtotal	91,139,478.57	

18. Advances received

(1) Details

Items	Closing balance	Opening balance
Payment for goods	33,841,758.85	259,545,648.66
Total	33,841,758.85	259,545,648.66

19. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	21,132,336.19	114,390,630.00	114,263,499.25	21,259,466.94
Post-employment benefits - defined benefit plan		13,903,520.86	13,903,520.86	
Total	21,132,336.19	128,294,150.86	128,167,020.11	21,259,466.94

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	11,254,526.62	86,829,481.55	87,760,265.29	10,323,742.88
Employee welfare fund		5,135,787.68	5,049,623.58	86,164.10
Social insurance premium		7,251,507.99	7,251,507.99	

Items	Opening balance	Increase	Decrease	Closing balance
Including: Medicare premium		6,668,985.01	6,668,985.01	
Occupational injuries premium		145,471.57	145,471.57	
Maternity premium		437,051.41	437,051.41	
Housing provident fund	156,533.23	5,569,529.31	5,569,529.31	156,533.23
Trade union fund and employee education fund	9,721,276.34	2,300,465.23	1,349,391.60	10,672,349.97
Compensation for termination of labor relations		1,702,830.64	1,702,830.64	
Others		5,601,027.60	5,580,350.84	20,676.76
Subtotal	21,132,336.19	114,390,630.00	114,263,499.25	21,259,466.94

(3) Details of defined benefit plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium		11,836,850.07	11,836,850.07	
Unemployment insurance premium		531,469.10	531,469.10	
Company annuity payment		1,535,201.69	1,535,201.69	
Subtotal		13,903,520.86	13,903,520.86	

20. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	1,042,577.52	11,419,693.22
Enterprise income tax	2,314,752.33	3,685,037.85
Individual income tax	-143,774.49	233,032.97
Urban maintenance and construction tax	155,806.29	900,385.94
Housing property tax	210,621.97	248,142.34
Land use tax	81,754.17	83,316.67
Education surcharge	15,824.82	655,635.04
Other taxes	159,058.71	4,914.99
Total	3,836,621.32	17,230,159.02

21. Other payables

(1) Details

Items	Closing balance	Opening balance
Interest payable	396,333.33	454,333.33
Dividend payable	2,018,213.38	2,018,213.38
Other payables	39,442,705.33	52,655,945.94
Total	41,857,252.04	55,128,492.65

(2) Interest payable

Items	Closing balance	Opening balance
Short-term borrowings interest	396,333.33	454,333.33
Subtotal	396,333.33	454,333.33

(3) Dividend payable

Items	Closing balance	Opening balance
Dividend of ordinary shares	2,018,213.38	2,018,213.38
Subtotal	2,018,213.38	2,018,213.38

(4) Other payables

Items	Closing balance	Opening balance
Deposits	23,393,548.33	23,338,514.42
Temporary receipts payable	1,708,699.79	18,165,474.04
Unsettled installation cost	4,980,031.75	5,611,697.12
Operating expenses	6,403,540.74	2,899,584.68
Others	2,956,884.72	2,640,675.68
Total	39,442,705.33	52,655,945.94

22. Long-term payable

(1) Details

Items	Closing balance	Opening balance
Long-term payable	28,947,368.42	
Total	28,947,368.42	

(2) Long-term payable

1) Details

Items	Closing balance	Opening balance
Finance lease payable	28,947,368.42	
Total	28,947,368.42	

23. Deferred income

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Government grants	7,296,315.00		1,291,442.00	6,004,873.00
Total	7,296,315.00		1,291,442.00	6,004,873.00

(2) Other remarks

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.

24. Share capital

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

25. 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

26. Other comprehensive income (OCI)

Items	Opening balance	Current period cumulative				Closing balance
		Current period cumulative before income tax	Less: income tax	Attributable to parent company	Attributable to non-controlling interest	
Items to be reclassified subsequently to profit or loss	-4,947,588.58	-72,101.33		-64,891.20	-7,210.13	-5,012,479.78
Including: Translation reserve	-4,947,588.58	-72,101.33		-64,891.20	-7,210.13	-5,012,479.78
Total	-4,947,588.58	-72,101.33		-64,891.20	-7,210.13	-5,012,479.78

27. 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

28. Undistributed profit

(1) Details

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	-40,726,776.80	-44,605,902.63
Add: Increase due to adjustment (or less: decrease)		-1,980,089.01
Opening balance after adjustment	-40,726,776.80	-46,585,991.64
Add: Net profit attributable to owners of the parent company	-57,528,524.88	5,859,214.84
Closing balance	-98,255,301.68	-40,726,776.80

(2) Other remarks

The undistributed profit at the beginning of the period was affected by RMB -44,284,870.45 due

to changes in accounting policies.

