

**Nanjing Putian Telecommunications Co., Ltd.**  
**SEMI-ANNUAL REPORT 2017**

**August 2017**

## Section I. Important Notice, Contents and Paraphrase

**Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Nanjing Putian Telecommunications Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.**

**Li Linzhen, principal of the Company, Li Linzhen, person in charger of accounting works and Gao Wen, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of Semi-Annual Report 2017 is authentic, accurate and complete.**

**Other directors attending the Meeting for semi-annual report deliberation except for the followed**

| Name of director absent | Title for absent director | Reasons for absent | Attorney     |
|-------------------------|---------------------------|--------------------|--------------|
| Cheng Wei               | Director                  | For work           | Wang Jinfeng |
| Liu Yun                 | Director                  | For work           | Li Linzhen   |
| Xie Manlin              | Independent director      | For work           | Du Xiaorong  |

**Concerning the forward-looking statements with future planning involved in the Semi-Annual Report, they do not constitute a substantial commitment for investors. Investors are advised to exercise caution of investment risks.**

**The Company required the investors to read the full text of this semi-annual**

**report carefully and pay special attention to the following risk factors:**

**1. As the Company's audited net profits attributable to the shareholders of listed companies were negative for three consecutive years since 2014, 2015 and 2016, the Company's stock was suspended on May 11, 2017. According to the regulations of Shenzhen Stock Exchange, if the Company's net profits attributable to the shareholders of listed companies shown on the annual report or the net profits attributable to shareholders of listed companies after deducting non-recurring profits and losses were still negative, the Company's stock would be terminated.**

**2. Investors' attention is requested to see the risk factors that the Company may be faced in its future development which has been analyzed in the "Section IV Discussion and Analysis of Operation" in this report.**

**The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either.**

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## Paraphrase

| Items                                | Refers to | Contents                                                                                     |
|--------------------------------------|-----------|----------------------------------------------------------------------------------------------|
| CSRC                                 | Refers to | China Securities Regulatory Commission                                                       |
| SZ Stock Exchange                    | Refers to | Shenzhen Stock Exchange                                                                      |
| The Company, Company, Nanjing Putian | Refers to | Nanjing Putian Telecommunications Co., Ltd.                                                  |
| Southern Telecom, Southern Company   | Refers to | Nanjing Southern Telecom Co., Ltd. (controlling subsidiary of the Company)                   |
| Telege Building                      | Refers to | Nanjing Putian Telege Intelligent Building Co., Ltd. (controlling subsidiary of the Company) |

## Section II Company Profile and Main Financial Indexes

### I. Company profile

|                                                  |                                             |            |        |
|--------------------------------------------------|---------------------------------------------|------------|--------|
| Short form of the stock                          | *ST NJ TEL B                                | Stock code | 200468 |
| Stock exchange for listing                       | Shenzhen Stock Exchange                     |            |        |
| Name of the Company (in Chinese) (if applicable) | 南京普天通信股份有限公司                                |            |        |
| Short form of the Company (in Chinese)           | 南京普天                                        |            |        |
| Foreign name of the Company (if applicable)      | Nanjing Putian Telecommunications Co., Ltd. |            |        |
| Legal representative                             | Li Linzhen                                  |            |        |

### II. Person/Way to contact

|                 | Secretary of the Board                                           | Rep. of security affairs                                         |
|-----------------|------------------------------------------------------------------|------------------------------------------------------------------|
| Name            | Li Jing                                                          | Xiao Hong                                                        |
| Contact address | No. 1 Putian Road, Qinhuai District<br>Nanjing, Jiangsu Province | No. 1 Putian Road, Qinhuai District<br>Nanjing, Jiangsu Province |
| Tel.            | 86-25-58962308                                                   | 86-25-58962072                                                   |
| Fax.            | 86-25-52409954                                                   | 86-25-52409954                                                   |
| E-mail          | lijing@postel.com.cn                                             | xiaohong@postel.com.cn                                           |

### III. Others

#### 1. Way of contact

Whether registrations address, offices address and codes as well as website and email of the Company changed in reporting period or not

☐ Applicable    ☒ Not applicable

Registrations address, offices address and codes as well as website and email of the Company has no change in reporting period, found more details in Annual Report 2016.

#### 2. Information disclosure and preparation place

Whether information disclosure and preparation place changed in reporting period or not

☐ Applicable    ☒ Not applicable

The newspaper appointed for information disclosure, website for semi-annual report publish appointed by CSRC and preparation place for semi-annual report have no change in reporting period, found more details in Annual Report 2016.

#### IV. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data or not

☐ Yes ☒ No

|                                                                                                                    | Current period        | Same period of last year | Increase/decrease in this report y-o-y                            |
|--------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------|-------------------------------------------------------------------|
| Operating revenue (RMB)                                                                                            | 1,012,396,407.39      | 834,739,223.47           | 21.28%                                                            |
| Net profit attributable to shareholders of the listed Company (RMB)                                                | -13,246,723.63        | -21,109,095.63           | 37.25%                                                            |
| Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses (RMB) | -14,283,773.58        | -22,354,358.57           | 36.10%                                                            |
| Net cash flow arising from operating activities (RMB)                                                              | -136,164,593.81       | -96,581,410.89           | -40.98%                                                           |
| Basic earnings per share (RMB/Share)                                                                               | -0.06                 | -0.10                    | 40.00%                                                            |
| Diluted earnings per share (RMB/Share)                                                                             | -0.06                 | -0.10                    | 40.00%                                                            |
| Weighted average ROE                                                                                               | -3.98%                | -6.28%                   | 2.30%                                                             |
|                                                                                                                    | End of current period | End of last period       | Increase/decrease in this report-end over that of last period-end |
| Total assets (RMB)                                                                                                 | 2,530,584,049.81      | 2,304,519,167.54         | 9.81%                                                             |
| Net assets attributable to shareholder of listed Company (RMB)                                                     | 326,443,638.24        | 339,838,415.21           | -3.94%                                                            |

#### V. Difference of the accounting data under accounting rules in and out of China

##### 1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

☐ Applicable ☒ Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

##### 2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

☐ Applicable ☒ Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or

Chinese GAAP (Generally Accepted Accounting Principles) in the period.

## VI. Items and amounts of extraordinary profit (gains)/loss

√Applicable    □ Not applicable

In RMB

| Item                                                                                                                                                                                                | Amount       | Note |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------|
| Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)                                                                                 | -663,364.82  |      |
| Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business) | 2,368,873.77 |      |
| Other non-operating income and expenditure except for the aforementioned items                                                                                                                      | 134,413.94   |      |
| Less: impact on income tax                                                                                                                                                                          | 39,788.87    |      |
| Impact on minority shareholders' equity (post-tax)                                                                                                                                                  | 763,084.07   |      |
| Total                                                                                                                                                                                               | 1,037,049.95 | --   |

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

□ Applicable    √ Not applicable

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*

## Section III Summary of Company Business

### I. Main businesses of the Company in the reporting period

Does the Company need to comply with the disclosure requirement of the special industry?

No

The Company is a state-controlled telecommunications equipment manufacturing enterprise, its main business is the research and development, manufacturing, and marketing of telecommunications equipment products. At present, the Company (including the subsidiaries) is divided into information communication industry sector, data application industry sector, integrated access and electrical complete sets industry sector, smart city and emerging industry sector.

The Company home office's traditional leading products are the wiring products, in addition to the home office, the operating entities of wiring products include the holding subsidiary Nanjing Putian Changle Communication Equipment Co., Ltd., the joint stock Company SEI-Nanjing Putian Optical Network Co., Ltd. and so on. The Company's wiring products include distribution frame, outdoor telecommunications products, power supply products of communications room, indoor optical fiber cable, IODN, and so on. The main business of the holding subsidiary Nanjing South Telecom Co., Ltd. is to provide remote cooperation application solution for the industry customers in the fields of government, finance and medical care, the main products are video conferencing products. The holding subsidiary Nanjing Putian Telege Intelligent Building Co., Ltd. is mainly engaged in the production and sales of cabling and intelligent building products, the products contain copper wiring, optical fiber cabling, home wiring and intelligent building products.

In addition, the Company and other holding subsidiaries' products also include industrial electrical plug-in devices, energy-saving control products, wired / wireless access products, distributed cloud storage, etc. The Company also introduced the production and processing business of wireless network products by the end of 2016.

### II. Major changes in main assets

#### 1. Major changes in main assets

| Major assets             | Note of major changes                                                                                                                                                   |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Equity assets            | No major changes in the period                                                                                                                                          |
| Fixed assets             | No major changes in the period                                                                                                                                          |
| Intangible assets        | No major changes in the period                                                                                                                                          |
| Construction in progress | No major changes in the period                                                                                                                                          |
| Monetary Fund            | Monetary fund at period-end has 272 million Yuan declined over that of period-begin, mainly because payable for goods on due and bank loans are decreased in the Period |
| Advance payment          | Advance payment at period-end has 550 million Yuan increased over that of period-begin, mainly because the account paid in advance for goods from clients increased     |

## 2. Main overseas assets

☐ Applicable ☒ Not applicable

## III. Core Competitiveness Analysis

Does the Company need to comply with the disclosure requirement of the special industry?

No

As a subordinate subsidiary of Putian Group, the Company has developed into a telecommunication equipment manufacturing enterprise with diversified product structure after years of efforts. The Company's main business belongs to the field that our country strives to develop and support and has large market demand and development space. The Company has the complete industrial chain structure and favorable research and development ability, production capacity and marketing ability, and has established good brand strength and influence in industry market and operator market. In recent years, the Company has continued to accelerate the restructuring and upgrading of enterprises, and gradually transform from the single product manufacturing to the integrated solution provider, and further ensure the industrial competitiveness and enhance the ability of sustainable development.

The Company has complete marketing networks across the country and rather good product promotion and marketing capabilities, and has established long-term and good cooperative relationship with operators. The Company has abundant varieties in wiring products and has obtained awards related to wiring industry for many times. Its subsidiary South Telecom is the major global distributor of video conference products of Polycom, in recent years, it has increased the independent innovation, the management of independent products takes a bigger proportion, and its sustainable development capacity has further enhanced. In the integrated access and electrical industry, the integrated wiring products have stable and good channel resources, focus on independent innovation, its brand awareness continues to improve, and the low-voltage electrical appliances have rather high market share in the rail transit market with high professional degree and strong competitiveness, in the future, the comprehensive access and electrical industry will accelerate the transformation and upgrading from “manufacturing” to “intelligent manufacturing”, and comprehensively enhance the industrial competitiveness.

## Section IV Discussion and Analysis of Operation

### 1. Introduction

During the reporting period, in the face of the severe and complicated economic situation, the Company closely relied on the overall objective of resuming the listing, adhered to the operating principle of “innovation, integration and capital, strived to improve quality and efficiency, strengthened the management, improved the management quality, strictly controlled the operation risks, and promoted the Company to constantly improve the sustainable and healthy development.

In the first half of the year, the Company achieved operating income of RMB 1.012 billion, an increase of 21.28%, net profits attributable to the parent Company of RMB -13,246,700, reducing losses of 37.25% on a year-on-year basis. In general, the completion of the Company’s operational budget in the first half of the year was basically stable, the industrial restructuring gradually promoted, and the economic efficiency further improved. Faced with this year’s new pressure and challenges, the Company’s production and management still maintained a healthy and orderly development trend.

#### I The performance of industrial development

The Company seriously implemented the “five development concepts”, kept a foothold on the industry advantages, seized the market opportunities, and consolidated the foundation of development to ensure the steady development of traditional superior industries; closely followed the pace of strategy for national economic development, and actively laid out the emerging industries, and strived to achieve transformation breakthroughs; continuously enhanced the overall profitability and comprehensive competitiveness of enterprises so as to lay the foundation for the Company to complete and resume the listing as the annual overall goal.

During the reporting period, the Company’s related wiring products were selected for the group-buying project of China Tower Company and became the first class supplier of group-buying optical cable splice box and optical splitter and other products. The intelligent optical distribution network system (IODN) was successively opened up in Hangzhou, Ningbo and other places, and achieved on-line transformation and use in China Southern Power Grid (Guiyang, Kunming, and other places) to prepare for opening the electricity market. The newly introduced wireless network products have completed the first delivery in the first half of this year. South Telecom continued to adhere to the strategic positioning of “multimedia communications and application solutions provider”, increase the proportion of multimedia integration and independent research and development products, and further optimize the Company’s business structure, the amount on the signed multimedia integration business contracts increased compared with the same period last year, and the sales of Ruijing series products by independent research and development doubled compared with the same period last year. The exploration of “Internet + medical treatment” new model have achieved initial success, on February 11, 2017, South Telecom helped the construction of interconnection grading diagnosis and treatment medical center of Henan Provincial People’s Hospital hit the headline of CCTV news. Telege Intelligent Building accelerated the promotion of new products. Nanman Company continued to adhere to the development strategy of “running through rail transit”, signed contracts one after the other such as Xiamen Metro. Communication Technology Company continued to establish the intelligent pension information platform to introduce the intelligent pension information service business. The Company’s system integration department has actively adapted to market changes and vigorously expanded the private network and industry market such as radio and television, and military and so on since the establishment.

During the reporting period, the Company actively laid out the emerging industry, preliminarily completed the construction of Yuhua Smart Park, and strived to gradually realize the organic combination of the Company’s business units through the construction and operation of the park. The Company actively introduced the “thousands of experts” team, promoted the deep integration of production and research, and strived for the government support.

## II Operating and management

In the first half of the year, the Company closely relied on the overall goal of resuming the listing, and further carried out the special work such as “reform and adjustment”, “loss management”, “two-funds control” and “cost decreasing and benefit increasing” by centering on the annual operating budget, and spared no efforts to improve quality and efficiency and accelerate the transformation and upgrading of the Company. First is to carry out the combing of all staff, full level, and all-service problems, actively look for the short board of enterprise operation and management, deeply analyze the various problems in the enterprise’s reform and development and rectify and reform them, so the Company’s operating quality has been comprehensively improved, and the operation and management level have been significantly promoted. Second is to deeply promote the “slimming and fitness, quality and efficiency improvement”, and effectively improve the operation quality, deepen the reform and adjust the structure, increase the inner reform and adjustment of wiring industry, overall plan the operation and management, compress the redundant staff to improve efficiency, continue to promote the special treatment of stopping losses, and reorganize resources and adjust business of losing entities. Third is to increase the clean-up efforts to receivables and inventory, and further optimize the asset structure. Fourth is to focus on the production and management, strengthen the risk control, centralized management of funds, and procurement and cost reducing, and actively improve the comprehensive management level.

## II. Main business analysis

See the “I-Introduction” in “Discussion and Analysis of Operation”

Y-o-y changes of main financial data

In RMB

|                                                  | Current period   | Same period of last year | Y-o-y increase/decrease | Reasons for changes                                                                                                                   |
|--------------------------------------------------|------------------|--------------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| Operating revenue                                | 1,012,396,407.39 | 834,739,223.47           | 21.28%                  |                                                                                                                                       |
| Operating costs                                  | 854,596,490.18   | 686,173,649.02           | 24.55%                  |                                                                                                                                       |
| Sales expenses                                   | 79,331,110.14    | 80,474,718.48            | -1.42%                  |                                                                                                                                       |
| Administration expenses                          | 72,960,165.72    | 69,513,112.10            | 4.96%                   |                                                                                                                                       |
| Finance expenses                                 | 8,701,588.82     | 11,247,942.96            | -22.64%                 |                                                                                                                                       |
| Income tax expenses                              | 3,203,411.84     | 3,235,803.32             | -1.00%                  |                                                                                                                                       |
| R & D revenue                                    | 29,700,022.89    | 33,918,277.09            | -12.44%                 |                                                                                                                                       |
| Net cash flow arising from operating activities  | -136,164,593.81  | -96,581,410.89           | -40.98%                 | The account paid for purchase increased in the period                                                                                 |
| Net cash flow arising from investment activities | -24,348,894.33   | -1,272,325.51            | -1,813.73%              | The fixed time deposit 20 million Yuan in the period, thus the cash out-flow from investment activities increased from a year earlier |
| Net cash flow arising from financing activities  | -114,844,078.68  | -61,384,722.62           | -87.09%                 | Bank loans declined over that of last year in the period                                                                              |
| Net increase of cash and                         | -275,380,802.71  | -159,511,552.16          | -72.64%                 | The cash in-flow                                                                                                                      |

|                                                            |                |                |          |                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------|----------------|----------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| cash equivalent                                            |                |                |          | respectively from operation activities, investment activities and financing activities declined from a year earlier                                                                                                                                                                                                                                               |
| Investment income                                          | -618,093.05    | 917,844.11     | -167.34% | The joint-stock Company has a less profit from a year earlier                                                                                                                                                                                                                                                                                                     |
| Operating profit                                           | -7,222,288.25  | -17,759,814.90 | 59.33%   | During the reporting period, the company optimized and adjusted the industrial structure, expanded the new projects, and formed sales for the introduced wireless network products, at the same time, increased the efforts of governance and cost control to losing operational entities, and the operating income and profit increased on a year-on-year basis. |
| Net profit attributable to the owner of the parent Company | -13,246,723.63 | -21,109,095.63 | 37.25%   | During the reporting period, the company optimized and adjusted the industrial structure, expanded the new projects, and formed sales for the introduced wireless network products, at the same time, increased the efforts of governance and cost control to losing operational entities, and the operating income and profit increased on a year-on-year basis. |

Major changes on profit composition or profit resources in reporting period

□ Applicable    √ Not applicable

No major changes on profit composition or profit resources occurred in reporting period

Constitution of main business

In RMB

|                             | Operating revenue | Operating cost | Gross profit ratio | Increase or decrease of operating revenue over same period of last year | Increase or decrease of operating cost over same period of last year | Increase or decrease of gross profit ratio over same period of last year |
|-----------------------------|-------------------|----------------|--------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------------------|
| According to industries     |                   |                |                    |                                                                         |                                                                      |                                                                          |
| Communication industry      | 917,247,765.04    | 783,258,199.89 | 14.61%             | 23.95%                                                                  | 27.90%                                                               | -2.63%                                                                   |
| Electric apparatus industry | 71,301,568.30     | 52,613,603.22  | 26.21%             | 20.23%                                                                  | 25.14%                                                               | -2.89%                                                                   |
| According to products       |                   |                |                    |                                                                         |                                                                      |                                                                          |
| Video conference products   | 243,563,472.88    | 199,396,334.35 | 18.13%             | -1.26%                                                                  | -3.54%                                                               | 1.93%                                                                    |
| Integrated wiring products  | 161,900,328.48    | 130,919,397.37 | 19.14%             | 13.85%                                                                  | 17.59%                                                               | -2.57%                                                                   |
| Electrical products         | 71,301,568.30     | 52,613,603.22  | 26.21%             | 20.23%                                                                  | 25.14%                                                               | -2.89%                                                                   |
| Wireless network products   | 236,288,888.90    | 222,275,291.34 | 5.93%              |                                                                         |                                                                      |                                                                          |
| Wiring products and other   | 310,388,629.99    | 265,560,732.04 | 14.44%             | -24.98%                                                                 | -26.40%                                                              | 1.65%                                                                    |
| Inter-segment offset        | -34,893,555.21    | -34,893,555.21 | 0.00%              | 44.26%                                                                  | 47.49%                                                               | 0.00%                                                                    |
| According to region         |                   |                |                    |                                                                         |                                                                      |                                                                          |
| Domestic                    | 988,289,376.15    | 835,643,076.60 | 15.45%             | 23.92%                                                                  | 27.94%                                                               | -2.65%                                                                   |
| Overseas                    | 259,957.19        | 228,726.51     | 12.01%             | -85.26%                                                                 | -81.99%                                                              | -15.98%                                                                  |

### III. Analysis of the non-main business

☐ Applicable ☒ Not applicable

### IV. Assets and liability

#### 1. Major changes of assets composition

In RMB

|  | End of current Period | End of same period of last year | Ratio changes | Notes of major changes |
|--|-----------------------|---------------------------------|---------------|------------------------|
|--|-----------------------|---------------------------------|---------------|------------------------|

|                             | Amount         | Ratio in total assets | Amount         | Ratio in total assets |         |                                                                                                                      |
|-----------------------------|----------------|-----------------------|----------------|-----------------------|---------|----------------------------------------------------------------------------------------------------------------------|
| Monetary fund               | 247,719,501.23 | 9.79%                 | 294,790,812.56 | 14.23%                | -4.44%  |                                                                                                                      |
| Account receivable          | 821,611,117.89 | 32.47%                | 921,828,223.96 | 44.50%                | -12.03% | The Company make efforts on clearing up the receivables in the Period, than the ratio of account receivable declined |
| Inventory                   | 431,882,325.99 | 17.07%                | 383,603,940.86 | 18.52%                | -1.45%  |                                                                                                                      |
| Investment property         | 13,168,058.49  | 0.52%                 | 30,462,263.94  | 1.47%                 | -0.95%  |                                                                                                                      |
| Long-term equity investment | 186,464,764.51 | 7.37%                 | 186,413,712.98 | 9.00%                 | -1.63%  |                                                                                                                      |
| Fix assets                  | 122,508,650.46 | 4.84%                 | 76,081,965.31  | 3.67%                 | 1.17%   |                                                                                                                      |
| Construction in process     | 171,473.78     | 0.01%                 | 26,564,131.24  | 1.28%                 | -1.27%  |                                                                                                                      |
| Short-term loans            | 368,350,000.00 | 14.56%                | 414,500,000.00 | 20.01%                | -5.45%  |                                                                                                                      |
| Long-term loans             |                | 0.00%                 |                | 0.00%                 | 0.00%   |                                                                                                                      |

## 2. Assets and liability measured by fair value

☐ Applicable ☒ Not applicable

## 3. Assets rights restricted till end of the period

Assets with ownership or usage rights restricted:

| Item                   | Book value at period –end | Restriction reason                                   |
|------------------------|---------------------------|------------------------------------------------------|
| Moneray fund           | 38,145,590.87             | Acceptance bond, guarantee bond and fixed deposit    |
| Investment real estate | 3,890,588.45              | Provide underlying security for loans of the Company |
| Fixed assets           | 59,766,012.14             | Provide underlying security for loans of the Company |
| Intangible assets      | 3,691,805.82              | Provide underlying security for loans of the Company |
| Total                  | 105,493,997.28            |                                                      |

In addition to the above-mentioned assets of which the ownership or use rights are restricted, the Company pledged its equity stake of RMB 4.8 million in the subsidiary Nanjing Putian Telege Intelligent Building Co., Ltd., and its equity stake of RMB 5.07 million in the subsidiary Nanjing Putian Changle Communication Equipment Co., Ltd., and its equity stake of RMB 60,427,300 in the

subsidiary Nanjing Putian Wangzhi Electronics Co., Ltd., and its equity stake of RMB 7.8 million in the subsidiary Nanjing Putian Network Co., Ltd., and its equity stake of RMB 33,170,000 in the subsidiary Nanjing South Telecom Co., Ltd. to the parent company for entrusting the parent company to loan from Bank of Beijing Jiangning Branch, and handled the company's equity registration at Nanjing Jiangning Market Supervision Administration. The stock rights of the aforesaid subsidiaries are restricted before the pledge being lifted.