(II) Notes to items of the consolidated income statement

1. Operating revenue/Operating cost

Items	Current period cumulative		Preceding period comparative	
	Income	Cost	Income	Cost
Revenue from main operations	748,403,711.97	627,020,995.66	934,501,599.83	796,224,938.08
Revenue from other operations	8,793,659.83	6,074,772.41	32,349,005.12	28,133,757.24
Total	757,197,371.80	633,095,768.07	966,850,604.95	824,358,695.32

2. Taxes and surcharge for operations

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	1,777,930.30	2,182,407.41
Education surcharge	1,269,818.71	2,054,225.98
Housing property tax	557,385.97	749,055.08
Land use tax	422,897.78	320,919.70
Other taxes	465,150.92	357,642.37
Total	4,493,183.68	5,664,250.54

3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	39,112,434.18	40,217,290.65
Transport fees and transport damages	10,243,144.78	7,900,716.87
Business hospitality	10,874,241.76	12,549,783.07
Travelling expenses	6,968,112.26	7,876,538.22
Office expenses	1,360,197.08	2,593,640.68
Sales service charges	1,741,668.30	1,658,518.68
Promotion expenses	324,310.03	1,002,873.79
Conference expenses	766,545.15	720,798.25
Equipment maintain fees	61,318.09	345,262.15
Others	7,061,490.42	4,830,761.28
Total	78,513,462.05	79,696,183.64

4. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	31,499,550.76	29,511,436.71
Consulting, agency fee	2,715,146.65	3,131,873.17

Items	Current period cumulative	Preceding period comparative
Depreciation and amortization	3,344,059.93	2,348,170.20
Office expenses	2,705,032.24	1,987,484.94
Lease expenses	900,914.93	1,477,494.62
Travelling expense	705,272.98	1,732,042.57
Business hospitality	1,167,004.52	1,351,907.52
Funds for Party Construction	610,733.18	
Others	3,611,860.48	5,850,165.54
Total	47,259,575.67	47,390,575.27

5. R&D expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	29,168,313.31	23,171,707.81
Intermediate test expenses	8,469.63	2,135,693.09
Travelling expense	1,071,110.21	1,948,834.81
Material used	557,435.00	4,615,230.61
Depreciation and amortization	776,073.03	910,835.79
Commissioned development	842,161.13	698,345.52
Others	3,485,478.18	2,917,459.17
Total	35,909,040.49	36,398,106.80

6. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenditures	12,296,091.86	11,625,553.62
Less: Interest income	2,400,422.53	1,692,017.07
Losses on foreign exchange	7,644.23	18,361.79
Handling charges	454,996.92	246,567.05
Financing charges	5,465,496.17	
Total	15,823,806.65	10,198,465.39

7. Other income

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants related to income	6,006,842.30	5,799,343.86	3,456,342.00
Total	6,006,842.30	5,799,343.86	3,456,342.00

8. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	-442,230.16	407,793.10

Total	-442,230.16	407,793.10
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9. Credit impairment loss

Items	Current period cumulative
Bad debts	-668,512.60
Total	-668,512.60

10. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts		-3,030,783.16
Inventory write-down loss		
Total		-3,030,783.16

11. 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	98,840.67	30,156,818.80	98,840.67
Total	98,840.67	30,156,818.80	98,840.67

12. Non-operating revenue

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants	300,000.00	2,375,370.56	300,000.00
Unpayable payables	891,670.89	225,371.60	891,670.89
Fine income	12,300.00	1,000.00	12,300.00
Others	108,144.28	224,111.99	108,144.28
Total	1,312,115.17	2,825,854.15	1,312,115.17

13. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Fines expenditures	444.60	135,029.97	444.60
Donation expenditures	18,845.00	97,000.00	18,845.00
Disposal of fixed assets	386.54		386.54
Others	218,975.90	76,556.03	218,975.90

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Total	238,652.04	308,586.00	238,652.04

14. Income tax expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	2,066,779.65	1,646,117.70
Total	2,066,779.65	1,646,117.70

(2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
Profit before tax	-51,829,061.47	-1,005,231.26
Income tax expenses based on statutory tax rate applicable to the parent company	-7,774,359.22	-251,307.82
Effect of different tax rate applicable to subsidiaries	-38,556.99	-874,737.23
Effect of prior income tax reconciliation	-280,669.75	67,935.55
Effect of non-taxable income	114,572.30	-101,948.28
Effect of non-deductible costs, expenses and losses		1,826,473.01
Effect of deductible temporary differences or deductible losses not recognized as deferred income tax assets		-2,407,065.64
Effect of deductible temporary difference or the deductible loss of deferred income tax assets in the current period		7,620,079.35
Deduction of R&D expenditures	16,531,798.36	-4,233,311.26
Income tax expenses	-6,486,005.05	1,646,117.70

(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	1,904,900.00	4,377,764.52
Interest income	2,391,843.99	1,692,017.07
Temporary receipts and recovery of temporary payment	28,106,277.94	28,106,277.94
Others	1,698,242.68	1,698,242.68
Total	34,101,264.61	37,651,747.79

2. Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Expenses by cash payment	40,048,152.96	52,338,653.48
Temporary payment and repayment of temporary receipts	37,196,104.12	62,678,023.35
Others	1,095,096.63	1,074,094.19
Total	78,339,353.71	116,090,771.02

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	-53,895,841.12	-2,651,348.96
Add: Provision for assets impairment loss		3,030,783.16
Credit impairment loss	668,512.60	
Depreciation of fixed assets, oil and gas assets, productive biological assets	4,768,349.20	5,073,524.74
Amortization of intangible assets	985,577.62	692,753.77
Amortization of long-term prepayments	715,023.27	1,387,749.95
Loss on disposal of fixed assets, intangible assets and other non-current assets (Less: gains)	-98,840.67	-30,156,818.80
Fixed assets retirement loss (Less: gains)		
Losses on changes in fair value (Less: gains)		
Financial expenses (Less: gains)	17,761,588.03	11,625,553.62
Investments losses (Less: gains)	442,230.16	-407,793.10
Decrease of deferred tax assets (Less: increase)		
Increase of deferred tax liabilities (Less: decrease)		
Decrease in inventories (Less: increase)	31,486,469.43	141,110,892.98
Decrease in operating receivables (Less: increase)	146,744,343.43	-263,703,522.06
Increase of operating payables (Less: decrease)	-313,674,142.69	-91,277,004.23
Others		
Net cash flow from operating activities	-164,096,730.74	-225,275,228.93
(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	78,202,397.52	157,235,827.99

Supplement information	Current period cumulative	Preceding period comparative
Less: Cash at the beginning of the period	201,369,317.42	311,056,919.17
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	-123,166,919.90	-153,821,091.18

(2) Cash and cash equivalents

Items	Closing balance	Opening balance
1) Cash	78,202,397.52	201,369,317.42
Including: Cash on hand	3,553.38	1,886.33
Cash in bank on demand for payment	78,198,844.14	201,367,431.09
2) Cash equivalents		
Including: Bond investments maturing within three months	78,202,397.52	201,369,317.42
3) Cash and cash equivalents at the end of the period	78,202,397.52	201,369,317.42
Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions		

(IV) Others

1. Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Cash and bank balances	58,364,673.70	Deposit for acceptance and deposit for L/G
Accounts receivable	98,424,500.00	Pledge borrowings
Fixed assets	63,341,997.31	Providing mortgaged guarantee for borrowings
Intangible assets	7,178,053.74	Providing mortgaged guarantee for borrowings
Investment property	2,184,290.01	Providing mortgaged guarantee for borrowings
Total	229,493,514.76	

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 Telege Intelligent Building Co., Ltd. amounting to 4.80 million yuan, Nanjing South Telecommunications Co., Ltd. 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	635,133.18	6.8747	4,366,350.07
EUR	522.27	7.8170	4,082.58
HKD	603,229.93	0.8797	530,661.37
GBP	208.79	8.7113	1,818.83

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	Presented under other income	Presented under non-operating income	Closing balance of deferred income	Related to assets/income
Zombie enterprise financial aid.	6,296,315.00		1,291,442.00		5,004,873.00	Related to income
Government subsidies on technical development plans and technical funding	1,000,000.00				1,000,000.00	Related to income
Subtotal	7,296,315.00		1,291,442.00		6,004,873.00	

(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	2,550,500.30	Other income	
High-tech enterprise reward	1,250,000.00	Other income	
Enterprise special funds	600,000.00	Other income	
Provincial award for enterprise research and development in 2018	300,000.00	Non-operating revenue	
R&D expenditure award by Nanjing Yuhuatai district	10,000.00	Other income	
Science and technology award by Nanjing Qinhuai district	300,000.00	Other income	
Patent subsidiaries	4,900.00	Other income	
Subtotal	5,015,400.30		