## V. Investment

### 1. Overall situation

☒ Applicable ☐ Not applicable

| Investment in the reporting (RMB) | Investment in the same period of last year<br>( RMB) | Changes |
|-----------------------------------|------------------------------------------------------|---------|
| 4,484,702.55                      | 1,534,543.09                                         | 192.25% |

### 2. The major equity investment obtained in the reporting period

☐ Applicable ☒ Not applicable

### 3. The major non-equity investment doing in the reporting period

☐ Applicable ☒ Not applicable

### 4. Financial assets investment

#### (1) Securities investment

☐ Applicable ☒ Not applicable

The Company had no securities investment in Period.

#### (2) Derivative investment

☐ Applicable ☒ Not applicable

The Company has no derivatives investment in Period.

## VI. Sales of major assets and equity

### 1. Sales of major assets

☐ Applicable ☒ Not applicable

The Company has no sales of major assets in Period.

**2. Sales of major equity**

□ Applicable √ Not applicable

**VII. Analysis of main Holding Company and stock-jointly companies**

√ Applicable □ Not applicable

Particular about main subsidiaries and stock-jointly companies net profit over 10%

In RMB

| Company name                                         | Type       | Main business          | Industry                                                                                                   | Register capital | Total assets   | Net Assets     | Operating revenue | Operating profit | Net profit    |
|------------------------------------------------------|------------|------------------------|------------------------------------------------------------------------------------------------------------|------------------|----------------|----------------|-------------------|------------------|---------------|
| Nanjing Southern Telecom Co., Ltd.                   | Subsidiary | Communication industry | Development, production, sales and service of data communication products and video communication products | 34,205,147.83    | 357,229,237.03 | 127,698,626.36 | 243,730,139.55    | 7,267,141.11     | 7,650,094.68  |
| Nanjing Putian Telege Intelligent Building Co., Ltd. | Subsidiary | Communication industry | Manufacture and sales of intelligent building system                                                       | 12,000,000.00    | 275,050,165.73 | 111,002,508.30 | 163,937,091.78    | 7,938,401.82     | 6,401,329.59  |
| Nanjing Putian Network Company Ltd.                  | Subsidiary | Communication industry | Manufacture and sales of software of telecommunications, network and electronic equipment                  | 10,000,000.00    | 27,693,146.40  | 20,643,862.94  | 13,449,446.63     | -4,443,059.14    | -4,160,327.13 |
| Nanjing Putian Changle Telecommu                     | Subsidiary | Communication industry | Out-door patch, sub-line equipment,                                                                        | 10,000,000.00    | 75,290,171.55  | 31,987,593.53  | 28,820,122.05     | -708,167.93      | -182.92       |

|                                                     |            |                        |                                                                                                               |                |               |                |              |               |               |
|-----------------------------------------------------|------------|------------------------|---------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------|--------------|---------------|---------------|
| communications Equipment Co., Ltd.                  |            |                        | network box(cube)of out-door and machinery office, manufacture and sales of communication electrical products |                |               |                |              |               |               |
| Nanjing Bada Telecommunications Equipment Co., Ltd. | Subsidiary | Communication industry | Manufacture of card-terminal communication equipment                                                          | 11,301,400.00  | 12,690,931.55 | -15,230,296.49 | 1,132,545.69 | -1,195,513.53 | 544,443.61    |
| Putian Telecommunications (H.K.) Co., Ltd.          | Subsidiary | Communication industry | Export and import of telecommunication equipment, Hi-tech R & D and transfer, technology trade                | HK\$ 2 million | 4,267,162.56  | -17,849,799.60 | 42,221.71    | 36,981.22     | 36,981.22     |
| Nanjing Postel Wongzhi Telecommunications Co., Ltd. | Subsidiary | Communication industry | Production, sales and processing of electrical products                                                       | 90,190,000.00  | 40,660,641.72 | 37,980,621.53  | 1,623,885.79 | -499,399.32   | -1,145,011.37 |
| Nanjing Putian Information Technology Company Ltd.  | Subsidiary | Communication industry | Manufacture and sales of electrical and telecommunication products                                            | 14,000,000.00  | 12,576,826.05 | 6,158,094.47   | 1,848,965.03 | 153,417.43    | 115,085.54    |
| Nanjing                                             | Subsidiary | Communication          | Electronic                                                                                                    | 5,000,000.0    | 69,355,618.   | 1,812,198.9    | 9,315,716.8  | -66,389.1     | 2,264.38      |

|                                                        |            |                               |                                                                                                                                        |                  |                |               |               |              |              |
|--------------------------------------------------------|------------|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|---------------|---------------|--------------|--------------|
| Putian Telecommunication Technology Company Ltd.       |            | tion industry                 | components assembly, electronic products, telecommunication equipment, Hi-tech R & D and sales                                         | 0                | 71             | 0             | 2             | 3            |              |
| Nanjing Mennekes Electrics Co., Ltd.                   | Subsidiary | Electrical appliance industry | Manufacture and sales of plug & socket of industrial-used                                                                              | US\$ 5.2 million | 227,002,683.14 | 97,389,980.77 | 71,301,568.30 | 3,550,340.98 | 2,326,478.84 |
| Nanjing Putian Datang Information Electronic Co., Ltd. | Subsidiary | Communication industry        | Development, production, sale, engineering technical service of electronic product; processing service of surface mounting and welding | 10,000,000.00    | 41,969,466.30  | 29,015,389.08 | 20,982,232.12 | 869,907.93   | 1,964,874.04 |

Particular about subsidiaries obtained or disposed in report period

☐ Applicable ☒ Not applicable

Notes of holding and shareholding companies

Situation in single subsidiary or Shareholding Company that the change of its operating performance reaches over 30% and has major influence on the consolidated operating performance of the Company:

The subsidiary- Nanjing Putian Network Company Ltd. has a net profit of -4.16 million Yuan in first half of 2017 with 2.01 million declined from a year earlier, mainly because the operation revenue decreased over that of last year for the decline of original business. After business adjustment, it is estimated that the Company will earn in latter period

## VIII. Structured vehicle controlled by the Company

☐ Applicable ☒ Not applicable

## IX. Prediction of business performance from January – September 2017

Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

☐ Applicable ☒ Not applicable

## X. Risks and countermeasures

### Communications industry cycle risk

The Company is mainly engaged in the manufacture and sales of communications products, customers include several major communication operators in China. The establishment and adjustment of network construction period and investment plan of the operators have a significant impact on the operation of the Company and bring the industry cycle risk.

In view of the market demand reduction of some products of the Company due to the adjustment of investment structure of the operators in recent years, the Company will further integrate the high quality resources, promote the industrial structure adjustment, accelerate the optimization and upgrading of the industry, and improve the industrial profitability and expand the new industry capacity.

### Risk of market competition

The industry to which the Company belongs is a perfect competition industry with fierce market competition, making the enterprise profitability restricted.

The Company will actively expand the private market and industry market while consolidating the traditional market, continue to strengthen the cost control, continuously improve the production and research and development capabilities through scientific and technological innovation, launch new products on the market as soon as possible, and maintain and improve the profitability.

### Technology research and development risk

The technological development of communications industry is changing rapidly. If the Company lags behind in the technological change or the R & D results are not in line with the market demand, it will adversely affect the operation of the Company.

Therefore, the Company will actively track the development trends of industry technology, be market-oriented, strengthen the development and introduction of technology, and strive to maintain the leading position in the industry.

### Tense cash flow risk

Cash flow is the lifeblood of an enterprise's survival and development, the Company must rely on the supports of sufficient cash flow for continuous development and growth. Therefore, the access channel of cash flow is particularly critical.

The Company will insist on strengthening the internal management of assets quality strictly controls the costs and expenses, seek for the financing channels, and obtain the cash flows needed for the Company's production and operation.

### Delisting risk

The company has been suspended for listing due to the losses for three consecutive years from 2014 to 2016, if the company's stock cannot reach the conditions of resuming the listing within the time stipulated by Shenzhen Stock Exchange, it will be terminated.

The company is actively taking measures to deeply carry out various work to improve its operations, including accelerating the cultivation of new industries, managing losses, reducing costs and improving efficiency, and implementing two funds control for the goal to resume listing.

## Section V Important Events

### I. In the report period, the Company held annual shareholders' general meeting and extraordinary shareholders' general meeting

#### 1. Shareholders' General Meeting in the report period

| Session of meeting             | Type | Ratio of investor participation | Date       | Date of disclosure | Index of disclosure                                                                                           |
|--------------------------------|------|---------------------------------|------------|--------------------|---------------------------------------------------------------------------------------------------------------|
| Annual General Meeting of 2016 | AGM  | 58.93%                          | 2017-05-23 | 2017-05-24         | “Resolution Notice of Annual General Meeting of 2016”;<br>Published on: Juchao Website<br>(www.cninfo.com.cn) |

#### 2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

☐ Applicable ☒ Not applicable

### II. Profit distribution plan and capitalizing of common reserves plan for the Period

☐ Applicable ☒ Not applicable

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either for the semi-annual year.

### III. Commitments that the committed party as the Company, actual controller, shareholders, related party and buyer have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

☐ Applicable ☒ Not applicable

No commitments that the Company, actual controller, shareholders, related party and buyer have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period.

### IV. Appointment and non-reappointment (dismissal) of CPA

Financial report has been audit or not

☐ Yes ☒ No

Not been audited.

## V. Explanation from Board of Directors, Supervisory Committee for “Qualified Opinion” that issued by CPA

☐ Applicable ☒ Not applicable

## VI. Explanation from the Board for “Qualified Opinion” of last year’s

☐ Applicable ☒ Not applicable

## VII. Bankruptcy reorganization

☐ Applicable ☒ Not applicable

No bankruptcy reorganization for the Company in Period.

## VIII. Lawsuits

Material lawsuits and arbitration

☐ Applicable ☒ Not applicable

No significant lawsuits and arbitrations occurred in the reporting period.

Other lawsuits

☒ Applicable ☐ Not applicable

| Lawsuits (arbitrations)                                                                                                            | Amount involved (in 10 thousand Yuan) | Resulted an accrual liability (Y/N) | Progress                    | Trial result and influence | Execution of judgment | Disclosure date | Disclosure index |
|------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------------------------|-----------------------------|----------------------------|-----------------------|-----------------|------------------|
| A Contract Dispute - Nanjing Putian Telecommunication Co., Ltd. suit against Nanjing Tongxi Real Estate Development Co., Ltd.      | 99.33                                 | No                                  | Suit pending                | -                          | -                     |                 |                  |
| A Contract Dispute – Fujian Zhongtong Telecommunication Logistic Co., Ltd. suit against Nanjing Putian Telecommunication Co., Ltd. | 2,548.94                              | No                                  | Compromise and case dropped | -                          | -                     |                 |                  |
| A Contract Dispute                                                                                                                 | 16.26                                 | No                                  | Compromise                  | -                          | -                     |                 |                  |

|                                                                                                                        |        |    |                       |                             |                                      |  |  |
|------------------------------------------------------------------------------------------------------------------------|--------|----|-----------------------|-----------------------------|--------------------------------------|--|--|
| – Yangzhou Yilian Communication Equipment Co., Ltd. suit against Nanjing Putian Telecommunication Co., Ltd.            |        |    | e and case dropped    |                             |                                      |  |  |
| A labor dispute- Ren Xiaoqing suit against Nanjing Putian Telecommunication Co., Ltd.                                  | 79.27  | No | Suit pending          | -                           | -                                    |  |  |
| A Contract Dispute –Nanjing Putian Telecommunication Co., Ltd. suit against Beng Bu Hengtai Industry & Trade Co., Ltd. | 57.28  | No | Closed                | Reaching the aim of lawsuit | The defendant payment by installment |  |  |
| A Contract Dispute –Nanjing Putian Telecommunication Co., Ltd. suit against Hubei Hukai Electrical Co., Ltd.           | 260.05 | No | Closed                | Reaching the aim of lawsuit | The defendant payment by installment |  |  |
| A Contract Dispute –Nanjing Southern Telecom Co., Ltd. suit against Chengdu Taijie System Engineering Co., Ltd.        | 54.88  | No | Summons are in notice | -                           | -                                    |  |  |
| A Contract Dispute –Nanjing Southern Telecom Co., Ltd. suit against Hangzhou Yinding Technology Co., Ltd.              | 10.36  | No | Suit pending          | -                           | -                                    |  |  |

|                                                                                                                    |       |    |              |                             |                                      |  |  |
|--------------------------------------------------------------------------------------------------------------------|-------|----|--------------|-----------------------------|--------------------------------------|--|--|
| A Contract Dispute<br>—Nanjing Southern Telecom Co., Ltd. suit against Hefei Buihui IT Co., Ltd.                   | 16.48 | No | Closed       | Reaching the aim of lawsuit | Closed with payment by the defendant |  |  |
| A Contract Dispute<br>—Nanjing Southern Telecom Co., Ltd. suit against Zunyi Boada Technology Co., Ltd             | 31.2  | No | Suit pending | -                           | -                                    |  |  |
| A Contract Dispute<br>—Nanjing Putian Telege Intelligent Building Co., Ltd. suit against Xi'an Meige OPUS Co., Ltd | 6.65  | No | Closed       | Reaching the aim of lawsuit | Closed with payment by the defendant |  |  |
| A Contract Dispute<br>—Nanjing Putian Wangzhi Electronics Co., Ltd. suit against Nanjing Tiansu ACS Co., Ltd       | 38.88 | No | Suit pending | -                           | -                                    |  |  |

## IX. Penalty and rectification

☐ Applicable ☒ Not applicable

No penalty and rectification for the Company in Period.

## X. Integrity of the Company and its controlling shareholders and actual controllers

☐ Applicable ☒ Not applicable

## XI. Implementation of the Company's stock incentive plan, employee stock ownership plan or other employee incentives

☐ Applicable ☒ Not applicable

The Company has no equity incentive plan, employee stock ownership plans or other employee incentives in Period.

## XII. Major related transaction

### 1. Related transaction with routine operation concerned

√ Applicable □ Not applicable

| Related transaction parties                           | Related relationship                                                                                       | Related transaction type                         | Related transaction content | Related transaction explanation on price setting | Related transaction price | Related transaction amount (in 10 thousand Yuan) | Proportion in the amount of the same transaction | Trading limit approved (in 10 thousand Yuan) | Whether approved or not (Y/N) | Related transaction settlement mode | Available market prices of similar transactions | Date of disclosure | Index of disclosure                                                                                          |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------------|-----------------------------|--------------------------------------------------|---------------------------|--------------------------------------------------|--------------------------------------------------|----------------------------------------------|-------------------------------|-------------------------------------|-------------------------------------------------|--------------------|--------------------------------------------------------------------------------------------------------------|
| SEI-Nanjing Putian Optical Network Co., Ltd.          | Stock-jointly enterprise of the Company, Senior executive of the Company serves as Director of the Company | Purchase goods and products from related persons | Telecom product             | Market price                                     | 440.24                    | 440.24                                           | 0.56%                                            | 2,100                                        | No                            | Bank transfer                       | 440.24                                          | 2017-04-29         | “Expected Related Transaction with Routine Operation Concerned for year of 2017” published on Juchao Website |
| Nanjing Putian Honyar Electrical Technology Co., Ltd. | Controlling shareholder's subsidiary                                                                       | Purchase goods and products from related persons | Telecom product             | Market price                                     | 21.10                     | 21.1                                             | 0.03%                                            | 200                                          | No                            | Bank transfer                       | 21.10                                           | 2017-04-29         | Ditto                                                                                                        |
| Potevio                                               | Subsidiary                                                                                                 | Sell                                             | Telecom                     | Market                                           | 108.84                    | 108.84                                           | 0.11%                                            | 4,200                                        | No                            | Bank                                | 108.84                                          | 2017-04            | Ditto                                                                                                        |

|                                              |                                                         |                                                 |                 |              |         |          |       |        |    |               |         |            |       |
|----------------------------------------------|---------------------------------------------------------|-------------------------------------------------|-----------------|--------------|---------|----------|-------|--------|----|---------------|---------|------------|-------|
| Technology Co., Ltd.                         | ry of controlling shareholder                           | products or commodities to related persons      | product         | price        |         |          |       |        |    | transfer      |         | -29        |       |
| China Potevio Company Limited                | Controlling shareholder                                 | Sell products or commodities to related persons | Telecom product | Market price | 1158.84 | 1,158.84 | 1.14% | 89,300 | No | Bank transfer | 1158.84 | 2017-04-29 | Ditto |
| Potevio Heping Tech. Co., Ltd                | Subsidiary of controlling shareholder                   | Sell products or commodities to related persons | Telecom product | Market price | 3.08    | 3.08     | 0.00% | 100    | No | Bank transfer | 3.08    | 2017-04-29 | Ditto |
| Potevio Hi-tech Industry Co., Ltd            | Subsidiary of controlling shareholder                   | Sell products or commodities to related persons | Telecom product | Market price | 10.78   | 10.78    | 0.01% | 100    | No | Bank transfer | 10.78   | 2017-04-29 | Ditto |
| Potevio International Trade Co., Ltd         | Subsidiary of controlling shareholder                   | Sell products or commodities to related persons | Telecom product | Market price | 38.20   | 38.2     | 0.04% | 200    | No | Bank transfer | 38.20   | 2017-04-29 | Ditto |
| SEI-Nanjing Putian Optical Network Co., Ltd. | The joint stock enterprise, senior executives serves as | Sell products or commodities to related persons | Telecom product | Market price | 15.70   | 15.7     | 0.02% | 200    | No | Bank transfer | 15.70   | 2017-04-29 | Ditto |

|                                                                                                                                                                       |                                                                                                                           |                                                                                                                                         |                    |                                                                                                                                                                                                                                                                                   |        |          |        |        |    |                  |        |                |       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------|--------|--------|----|------------------|--------|----------------|-------|
|                                                                                                                                                                       | director<br>in the<br>enterpris<br>e                                                                                      |                                                                                                                                         |                    |                                                                                                                                                                                                                                                                                   |        |          |        |        |    |                  |        |                |       |
| Potevio<br>Hi-tech<br>Industry<br>Co., Ltd                                                                                                                            | Subsidia<br>ry of<br>controlli<br>ng<br>sharehol<br>der                                                                   | Accepti<br>ng<br>leases of<br>the<br>affiliate<br>d<br>person's<br>property<br>and<br>relevant<br>property<br>manage<br>ment<br>service | Telecom<br>product | Market<br>price                                                                                                                                                                                                                                                                   | 103.48 | 103.48   | 94.86% | 1,000  | No | Bank<br>transfer | 103.48 | 2017-04<br>-29 | Ditto |
| SEI-Nan<br>jing<br>Putian<br>Optical<br>Network<br>Co.,<br>Ltd.                                                                                                       | The<br>joint<br>stock<br>enterpris<br>e, senior<br>executiv<br>es<br>serves<br>as<br>director<br>in the<br>enterpris<br>e | Rent out<br>the<br>property<br>to<br>affiliate<br>d person<br>and<br>providin<br>g<br>relevant<br>property<br>manage<br>ment<br>service | Telecom<br>product | Market<br>price                                                                                                                                                                                                                                                                   | 49.00  | 49       | 33.44% | 100    | No | Bank<br>transfer | 49.00  | 2017-04<br>-29 | Ditto |
| Total                                                                                                                                                                 |                                                                                                                           |                                                                                                                                         |                    | --                                                                                                                                                                                                                                                                                | --     | 1,949.26 | --     | 97,500 | -- | --               | --     | --             | --    |
| Return of major sales                                                                                                                                                 |                                                                                                                           |                                                                                                                                         |                    | Not applicable                                                                                                                                                                                                                                                                    |        |          |        |        |    |                  |        |                |       |
| Report the actual implementation of the normal related transactions which were projected about their total amount by types during the reporting period(if applicable) |                                                                                                                           |                                                                                                                                         |                    | Being deliberated and approved by BOD and Shareholders general meeting, the Company made a prediction about routine related transactions for whole year of 2017, total amount estimated less than RMB 1022 million, actually occurred was RMB 19.4926 million in first half year. |        |          |        |        |    |                  |        |                |       |
| Reason for the great difference between trade price and market reference price (if applicable)                                                                        |                                                                                                                           |                                                                                                                                         |                    | Not applicable                                                                                                                                                                                                                                                                    |        |          |        |        |    |                  |        |                |       |

**2. Related transactions by assets acquisition and sold**

☐ Applicable ☒ Not applicable

No related transactions by assets acquisition and sold for the Company in Period.

**3. Related transactions of mutual investment outside**

☐ Applicable ☒ Not applicable

No related transactions of mutual investment outside for the Company in Period.

**4. Contact of related credit and debt**

☒ Applicable ☐ Not applicable

Whether has non-operational contact of related liability and debts or not

☐ Yes ☒ No

The Company has no non-operating contact of related credit and debt occurred in Period.

**5. Other major related transactions**

☒ Applicable ☐ Not applicable

(1) During the Period, The Company paying interest of consignment loan RMB 2,743,700 to controlling shareholder China Potevio Company Limited for loans.

(2) During the Period, the Company offering RMB 2.55 million guarantee to joint enterprise SEI-Nanjing Putian Optical Network Co., Ltd.

Found more in 2. Major Guarantee in XIV. of Section V

Website for temporary disclosure of the major connected transaction

| Temporary notice                                                                               | Disclosure date | Disclosure Website |
|------------------------------------------------------------------------------------------------|-----------------|--------------------|
| “Connected transaction notice of Application of Consignment Loans for Controlling Shareholder” | 2016-07-08      | Juchao Website     |
| “Notice of Guarantee Offer to Joint-stock Company”                                             | 2016-03-29      | Juchao Website     |

**XIII. Non-business capital occupying by controlling shareholders and its related parties**

☐ Applicable ☒ Not applicable

No non-business capital occupied by controlling shareholders and its related parties in Period.

## XIV. Significant contract and implementations

### 1. Trusteeship, contract and leasing

#### (1) Trusteeship

☐ Applicable ☒ Not applicable

The Company has no trusteeship in the Period.

#### (2) Contract

☐ Applicable ☒ Not applicable

No contract for the Company in Period.

#### (3) Leasing

☒ Applicable ☐ Not applicable

Explanation on leasing

During the period, the Company (subsidiary included) leased property for production and office, the leasing expenses recognized as 1,090,900 Yuan in the period; the leasing revenue from lease-out property to others amounted as 1,465,300 Yuan.

Items generated over 10% gains/losses in total profit in reporting period for the Company

☒ Applicable ☐ Not applicable

| Contract-out party                | Lessee                                      | Assets leasing      | Amount involved in leasing(in 10 thousand Yuan) | Leasing date from | Leasing end at | Leasing profit (in 10 thousand Yuan) | Determine basis for leasing profit                           | Influence on the Company                                                                                               | Consist of related transaction or not | Related relationship                                                          |
|-----------------------------------|---------------------------------------------|---------------------|-------------------------------------------------|-------------------|----------------|--------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------|
| Potevio Hi-tech Industry Co., Ltd | Nanjing Putian Telecommunications Co., Ltd. | House and buildings |                                                 | 2017-01-01        | 2017-12-31     | -78.15                               | The rental recognized in the period amounting to RMB 781,500 | The property under the agreement refers to the office and production location of the Company; It benefits to guarantee | Y                                     | Subsidiary of controlling shareholder (stock joint enterprise of the Company) |

|  |  |  |  |  |  |  |  |                                                  |  |  |
|--|--|--|--|--|--|--|--|--------------------------------------------------|--|--|
|  |  |  |  |  |  |  |  | the normal operation development of the Company. |  |  |
|--|--|--|--|--|--|--|--|--------------------------------------------------|--|--|

## 2. Major guarantees

√Applicable    □ Not applicable

### (1) Guarantees

In 10 thousand Yuan

| Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries) |                                      |                 |                                                      |                                                                             |                            |                     |                   |                                   |
|--------------------------------------------------------------------------------------------------|--------------------------------------|-----------------|------------------------------------------------------|-----------------------------------------------------------------------------|----------------------------|---------------------|-------------------|-----------------------------------|
| Name of the Company guaranteed                                                                   | Related Announcement disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit                                                      | Guarantee type             | Guarantee term      | Implemented (Y/N) | Guarantee for related party (Y/N) |
| SEI-Nanjing Putian Optical Network Co., Ltd.                                                     | 2016-03-29                           | 600             | 2017-01-16                                           | 135                                                                         | Jointly liability guaranty | 2017.1.16-2017.7.15 | N                 | Y                                 |
| SEI-Nanjing Putian Optical Network Co., Ltd.                                                     | 2016-03-29                           | 600             | 2017-04-25                                           | 120                                                                         | Jointly liability guaranty | 2017.4.25-2017.8.19 | N                 | Y                                 |
| Total approving external guarantee in report period (A1)                                         |                                      | 600             |                                                      | Total actual occurred external guarantee in report period (A2)              |                            | 255                 |                   |                                   |
| Total approved external guarantee at the end of report period ( A3)                              |                                      | 600             |                                                      | Total actual balance of external guarantee at the end of report period (A4) |                            | 255                 |                   |                                   |
| Guarantee of the Company for the subsidiaries                                                    |                                      |                 |                                                      |                                                                             |                            |                     |                   |                                   |
| Name of the Company guaranteed                                                                   | Related Announcement disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit                                                      | Guarantee type             | Guarantee term      | Implemented (Y/N) | Guarantee for related party (Y/N) |

|                                                                                                               |                                      |                 |                                                      |                                                                                        |                            |                     |                   |                                   |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------|------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------|---------------------|-------------------|-----------------------------------|
| Nanjing Southern Telecom Co., Ltd.                                                                            | 2016-03-29                           | 6,000           | 2016-08-20                                           | 2,000                                                                                  | Jointly liability guaranty | 2016.8.20-2017.8.20 | N                 | N                                 |
| Nanjing Southern Telecom Co., Ltd.                                                                            | 2016-03-29                           | 6,000           | 2017-03-01                                           | 2,000                                                                                  | Jointly liability guaranty | 2017.3.1-2017.12.1  | N                 | N                                 |
| Nanjing Southern Telecom Co., Ltd.                                                                            | 2017-04-29                           | 6,400           | 2017-05-25                                           | 1,000                                                                                  | Jointly liability guaranty | 2017.5.25-2018.5.25 | N                 | N                                 |
| Nanjing Putian Telege Intelligent Building Co., Ltd.                                                          | 2016-03-29                           | 2,500           | 2016-08-31                                           | 500                                                                                    | Jointly liability guaranty | 2016.8.31-2017.8.31 | N                 | N                                 |
| Nanjing Putian Telege Intelligent Building Co., Ltd.                                                          | 2016-03-29                           | 2,500           | 2016-09-20                                           | 1,000                                                                                  | Jointly liability guaranty | 2016.9.20-2017.8.20 | N                 | N                                 |
| Total amount of approving guarantee for subsidiaries in report period (B1)                                    |                                      | 8,900           |                                                      | Total amount of actual occurred guarantee for subsidiaries in report period (B2)       |                            | 3,000               |                   |                                   |
| Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)                       |                                      | 8,900           |                                                      | Total balance of actual guarantee for subsidiaries at the end of reporting period (B4) |                            | 6,500               |                   |                                   |
| Guarantee of the subsidiary for the subsidiaries                                                              |                                      |                 |                                                      |                                                                                        |                            |                     |                   |                                   |
| Name of the Company guaranteed                                                                                | Related Announcement disclosure date | Guarantee limit | Actual date of happening (Date of signing agreement) | Actual guarantee limit                                                                 | Guarantee type             | Guarantee term      | Implemented (Y/N) | Guarantee for related party (Y/N) |
| Total amount of guarantee of the Company( total of three abovementioned guarantee)                            |                                      |                 |                                                      |                                                                                        |                            |                     |                   |                                   |
| Total amount of approving guarantee in report period (A1+B1+C1)                                               |                                      | 9,500           |                                                      | Total amount of actual occurred guarantee in report period (A2+B2+C2)                  |                            | 3,255               |                   |                                   |
| Total amount of approved guarantee at the end of report period (A3+B3+C3)                                     |                                      | 9,500           |                                                      | Total balance of actual guarantee at the end of report period (A4+B4+C4)               |                            | 6,755               |                   |                                   |
| The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4) |                                      |                 |                                                      | 20.69%                                                                                 |                            |                     |                   |                                   |
| Including:                                                                                                    |                                      |                 |                                                      |                                                                                        |                            |                     |                   |                                   |
| Amount guarantee offering to shareholders, actual controller and its related parties (D)                      |                                      |                 |                                                      | 0                                                                                      |                            |                     |                   |                                   |

|                                                                                                                                  |                |
|----------------------------------------------------------------------------------------------------------------------------------|----------------|
| The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly(E) | 0              |
| Proportion of total amount of guarantee in net assets of the Company exceed 50%(F)                                               | 0              |
| Total amount of the aforesaid three guarantees(D+E+F)                                                                            | 0              |
| Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)             | Not applicable |
| Explanations on external guarantee against regulated procedures (if applicable)                                                  | Not applicable |

Explanation on guarantee with composite way

## (2) Guarantee outside against the regulation

☐ Applicable ☒ Not applicable

No entrust financing and entrust loans for the Company in reporting period.

## 3. Other material contracts

☐ Applicable ☒ Not applicable

No other material contracts for the Company in reporting period.

## XV. Social responsibility

### 1. Fulfill the social responsibility of targeted poverty alleviation

#### (1) Summary of targeted poverty alleviation

According to the unified arrangements of Nanjing Economic and Information Commission, the company will help the underdeveloped village in Liuhe District – Molihua Village in pairs during the 13<sup>th</sup> Five-Year Plan. The company has conducted field visits in earlier stage, according to the learned situation and combined with the company's actual situation; it is currently developing the targeted poverty alleviation program for the 13<sup>th</sup> Five-Year period.

#### (2) Target poverty alleviation for the first half year

| Index                            | Unit of measure | Quantity /implementation |
|----------------------------------|-----------------|--------------------------|
| I. Overall condition             | —               | —                        |
| II. Poverty alleviation by items | —               | —                        |
| 1.Industry development           | —               | —                        |
| 2.Shift employment               | —               | —                        |
| 3.Relocating in other places     | —               | —                        |
| 4.Education                      | —               | —                        |

|                                         |    |    |
|-----------------------------------------|----|----|
| 5.Health                                | —— | —— |
| 6.Ecological protection                 | —— | —— |
| 7. Reveal all the details               | —— | —— |
| 8.society                               | —— | —— |
| 9.other                                 | —— | —— |
| III. Award received (content and grade) | —— | —— |

### (3) Follow-up target poverty alleviation

Currently, the Company still in preparation of the poverty alleviation plan, and will carry out target poverty alleviation in line with the plan in later period

## 2. Major environment protection

The listed Company and its subsidiary whether belongs to the key sewage units released from environmental protection department  
No

## XVI. Other major events

√Applicable    □ Not applicable

Index of major events disclosed in the Year form period-begin of the reporting period to the Report released:

| Event                                                                                 | Date of disclosure | Query index for appointed website of information disclosure |
|---------------------------------------------------------------------------------------|--------------------|-------------------------------------------------------------|
| Performance Forecast for 2016                                                         | 2017.1.25          | Juchao Website (www.cninfo.com.cn)                          |
| Resolution notice of 38 <sup>th</sup> meeting of 6 <sup>th</sup> session of the Board | 2017.3.1           | Juchao Website (www.cninfo.com.cn)                          |
| Performance Forecast for 1Q of 2017                                                   | 2017.4.15          | Juchao Website (www.cninfo.com.cn)                          |
| Correction Notice of the Performance Forecast for year of 2016                        | 2017.4.24          | Juchao Website (www.cninfo.com.cn)                          |
| Risk Warning of Probably Suspension                                                   | 2017.4.24          | Juchao Website (www.cninfo.com.cn)                          |
| Postponed Annual Report 2016 Disclosure                                               | 2017.4.24          | Juchao Website (www.cninfo.com.cn)                          |
| Second Risks Warning of Probably Suspension                                           | 2017.4.25          | Juchao Website (www.cninfo.com.cn)                          |
| Third Risks Warning of Probably Suspension                                            | 2017.4.26          | Juchao Website (www.cninfo.com.cn)                          |
| Abnormal Stock Trading Fluctuation                                                    | 2017.4.26          | Juchao Website (www.cninfo.com.cn)                          |
| Posstponed the Reply on Letter from Shenzhen Stock Exchange                           | 2017.4.26          | Juchao Website (www.cninfo.com.cn)                          |
| Fourth Risks Warning of Probably Suspension                                           | 2017.4.27          | Juchao Website (www.cninfo.com.cn)                          |
| Posstponed the Reply on Letter from Shenzhen Stock Exchange                           | 2017.4.27          | Juchao Website (www.cninfo.com.cn)                          |
| Fifth Risks Warning of Probably Suspension                                            | 2017.4.28          | Juchao Website (www.cninfo.com.cn)                          |
| Reply on Letter from Shenzhen Stock Exchange                                          | 2017.4.28          | Juchao Website (www.cninfo.com.cn)                          |
| Resolution notice of 39 <sup>th</sup> meeting of 6 <sup>th</sup> session of           | 2017.4.29          | Juchao Website (www.cninfo.com.cn)                          |

|                                                                                       |           |                                    |
|---------------------------------------------------------------------------------------|-----------|------------------------------------|
| the Board                                                                             |           |                                    |
| Resolution of 21 <sup>st</sup> session of 6 <sup>th</sup> Supervisory Committee       | 2017.4.29 | Juchao Website (www.cninfo.com.cn) |
| Summary of annual report of 2016                                                      | 2017.4.29 | Juchao Website (www.cninfo.com.cn) |
| Notice of provision for the devaluation of assets for year of 2016                    | 2017.4.29 | Juchao Website (www.cninfo.com.cn) |
| Estimation of Routine Related Transaction for year of 2017                            | 2017.4.29 | Juchao Website (www.cninfo.com.cn) |
| Guarantee offer to controlling subsidiary                                             | 2017.4.29 | Juchao Website (www.cninfo.com.cn) |
| Guarantee offer to joint stock enterprise                                             | 2017.4.29 | Juchao Website (www.cninfo.com.cn) |
| Notice of Holding AGM 2016                                                            | 2017.4.29 | Juchao Website (www.cninfo.com.cn) |
| Risk Warning of Probably Suspension and Termination                                   | 2017.4.29 | Juchao Website (www.cninfo.com.cn) |
| Notice Before Stock Suspended                                                         | 2017.4.29 | Juchao Website (www.cninfo.com.cn) |
| Text of 1Q Report of 2016                                                             | 2017.4.29 | Juchao Website (www.cninfo.com.cn) |
| Explanation of Property Disposal                                                      | 2017.5.3  | Juchao Website (www.cninfo.com.cn) |
| Posstponed the Reply on Letter from Shenzhen Stock Exchange                           | 2017.5.5  | Juchao Website (www.cninfo.com.cn) |
| Notice of the Stock Suspended                                                         | 2017.5.9  | Juchao Website (www.cninfo.com.cn) |
| Posstponed the Reply on Letter from Shenzhen Stock Exchange                           | 2017.5.10 | Juchao Website (www.cninfo.com.cn) |
| Reply on Letter from Shenzhen Stock Exchange                                          | 2017.5.11 | Juchao Website (www.cninfo.com.cn) |
| Correction Notice of Reply on Letter from Shenzhen Stock Exchange                     | 2017.5.11 | Juchao Website (www.cninfo.com.cn) |
| Notice of receipt of government subsidies                                             | 2017.5.17 | Juchao Website (www.cninfo.com.cn) |
| Resolution Notice of AGM of 2016                                                      | 2017.5.24 | Juchao Website (www.cninfo.com.cn) |
| Resolution notice of 41 <sup>st</sup> meeting of 6 <sup>th</sup> session of the Board | 2017.5.25 | Juchao Website (www.cninfo.com.cn) |
| Resignation of Senior Executives                                                      | 2017.5.25 | Juchao Website (www.cninfo.com.cn) |
| Progress of the Sponsor Engagement for Stock Resume                                   | 2017.6.3  | Juchao Website (www.cninfo.com.cn) |
| Progress of Relevant Works and Countermeasures for Stock Resume                       | 2017.6.7  | Juchao Website (www.cninfo.com.cn) |
| Progress of Relevant Works and Countermeasures for Stock Resume                       | 2017.7.7  | Juchao Website (www.cninfo.com.cn) |
| Resolution notice of 42 <sup>nd</sup> meeting of 6 <sup>th</sup> session of the Board | 2017.7.7  | Juchao Website (www.cninfo.com.cn) |
| Notice of Related Transaction of Applying Entrust Loans to Controlling Shareholder    | 2017.7.7  | Juchao Website (www.cninfo.com.cn) |
| Performance Forecast for Semi-Annual 2017                                             | 2017.7.15 | Juchao Website (www.cninfo.com.cn) |
| Progress of Relevant Works and Countermeasures                                        | 2017.8.5  | Juchao Website (www.cninfo.com.cn) |

|                                                                                       |           |                                    |
|---------------------------------------------------------------------------------------|-----------|------------------------------------|
| for Stock Resume                                                                      |           |                                    |
| Resolution notice of 43 <sup>rd</sup> meeting of 6 <sup>th</sup> session of the Board | 2017.8.5  | Juchao Website (www.cninfo.com.cn) |
| Resolution of 23 <sup>rd</sup> session of 6 <sup>th</sup> Supervisory Committee       | 2017.8.5  | Juchao Website (www.cninfo.com.cn) |
| Notice of Applying Entrust Loans to Controlling Shareholder                           | 2017.8.5  | Juchao Website (www.cninfo.com.cn) |
| Convening 1 <sup>st</sup> extraordinary general meeting of 2017                       | 2017.8.5  | Juchao Website (www.cninfo.com.cn) |
| Warning Letter Received from Juangsu Bureau of CSRC                                   | 2017.8.5  | Juchao Website (www.cninfo.com.cn) |
| Resolution of 1st extraordinary general meeting of 2017                               | 2017.8.24 | Juchao Website (www.cninfo.com.cn) |
| Resolution notice of 1 <sup>st</sup> meeting of 7 <sup>th</sup> session of the Board  | 2017.8.24 | Juchao Website (www.cninfo.com.cn) |
| Resolution of 1 <sup>st</sup> session of 7 <sup>th</sup> Supervisory Committee        | 2017.8.24 | Juchao Website (www.cninfo.com.cn) |