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 Putian Changle Telecommunications Equipment Co., Ltd.	Nanjing City	Nanjing City	Manufacture	50.70		Set up
Nanjing Putian Telege Intelligent Building Co., Ltd.	Nanjing City	Nanjing City	Manufacture	45.77		Set up
Nanjing South Telecommunications Co., Ltd.	Nanjing City	Nanjing City	Manufacture	96.99	1.38	Set up
Nanjing Mennekes Electric Co., Ltd.	Nanjing City	Nanjing City	Manufacture	75.00		Business combination not under common control
Nanjing Putian Network Co., Ltd.	Nanjing City	Nanjing City	Manufacture	78.00		Set up
Nanjing Putian Datang Information Electronic Co., Ltd.	Nanjing City	Nanjing City	Manufacture	40.00		Business combination not under common control
Nanjing Putian Communication Technology Co., Ltd.	Nanjing City	Nanjing City	Manufacture	70.00		Set up
Nanjing Putian Wangzhi Electronic Co., Ltd.	Nanjing City	Nanjing City	Manufacture	100.00		Set up
Nanjing Bada Communication Equipment Co., Ltd.	Nanjing City	Nanjing City	Manufacture	60.00		Set up
Nanjing Putian Information Technology Co., Ltd.	Nanjing City	Nanjing City	Manufacture	100.00		Set up
Putian Communications (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Commercial	90.00		Set up

(2) Other remarks

1) 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 Co., 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 Co., Ltd.'s related activity. The Company has the ability to impact the amount of return and control over Nanjing Putian Telege Intelligent Building Co., Ltd.

2)The Company holds 40% equity of Nanjing Putian Datang Information Electronic Co., Ltd. The Company signed the agreement with 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. 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 Co., Ltd.	1.63%	23,873.64		1,702,532.74
Nanjing Putian Telege Intelligent Building Co., Ltd.	54.233%	5,165,421.76		72,244,873.26

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 Co., Ltd.	295,585,309.01	4,015,365.80	299,600,674.81	195,150,813.60		195,150,813.60
Nanjing Putian Telege Intelligent Building Co., Ltd.	215,284,703.52	35,379,077.28	250,663,780.80	117,450,779.38		117,450,779.38

(Continued)

Subsidiaries	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Nanjing South Telecommunications Co., Ltd.	342,548,804.01	4,049,249.40	346,598,053.41	243,612,832.61		243,612,832.61
Nanjing Putian Telege Intelligent Building Co., Ltd.	263,041,060.54	37,450,502.90	300,491,563.44	176,803,061.42		176,803,061.42

(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	161,078,673.03	1,464,640.41	1,464,640.41	-40,474,734.54

Subsidiaries	Current period cumulative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Co., Ltd.				
Nanjing Putian Telege Intelligent Building Co., Ltd.	172,230,459.10	9,524,499.40	9,524,499.40	-67,113,843.29

(Continued)

Subsidiaries	Preceding period comparative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Nanjing South Telecommunications Co., Ltd.	189,137,568.77	5,242,512.96	5,242,512.96	-42,705,054.89
Nanjing Putian Telege Intelligent Building Co., Ltd.	175,165,797.66	7,863,323.16	7,863,323.16	-63,303,867.53

(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	
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 associates

Items	Closing balance/ current period cumulative	Opening balance/ preceding period comparative
	Potevio Hi-tech Industry Co., Ltd.	
Current assets	160,770,173.48	161,743,478.51
Non-current assets	190,849,670.82	190,882,106.08
Total assets	351,619,844.30	352,625,584.59
Current liabilities	6,788,321.97	8,282,339.46
Non-current liabilities		
Total liabilities	6,788,321.97	8,282,339.46
Non-controlling interest		
Equity attributable to owners of parent company	344,343,245.13	344,343,245.13
Proportionate share in net assets	171,187,202.80	170,931,898.92
Adjustments		
Goodwill		

Items	Closing balance/ current period cumulative	Opening balance/ preceding period comparative
	Potevio Hi-tech Industry Co., Ltd.	
Unrealized profit in internal trading		
Others		
Carrying amount of investments in associates	171,187,202.80	170,931,898.92
Fair value of equity investments in associates in association with quoted price		
Operating revenue	15,876,141.41	12,964,410.68
Net profit	710,277.20	650,880.98
Net profit of discontinued operations		
Other comprehensive income		
Total comprehensive income	710,277.20	650,880.98
Dividend from associates received in current period	255,303.88	197,567.20