## XVII. Major event of the subsidiaries

☐ Applicable ☒ Not applicable

## Section VI. Changes in Shares and Particulars about Shareholders

### I. Changes in Share Capital

#### 1. Changes in Share Capital

In Share

|                                       | Before the Change |            | Increase/Decrease in the Change (+, -) |              |                                  |        |          | After the Change |            |
|---------------------------------------|-------------------|------------|----------------------------------------|--------------|----------------------------------|--------|----------|------------------|------------|
|                                       | Amount            | Proportion | New shares issued                      | Bonus shares | Capitalization of public reserve | Others | Subtotal | Amount           | Proportion |
| I. Unlisted shares                    | 115,000,000       | 53.49%     |                                        |              |                                  |        |          | 115,000,000      | 53.49%     |
| 1. Sponsor's shares                   | 115,000,000       | 53.49%     |                                        |              |                                  |        |          | 115,000,000      | 53.49%     |
| Including: state-owned shares         | 115,000,000       | 53.49%     |                                        |              |                                  |        |          | 115,000,000      | 53.49%     |
| II. Listed shares                     | 100,000,000       | 46.51%     |                                        |              |                                  |        |          | 100,000,000      | 46.51%     |
| 2. Domestically listed foreign shares | 100,000,000       | 46.51%     |                                        |              |                                  |        |          | 100,000,000      | 46.51%     |
| III. Total shares                     | 215,000,000       | 100.00%    |                                        |              |                                  |        |          | 215,000,000      | 100.00%    |

Reasons for share changed

☐ Applicable ☒ Not applicable

Approval of share changed

☐ Applicable ☒ Not applicable

Ownership transfer of share changes

☐ Applicable ☒ Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

☐ Applicable ☒ Not applicable

Other information necessary to disclose or need to disclosed under requirement from security regulators

☐ Applicable ☒ Not applicable

## 2. Changes of restricted shares

☐ Applicable ☒ Not applicable

## II. Securities issuance and listing

☐ Applicable ☒ Not applicable

## III. Number of shares and shares held

In Share

| Total common shareholders at period-end                                                      |                         | 8,326                     | Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (note8) |                          |                                 |                              |                                |        |
|----------------------------------------------------------------------------------------------|-------------------------|---------------------------|---------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------|------------------------------|--------------------------------|--------|
| Particulars about common shares held above 5% by shareholders or top ten common shareholders |                         |                           |                                                                                                               |                          |                                 |                              |                                |        |
| Full name of Shareholders                                                                    | Nature of shareholder   | Proportion of shares held | Total shareholders at the end of report period                                                                | Changes in report period | Amount of un-listed shares held | Amount of listed shares held | Number of share pledged/frozen |        |
|                                                                                              |                         |                           |                                                                                                               |                          |                                 |                              | State of share                 | Amount |
| China Potevio Company Limited                                                                | State-owned corporation | 53.49%                    | 115,000,000                                                                                                   | 0                        | 115,000,000                     | 0                            |                                |        |
| GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED                                                    | Foreign corporation     | 4.46%                     | 9,596,527                                                                                                     | 5,770,023                | 0                               | 9,596,527                    |                                |        |
| Shenwan HongYuan (H.K.) Limited                                                              | Foreign corporation     | 4.46%                     | 9,587,925                                                                                                     | 1,760,000                | 0                               | 9,587,925                    |                                |        |
| Zhang Huai'an                                                                                | Domestic nature person  | 1.31%                     | 2,807,000                                                                                                     | 0                        | 0                               | 2,807,000                    |                                |        |
| Zheng Enyue                                                                                  | Domestic nature person  | 1.12%                     | 2,405,739                                                                                                     | 0                        | 0                               | 2,405,739                    |                                |        |
| Sun Huiming                                                                                  | Domestic nature person  | 0.93%                     | 2,007,110                                                                                                     | 0                        | 0                               | 2,007,110                    |                                |        |

|                                                                                                                         |                                                   |                                                                                                                                                                                                                                                   |           |            |   |                                    |           |  |
|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|------------|---|------------------------------------|-----------|--|
| Guosen Securities (H.K.) Broker Co., Ltd.                                                                               | Foreign corporation                               | 0.87%                                                                                                                                                                                                                                             | 1,861,882 | -1,137,373 | 0 | 1,861,882                          |           |  |
| Gu Jinhua                                                                                                               | Domestic nature person                            | 0.83%                                                                                                                                                                                                                                             | 1,783,771 | 0          | 0 | 1,783,771                          |           |  |
| BOCI SECURITIES LIMITED                                                                                                 | Foreign corporation                               | 0.80%                                                                                                                                                                                                                                             | 1,716,945 | -669,583   | 0 | 1,716,945                          |           |  |
| LI SHERYN ZHAN MING                                                                                                     | Foreign nature person                             | 0.53%                                                                                                                                                                                                                                             | 1,145,000 | 430,600    | 0 | 1,145,000                          |           |  |
| Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if applicable) (see note3) |                                                   | N/A                                                                                                                                                                                                                                               |           |            |   |                                    |           |  |
| Explanation on associated relationship among the aforesaid shareholders                                                 |                                                   | Among the top ten shareholders, China Potevio is neither a related party nor a person acting in concert with the others. It’s unknown by the Company whether there are related parties or persons acting in concert among the other shareholders. |           |            |   |                                    |           |  |
| Top 10 shareholders with circulation shares held                                                                        |                                                   |                                                                                                                                                                                                                                                   |           |            |   |                                    |           |  |
| Shareholders’ name                                                                                                      | Amount of listed shares held at end of the Period |                                                                                                                                                                                                                                                   |           |            |   | Type of shares                     |           |  |
|                                                                                                                         |                                                   |                                                                                                                                                                                                                                                   |           |            |   | Type                               | Amount    |  |
| GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED                                                                               | 9,596,527                                         |                                                                                                                                                                                                                                                   |           |            |   | Domestically listed foreign shares | 9,596,527 |  |
| Shenwan HongYuan (H.K.) Limited                                                                                         | 9,587,925                                         |                                                                                                                                                                                                                                                   |           |            |   | Domestically listed foreign shares | 9,587,925 |  |
| Zhang Huai’an                                                                                                           | 2,807,000                                         |                                                                                                                                                                                                                                                   |           |            |   | Domestically listed foreign shares | 2,807,000 |  |
| Zheng Enyue                                                                                                             | 2,405,739                                         |                                                                                                                                                                                                                                                   |           |            |   | Domestically listed foreign shares | 2,405,739 |  |
| Sun Huiming                                                                                                             | 2,007,110                                         |                                                                                                                                                                                                                                                   |           |            |   | Domestically listed foreign shares | 2,007,110 |  |
| Guosen Securities (H.K.) Broker Co., Ltd.                                                                               | 1,861,882                                         |                                                                                                                                                                                                                                                   |           |            |   | Domestically listed foreign shares | 1,861,882 |  |
| Gu Jinhua                                                                                                               | 1,783,771                                         |                                                                                                                                                                                                                                                   |           |            |   | Domestically                       | 1,783,771 |  |

|                                                                                                                                                                          |                                                                                                                    |                                    |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|------------------------------------|-----------|
|                                                                                                                                                                          |                                                                                                                    | listed foreign shares              |           |
| BOCI SECURITIES LIMITED                                                                                                                                                  | 1,716,945                                                                                                          | Domestically listed foreign shares | 1,716,945 |
| LI SHERYN ZHAN MING                                                                                                                                                      | 1,145,000                                                                                                          | Domestically listed foreign shares | 1,145,000 |
| Jin Yunhua                                                                                                                                                               | 950,162                                                                                                            | Domestically listed foreign shares | 950,162   |
| Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders | It is unknown whether the shareholders just mentioned belong to consistent actors or have associated relationship. |                                    |           |
| Explanation on shareholders involving margin business about top ten common stock shareholders with un-restrict shares held (if applicable) (see note4)                   | N/A                                                                                                                |                                    |           |

Whether top ten common shareholders or top ten common shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period

☐ Yes ☒ No

Top ten common shareholders or top ten common shareholders with un-restrict shares not held have a buy-back agreement dealing in reporting period.

#### IV. Changes of controlling shareholders or actual controller

Changes of controlling shareholders in reporting period

☐ Applicable ☒ Not applicable

Controlling shareholder of the Company has no changed in the Period

Changes of actual controller in reporting period

☐ Applicable ☒ Not applicable

Actual controller of the Company has no changed in the Period

## **Section VII. Preferred Stock**

☐ Applicable ☒ Not applicable

The Company had no preferred stock in the reporting.

## Section VIII. Directors, Supervisors and Senior Executives

### I. Changes of shares held by directors, supervisors and senior executives

☐ Applicable ☒ Not applicable

Shares held by directors, supervisors and senior executives have no changes in reporting period, found more details in Annual Report 2016.

### II. Resignation and dismissal of directors, supervisors and senior executives

☒ Applicable ☐ Not applicable

| Name          | Title                  | Type        | Date       | Cause       |
|---------------|------------------------|-------------|------------|-------------|
| Zhong Shengwu | Secretary of the Board | Appointment | 2017-02-28 |             |
| Shi Lian      | Chief Accountant       | Dismissal   | 2017-05-24 | Resignation |

## **Section IX Corporation Bonds**

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when semi-annual report approved for released or fail to cash in full on due

No

## **Section X. Financial Report**

### **I. Audit reports**

Whether the semi-annual report have been audited or not

☐ Yes    ☒ No

The financial report of the semi-annual report has not been audited.

### **II. Financial statements**

Units in Notes of Financial Statements is RMB

Nanjing Putian Telecommunications Co., Ltd.  
Consolidated balance sheet as at June 30, 2017  
*(Expressed in Renminbi Yuan)*

| Assets                                                | Note No. | Closing balance  | Opening balance  |
|-------------------------------------------------------|----------|------------------|------------------|
| Current assets:                                       |          |                  |                  |
| Cash and bank balances                                | 1        | 247,719,501.23   | 519,683,411.72   |
| Settlement funds                                      |          |                  |                  |
| Loans to other banks                                  |          |                  |                  |
| Financial assets at fair value through profit or loss |          |                  |                  |
| Derivative financial assets                           |          |                  |                  |
| Notes receivable                                      | 2        | 42,716,179.49    | 59,748,722.91    |
| Accounts receivable                                   | 3        | 821,611,117.89   | 761,252,410.36   |
| Advances paid                                         | 4        | 594,863,965.53   | 44,578,182.05    |
| Premiums receivable                                   |          |                  |                  |
| Reinsurance accounts receivable                       |          |                  |                  |
| Reinsurance reserve receivable                        |          |                  |                  |
| Interest receivable                                   |          |                  |                  |
| Dividend receivable                                   |          |                  |                  |
| Other receivables                                     | 5        | 30,009,542.76    | 30,414,138.94    |
| Reverse-REPO financial assets                         |          |                  |                  |
| Inventories                                           | 6        | 431,882,325.99   | 527,931,889.47   |
| Assets classified as held-for-sale                    |          |                  |                  |
| Non-current assets due within one year                |          |                  |                  |
| Other current assets                                  | 7        | 10,613,416.93    | 6,842,370.71     |
| Total current assets                                  |          | 2,179,416,049.82 | 1,950,451,126.16 |
| Non-current assets:                                   |          |                  |                  |
| Loans and advances paid                               |          |                  |                  |
| Available-for-sale financial assets                   | 8        | 741,953.00       | 741,953.00       |
| Held-to-maturity investments                          |          |                  |                  |
| Long-term receivable                                  |          |                  |                  |
| Long-term equity investments                          | 9        | 186,464,764.51   | 187,082,857.56   |
| Investment property                                   | 10       | 13,168,058.49    | 13,533,631.71    |
| Fixed assets                                          | 11       | 122,508,650.46   | 124,281,522.14   |
| Construction in progress                              | 12       | 171,473.78       |                  |
| Construction materials                                |          |                  |                  |
| Fixed assets disposal                                 |          |                  |                  |
| Productive biological assets                          |          |                  |                  |
| Oil & gas assets                                      |          |                  |                  |
| Intangible assets                                     | 13       | 25,821,442.77    | 26,163,577.94    |
| Development expenditures                              |          |                  |                  |
| Goodwill                                              |          |                  |                  |
| Long-term prepayments                                 | 14       | 2,291,656.98     | 2,264,499.03     |
| Deferred tax assets                                   |          |                  |                  |
| Other non-current assets                              |          |                  |                  |
| Total non-current assets                              |          | 351,167,999.99   | 354,068,041.38   |
| Total assets                                          |          | 2,530,584,049.81 | 2,304,519,167.54 |

# Nanjing Putian Telecommunications Co., Ltd.

## Consolidated balance sheet as at June 30, 2017 (continued)

(Expressed in Renminbi Yuan)

| Liabilities & Equity                                       | Note No. | Closing balance  | Opening balance  |
|------------------------------------------------------------|----------|------------------|------------------|
| Current liabilities:                                       |          |                  |                  |
| Short-term borrowings                                      | 15       | 368,350,000.00   | 473,500,000.00   |
| Central bank loans                                         |          |                  |                  |
| Absorbing deposit and interbank deposit                    |          |                  |                  |
| Loans from other banks                                     |          |                  |                  |
| Financial liabilities at fair value through profit or loss |          |                  |                  |
| Derivative financial liabilities                           |          |                  |                  |
| Notes payable                                              | 16       | 27,315,996.58    | 83,071,160.95    |
| Accounts payable                                           | 17       | 997,474,557.49   | 897,012,031.63   |
| Advances received                                          | 18       | 607,032,186.23   | 310,313,462.24   |
| Proceeds from sale of repurchase financial assets          |          |                  |                  |
| Handling fee and commission payable                        |          |                  |                  |
| Employee benefits payable                                  | 19       | 18,545,120.07    | 17,476,239.20    |
| Taxes and rates payable                                    | 20       | 13,421,227.75    | 24,491,066.21    |
| Interest payable                                           | 21       | 709,377.30       | 732,412.79       |
| Dividend payable                                           | 22       | 1,692,213.38     | 1,692,213.38     |
| Other payables                                             | 23       | 43,786,245.91    | 42,214,822.29    |
| Reinsurance accounts payable                               |          |                  |                  |
| Insurance policy reserve                                   |          |                  |                  |
| Deposit for agency security transaction                    |          |                  |                  |
| Deposit for agency security underwriting                   |          |                  |                  |
| Liabilities classified as held-for-sale                    |          |                  |                  |
| Non-current liabilities due within one year                |          |                  |                  |
| Other current liabilities                                  |          |                  |                  |
| Total current liabilities                                  |          | 2,078,326,924.71 | 1,850,503,408.69 |
| Non-current liabilities:                                   |          |                  |                  |
| Long-term borrowings                                       |          |                  |                  |
| Bonds payable                                              |          |                  |                  |
| Including: Preferred shares                                |          |                  |                  |
| Perpetual bonds                                            |          |                  |                  |
| Long-term payables                                         | 24       |                  |                  |
| Long-term employee benefits payable                        |          |                  |                  |
| Special payables                                           |          |                  |                  |
| Provisions                                                 |          |                  |                  |
| Deferred income                                            | 25       | 8,590,858.74     | 1,599,211.58     |
| Deferred tax liabilities                                   |          |                  |                  |
| Other non-current liabilities                              |          |                  |                  |
| Total non-current liabilities                              |          | 8,590,858.74     | 1,599,211.58     |
| Total liabilities                                          |          | 2,086,917,783.45 | 1,852,102,620.27 |
| Equity:                                                    |          |                  |                  |
| Share capital                                              | 26       | 215,000,000.00   | 215,000,000.00   |
| Other equity instruments                                   |          |                  |                  |
| Including: Preferred shares                                |          |                  |                  |
| Perpetual bonds                                            |          |                  |                  |
| Capital reserve                                            | 27       | 185,374,533.85   | 185,374,533.85   |
| Less: Treasury shares                                      |          |                  |                  |
| Other comprehensive income                                 | 28       | -4,782,658.84    | -4,634,605.50    |
| Special reserve                                            |          |                  |                  |
| Surplus reserve                                            | 29       | 589,559.77       | 589,559.77       |
| General risk reserve                                       |          |                  |                  |
| Undistributed profit                                       | 30       | -69,737,796.54   | -56,491,072.91   |
| Total equity attributable to the parent company            |          | 326,443,638.24   | 339,838,415.21   |
| Non-controlling interest                                   |          | 117,222,628.12   | 112,578,132.06   |
| Total equity                                               |          | 443,666,266.36   | 452,416,547.27   |
| Total liabilities & equity                                 |          | 2,530,584,049.81 | 2,304,519,167.54 |

# Nanjing Putian Telecommunications Co., Ltd.

## Parent company balance sheet as at June 30, 2017

(Expressed in Renminbi Yuan)

| Assets                                                | Note No. | Closing balance  | Opening balance  |
|-------------------------------------------------------|----------|------------------|------------------|
| Current assets:                                       |          |                  |                  |
| Cash and bank balances                                |          | 88,870,600.92    | 190,187,786.60   |
| Financial assets at fair value through profit or loss |          |                  |                  |
| Derivative financial assets                           |          |                  |                  |
| Notes receivable                                      |          | 25,750,466.49    | 26,166,177.42    |
| Accounts receivable                                   | 1        | 429,774,693.29   | 418,155,912.47   |
| Advances paid                                         |          | 539,448,584.82   | 22,118,450.95    |
| Interest receivable                                   |          |                  |                  |
| Dividend receivable                                   |          |                  |                  |
| Other receivables                                     | 2        | 45,033,404.13    | 67,477,161.09    |
| Inventories                                           |          | 252,547,764.66   | 382,213,995.39   |
| Assets classified as held-for-sale                    |          |                  |                  |
| Non-current assets due within one year                |          |                  |                  |
| Other current assets                                  |          | 702,049.56       |                  |
| Total current assets                                  |          | 1,382,127,563.87 | 1,106,319,483.92 |
| Non-current assets:                                   |          |                  |                  |
| Available-for-sale financial assets                   |          | 741,953.00       | 741,953.00       |
| Held-to-maturity investments                          |          |                  |                  |
| Long-term receivable                                  |          |                  |                  |
| Long-term equity investments                          | 3        | 355,243,380.27   | 355,898,601.98   |
| Investment property                                   |          |                  |                  |
| Fixed assets                                          |          | 57,690,657.66    | 56,774,280.91    |
| Construction in progress                              |          | 111,073.78       |                  |
| Construction materials                                |          |                  |                  |
| Fixed assets disposal                                 |          |                  |                  |
| Productive biological assets                          |          |                  |                  |
| Oil & gas assets                                      |          |                  |                  |
| Intangible assets                                     |          | 7,450,614.48     | 7,685,388.54     |
| Development expenditures                              |          |                  |                  |
| Goodwill                                              |          |                  |                  |
| Long-term prepayments                                 |          | 2,030,468.98     | 1,957,219.03     |
| Deferred tax assets                                   |          |                  |                  |
| Other non-current assets                              |          |                  |                  |
| Total non-current assets                              |          | 423,268,148.17   | 423,057,443.46   |
| Total assets                                          |          | 1,805,395,712.04 | 1,529,376,927.38 |

## Nanjing Putian Telecommunications Co., Ltd.

## Parent company balance sheet as at June 30, 2017 (continued)

(Expressed in Renminbi Yuan)

| Liabilities & Equity                                       | Note No. | Closing balance  | Opening balance  |
|------------------------------------------------------------|----------|------------------|------------------|
| Current liabilities:                                       |          |                  |                  |
| Short-term borrowings                                      |          | 254,850,000.00   | 350,000,000.00   |
| Financial liabilities at fair value through profit or loss |          |                  |                  |
| Derivative financial liabilities                           |          |                  |                  |
| Notes payable                                              |          | 25,315,996.58    | 73,071,160.95    |
| Accounts payable                                           |          | 564,156,527.86   | 484,405,589.93   |
| Advances received                                          |          | 545,175,249.08   | 256,897,356.96   |
| Employee benefits payable                                  |          | 7,388,766.96     | 6,437,798.79     |
| Taxes and rates payable                                    |          | 3,320,021.98     | 8,618,382.65     |
| Interest payable                                           |          | 208,892.07       | 556,665.54       |
| Dividend payable                                           |          |                  |                  |
| Other payables                                             |          | 226,601,169.74   | 148,211,527.27   |
| Liabilities classified as held-for-sale                    |          |                  |                  |
| Non-current liabilities due within one year                |          |                  |                  |
| Other current liabilities                                  |          |                  |                  |
| Total current liabilities                                  |          | 1,627,016,624.27 | 1,328,198,482.09 |
| Non-current liabilities:                                   |          |                  |                  |
| Long-term borrowings                                       |          |                  |                  |
| Bonds payable                                              |          |                  |                  |
| Including: Preferred shares                                |          |                  |                  |
| Perpetual bonds                                            |          |                  |                  |
| Long-term payables                                         |          |                  |                  |
| Long-term employee benefits payable                        |          |                  |                  |
| Special payables                                           |          |                  |                  |
| Provisions                                                 |          |                  |                  |
| Deferred income                                            |          | 1,156,061.74     | 1,599,211.58     |
| Deferred tax liabilities                                   |          |                  |                  |
| Other non-current liabilities                              |          |                  |                  |
| Total non-current liabilities                              |          | 1,156,061.74     | 1,599,211.58     |
| Total liabilities                                          |          | 1,628,172,686.01 | 1,329,797,693.67 |
| Equity:                                                    |          |                  |                  |
| Share capital                                              |          | 215,000,000.00   | 215,000,000.00   |
| Other equity instruments                                   |          |                  |                  |
| Including: Preferred shares                                |          |                  |                  |
| Perpetual bonds                                            |          |                  |                  |
| Capital reserve                                            |          | 172,417,299.81   | 172,417,299.81   |
| Less: Treasury shares                                      |          |                  |                  |
| Other comprehensive income                                 |          |                  |                  |
| Special reserve                                            |          |                  |                  |
| Surplus reserve                                            |          | 589,559.76       | 589,559.76       |
| Undistributed profit                                       |          | -210,783,833.54  | -188,427,625.86  |
| Total equity                                               |          | 177,223,026.03   | 199,579,233.71   |
| Total liabilities & equity                                 |          | 1,805,395,712.04 | 1,529,376,927.38 |

## Nanjing Putian Telecommunications Co., Ltd.

## Consolidated income statement for the year ended June 30, 2017

(Expressed in Renminbi Yuan)

| Items                                                                                                          | Note No. | Current period cumulative | Preceding period comparative |
|----------------------------------------------------------------------------------------------------------------|----------|---------------------------|------------------------------|
| I. Total operating revenue                                                                                     |          | 1,012,396,407.39          | 834,739,223.47               |
| Including: operating revenue                                                                                   | 1        | 1,012,396,407.39          | 834,739,223.47               |
| Interest proceeds                                                                                              |          |                           |                              |
| Premium earned                                                                                                 |          |                           |                              |
| Revenue from handling charges and commission                                                                   |          |                           |                              |
| II. Total operating cost                                                                                       |          | 1,021,785,412.19          | 853,416,882.48               |
| Including: Operating cost                                                                                      | 1        | 854,596,490.18            | 686,173,649.02               |
| Interest expenses                                                                                              |          |                           |                              |
| Handling charges and commission expenditures                                                                   |          |                           |                              |
| Surrender value                                                                                                |          |                           |                              |
| Net payment of insurance claims                                                                                |          |                           |                              |
| Net provision of insurance policy reserve                                                                      |          |                           |                              |
| Premium bonus expenditures                                                                                     |          |                           |                              |
| Reinsurance expenses                                                                                           |          |                           |                              |
| Taxes & surcharge for operations                                                                               | 2        | 4,727,442.61              | 4,387,733.29                 |
| Selling expenses                                                                                               | 3        | 79,331,110.14             | 80,474,718.48                |
| Administrative expenses                                                                                        | 4        | 72,960,165.72             | 69,513,112.10                |
| Financial expense                                                                                              | 5        | 8,701,588.82              | 11,247,942.96                |
| Assets impairment loss                                                                                         | 6        | 1,468,614.72              | 1,619,726.63                 |
| Add: Gains on changes in fair value(or less: losses)                                                           |          |                           |                              |
| Investment income (or less: losses)                                                                            | 7        | -618,093.05               | 917,844.11                   |
| Including: investment income from associates and joint ventures                                                |          | -618,093.05               | 917,844.11                   |
| Gains on foreign exchange (or less: losses)                                                                    |          |                           |                              |
| Other gains                                                                                                    | 8        | 2,784,809.60              |                              |
| III. Operating profit(or less: losses)                                                                         |          | -7,222,288.25             | -17,759,814.90               |
| Add: Non-operating revenue                                                                                     | 9        | 2,769,599.18              | 3,864,657.27                 |
| Including: Gains on disposal of non-current assets                                                             |          | 29,788.25                 | 30,429.96                    |
| Less: Non-operating expenditures                                                                               | 10       | 929,676.29                | 81,403.56                    |
| Including: Losses on disposal of fixed assets                                                                  |          | 693,153.07                | 16,712.60                    |
| IV. Profit before tax (or less: total loss)                                                                    |          | -5,382,365.36             | -13,976,561.19               |
| Less: Income tax                                                                                               | 11       | 3,203,411.84              | 3,235,803.32                 |
| V. Net profit (or less: net loss)                                                                              |          | -8,585,777.20             | -17,212,364.51               |
| Net profit attributable to owners of parent company                                                            |          | -13,246,723.63            | -21,109,095.63               |
| Non-controlling interest                                                                                       |          | 4,660,946.43              | 3,896,731.12                 |
| VI. Other comprehensive income after tax                                                                       | 12       | -164,503.71               | -241,817.20                  |
| Items attributable to the owners of the parent company                                                         |          | -148,053.34               | -217,635.48                  |
| (I) Not reclassified subsequently to profit or loss                                                            |          |                           |                              |
| 1.Changes in re-measurement on the net defined benefit liability/asset                                         |          |                           |                              |
| 2. Items attributable to investees under equity method that will not reclassified to profit or loss            |          |                           |                              |
| (II) To be reclassified subsequently to profit or loss                                                         |          | -148,053.34               | -217,635.48                  |
| 1. Items attributable to investees under equity method that may be reclassified to profit or loss              |          |                           |                              |
| 2. Profit or loss from changes in fair value of available-for-sale financial assets                            |          |                           |                              |
| 3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets |          |                           |                              |
| 4. Profit or loss on cash flow hedging                                                                         |          |                           |                              |
| 5. Translation reserve                                                                                         |          | -148,053.34               | -217,635.48                  |

|                                                        |  |                |                |
|--------------------------------------------------------|--|----------------|----------------|
| 6. Others                                              |  |                |                |
| Items attributable to non-controlling shareholders     |  | -16,450.37     | -24,181.72     |
| VII. Total comprehensive income                        |  | -8,750,280.91  | -17,454,181.71 |
| Items attributable to the owners of the parent company |  | -13,394,776.97 | -21,326,731.11 |
| Items attributable to non-controlling shareholders     |  | 4,644,496.06   | 3,872,549.40   |
| VIII. Earnings per share (EPS):                        |  |                |                |
| (I) Basic EPS (yuan per share)                         |  | -0.06          | -0.10          |
| (II) Diluted EPS (yuan per share)                      |  | -0.06          | -0.10          |

## Nanjing Putian Telecommunications Co., Ltd.

Parent company income statement for the year ended June 30, 2017

(Expressed in Renminbi Yuan)

| Items                                                                                                          | Note No. | Current period cumulative | Preceding period comparative |
|----------------------------------------------------------------------------------------------------------------|----------|---------------------------|------------------------------|
| I. Operating revenue                                                                                           | 1        | 492,270,145.47            | 349,225,599.24               |
| Less: Operating cost                                                                                           | 1        | 440,095,821.25            | 303,368,276.90               |
| Taxes & surcharge for operations                                                                               |          | 1,953,988.13              | 1,939,343.25                 |
| Selling expenses                                                                                               |          | 33,154,285.12             | 37,592,065.04                |
| Administrative expenses                                                                                        |          | 29,286,433.07             | 27,500,532.77                |
| Financial expense                                                                                              |          | 8,503,408.00              | 8,778,329.36                 |
| Assets impairment loss                                                                                         |          | 1,566,147.48              | 1,351,891.24                 |
| Add: Gain on changes in fair value (or less: losses)                                                           |          |                           |                              |
| Investment income (or less: losses)                                                                            | 2        | -655,221.71               | 760,849.53                   |
| Including: investment income from associates and joint ventures                                                |          | -655,221.71               | 760,849.53                   |
| Other gains                                                                                                    |          | 44,991.45                 |                              |
| II. Operating profit(or less: losses)                                                                          |          | -22,900,167.84            | -30,543,989.79               |
| Add: Non-operating revenue                                                                                     |          | 760,110.35                | 1,153,404.83                 |
| Including: Gains on disposal of non-current assets                                                             |          |                           |                              |
| Less: Non-operating expenditures                                                                               |          | 216,150.19                | 52,324.49                    |
| Including: Losses on disposal of non-current assets                                                            |          |                           |                              |
| III. Profit before tax (or less: total loss)                                                                   |          | -22,356,207.68            | -29,442,909.45               |
| Less: Income tax                                                                                               |          |                           |                              |
| IV. Net profit (or less: net loss)                                                                             |          | -22,356,207.68            | -29,442,909.45               |
| V. Other comprehensive income after tax                                                                        |          |                           |                              |
| (I) Not reclassified subsequently to profit or loss                                                            |          |                           |                              |
| 1. Changes in re-measurement on the net defined benefit liability/asset                                        |          |                           |                              |
| 2. Items attributable to investees under equity method that will not reclassified to profit or loss            |          |                           |                              |
| (II) To be reclassified subsequently to profit or loss                                                         |          |                           |                              |
| 1. Items attributable to investees under equity method that may be reclassified to profit or loss              |          |                           |                              |
| 2. Profit or loss from changes in fair value of available-for-sale financial assets                            |          |                           |                              |
| 3. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets |          |                           |                              |
| 4. Profit or loss on cash flow hedging                                                                         |          |                           |                              |
| 5. Translation reserve                                                                                         |          |                           |                              |
| 6. Others                                                                                                      |          |                           |                              |
| VI. Total comprehensive income                                                                                 |          | -22,356,207.68            | -29,442,909.45               |
| VII. Earnings per share (EPS):                                                                                 |          |                           |                              |
| (I) Basic EPS (yuan per share)                                                                                 |          | -0.10                     | -0.14                        |
| (II) Diluted EPS (yuan per share)                                                                              |          | -0.10                     | -0.14                        |

## Nanjing Putian Telecommunications Co., Ltd.

## Consolidated cash flow statement for the year ended June 30, 2017

(Expressed in Renminbi Yuan)

| Items                                                                                             | Note No. | Current period cumulative | Preceding period comparative |
|---------------------------------------------------------------------------------------------------|----------|---------------------------|------------------------------|
| I. Cash flows from operating activities:                                                          |          |                           |                              |
| Cash receipts from sale of goods or rendering of services                                         |          | 1,425,486,893.70          | 934,700,876.85               |
| 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                                                                            |          | 2,787,151.76              | 2,560,296.70                 |
| Other cash receipts related to operating activities                                               | 1        | 89,760,092.99             | 47,740,548.02                |
| Subtotal of cash inflows from operating activities                                                |          | 1,518,034,138.45          | 985,001,721.57               |
| Cash payments for goods purchased and services received                                           |          | 1,349,795,208.94          | 802,685,394.00               |
| 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                                                           |          | 135,086,143.63            | 125,026,411.42               |
| Cash payments for taxes and rates                                                                 |          | 50,137,010.08             | 32,610,794.24                |
| Other cash payments related to operating activities                                               | 2        | 119,180,369.61            | 121,260,532.80               |
| Subtotal of cash outflows from operating activities                                               |          | 1,654,198,732.26          | 1,081,583,132.46             |
| Net cash flows from operating activities                                                          |          | -136,164,593.81           | -96,581,410.89               |
| II. Cash flows from investing activities:                                                         |          |                           |                              |
| Cash receipts from withdrawal of investments                                                      |          |                           |                              |
| Cash receipts from investment income                                                              |          |                           | 362,372.00                   |
| Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets |          | 29,417.47                 | 32,592.24                    |
| 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                                                |          | 29,417.47                 | 394,964.24                   |
| Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets   |          | 4,378,311.80              | 1,667,289.75                 |
| Cash payments for investments                                                                     |          |                           |                              |
| Net increase of pledged borrowings                                                                |          |                           |                              |
| Net cash payments for the acquisition of subsidiaries & other business units                      |          |                           |                              |
| Other cash payments related to investing activities                                               |          | 20,000,000.00             |                              |
| Subtotal of cash outflows from investing activities                                               |          | 24,378,311.80             | 1,667,289.75                 |
| Net cash flows from investing activities                                                          |          | -24,348,894.33            | -1,272,325.51                |
| III. Cash flows from financing activities:                                                        |          |                           |                              |
| Cash receipts from absorbing investments                                                          |          |                           |                              |
| Including: Cash received by subsidiaries from non-controlling shareholders as investments         |          |                           |                              |
| Cash receipts from borrowings                                                                     |          | 232,350,000.00            | 317,500,000.00               |
| Cash receipts from issuing of bonds                                                               |          |                           |                              |
| Other cash receipts related to financing activities                                               |          |                           |                              |
| Subtotal of cash inflows from financing activities                                                |          | 232,350,000.00            | 317,500,000.00               |

| Items                                                                                      | Note No. | Current period cumulative | Preceding period comparative |
|--------------------------------------------------------------------------------------------|----------|---------------------------|------------------------------|
| Cash payments for the repayment of borrowings                                              |          | 337,500,000.00            | 361,000,000.00               |
| Cash payments for distribution of dividends or profits and for interest expenses           |          | 9,694,078.68              | 17,884,722.62                |
| Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit |          |                           |                              |
| Other cash payments related to financing activities                                        |          |                           |                              |
| Subtotal of cash outflows from financing activities                                        |          | 347,194,078.68            | 378,884,722.62               |
| Net cash flows from financing activities                                                   |          | -114,844,078.68           | -61,384,722.62               |
| IV. Effect of foreign exchange rate changes on cash & cash equivalents                     |          | -23,235.89                | -273,093.14                  |
| V. Net increase in cash and cash equivalents                                               |          | -275,380,802.71           | -159,511,552.16              |
| Add: Opening balance of cash and cash equivalents                                          |          | 484,954,713.07            | 405,920,943.68               |
| VI. Closing balance of cash and cash equivalents                                           |          | 209,573,910.36            | 246,409,391.52               |

## Nanjing Putian Telecommunications Co., Ltd.

## Parent company cash flow statement for the year ended June 30, 2017

(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                                        |          | 847,352,874.13            | 379,526,190.68               |
| Receipts of tax refund                                                                            |          | 47,333.61                 | 239,819.41                   |
| Other cash receipts related to operating activities                                               |          | 114,587,795.86            | 663,533.60                   |
| Subtotal of cash inflows from operating activities                                                |          | 961,988,003.60            | 380,429,543.69               |
| Cash payments for goods purchased and services received                                           |          | 843,778,952.58            | 302,330,893.01               |
| Cash paid to and on behalf of employees                                                           |          | 58,743,976.97             | 53,370,601.93                |
| Cash payments for taxes and rates                                                                 |          | 16,423,861.43             | 4,468,888.31                 |
| Other cash payments related to operating activities                                               |          | 23,342,375.76             | 55,865,617.23                |
| Subtotal of cash outflows from operating activities                                               |          | 942,289,166.74            | 416,036,000.48               |
| Net cash flows from operating activities                                                          |          | 19,698,836.86             | -35,606,456.79               |
| II. Cash flows from investing activities:                                                         |          |                           |                              |
| Cash receipts from withdrawal of investments                                                      |          |                           |                              |
| Cash receipts from investment income                                                              |          |                           | 362,372.00                   |
| Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets |          |                           | 31,378.65                    |
| 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                                                |          |                           | 393,750.65                   |
| Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets   |          | 3,322,596.02              | 1,256,889.19                 |
| 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                                               |          | 3,322,596.02              | 1,256,889.19                 |
| Net cash flows from investing activities                                                          |          | -3,322,596.02             | -863,138.54                  |
| III. Cash flows from financing activities:                                                        |          |                           |                              |
| Cash receipts from absorbing investments                                                          |          |                           |                              |
| Cash receipts from borrowings                                                                     |          | 170,850,000.00            | 236,000,000.00               |
| Other cash receipts related to financing activities                                               |          |                           |                              |
| Subtotal of cash inflows from financing activities                                                |          | 170,850,000.00            | 236,000,000.00               |
| Cash payments for the repayment of borrowings                                                     |          | 266,000,000.00            | 296,000,000.00               |
| Cash payments for distribution of dividends or profits and for interest expenses                  |          | 9,341,661.54              | 9,504,963.82                 |
| Other cash payments related to financing activities                                               |          |                           |                              |
| Subtotal of cash outflows from financing activities                                               |          | 275,341,661.54            | 305,504,963.82               |
| Net cash flows from financing activities                                                          |          | -104,491,661.54           | -69,504,963.82               |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents                          |          | -100,956.62               | 68,383.33                    |
| V. Net increase in cash and cash equivalents                                                      |          | -88,216,377.32            | -105,906,175.82              |
| Add: Opening balance of cash and cash equivalents                                                 |          | 164,361,696.67            | 192,969,689.69               |
| VI. Closing balance of cash and cash equivalents                                                  |          | 76,145,319.35             | 87,063,513.87                |

## Nanjing Putian Telecommunications Co., Ltd.

## Consolidated statement of changes in equity for the year ended June 30, 2017

(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  |                       | -4,634,605.50              |                 | 589,559.77      |                      | -56,491,072.91       | 112,578,132.06           | 452,416,547.27 |
| 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  |                       | -4,634,605.50              |                 | 589,559.77      |                      | -56,491,072.91       | 112,578,132.06           | 452,416,547.27 |
| III. Current period increase (or less: decrease)              |                                       |                          |        |  |                 |                       | -148,053.34                |                 |                 |                      | -13,246,723.63       | 4,644,496.06             | -8,750,280.91  |
| (I) Total comprehensive income                                |                                       |                          |        |  |                 |                       | -148,053.34                |                 |                 |                      | -13,246,723.63       | 4,644,496.06             | -8,750,280.91  |
| (II) Capital contributed or withdrawn by owners               |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 1. Capital contributed by owners                              |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 2. Capital contributed by holders of other equity instruments |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 3. Amount of share-based payment included in equity           |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 4. Others                                                     |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| (III) Profit distribution                                     |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 1. Appropriation of surplus reserve                           |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 2. Appropriation of general risk reserve                      |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 3. Appropriation of profit to owners                          |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 4. Others                                                     |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| (IV) Internal carry-over within equity                        |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 1.Transfer of capital reserve to capital                      |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 2.Transfer of surplus reserve to capital                      |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 3.Surplus reserve to cover losses                             |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 4.Others                                                      |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |
| (V) Special reserve                                           |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |

| 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 |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 1. Appropriation of current period       |                                       |                          |                 |        |                 |                       |                            |                 |                 |                      |                      |                          |                |
| 2. Application of current period         |                                       |                          |                 |        |                 |                       |                            |                 |                 |                      |                      |                          |                |
| (VI) Others                              |                                       |                          |                 |        |                 |                       |                            |                 |                 |                      |                      |                          |                |
| IV. Balance at the end of current period | 215,000,000.00                        |                          |                 |        | 185,374,533.85  |                       | -4,782,658.84              |                 | 589,559.77      |                      | -69,737,796.54       | 117,222,628.12           | 443,666,266.36 |

## Nanjing Putian Telecommunications Co., Ltd.

## Consolidated statement of changes in equity for the year ended June 30, 2017 (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  |                       | -4,223,184.69              |                 | 589,559.77      |                      | -50,056,514.64       | 106,131,917.02           | 452,816,311.31 |
| 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  |                       | -4,223,184.69              |                 | 589,559.77      |                      | -50,056,514.64       | 106,131,917.02           | 452,816,311.31 |
| III. Current period increase (or less: decrease)              |                                       |                          |        |  |                 |                       | -217,635.48                |                 |                 |                      | -21,109,095.63       | 3,872,549.40             | -17,454,181.71 |
| (I) Total comprehensive income                                |                                       |                          |        |  |                 |                       | -217,635.48                |                 |                 |                      | -21,109,095.63       | 3,872,549.40             | -17,454,181.71 |
| (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                                                     |                                       |                          |        |  |                 |                       |                            |                 |                 |                      |                      |                          |                |

| 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 |                 |                       |                            |                 |                 |                      |                      |                          |                |
| (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  |                       | -4,440,820.17              |                 | 589,559.77      |                      | -71,165,610.27       | 110,004,466.42           | 435,362,129.60 |