3. Aggregated financial information of insignificant joint ventures and associates

Items	Closing balance/current period cumulative	Opening balance/preceding period comparative
Joint ventures		
Total carrying amount of investments	10,430,784.30	11,128,318.34
Proportionate shares in the following items		
Net profit	-697,534.04	82,233.20
Total comprehensive income	-697,534.04	82,233.20
Associates		
Total carrying amount of investments		1,183,862.97
Proportionate shares in the following items		
Net profit		75,194.64
Total comprehensive income		75,194.64

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, 2019, 15.07% (December 31, 2018: 16.85%) 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 Potevio Company 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
SEI-Nanjing Potevio Optical Network Co., Ltd.	Joint ventures

4. Other related parties of the Company

Related parties	Relationships with the Company
Nanjing Potevio Honyar Electrical Technology Co., Ltd.	An affiliated company of the ultimate controlling party
Nanjing Potevio Honyar Electrical Co., Ltd.	An affiliated company of the ultimate controlling party
Shanghai Potevio Post and Technology Co., Ltd.	An affiliated company of the ultimate controlling party
Beijing Potevio Taili Communications Technology Co., Ltd.	An affiliated company of the ultimate controlling party
Hangzhou Honyar Dongbei Photoelectric Technology Co., Ltd.	An affiliated company of the ultimate controlling party

Related parties	Relationships with the Company
Shanghai Potevio Network Technology Co., Ltd.	An affiliated company of the ultimate controlling party
Potevio Telecommunications Co., Ltd.	An affiliated company of the ultimate controlling party
Potevio Information Technology Co., Ltd.	An affiliated company of the ultimate controlling party
Beijing Likangpu Communication Equipment Co., Ltd.	An affiliated company of the Company
Mennekes Electric Industrial(China) Co., Ltd.	Non-controlling shareholder of the Company's subsidiary
Potevio Heping Technology Co., Ltd.	An affiliated company of the ultimate controlling party
Hangzhou Honyar Electrical Co.,Ltd.	An affiliated company of the ultimate controlling party
Potevio International Trading Co., Ltd.	An affiliated company of the ultimate controlling party
Chengdu Putian Telecommunications Cable Co.,Ltd.	An affiliated company of the ultimate controlling party
Eastern Communications Inc.	An affiliated company of the ultimate controlling party
Potevio Eastern Communications Co.,Ltd.	An affiliated company of the ultimate controlling party
Potevio Science & Technology Industrial Co., Ltd.	An affiliated company of the ultimate controlling party
Tianjin Potevio Innovation and Entrepreneur Technology 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
Nanjing Potevio Honyar Electrical Technology Co., Ltd.	Telecommunication products	132,195.74	85,492.00
Potevio Information Technology Co., Ltd.	Telecommunication products		597,863.25

(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	3,615,050.89	12,975,234.34
China Potevio Information Industry Inc.	Telecommunication products	190,657,333.97	238,683,644.38
Beijing Potevio Taili Communications Technology Co., Ltd.	Telecommunication products	31,310.35	6,423.67
Potevio Science & Technology Industrial Co., Ltd.	Telecommunication products	520,689.63	

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Potevio Telecommunications Co., Ltd.	Telecommunication products	6,262,055.95	

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 Network Co., Ltd.	Buildings and structures		318,215.64

(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	386,216.95	372,669.04	903,601.03	797,626.96

3. Related party guarantees

The Company and its subsidiaries as guaranteed parties

Guarantors	Amount guaranteed	Commencement date	Maturity date	Whether the guarantee is mature
China Potevio Information Industry Inc.	30,000,000.00	2018/3/9	2019/3/8	Yes
China Potevio Information Industry Inc.	40,000,000.00	2018/9/28	2019/6/28	Yes
China Potevio Information Industry Inc.	30,000,000.00	2018/10/23	2019/10/23	No
China Potevio Information Industry Inc.	30,000,000.00	2019/6/11	2020/6/11	No
China Potevio Information Industry Inc.	50,000,000.00	2019/6/05	2020/5/14	Yes

4. Interest expenditures

In the current period, the Company paid to China Potevio Information Industry Inc. a total of 6,186,106.38 yuan as interest expenditures.