## Nanjing Putian Telecommunications Co., Ltd.

## Parent company statement of changes in equity for the year ended June 30, 2017

(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   |
| I. Balance at the end of prior year                           | 215,000,000.00            |                          |  |  | 172,417,299.81  |                       |                            |                 | 589,559.76      | -188,427,625.86      | 199,579,233.71 |
| Add: Cumulative changes of accounting policies                |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| Error correction of prior period                              |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| Others                                                        |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| II. Balance at the beginning of current year                  | 215,000,000.00            |                          |  |  | 172,417,299.81  |                       |                            |                 | 589,559.76      | -188,427,625.86      | 199,579,233.71 |
| III. Current period increase (or less: decrease)              |                           |                          |  |  |                 |                       |                            |                 |                 | -22,356,207.68       | -22,356,207.68 |
| (I) Total comprehensive income                                |                           |                          |  |  |                 |                       |                            |                 |                 | -22,356,207.68       | -22,356,207.68 |
| (II) Capital contributed or withdrawn by owners               |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| 1. Capital contributed by owners                              |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| 2. Capital contributed by holders of other equity instruments |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| 3. Amount of share-based payment included in equity           |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| 4. Others                                                     |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| (III) Profit distribution                                     |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| 1. Appropriation of surplus reserve                           |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| 2. Appropriation of profit to owners                          |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| 3. Others                                                     |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| (IV) Internal carry-over within equity                        |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| 1. Transfer of capital reserve to capital                     |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| 2. Transfer of surplus reserve to capital                     |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| 3. Surplus reserve to cover losses                            |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| 4. Others                                                     |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| (V) Special reserve                                           |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| 1. Appropriation of current period                            |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| 2. Application of current period                              |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| (VI) Others                                                   |                           |                          |  |  |                 |                       |                            |                 |                 |                      |                |
| IV. Balance at the end of current period                      | 215,000,000.00            |                          |  |  | 172,417,299.81  |                       |                            |                 | 589,559.76      | -210,783,833.54      | 177,223,026.03 |

## Nanjing Putian Telecommunications Co., Ltd.

## Parent company statement of changes in equity for the year ended June 30, 2017(continued)

(Expressed in Renminbi Yuan)

| Items                                                         | Preceding period comparative |                          |                    |        |                 |                             |                                  |                    |                 |                      |                |
|---------------------------------------------------------------|------------------------------|--------------------------|--------------------|--------|-----------------|-----------------------------|----------------------------------|--------------------|-----------------|----------------------|----------------|
|                                                               | Share capital                | Other equity instruments |                    |        | Capital reserve | Less:<br>treasury<br>shares | Other<br>comprehensive<br>income | Special<br>reserve | Surplus reserve | Undistributed profit | Total equity   |
|                                                               |                              | Preferred<br>shares      | Perpetual<br>bonds | Others |                 |                             |                                  |                    |                 |                      |                |
| I. Balance at the end of prior year                           | 215,000,000.00               |                          |                    |        | 172,417,299.81  |                             |                                  |                    | 589,559.76      | -202,845,587.23      | 185,161,272.34 |
| 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      | -202,845,587.23      | 185,161,272.34 |
| III. Current period increase (or less: decrease)              |                              |                          |                    |        |                 |                             |                                  |                    |                 | -29,442,909.45       | -29,442,909.45 |
| (I) Total comprehensive income                                |                              |                          |                    |        |                 |                             |                                  |                    |                 | -29,442,909.45       | -29,442,909.45 |
| (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 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 | -232,288,496.68 | 155,718,362.89 |

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[Li Linzhen]

[Legal representative]

(Signature and stamp)

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[Li Linzhen]

[Officer in charge of accounting]

(Signature and stamp)

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[Gao Wen]

[Head of accounting department]

(Signature and stamp)

**Nanjing Putian Telecommunications Co., Ltd.****Notes to Financial Statements****Semi-annual Report 2017**

Monetary unit: RMB Yuan

**I. Company profile**

Nanjing Putian Telecommunications Co., Ltd. (the “Company”), whose predecessor is 邮电部南京通信设备厂 (Nanjing Telecommunication Facility Factory<sup>1</sup>), 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.

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

The financial statements have been deliberated and approved for issue by the 2<sup>th</sup> meeting of the 7<sup>th</sup> session of the Board of Directors dated August 24, 2017.

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

**II. Preparation basis of the financial statements****(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**

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<sup>1</sup> The English names are for identification purpose only.

**Important note:**

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

**(I) Statement of compliance**

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

**(II) Accounting period**

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

**(III) Operating cycle**

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

**(IV) Functional currency**

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

**(V) Accounting treatments of business combination under and not under common control****1. Accounting treatment of business combination under common control**

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

**2. Accounting treatment of business combination not under common control**

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

**(VI) Compilation method of consolidated financial statements**

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

**(VII) Classification of joint arrangements and accounting treatment of joint operations****1. Joint arrangements include joint operations and joint ventures.****2. When the Company is a joint operator of a joint operation, it recognizes in relation to its interest in a joint operation:****(1) its assets, including its share of any assets held jointly;**

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

(VIII) Recognition criteria of cash and cash equivalents

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

(IX) Foreign currency translation

1. Translation of transactions denominated in foreign currency

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

2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot rate at the transaction date; the revenues and expenses in the income statement are translated into RMB at the spot exchange rate at the transaction date. The difference arising from foreign currency translation is included in other comprehensive income.

(X) Financial instruments

1. Classification of financial assets and financial liabilities

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

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

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

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

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

The Company measures its financial liabilities at the amortized costs using effective interest method, with the exception of those under the following circumstances: (1) for the financial liabilities at fair value through profit or loss, they are measured at fair value, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (2) for the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by the delivery of the equity instrument, they are measured at their costs; (3) for the financial guarantee contracts which are not designated as a financial liability at fair value through profit or loss, and for the commitments to grant loans which are not designated as at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, they are measured subsequent to initial recognition at the higher of the following two items 1) The amount as determined according to “CASBE13 - Contingencies”; 2) the surplus after accumulative amortization as determined according to “CASBE14 - Revenues”.

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

comprehensive income during the holding period, interests measured at effective interest method are recorded as investment income; cash dividends from available-for-sale equity instrument investment are recognized as investment income at the date of dividend declaration; when disposing of the assets, investment income is recognized at the difference between the actual amount received and the book value deducting the accumulative amount of changes in fair value originally included in other comprehensive.

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

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

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

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

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

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

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

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

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

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

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

(2) For held-to-maturity investments, borrowings, and receivables, an impairment test is made on an individual basis on financial assets of individually significant amount; with regard to the financial assets of individually insignificant amount, they may be included in a portfolio of financial assets with similar credit risk features so as to carry out an impairment-related test; where, upon the impairment test on an individual basis, the financial asset (including those financial assets of individually significant amount and of individually insignificant amount) is not impaired, it is included in a portfolio of financial assets with similar credit risk features so as to conduct further impairment test. Where a financial asset is impaired, the carrying amount of the said financial asset is written down to the present value of the predicted future cash flow.

#### (3) Available-for-sale financial assets

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

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

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

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

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value that has been recognized directly in other comprehensive income is reclassified to impairment loss. If, after an impairment loss has been recognized on available-for-sale debt instrument investment, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. Subsequent fair value increase in available-for-sale debt instrument investment whose impairment loss has been recognized is directly recognized in other comprehensive income.

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

#### (XI) Receivables

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

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

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

###### (1) Specific portfolios and provision method

|                                                                                                                  |                                                                    |
|------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| Provision method of provision being made on collective basis using portfolios with similar credit risk features: |                                                                    |
| Portfolio 1                                                                                                      | Grouped with related party balances within the consolidation scope |
| Portfolio 2                                                                                                      | Grouped with age                                                   |
| Portfolios and provision method                                                                                  |                                                                    |
| Portfolio 1                                                                                                      | No provision                                                       |
| Portfolio 2                                                                                                      | Age analysis method                                                |

###### (2) Age analysis method

| Ages | Proportion of provision for accounts receivable (%) | Proportion of provision for other receivables (%) |
|------|-----------------------------------------------------|---------------------------------------------------|
|------|-----------------------------------------------------|---------------------------------------------------|

|                                                 |        |        |
|-------------------------------------------------|--------|--------|
| Within 1 year (inclusive, the same hereinafter) | 0.00   | 0.00   |
| 1-2 years                                       | 0.00   | 0.00   |
| 2-3 years                                       | 10.00  | 10.00  |
| 3-4 years                                       | 30.00  | 30.00  |
| 4-5 years                                       | 40.00  | 40.00  |
| 5-6 years                                       | 80.00  | 80.00  |
| Over 6 years                                    | 100.00 | 100.00 |

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

|                                                   |                                                                                                           |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| Reasons for provision made on an individual basis | Impairment test on an individual basis with objective evidence indicating that the receivable is impaired |
| Provision method                                  | Provision method made on an individual basis                                                              |

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

## (XII) Inventories

### 1. Classification of inventories

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

### 2. Accounting method for dispatching inventories:

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

### 3. Basis for determining net realizable value

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

### 4. Inventory system

Perpetual inventory method is adopted.

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

#### (1) Low-value consumables

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

#### (2) Packages

Packages are amortized with one-off method.

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

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

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

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

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

##### 2. Determination of investment cost

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

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

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

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

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

2) In the case of consolidated financial statements, the Company determines whether it is a “bundled transaction”. If it is a “bundled transaction”, stages as a whole are considered as one transaction in accounting treatment. If it is not a “bundled transaction”, the carrying value of the acquirer’s previously held equity interest in the acquire is re-measured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is

recognized in investment income; when the acquirer's previously held equity interest in the acquire involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from re-measurement of defined benefit plan of the acquiree.

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

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

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

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

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

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

#### (2) Consolidated financial statements

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

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

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

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

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

### (XV) Investment property

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

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

#### (XVI) Fixed assets

##### 1. Recognition principles of fixed assets

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

##### 2. Depreciation method of different categories of fixed assets

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

#### (XVII) Construction in progress

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

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

#### (XVIII) Borrowing costs

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

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

##### 2. Borrowing costs capitalization period

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

for its intended use or sale have already started.

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

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

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

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

### (XIX) Intangible assets

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

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

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

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

the expenditure attributable to the intangible asset during its development.

(XX) Impairment of part of non-current assets

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

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

(XXI) Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within its beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

(XXII) Employee benefits

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

2. Short-term employee benefits

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

3. Post-employment benefits

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

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

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

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

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

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

#### 4. Termination benefits

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

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

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

### (XXIII) Provisions

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

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

### (XXIV) Revenue

#### 1. Revenue recognition principles

##### (1) Sale of goods

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

##### (2) Rendering of services

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

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

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

## 2. Revenue recognition method adopted by the Company

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

## (XXV) Government grants

### 1. Government grants related to assets

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

### 2. Government grants related to income

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

### 3. Policy-based concessional discount loans

(1) Fiscal interest discount funds allocated to the loan bank, then the lending bank provide loans to the company with policy of preferential interest rates, borrowing is received by the actual amount as original borrowing costs, according to the loan principal borrowing costs associated with the preferential interest rate policy. (2) The financial interest will be allocated directly to the company, and the corresponding discount rate shall be reduced to the related borrowing costs.

#### (XXVI) Operating leases

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

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

#### (XXVII) Work safety fund

The Company accrues work safety fund in accordance with the Circular on Management Measures on the Accrual and Use of Work Safety Fund numbered Cai Qi [2012] 16 by Ministry of Finance and State Administration of Work Safety. Standard work safety fund is included in the cost or current profit or loss, meanwhile accounted for under “special reserve”. When work safety fund is used as an expense, it is to offset special reserve directly. When work safety fund is qualified to be included in the cost of fixed assets, it is accounted for under “construction in progress” and transferred to fixed assets when related safety projects reach the designed useful conditions; meanwhile, the cost included in fixed assets is to offset “special reserve”, and accumulated depreciation shall be recognized at the same amount. Such fixed assets shall not be depreciated in future periods.

#### (XXVIII) Segment reporting

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

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

#### (XXIX) Important changes in accounting policies and accounting estimates

##### (1) Important change in accounting policies

##### 1) Accounting policy changes caused by changes in accounting standards of enterprises

The company executive formulated by the ministry of finance CASBESNo. 42 - hold illiquid assets for sale, the disposal of the group and termination of business since May 28, 2017", since June 12, 2017 the implementation of the revised "CASBESNo. 16 - government grants.

This accounting policy change has deliberated and approved for issue by the 2<sup>th</sup> meeting of the 7<sup>th</sup> session of the Board of Directors and using prospective application..

(I) The content and reason of change in accounting policies

| Content and reason                                                                                                                                                                                                                                                                                                                       | Approval procedures                                                                                                                                          | Notes |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| The company treatment of the original software products in the process of government VAT refund in non-operating income accounting, in order to implement the revised CASBEs No. 16 - government grants, the change in other income accountings since January 1, 2017. This accounting policy change applies to prospective application. | This accounting policy change has deliberated and approved for issue by the 2 <sup>th</sup> meeting of the 7 <sup>th</sup> session of the Board of Directors |       |

(II) Report items and amounts that are subject to significant impact

| Significant impact                      | Influence amount | Notes |
|-----------------------------------------|------------------|-------|
| Income statement of semi-annual of 2017 |                  |       |
| Non-operating income                    | -2,784,809.60    |       |
| Other income                            | 2,784,809.60     |       |

#### IV. Taxes

(I) Main taxes and tax rates

| Taxes                                  | Tax bases                                                        | Tax rates |
|----------------------------------------|------------------------------------------------------------------|-----------|
| Value-added tax (VAT)                  | The taxable revenue from sales of goods or rendering of services | 17%       |
| Business tax                           | The taxable business turnover                                    | 3%-5%     |
| 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%-25%   |

Different enterprise income tax rates applicable to different taxpayers:

| Taxpayers                                                                                        | Income tax rate |
|--------------------------------------------------------------------------------------------------|-----------------|
| Nanjing Potevio Telege Intelligent Building Ltd.                                                 | 15%             |
| 南京普天长乐通信设备有限公司<br>(Nanjing Potevio Changle Telecommunications Equipment Co., Ltd. <sup>2</sup> ) | 15%             |
| 南京普天大唐信息电子有限公司<br>(Nanjing Potevio Datang Information Electronic Co., Ltd.*)                     | 15%             |
| 南京普天网络有限公司<br>(Nanjing Potevio Network Co., Ltd.*)                                               | 15%             |
| 普天通信(香港)股份有限公司<br>(Potevio Telecommunications (H.K.) Co., Ltd.*)                                 | 16.5%           |

<sup>2</sup>The English names are for identification purpose only.

|                                          |                 |
|------------------------------------------|-----------------|
| Taxpayers                                | Income tax rate |
| Taxpayers other than the above-mentioned | 25%             |

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

## (II) Tax preferential policies

The subsidiary, Nanjing PotevioTelege Intelligent Building Ltd., obtained high-tech enterprise certificate in October 31, 2014, valid for 3 years. The certificate number is GR201432002922. As a result, it is subject to the enterprise income tax at a rate of 15% for 2014 to 2016.

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

The subsidiary, Nanjing Potevio Network Co., Ltd., obtained high-tech enterprise certificate in August 5, 2014, valid for 3 years. The certificate number is GF201432000602. As a result, it is subject to the enterprise income tax at a rate of 15% for 2014 to 2016.

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

The subsidiary, 南京通信设备厂七分厂 (Nanjing Telecommunication Equipment Factory - the Seventh Branch\*), is a social welfare enterprise. Accordance to the provisions of GuoShui 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 PotevioDatang Information Electronic Co., Ltd. and 南京普天通信科技有限公司 (Nanjing Potevio Telecommunication Technology Co., Ltd.\*), were certified as software enterprises, and some of the software products produced by Nanjing South Telecommunications Company Limited and Nanjing Potevio Network Co., Ltd. are entitled to enjoy the preferential tax policy of VAT refund upon collection in accordance with the provisions of CaiShui [2011] No.100.

## V. Notes to items of consolidated financial statements

Remarks: “Opening balance” in this report refers to balances as at January 1, 2017, while “closing balance” refers to balances as at June 30, 2017; and “current period” refers to the period from January 1, 2017 to June 30, 2017, while “preceding period” refers to the period from January 1, 2016 to June 30, 2016. This is also applicable to that of the parent company.

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

#### 1. Cash and bank balances

##### (1) Details

| Items                        | Closing balance | Opening balance |
|------------------------------|-----------------|-----------------|
| Cash on hand                 | 1,922.76        | 2,762.57        |
| Cash in bank                 | 229,571,987.60  | 484,951,950.50  |
| Other cash and bank balances | 18,145,590.87   | 34,728,698.65   |
| Total                        | 247,719,501.23  | 519,683,411.72  |

## (2) Other remarks

Other cash and bank balances include deposit for acceptance of 12,415,452.22 yuan and deposit for L/G of 5,730,138.65 yuan, which are with use restrictions.

## 2. Notes receivable

## (1) Details

| Items            | Closing balance |                         |                 | Opening balance |                         |                 |
|------------------|-----------------|-------------------------|-----------------|-----------------|-------------------------|-----------------|
|                  | Book balance    | Provision for bad debts | Carrying amount | Book balance    | Provision for bad debts | Carrying amount |
| Bank acceptance  | 32,937,444.29   |                         | 32,937,444.29   | 34,605,985.99   |                         | 34,605,985.99   |
| Trade acceptance | 9,778,735.20    |                         | 9,778,735.20    | 25,142,736.92   |                         | 25,142,736.92   |
| Total            | 42,716,179.49   |                         | 42,716,179.49   | 59,748,722.91   |                         | 59,748,722.91   |

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

| Items            | Closing balance derecognized | Closing balance not yet derecognized |
|------------------|------------------------------|--------------------------------------|
| Bank acceptance  | 548,402,335.67               |                                      |
| Trade acceptance | 7,664,511.09                 |                                      |
| Subtotal         | 556,066,846.76               |                                      |

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 中国电信股份有限公司 (China Telecommunications Corporation<sup>3</sup>), 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 |

<sup>3</sup> The English name is for identification purpose only.

|                                                                                                          | 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 | 849,786,549.44 | 98.89      | 28,175,431.55 | 3.32                     | 821,611,117.89 |
| Portfolio 1                                                                                              |                |            |               |                          |                |
| Portfolio 2                                                                                              | 849,786,549.44 | 98.89      | 28,175,431.55 | 100.00                   | 821,611,117.89 |
| Receivable of individually insignificant amount but with provision made on an individual basis           | 9,512,416.41   | 1.11       | 9,512,416.41  |                          |                |
| Total                                                                                                    | 859,298,965.85 | 100.00     | 37,687,847.96 | 4.39                     | 821,611,117.89 |

(Continued)

| Categories                                                                                               | Opening balance |            |                         |                          |                 |
|----------------------------------------------------------------------------------------------------------|-----------------|------------|-------------------------|--------------------------|-----------------|
|                                                                                                          | Book balance    |            | Provision for bad debts |                          | Carrying amount |
|                                                                                                          | Amount          | % to total | Amount                  | Provision proportion (%) |                 |
| Receivables of individually significant amount and with provision made on an individual basis            |                 |            |                         |                          |                 |
| Receivables with provision made on a collective basis using portfolios with similar credit risk features | 788,271,210.47  | 98.81      | 27,018,800.11           | 3.43                     | 761,252,410.36  |
| Portfolio 1                                                                                              |                 |            |                         |                          |                 |
| Portfolio 2                                                                                              | 788,271,210.47  | 98.81      | 27,018,800.11           | 3.43                     | 761,252,410.36  |
| Receivable of individually insignificant amount but with provision made on an individual basis           | 9,464,819.50    | 1.19       | 9,464,819.50            | 100.00                   |                 |
| Total                                                                                                    | 797,736,029.97  | 100.00     | 36,483,619.61           | 4.57                     | 761,252,410.36  |

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 | 595,066,349.35  |                         |                          |
| 1-2 years     | 163,495,361.06  |                         |                          |
| 2-3 years     | 53,235,404.57   | 5,323,540.47            | 10                       |
| 3-4 years     | 12,880,903.08   | 3,864,270.92            | 30                       |
| 4-5 years     | 6,030,567.74    | 2,412,227.09            | 40                       |
| 5-6 years     | 12,512,852.85   | 10,010,282.28           | 80                       |

| Ages         | Closing balance |                         |                          |
|--------------|-----------------|-------------------------|--------------------------|
|              | Book balance    | Provision for bad debts | Provision proportion (%) |
| Over 6 years | 6,565,110.79    | 6,565,110.79            | 100                      |
| Subtotal     | 849,786,549.44  | 28,175,431.55           | 3.32                     |

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

Provision for bad debts made in current period totaled 1,156,626.78 yuan, and provision increased due to fluctuations in exchange totaled 47,601.57 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 |
|---------------------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------|-------------------------|
| 中国联合网络通信有限公司河南省分公司<br>(China United Network Communications Group Co., Ltd., Henan Branch <sup>4</sup> ) | 28,062,903.95  | 3.27                                                       |                         |
| 中国电信股份有限公司江苏分公司<br>(Jiangsu branch of China telecom co. LTD )                                           | 24,986,127.34  | 2.91                                                       | 2,378.00                |
| 江苏翰讯通讯科技有限公司<br>(Jiangsu hanxun communication technology co. LTD <sup>4</sup> )                         | 24,574,853.00  | 2.86                                                       |                         |
| 北京融通致远科技有限责任公司<br>(Beijing RongtongZhiyuan Science and Technology Co., Ltd. <sup>4</sup> )              | 24,128,955.70  | 2.81                                                       |                         |
| 中国普天信息产业股份有限公司<br>(China Potevio Information Industry Inc. <sup>4</sup> )                               | 23,908,728.37  | 2.78                                                       | 940,358.59              |
| Subtotal                                                                                                | 125,661,568.36 | 14.63                                                      | 942,736.59              |

## 4. Advances paid

## (1) Age analysis

## 1) Details

| Ages          | Closing balance |            |                         |                 |
|---------------|-----------------|------------|-------------------------|-----------------|
|               | Book balance    | % to total | Provision for bad debts | Carrying amount |
| Within 1 year | 575,275,839.34  | 96.71      |                         | 575,275,839.34  |
| 1-2 years     | 9,957,263.53    | 1.67       |                         | 9,957,263.53    |
| 2-3 years     | 3,236,254.69    | 0.54       |                         | 3,236,254.69    |
| Over 3 years  | 6,394,607.97    | 1.08       |                         | 6,394,607.97    |
| Total         | 594,863,965.53  | 100.00     |                         | 594,863,965.53  |

(Continued)

| Ages | Opening balance |  |  |  |
|------|-----------------|--|--|--|
|------|-----------------|--|--|--|

<sup>4</sup>The English names are for identification purpose only.

|               | Book balance  | % to total | Provision for bad debts | Carrying amount |
|---------------|---------------|------------|-------------------------|-----------------|
| Within 1 year | 33,863,490.70 | 75.96      |                         | 33,863,490.70   |
| 1-2 years     | 3,798,788.14  | 8.52       |                         | 3,798,788.14    |
| 2-3 years     | 1,394,603.89  | 3.13       |                         | 1,394,603.89    |
| Over 3 years  | 5,521,299.32  | 12.39      |                         | 5,521,299.32    |
| Total         | 44,578,182.05 | 100.00     |                         | 44,578,182.05   |

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

| Debtors                                                | Closing balance | Reasons for unsettlement           |
|--------------------------------------------------------|-----------------|------------------------------------|
| 江苏纽盾科技有限公司<br>(Jiangsu newshield technology co. LTD *) | 1,012,631.85    | The contract hasn't been fulfilled |
| 连云港康普特科技有限公司<br>(Lianyungang conte technology co. LTD) | 1,058,596.77    | The contract hasn't been fulfilled |
| 南京锐熠科技有限公司<br>(Nanjing Ruiyi Technology Co., Ltd. *)   | 1,879,088.03    | The contract hasn't been fulfilled |
| Subtotal                                               | 3,950,316.65    |                                    |

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

| Debtors                                                                                         | Book balance   | Proportion to the total balance of advances paid (%) |
|-------------------------------------------------------------------------------------------------|----------------|------------------------------------------------------|
| 上海星地通通信科技有限公司<br>(Shanghai xingdong communication technology co. LTD)                           | 270,707,000.00 | 45.51                                                |
| 江苏舜天国际集团机械进出口有限公司<br>(Jiangsu shuntian international group machinery import and export co. LTD) | 243,317,400.00 | 40.90                                                |
| 南京衡尔辉网络科技有限公司<br>(Nanjing hengerhui network technology co. LTD)                                 | 21,839,401.00  | 3.67                                                 |
| 上海瀛联信息科技股份有限公司<br>(Shanghai yinglian information technology co. LTD)                            | 2,797,600.00   | 0.47                                                 |
| 南京普天天纪线缆有限公司<br>(Nanjing Potevotianji cable co. LTD)                                            | 2,136,947.88   | 0.36                                                 |
| Subtotal                                                                                        | 540,798,348.88 | 90.91                                                |

## 5. Other receivables

## (1) Details

## 1) Details on categories

| Categories                                                                   | Closing balance |            |                         |                          |                 |
|------------------------------------------------------------------------------|-----------------|------------|-------------------------|--------------------------|-----------------|
|                                                                              | Book balance    |            | Provision for bad debts |                          | Carrying amount |
|                                                                              | Amount          | % to total | Amount                  | Provision proportion (%) |                 |
| Receivables of individually significant amount and with provision made on an | 28,912,122.71   | 45.25      | 28,912,122.71           | 100.00                   |                 |

| Categories                                                                                               | Closing balance |            |                         |                          |                 |
|----------------------------------------------------------------------------------------------------------|-----------------|------------|-------------------------|--------------------------|-----------------|
|                                                                                                          | Book balance    |            | Provision for bad debts |                          | Carrying amount |
|                                                                                                          | Amount          | % to total | Amount                  | Provision proportion (%) |                 |
| individual basis                                                                                         |                 |            |                         |                          |                 |
| Receivables with provision made on a collective basis using portfolios with similar credit risk features | 34,982,394.78   | 54.75      | 4,972,852.02            | 14.22                    | 30,009,542.76   |
| Including: Portfolio 1                                                                                   |                 |            |                         |                          |                 |
| Portfolio 2                                                                                              | 34,982,394.78   | 54.75      | 4,972,852.02            | 14.22                    | 30,009,542.76   |
| Receivable of individually insignificant amount but with provision made on an individual basis           |                 |            |                         |                          |                 |
| Total                                                                                                    | 63,894,517.49   | 100.00     | 33,884,974.73           | 53.03                    | 30,009,542.76   |

(Continued)

| Categories                                                                                               | Opening balance |            |                         |                          |                 |
|----------------------------------------------------------------------------------------------------------|-----------------|------------|-------------------------|--------------------------|-----------------|
|                                                                                                          | Book balance    |            | Provision for bad debts |                          | Carrying amount |
|                                                                                                          | Amount          | % to total | Amount                  | Provision proportion (%) |                 |
| Receivables of individually significant amount and with provision made on an individual basis            | 28,912,122.71   | 45.14      | 28,912,122.71           | 100                      |                 |
| Receivables with provision made on a collective basis using portfolios with similar credit risk features | 35,141,893.68   | 54.86      | 4,727,754.74            | 13.45                    | 30,414,138.94   |
| Including: Portfolio 1                                                                                   |                 |            |                         |                          |                 |
| Portfolio 2                                                                                              | 35,141,893.68   | 54.86      | 4,727,754.74            | 13.45                    | 30,414,138.94   |
| Receivable of individually insignificant amount but with provision made on an individual basis           |                 |            |                         |                          |                 |
| Total                                                                                                    | 64,054,016.39   | 100.00     | 33,639,877.45           | 52.52                    | 30,414,138.94   |

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

| Debtors                                                                              | Book balance  | Provision for bad debts | Provision proportion (%) | Reasons for provision made           |
|--------------------------------------------------------------------------------------|---------------|-------------------------|--------------------------|--------------------------------------|
| 北京立康普通信设备有限公司<br>(Beijing Likangpu Communications Equipment Co., Ltd. <sup>5</sup> ) | 28,912,122.71 | 28,912,122.71           | 100.00                   | With long age and is hard to recover |
| Subtotal                                                                             | 28,912,122.71 | 28,912,122.71           | 100.00                   |                                      |

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

<sup>5</sup>The English name is for identification purpose only.

| Ages          | Closing balance |                         |                          |
|---------------|-----------------|-------------------------|--------------------------|
|               | Book balance    | Provision for bad debts | Provision proportion (%) |
| Within 1 year | 17,836,218.42   |                         |                          |
| 1-2 years     | 8,189,618.07    |                         |                          |
| 2-3 years     | 2,751,404.23    | 275,140.43              | 10                       |
| 3-4 years     | 1,284,597.74    | 385,379.32              | 30                       |
| 4-5 years     | 594,304.27      | 237,721.71              | 40                       |
| 5-6 years     | 1,268,207.46    | 1,016,565.97            | 80                       |
| Over 6 years  | 3,058,044.59    | 3,058,044.59            | 100                      |
| Subtotal      | 34,982,394.78   | 4,972,852.02            | 13.45                    |

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

Provision for bad debts made in current period totaled 243,672.86 yuan, and provision increased due to fluctuations in exchange totaled 1,424.42 yuan.

## (3) Other receivables categorized by nature

| Nature of receivables                | Closing balance | Opening balance |
|--------------------------------------|-----------------|-----------------|
| Petty cash for business traveling    | 2,481,270.63    | 1,272,004.43    |
| Deposits                             | 21,782,061.57   | 24,954,466.74   |
| Temporary advance payment receivable | 35,806,306.05   | 36,515,776.06   |
| Others                               | 3,824,879.24    | 1,311,769.16    |
| Total                                | 63,894,517.49   | 64,054,016.39   |

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

| Debtors                                                        | Nature of receivables                | Book balance  | Ages          | Proportion to the total balance of other receivables (%) | Provision for bad debts |
|----------------------------------------------------------------|--------------------------------------|---------------|---------------|----------------------------------------------------------|-------------------------|
| Beijing Likangpu Communications Equipment Co., Ltd.            | Temporary advance payment receivable | 28,912,122.71 | Over 6 years  |                                                          | 28,912,122.71           |
| 中招国际招标有限公司 (China recruitment international tendering co. LTD) | Deposits                             | 2,450,000.00  | Within 1 year |                                                          |                         |
| China Potevio Information Industry Inc.                        | Deposits                             | 2,170,000.00  | 1-3 years     |                                                          | 3,750.00                |
| 公诚管理咨询有限公司 (Gongcheng management consulting co. LTD)           | Deposits                             | 1,252,700.00  | 1-3 years     |                                                          | 2,920.00                |
| 河南中广信息管网 (Henan province wide information network)             | Temporary advance payment            | 1,000,000.00  | Over 6 years  |                                                          | 1,000,000.00            |

| Debtors  | Nature of receivables | Book balance  | Ages | Proportion to the total balance of other receivables (%) | Provision for bad debts |
|----------|-----------------------|---------------|------|----------------------------------------------------------|-------------------------|
|          | receivable            |               |      |                                                          |                         |
| Subtotal |                       | 35,784,822.71 |      |                                                          | 29,918,792.71           |

## 6. Inventories

## (1) Details

| Items           | Closing balance |                          |                 | Opening balance |                          |                 |
|-----------------|-----------------|--------------------------|-----------------|-----------------|--------------------------|-----------------|
|                 | Book balance    | Provision for write-down | Carrying amount | Book balance    | Provision for write-down | Carrying amount |
| Raw materials   | 51,384,702.56   | 1,183,252.44             | 50,201,450.12   | 37,701,729.36   | 1,123,498.35             | 36,578,231.01   |
| Work in process | 91,181,361.21   |                          | 91,181,361.21   | 16,703,581.54   |                          | 16,703,581.54   |
| Goods on hand   | 299,729,442.17  | 9,229,927.51             | 290,499,514.66  | 483,885,909.72  | 9,235,832.80             | 474,650,076.92  |
| Total           | 442,295,505.94  | 10,413,179.95            | 431,882,325.99  | 538,291,220.62  | 10,359,331.15            | 527,931,889.47  |

## (2) Provision for inventory write-down

## 1) Details

| Items         | Opening balance | Increase  |        | Decrease                |        | Closing balance |
|---------------|-----------------|-----------|--------|-------------------------|--------|-----------------|
|               |                 | Provision | Others | Reversal or written-off | Others |                 |
| Raw materials | 1,123,498.35    | 57,393.76 |        |                         |        | 1,183,252.44    |
| Goods on hand | 9,235,832.80    | 10,921.32 |        | 14,466.28               |        | 9,229,927.51    |
| Subtotal      | 10,359,331.15   | 68,315.08 |        | 14,466.28               |        | 10,413,179.95   |

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

Please refer to XII for determination basis of net realizable value. Reversal of provision for inventory write-down is due to the sale of raw materials in the current period, which is with provision for inventory write-down made in prior period totaling 1,713,418.79 yuan.

## 7. Other current assets

| Items                    | Closing balance | Opening balance |
|--------------------------|-----------------|-----------------|
| Input VAT to be credited | 10,613,416.93   | 6,842,370.71    |
| Total                    | 10,613,416.93   | 6,842,370.71    |

## 8. Available-for-sale financial assets

## (1) Details

| Items                                | Closing balance |                          |                 | Opening balance |                          |                 |
|--------------------------------------|-----------------|--------------------------|-----------------|-----------------|--------------------------|-----------------|
|                                      | Book balance    | Provision for impairment | Carrying amount | Book balance    | Provision for impairment | Carrying amount |
| Available-for-sale equity instrument |                 |                          |                 |                 |                          |                 |

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

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

| Investees                                                     | Book balance    |          |          |                 |
|---------------------------------------------------------------|-----------------|----------|----------|-----------------|
|                                                               | Opening balance | Increase | Decrease | Closing balance |
| 南京雨花电镀厂<br>(Nanjing YuhuaElectroplatingFactory <sup>6</sup> ) | 420,915.00      |          |          | 420,915.00      |
| 杭州鸿雁电器有限公司<br>(Hangzhou Honyar Electrical Co., Ltd. *)        | 321,038.00      |          |          | 321,038.00      |
| Beijing Likangpu Communications Equipment Co., Ltd. [Note]    | 1,854,910.00    |          |          | 1,854,910.00    |
| Subtotal                                                      | 2,596,863.00    |          |          | 2,596,863.00    |

(Continue)

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

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

## 9. Long-term equity investments

## (1) Categories

| Items                         | Closing balance |                          |                 | Opening balance |                          |                 |
|-------------------------------|-----------------|--------------------------|-----------------|-----------------|--------------------------|-----------------|
|                               | Book balance    | Provision for impairment | Carrying amount | Book balance    | Provision for impairment | Carrying amount |
| Investments in associates     | 172,876,762.07  |                          | 172,876,762.07  | 173,270,977.42  |                          | 173,270,977.42  |
| Investments in joint ventures | 13,588,002.44   |                          | 13,588,002.44   | 13,811,880.14   |                          | 13,811,880.14   |

<sup>6</sup>The English names are for identification purpose only.

| Items | Closing balance |                          |                 | Opening balance |                          |                 |
|-------|-----------------|--------------------------|-----------------|-----------------|--------------------------|-----------------|
|       | Book balance    | Provision for impairment | Carrying amount | Book balance    | Provision for impairment | Carrying amount |
| Total | 186,464,764.51  |                          | 186,464,764.51  | 187,082,857.56  |                          | 187,082,857.56  |

## (2) Details

| Investees                                                                    | Opening balance | Increase/decrease     |                       |                                                  |                                          |
|------------------------------------------------------------------------------|-----------------|-----------------------|-----------------------|--------------------------------------------------|------------------------------------------|
|                                                                              |                 | Investments increased | Investments decreased | Investment income recognized under equity method | Adjustment in other comprehensive income |
| Joint ventures                                                               |                 |                       |                       |                                                  |                                          |
| 南京普住光网络有限公司<br>(SEI-Nanjing Potevio Optical Network Co., Ltd. <sup>7</sup> ) | 13,811,880.14   |                       |                       | -223,877.70                                      |                                          |
| Subtotal                                                                     | 13,811,880.14   |                       |                       | -223,877.70                                      |                                          |
| Associates                                                                   |                 |                       |                       |                                                  |                                          |
| 南京普天天纪线缆有限公司<br>(Nanjing PotevioTelege Cable Co., Ltd. <sup>*</sup> )        | 3,061,006.22    |                       |                       | 37,128.66                                        |                                          |
| 普天高新科技产业有限公司<br>(Potevio Hi-tech Industry Co., Ltd. <sup>*</sup> )           | 170,209,971.20  |                       |                       | -431,344.01                                      |                                          |
| Subtotal                                                                     | 173,270,977.42  |                       |                       | -394,215.35                                      |                                          |
| Total                                                                        | 187,082,857.56  |                       |                       | -618,093.05                                      |                                          |

(Continued)

| Investees                                     | Increase/decrease       |                                                |                          |        | Closing balance | Closing balance of provision for impairment |
|-----------------------------------------------|-------------------------|------------------------------------------------|--------------------------|--------|-----------------|---------------------------------------------|
|                                               | Changes in other equity | Cash dividend/profit declared for distribution | Provision for impairment | Others |                 |                                             |
| Joint ventures                                |                         |                                                |                          |        |                 |                                             |
| SEI-Nanjing Potevio Optical Network Co., Ltd. |                         |                                                |                          |        | 13,588,002.44   |                                             |
| Subtotal                                      |                         |                                                |                          |        | 13,588,002.44   |                                             |
| Associates                                    |                         |                                                |                          |        |                 |                                             |
| Nanjing PotevioTelege Cable Co., Ltd.         |                         |                                                |                          |        | 3,098,134.88    |                                             |
| Potevio Hi-tech Industry Co., Ltd.            |                         |                                                |                          |        | 169,778,627.19  |                                             |
| Subtotal                                      |                         |                                                |                          |        | 172,876,762.07  |                                             |
| Total                                         |                         |                                                |                          |        | 186,464,764.51  |                                             |

<sup>7</sup>The English names are for identification purpose only.

## 10. Investment property

| Items                                     | Buildings and structures | Land use right | Total         |
|-------------------------------------------|--------------------------|----------------|---------------|
| Cost                                      |                          |                |               |
| Opening balance                           | 23,851,020.30            | 3,642,147.87   | 27,493,168.17 |
| Increase                                  |                          |                |               |
| Decrease                                  |                          |                |               |
| 1) Transferred into fixed assets          |                          |                |               |
| Closing balance                           | 23,851,020.30            | 3,642,147.87   | 27,493,168.17 |
| Accumulated depreciation and amortization |                          |                |               |
| Opening balance                           | 10,472,505.23            | 1,644,613.23   | 12,117,118.46 |
| Increase                                  | 305,592.90               | 59,980.32      | 365,573.22    |
| 1) Accrual or amortization                | 305,592.90               | 59,980.32      | 365,573.22    |
| Decrease                                  |                          |                |               |
| 1) Transferred into fixed assets          |                          |                |               |
| Closing balance                           | 10,778,098.13            | 1,704,593.55   | 12,482,691.68 |
| 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                           | 11,230,504.17            | 1,937,554.32   | 13,168,058.49 |
| Opening balance                           | 11,536,097.07            | 1,997,534.64   | 13,533,631.71 |