5. Key management's emoluments

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	1,354,188.02	1,155,082.00

(III) Balance due to or from related parties

1. Balance due from related parties

Items	Related parties	Closing balance	Opening balance
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		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	China Potevio Information Industry Inc.	12,204,488.63	660,400.00	20,981,660.73	709,020.78
	Potevio Information Technology Co., Ltd.	16,377,198.52		12,941,118.68	
	Shanghai Potevio Network Technology Co., Ltd.	536,319.70	429,055.76	536,319.70	429,055.76
	Shanghai Potevio Post and Technology Co., Ltd.	8,755,534.00	8,755,534.00	8,755,534.00	8,755,534.00
	Potevio Heping Technology Co., Ltd.	333,706.00	33,370.60	333,706.00	
	Eastern Communications Inc.	144,617.20		206,596.00	
	Potevio Telecommunications Co., Ltd.			199,000.00	
	Tianjin Potevio Innovation and Entrepreneur Technology Co., Ltd.	1,003,948.40		941,969.60	
	Potevio Company Limited.	8,164,069.30		1,768,070.00	
	Mennekes Electric Industrial(China) Co., Ltd.	4,546.26		4,546.26	
	Guangxi Potevio Post Communication Equipment Co., Ltd.	629,899.32	186,044.64	629,899.32	186,044.64
	Potevio Science & Technology Industrial Co., Ltd.			12,709.44	200.81
Subtotal		73,040.00			
Advances paid	Potevio Heping Technology Co., Ltd.	436,294.00		436,294.00	436,294.00
	Potevio Information Technology Co., Ltd.	25,000.00			25,000.00
Subtotal		461,294.00		436,294.00	461,294.00
Other receivables	China Potevio Information Industry Inc.	1,963,000.00	60,000.00	3,839,000.00	400,000.00
	Potevio Eastern Communications Co.,Ltd.			1,209,297.25	
	Potevio Information Engineering Design Service Co., Ltd.	30,000.00		30,000.00	
	Potevio Science & Technology Industrial Co., Ltd.	1,300.00		1,300.00	
Subtotal		1,203,052.00		1,203,052.00	

2. Balance due to related parties

Items	Related parties	Closing balance	Opening balance
Accounts payable	SEI-Nanjing Potevio Optical Network Co., Ltd.	1,630,750.70	20,819,725.66
	China Potevio Information Industry Inc.	19,641,228.50	19,641,228.50
	Nanjing Potevio Honyar Electrical Co., Ltd.	242,595.99	242,595.99
	Shanghai Potevio Network Technology Co., Ltd.	11,685.00	11,685.00

Items	Related parties	Closing balance	Opening balance
	Mennekes Electric Industrial(China) Co., Ltd.		5,433,476.69
	Potevio Information Technology Co., Ltd.	69,950.00	69,950.00
	Nanjing Potevio Honyar Electrical Technology Co., Ltd.	232,843.05	86,243.30
Subtotal		21,829,053.24	46,304,905.14
Advances received	China Potevio Information Industry Inc.	2,720,702.86	223,246,886.73
Subtotal		2,720,702.86	223,246,886.73
Other payables	Potevio Hi-tech Industry Co., Ltd.	138,657.24	
	Potevio Telecommunications Co., Ltd.	200,000.00	200,000.00
	Potevio Company Limited.	10,638,000.00	14,580,000.00
Subtotal		10,976,657.24	14,780,000.00

IX. Commitments and contingencies

None

X. Events after balance sheet day

None

XI. Other important matters

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, various low-voltage distribution products, private 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	160,888,196.84	171,197,491.27	59,996,386.53	186,594,827.60	189,089,692.12	-19,362,882.39	748,403,711.97
Cost of main operations	123,774,773.25	126,510,910.63	47,656,142.16	183,479,607.25	164,962,444.76	-19,362,882.39	627,020,995.66
Total assets	299,600,674.81	271,481,638.09	210,732,524.25	38,418,675.80	1,362,789,970.59	-423,343,638.37	1,759,679,845.17
Total liabilities	195,150,813.60	138,268,636.67	119,620,363.75		1,213,613,713.10	-259,379,964.05	1,407,273,563.07

XII. 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				
	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	603,322,197.30	100.00	33,930,540.76	5.62	569,391,656.54
Portfolio 1	14,044,807.00	2.33			14,044,807.00
Portfolio 2	589,277,390.30	97.67	33,930,540.76	5.76	555,346,849.54
Total	603,322,197.30	100.00	33,930,540.76	5.62	569,391,656.54

(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	618,514,189.40	99.70	31,878,310.78	5.15	586,635,878.62
Portfolio 1	14,042,487.00	2.27			14,042,487.00
Portfolio 2	604,471,702.40	97.73	31,878,310.78	5.27	572,593,391.62
Total	618,514,189.40	100.00	31,878,310.78	5.15	586,635,878.62

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	444,373,134.11		
1-2 years	75,053,008.28		
2-3 years	24,387,009.62	2,438,700.96	10.00
3-4 years	12,695,673.43	3,808,702.03	30.00
4-5 years	7,606,783.87	3,042,713.55	40.00
5-6 years	2,606,783.87	2,085,427.10	80.00
Over 6 years	22,554,997.12	22,554,997.12	100.00
Subtotal	589,277,390.30	33,930,540.76	

3) Bad debts disclosed by ages

Ages	Closing balance
Within 1 year	
1-2 years	
2-3 years	2,438,700.96
Over 3 years	31,491,839.8
3-4 years	3,808,702.03
4-5 years	3,042,713.55
Over 5 years	24,640,424.22
Subtotal	33,930,540.76

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

Provision for bad debts made in current period totaled 2,056,129.98 yuan and recovered 3,900.00 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
Beijing UniStrong Science & Technology Co., Ltd.	52,167,500.00	8.85	
China United Network Communications Group Co.,Ltd. -Henan Branch	29,514,969.14	5.01	
Beijing Zhongrui Haotian Information Technology Co., Ltd.	25,499,700.00	4.33	
Shenzhen Zhongchuang Electric Measurement Technology Co., Ltd.	22,904,248.79	3.89	
Dongpo Laos Co., Ltd.	19,708,086.54	3.34	
Subtotal	149,794,504.47	25.42	

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 provision made on an individual basis	28,912,122.71	47.30	28,912,122.71	100.00	
Including: other receivable	28,912,122.71	47.30	28,912,122.71	100.00	
Receivables with provision made on a collective basis using portfolios	40,869,343.18	52.70	3,089,981.09	7.56	37,779,362.09
Including: other receivable	40,869,343.18	52.70	3,089,981.09	7.56	37,779,362.09
Portfolio 1	11,873,459.99	11.14			11,873,459.99
Portfolio 2	28,995,883.19	41.55	3,089,981.09	10.66	25,905,902.10
Total	69,781,465.89	100.00	32,002,103.80	45.86	37,779,362.09

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables of provision made on an individual basis	28,912,122.71	42.71	28,912,122.71	100.00	
Including: other receivable	28,912,122.71	42.71	28,912,122.71	100.00	
Receivables with provision made on a collective basis using portfolios	38,781,802.08	57.29	7,704,412.50	19.87	31,077,389.58
Including: dividend receivable	400,000.00	0.59			400,000.00
other receivable	38,381,802.08	56.70	7,704,412.50	20.07	30,677,389.58
Portfolio 1	6,913,310.33	10.21			6,913,310.33
Portfolio 2	31,468,491.75	46.49	7,704,412.50	24.48	23,764,079.25
Total	67,693,924.79	100.00	36,616,535.21	54.09	31,077,389.58

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 Communication 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) Other receivables with provision made on portfolios

Portfolio	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Temporary advance payment receivable	4,754,936.71	1,277,357.90	26.86
Deposit	19,892,455.22	1,277,357.90	6.42
Funds for business	1,023,880.04	74,944.00	7.32

Portfolio	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Others	3,324,611.22	401,195.71	12.07
Subtotal	28,995,883.19	3,089,981.09	

4) Provision for bad debts

Ages	Level 1	Level 2	Level 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit loss)	Expected credit loss for the entire duration (credit loss has occurred)	
Balance at Jan1,2019	190,895.92		7,513,516.58	7,704,412.50
Transfer level 2				
Transfer level 3	190,895.92			190,895.92
Reversed level 2				
Reversed level 1				
Provision made	198,926.16		-4,622,461.65	-4,423,535.49
Provision Reserved				
Other changes				
Balance at Jun30,2019	198,926.16		2,891,054.93	3,089,981.09

5) Bad debts disclosed by ages

Ages	Closing balance
Within 1 year	
1-2 years	
2-3 years	198,926.16
Over 3 years	2,891,054.93
3-4 years	223,083.90
4-5 years	69,309.20
Over 5 years	2,598,661.83
Subtotal	3,089,981.09

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

Items	Opening balance	Increase			Closing balance
		Provision made	Provision collected	Others	
Other receivables	36,616,535.21	-4,614,431.41			32,002,103.80

Items	Opening balance	Increase			Closing balance
		Provision made	Provision collected	Others	
Subtotal	36,616,535.21	-4,614,431.41			32,002,103.80

Provisions for bad debts made in current period totaled -4,614,431.41 yuan.

(3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Temporary advance payment receivable	45,540,519.41	46,230,393.22
Deposits	19,892,455.22	18,558,706.28
Funds for business	1,023,880.04	1,348,181.93
Others	3,324,611.22	1,156,643.36
Total	69,781,465.89	67,293,924.79

(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 5 years	41.43	28,912,122.71
Putian Telecommunications (H.K.) Co., Ltd.	Temporary advance payment receivable	4,097,886.33	Over 5 years	5.87	4,097,886.33
Ping An International Financial Leasing Co., Ltd.	Deposits	4,000,000.00	Within 1 year	5.73	
Haitong Unitrust International Leasing Co., Ltd.	Deposits	2,775,420.00	1-3 years	3.98	138,771.00
China Potevio Information Industry Inc.	Deposits	1,938,000.00	1-3 years	2.78	96,900.00
Subtotal		41,723,429.04		59.79	33,245,680.04

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	153,218,270.64	1,910,520.00	151,307,750.64	153,218,270.64	1,910,520.00	151,307,750.64
Investments in associates and joint ventures	181,617,987.10		181,617,987.10	182,060,217.26		182,060,217.26
Total	334,836,257.74	1,910,520.00	332,925,737.74	335,278,487.90	1,910,520.00	333,367,967.90

(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	5,610,000.00			5,610,000.00		

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Equipment Co., Ltd.						
Nanjing Putian Changle Telecommunications Equipment Co., Ltd.	2,610,457.00			2,610,457.00		
Nanjing Putian Communication 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 Co., Ltd.	3,320,003.45			3,320,003.45		
Putian Telecommunications (H.K.) Co., Ltd.						1,910,520.00
Nanjing Putian Network Co., Ltd.	7,741,140.41			7,741,140.41		
Nanjing Putian Wangzhi Electronic Co., Ltd.	20,428,683.00			20,428,683.00		
Nanjing South Telecommunications Co., Ltd.	33,175,148.00			33,175,148.00		
Nanjing Putian Datang Information Electronic Co., Ltd.	5,436,797.07			5,436,797.07		
Subtotal	151,307,750.64			151,307,750.64		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.	11,128,318.34			-697,534.04	
Subtotal	11,128,318.34			-697,534.04	
Associates					
Potevio Hi-tech Industry Co., Ltd.	170,931,898.92			255,303.88	
Subtotal	170,931,898.92			255,303.88	
Total	182,060,217.26			-442,230.16	

(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.					10,430,784.30	
Subtotal					10,430,784.30	
Associates						
Potevio Hi-tech Industry Co., Ltd.					171,187,202.80	
Subtotal					171,187,202.80	
Total					181,617,987.10	

(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	336,659,233.97	318,589,542.51	473,077,482.03	437,252,856.53
Revenue from other operations	4,752,584.61	2,568,748.93	24,729,485.21	23,763,158.86
Total	341,411,818.58	321,158,291.44	497,806,967.24	461,016,015.39

2. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	-442,230.16	407,793.10
Total	-442,230.16	407,793.10

XIII. 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	98,454.13	
Government grant included in profit or loss (excluding those closely related to operating activities, or regular government grants)	3,756,342.00	
Gains on debt restructuring	-1,291,442.00	
Other non-operating revenue or expenditures	56,538.47	
Subtotal	2,619,892.60	
Less: enterprise income tax affected	-305,760.82	
Non-controlling interest affected (after tax)	-982,101.05	
Net non-recurring profit or loss attributable to shareholders of the parent company	1,332,030.73	

(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	-17.62	-0.2676	-0.2676
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	-18.03	-0.2738	-0.2738

2. Calculation process of weighted average RONA

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	-57,528,524.88
Non-recurring profit or loss	B	1,332,030.73
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-58,860,555.61
Opening balance of net assets attributable to shareholders of ordinary shares	D	355,289,728.24
Net assets attributable to shareholders of ordinary shares increased due to offering of new shares or conversion of debts into shares	E	
Number of months counting from the next month when the net assets were increased to the end of the reporting period	F	
Net assets attributable to shareholders of ordinary shares decreased due to share repurchase or cash dividends appropriation	G	
Number of months counting from the next month when the net assets were decreased to the end of the reporting period	H	
Others	Translation reserve increased in current period	-64,891.20
	Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period	
Number of months in the reporting period	K	6.00
Weighted average net assets	$L = \frac{D+A \times 1/2 + E \times F/K - G \times H/K \pm I \times J}{K}$	326,525,465.80
Weighted average RONA	$M = A/L$	-17.62
Weighted average RONA after deducting non-recurring profit or loss	$N = C/L$	-18.03

3. Calculation process of basic EPS and diluted EPS

(1) Calculation process of basic EPS

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	-57,528,524.88
Non-recurring profit or loss	B	1,332,030.73
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	-58,860,555.61
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	F	

Items	Symbols	Current period cumulative
shares or conversion of debts into shares		
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	$M=A/L$	-0.2676
Basic EPS after deducting non-recurring profit or loss	$N=C/L$	-0.2738

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