## 11. Fixed assets

## (1) Details

| Items                                           | Buildings and structures | Machinery equipment | Transport facilities | Electronic equipment | Office facilities | Others        | Total          |
|-------------------------------------------------|--------------------------|---------------------|----------------------|----------------------|-------------------|---------------|----------------|
| Cost                                            |                          |                     |                      |                      |                   |               |                |
| Opening balance                                 | 154,375,202.08           | 80,943,809.67       | 13,896,907.27        | 6,459,832.24         | 10,973,405.02     | 40,023,337.49 | 306,672,493.77 |
| Increase                                        |                          | 2,635,226.35        | 3,076.92             | 87,179.43            | 179,238.89        | 1,209,000.76  | 4,113,722.35   |
| 1) Acquisition                                  |                          | 2,635,226.35        | 3,076.92             | 87,179.43            | 179,238.89        | 1,209,000.76  | 4,113,722.35   |
| 2) Transferred in from construction in progress |                          |                     |                      |                      |                   |               |                |

| Items                                      | Buildings and structures | Machinery equipment | Transport facilities | Electronic equipment | Office facilities | Others        | Total          |
|--------------------------------------------|--------------------------|---------------------|----------------------|----------------------|-------------------|---------------|----------------|
| 3) Transferred in from investment property |                          |                     |                      |                      |                   |               |                |
| Decrease                                   |                          | 21,664,349.55       | 806,967.00           |                      | 310,977.51        | 644,485.40    | 23,426,779.46  |
| 1) Disposal/scrap                          |                          | 21,664,349.55       | 806,967.00           |                      | 310,977.51        | 644,485.40    | 23,426,779.46  |
| Closing balance                            | 154,375,202.08           | 61,914,686.47       | 13,093,017.19        | 6,547,011.67         | 10,841,666.40     | 40,587,852.85 | 287,359,436.66 |
| Accumulated depreciation                   |                          |                     |                      |                      |                   |               |                |
| Opening balance                            | 47,989,288.43            | 70,908,465.92       | 12,222,463.90        | 5,443,494.82         | 9,611,473.27      | 33,856,816.63 | 180,032,002.97 |
| Increase                                   | 2,553,841.04             | 1,020,158.76        | 332,805.09           | 149,465.91           | 312,244.33        | 810,587.87    | 5,179,103.00   |
| 1) Accrual                                 | 2,553,841.04             | 1,020,158.76        | 332,805.09           | 149,465.91           | 312,244.33        | 810,587.87    | 5,179,103.00   |
| 2) Transferred in from investment property |                          |                     |                      |                      |                   |               |                |
| Decrease                                   |                          | 19,624,532.59       | 782,757.99           |                      | 280,187.44        | 622,788.49    | 21,310,266.51  |
| 1) Disposal/scrap                          |                          | 19,624,532.59       | 782,757.99           |                      | 280,187.44        | 622,788.49    | 21,310,266.51  |
| Closing balance                            | 50,543,129.47            | 52,304,092.09       | 11,772,511.00        | 5,592,960.73         | 9,643,530.16      | 34,044,616.01 | 163,900,839.46 |
| Provision for impairment                   |                          |                     |                      |                      |                   |               |                |
| Opening balance                            | 539,124.00               | 572,777.78          |                      | 847,107.16           | 92,064.43         | 307,895.29    | 2,358,968.66   |
| Increase                                   |                          |                     |                      |                      |                   |               |                |
| Decrease                                   |                          | 561,914.76          |                      | 847,107.16           |                   |               | 1,409,021.92   |
| Closing balance                            | 539,124.00               | 10,863.02           |                      |                      | 92,064.43         | 307,895.29    | 949,946.74     |
| Carrying amount                            |                          |                     |                      |                      |                   |               |                |
| Closing balance                            | 103,292,948.61           | 9,599,731.36        | 1,320,506.19         | 954,050.94           | 1,106,071.81      | 6,235,341.55  | 122,508,650.46 |
| Opening balance                            | 105,846,789.65           | 9,462,565.97        | 1,674,443.37         | 169,230.26           | 1,269,867.32      | 5,858,625.57  | 124,281,522.14 |

## (2) Fixed assets temporarily idle

| Items               | Cost         | Accumulated depreciation | Provision for impairment | Carrying amount | Note |
|---------------------|--------------|--------------------------|--------------------------|-----------------|------|
| Machinery equipment | 498,800.00   | 474,134.65               | 11,048.35                | 13,617.00       |      |
| Other equipment     | 601,241.55   | 286,357.39               | 296,846.94               | 18,037.22       |      |
| Subtotal            | 1,100,041.55 | 760,492.04               | 307,895.29               | 31,654.22       |      |

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

| Items                 | Carrying amount | Reasons for unsettlement          |
|-----------------------|-----------------|-----------------------------------|
| Houses for production | 8,084,003.14    | Not applicable for allocated land |

| Items                     | Carrying amount | Reasons for unsettlement          |
|---------------------------|-----------------|-----------------------------------|
| Structures                | 718,609.43      | Not applicable for allocated land |
| Houses not for production | 1,172,271.33    | Not applicable for allocated land |
| Subtotal                  | 9,974,883.90    |                                   |

## 12. Construction in progress

## (1) Details

| Projects                                  | Closing balance |                          |                 | Opening balance |                          |                 |
|-------------------------------------------|-----------------|--------------------------|-----------------|-----------------|--------------------------|-----------------|
|                                           | Book balance    | Provision for impairment | Carrying amount | Book balance    | Provision for impairment | Carrying amount |
| Yuhua Scientific Innovation Industry Park | 111,073.78      |                          | 111,073.78      |                 |                          |                 |
| Phase ii factory                          | 60,400.00       |                          | 60,400.00       |                 |                          |                 |
| Total                                     | 171,473.78      |                          | 171,473.78      |                 |                          |                 |

## 13. Intangible assets

| Items                    | Software      | Land use right | Patent right | Non-patent technology | Total         |
|--------------------------|---------------|----------------|--------------|-----------------------|---------------|
| Cost                     |               |                |              |                       |               |
| Opening balance          | 10,006,573.23 | 29,924,994.74  | 607,500.00   | 4,560,000.00          | 45,099,067.97 |
| Increase                 | 199,506.42    |                |              |                       | 199,506.42    |
| 1) Acquisition           | 199,506.42    |                |              |                       | 199,506.42    |
| Decrease                 |               |                |              |                       |               |
| Closing balance          | 10,206,079.65 | 29,924,994.74  | 607,500.00   | 4,560,000.00          | 45,298,574.39 |
| Accumulated amortization |               |                |              |                       |               |
| Opening balance          | 8,439,630.51  | 5,328,359.52   | 607,500.00   | 4,560,000.00          | 18,935,490.03 |
| Increase                 | 200,707.92    | 340,933.67     |              |                       | 541,641.59    |
| 1) Accrual               | 200,707.92    | 340,933.67     |              |                       | 541,641.59    |
| Decrease                 |               |                |              |                       |               |
| Closing balance          | 8,640,338.43  | 5,669,293.19   | 607,500.00   | 4,560,000.00          | 19,477,131.62 |
| Carrying amount          |               |                |              |                       |               |
| Closing balance          | 1,565,741.22  | 24,255,701.55  |              |                       | 25,821,442.77 |
| Opening balance          | 1,566,942.72  | 24,596,635.22  |              |                       | 26,163,577.94 |

## 14. Long-term prepayments

| Items                     | Opening balance | Increase | Amortization | Other decreases | Closing balance |
|---------------------------|-----------------|----------|--------------|-----------------|-----------------|
| Reconstruction of canteen | 576,972.01      |          | 36,828.02    |                 | 540,143.99      |

| Items                             | Opening balance | Increase   | Amortization | Other decreases | Closing balance |
|-----------------------------------|-----------------|------------|--------------|-----------------|-----------------|
| Reconstruction of office building | 1,634,036.45    | 696,352.95 | 231,036.78   | 371,220.13      | 1,728,132.49    |
| Others                            | 53,490.57       |            | 30,110.07    |                 | 23,380.50       |
| Total                             | 2,264,499.03    | 696,352.95 | 297,974.87   | 371,220.13      | 2,291,656.98    |

## 15. Short-term borrowings

| Items                | Closing balance | Opening balance |
|----------------------|-----------------|-----------------|
| Mortgaged borrowings | 84,350,000.00   | 64,500,000.00   |
| Secured borrowings   | 120,000,000.00  | 245,000,000.00  |
| Pledged borrowings   | 164,000,000.00  | 164,000,000.00  |
| Total                | 368,350,000.00  | 473,500,000.00  |

In the current period, the Company entrusted the parent company to apply for loans from Bank of Beijing, Jiangning Sub-branch, which is the pledged borrowings amounting to 164,000,000.00 yuan. The Company pledged its holding equities to the parent company, which include equity of Nanjing PotevioTelege Intelligent Building Ltd. amounting to 4.80 million yuan, equity of Nanjing PotevioChangle Telecommunications Equipment Co., Ltd. amounting to 5.07 million yuan, equity of 南京普天王之电子有限公司(Nanjing PotevioWangzhiElectronic Co., Ltd.<sup>8</sup>) amounting to 60.4273 million yuan, equity of Nanjing Potevio Network Co., Ltd. amounting to 7.80 million yuan and equity of Nanjing South Telecommunications Company Limited amounting to 33.17 million yuan. The Company has registered the equity pledge at Nanjing Jiangning Market Supervision Administration.

## 16. Notes payable

| Items            | Closing balance | Opening balance |
|------------------|-----------------|-----------------|
| Trade acceptance | 25,315,996.58   | 41,071,160.95   |
| Bank acceptance  | 2,000,000.00    | 42,000,000.00   |
| Total            | 27,315,996.58   | 83,071,160.95   |

## 17. Accounts payable

## (1) Details

| Items                 | Closing balance | Opening balance |
|-----------------------|-----------------|-----------------|
| Purchase of materials | 997,474,557.49  | 892,652,102.47  |
| Project payment       |                 | 4,359,929.16    |
| Total                 | 997,474,557.49  | 897,012,031.63  |

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

| Items                                                     | Closing balance | Reasons for unsettlement    |
|-----------------------------------------------------------|-----------------|-----------------------------|
| 江苏舜天国际集团机械进出口股份有限公司(Jiangsu shuntian international group) | 38,949,989.78   | Settlement is not completed |

<sup>8</sup>The English names are for identification purpose only.

| Items                                                                                       | Closing balance | Reasons for unsettlement    |
|---------------------------------------------------------------------------------------------|-----------------|-----------------------------|
| machinery import and export co. LTD)                                                        |                 |                             |
| China Potevio Information Industry Inc.                                                     | 23,856,875.10   | Settlement is not completed |
| POLYCOM 通讯技术 (北京) 有限公司<br>(POLYCOM communication technology<br>(Beijing) co. LTD *)         | 17,737,438.13   | Settlement is not completed |
| 北京荣基创建科技有限公司(Beijing<br>rongji founded technology co. LTD)                                  | 4,917,823.33    | Settlement is not completed |
| 江苏有线邦联新媒体科技有限公司<br>(Jiangsu cable confederation new media<br>technology co. LTD)            | 4,155,485.88    | Settlement is not completed |
| 北京直真信通科技有限公司 (Beijing<br>direct faith technology co. LTD)                                   | 2,978,532.96    | Settlement is not completed |
| 杭州舜格信息科技有限公司 (Hangzhou<br>shunge information technology co. LTD)                            | 2,469,935.67    | Settlement is not completed |
| 南京涌新电器配套有限公司 (Nanjing<br>chung new electric appliance co. LTD)                              | 2,430,786.78    | Settlement is not completed |
| 北京诺信泰克信息技术有限公司<br>(Beijing noxintek information<br>technology co. LTD)                      | 2,079,148.49    | Settlement is not completed |
| 浙江大丰实业股份有限公司 (Zhejiang<br>dafeng industrial co. LTD)                                        | 1,669,808.99    | Settlement is not completed |
| 北电网络通信设备 (上海) 有限公司<br>(Nortel Network Communications<br>Equipment (Shanghai) Co., Ltd. *)   | 1,307,941.99    | Settlement is not completed |
| 上海贝尔阿尔卡特业务通信系统有限公<br>司(Shanghai Bell Alcatel Business<br>Communications System Co., Ltd. *) | 1,240,837.17    | Settlement is not completed |
| 北京诺信恒通科技有限公司<br>(Beijing noxinhengtong technology co.<br>LTD)                               | 1,182,587.59    | Settlement is not completed |
| 陕西畅想数码有限公司<br>(Shaanxi Think About Digital Co., Ltd. <sup>9</sup> )                         | 1,080,000.00    | Settlement is not completed |
| Subtotal                                                                                    | 106,057,191.86  |                             |

## 18. Advances received

## (1) Details

| Items             | Closing balance | Opening balance |
|-------------------|-----------------|-----------------|
| Payment for goods | 607,032,186.23  | 310,313,462.24  |
| Total             | 607,032,186.23  | 310,313,462.24  |

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

| Items                                   | Closing balance | Reasons for unsettlement           |
|-----------------------------------------|-----------------|------------------------------------|
| China Potevio Information Industry Inc. | 5,108,024.00    | The contract hasn't been fulfilled |
| Beijing rail transit construction       | 3,378,602.78    | The contract hasn't been           |

<sup>9</sup>The English names are for identification purpose only.

| Items                              | Closing balance | Reasons for unsettlement           |
|------------------------------------|-----------------|------------------------------------|
| management co. LTD                 |                 | fulfilled                          |
| Yancheng national property co. LTD | 1,370,340.19    | The contract hasn't been fulfilled |
| Subtotal                           | 9,856,966.97    |                                    |

## 19. Employee benefits payable

## (1) Details

| Items                                           | Opening balance | Increase       | Decrease       | Closing balance |
|-------------------------------------------------|-----------------|----------------|----------------|-----------------|
| Short-term employee benefits                    | 17,476,239.20   | 121,324,652.99 | 120,255,772.12 | 18,545,120.07   |
| Post-employment benefits - defined benefit plan |                 | 12,760,407.77  | 12,760,407.77  |                 |
| Termination benefits                            |                 | 1,869,372.24   | 1,869,372.24   |                 |
| Total                                           | 17,476,239.20   | 135,954,433.00 | 134,885,552.13 | 18,545,120.07   |

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

| Items                                        | Opening balance | Increase       | Decrease       | Closing balance |
|----------------------------------------------|-----------------|----------------|----------------|-----------------|
| Wage, bonus, allowance and subsidy           | 11,158,534.74   | 91,552,398.07  | 92,035,313.19  | 10,675,619.62   |
| Employee welfare fund                        |                 | 5,690,173.83   | 5,337,303.39   | 352,870.44      |
| Social insurance premium                     |                 | 8,456,550.41   | 8,456,550.41   |                 |
| Including: Medicare premium                  |                 | 7,659,884.47   | 7,659,884.47   |                 |
| Occupational injuries premium                |                 | 370,697.41     | 370,697.41     |                 |
| Maternity premium                            |                 | 425,968.53     | 425,968.53     |                 |
| Housing provident fund                       | 104,705.95      | 5,196,026.85   | 5,218,725.25   | 82,007.55       |
| Trade union fund and employee education fund | 6,212,998.51    | 1,970,373.52   | 748,749.57     | 7,434,622.46    |
| Others                                       |                 | 8,459,130.31   | 8,459,130.31   |                 |
| Subtotal                                     | 17,476,239.20   | 121,324,652.99 | 120,255,772.12 | 18,545,120.07   |

## (3) Details of defined benefit plan

| Items                             | Opening balance | Increase      | Decrease      | Closing balance |
|-----------------------------------|-----------------|---------------|---------------|-----------------|
| Basic endowment insurance premium |                 | 11,478,461.86 | 11,478,461.86 |                 |
| Unemployment insurance premium    |                 | 213,034.90    | 213,034.90    |                 |
| Company annuity payment           |                 | 1,068,911.01  | 1,068,911.01  |                 |
| Subtotal                          |                 | 12,760,407.77 | 12,760,407.77 |                 |

## 20. Taxes and rates payable

| Items                                  | Closing balance | Opening balance |
|----------------------------------------|-----------------|-----------------|
| VAT                                    | 7,738,713.19    | 15,299,432.99   |
| Business tax                           | 8,482.01        | 8,482.01        |
| Enterprise income tax                  | 4,430,984.80    | 6,093,895.51    |
| Urban maintenance and construction tax | 397,530.22      | 1,246,859.03    |
| Housing property tax                   | 242,708.04      | 351,524.46      |
| Land use tax                           | 81,754.16       | 81,754.17       |
| Individual income tax                  | 231,203.95      | 431,795.45      |
| Education surcharge                    | 182,232.39      | 652,216.95      |
| Local education surcharge              | 98,738.59       | 250,076.33      |
| Other taxes                            | 8,880.40        | 75,029.31       |
| Total                                  | 13,421,227.75   | 24,491,066.21   |



## 21. Interest payable

| Items                          | Closing balance | Opening balance |
|--------------------------------|-----------------|-----------------|
| Short-term borrowings interest | 709,377.30      | 732,412.79      |
| Total                          | 709,377.30      | 732,412.79      |

## 22. Dividend payable

## (1) Details

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

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

| Items                                                                                        | Closing balance | Opening balance | Reasons for being unpaid  |
|----------------------------------------------------------------------------------------------|-----------------|-----------------|---------------------------|
| 宁波峰诗恩塑胶有限公司<br>(Ningbo Fengshien Plastic Co., Ltd. <sup>10</sup> )                           | 253,832.01      | 253,832.01      | Temporarily unable to pay |
| 余姚市国昌电器公司<br>(YuyaoGuochang Electric Co., Ltd.* )                                            | 423,053.34      | 423,053.34      | Temporarily unable to pay |
| Nanjing YongxinElectric ApplianceCo., Ltd.                                                   | 253,832.01      | 253,832.01      | Temporarily unable to pay |
| 靖江市华胜通信器材有限公司<br>(JingjiangHuashengCommunications Equipment Co., Ltd.* )                     | 84,610.67       | 84,610.67       | Temporarily unable to pay |
| 江都市亚特电力通讯塑料制品有限公司<br>(Jiangdu City Yate Power Telecommunication Plastic Product Co., Ltd.* ) | 423,053.34      | 423,053.34      | Temporarily unable to pay |
| 镇江市盛唐光电器件有限公司<br>(ZhenjiangShengtangPhotoelectricityEquipment Co., Ltd.* )                   | 253,832.01      | 253,832.01      | Temporarily unable to pay |
| Subtotal                                                                                     | 1,692,213.38    | 1,692,213.38    |                           |

## 23. Other payables

| Items                       | Closing balance | Opening balance |
|-----------------------------|-----------------|-----------------|
| Deposits                    | 8,677,245.80    | 8,777,499.29    |
| Temporary receipts payable  | 14,790,892.85   | 11,695,101.46   |
| Unsettled installation cost | 14,282,107.52   | 16,022,313.31   |
| Operating expenses          | 2,050,332.65    | 2,575,999.04    |
| Others                      | 3,985,667.09    | 3,143,909.19    |
| Total                       | 43,786,245.91   | 42,214,822.29   |

<sup>10</sup>The English names are for identification purpose only.

## 24. Deferred income

## (1) Details

| Items             | Opening balance     | Increase            | Decrease            | Closing balance     | Reasons for balance |
|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Government grants | 1,599,211.58        | 9,097,456.00        | 2,105,808.84        | 8,590,858.74        |                     |
| <b>Total</b>      | <b>1,599,211.58</b> | <b>9,097,456.00</b> | <b>2,105,808.84</b> | <b>8,590,858.74</b> |                     |

## (2) Details of government grants

| Items                                                                                               | Opening balance     | Increase            | Included in non-operating revenue in current period | Other movements | Closing balance     | Related to assets/income |
|-----------------------------------------------------------------------------------------------------|---------------------|---------------------|-----------------------------------------------------|-----------------|---------------------|--------------------------|
| Subsidy for high-end talent project from Science and Technology Bureau of Qinhuai District, Nanjing | 1,599,211.58        |                     | 443,149.84                                          |                 | 1,156,061.74        | Related to income        |
| Subsidy for disposal of zombie company                                                              |                     | 9,097,456.00        | 1,662,659.00                                        |                 | 7,434,797.00        | Related to income        |
| <b>Subtotal</b>                                                                                     | <b>1,599,211.58</b> | <b>9,097,456.00</b> | <b>2,105,808.84</b>                                 |                 | <b>8,590,858.74</b> |                          |

## (3) Other remarks

The new government subsidy of 9,097,456.00 yuan for the subsidiary of nanjingbada communications equipment co., LTD. is a subsidiary of the central enterprise for the disposal of zombie company, which will be used to pay for the relocation of employees. The enterprise shall transfer the government subsidy from the deferred revenue to the non-operating income according to the actual personnel settlement of the period.

## 25. 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  |

## 26. Capital reserve

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

## 27. Other comprehensive income (OCI)

| Items                                                       | Opening balance | Current period cumulative                   |                                                         |                  |                                |                                          | Closing balance |
|-------------------------------------------------------------|-----------------|---------------------------------------------|---------------------------------------------------------|------------------|--------------------------------|------------------------------------------|-----------------|
|                                                             |                 | Current period cumulative before income tax | Less: OCI carried forward transferred to profit or loss | Less: income tax | Attributable to parent company | Attributable to non-controlling interest |                 |
| Items not to be reclassified subsequently to profit or loss |                 |                                             |                                                         |                  |                                |                                          |                 |
| Items to be reclassified subsequently to profit or loss     | -4,634,605.50   | -164,503.71                                 |                                                         |                  | -148,053.34                    | -16,450.37                               | -4,782,658.84   |
| Including: Translation reserve                              | -4,634,605.50   | -164,503.71                                 |                                                         |                  | -148,053.34                    | -16,450.37                               | -4,782,658.84   |
| Total                                                       | -4,634,605.50   | -164,503.71                                 |                                                         |                  | -148,053.34                    | -16,450.37                               | -4,782,658.84   |

## 28. Surplus reserve

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

## 29. Undistributed profit

## (1) Details

| Items                                                        | Current period cumulative | Preceding period comparative |
|--------------------------------------------------------------|---------------------------|------------------------------|
| Balance before adjustment at the end of preceding period     | -56,491,072.91            | -50,056,514.64               |
| Add: Increase due to adjustment (or less: decrease)          |                           |                              |
| Opening balance after adjustment                             | -56,491,072.91            | -50,056,514.64               |
| Add: Net profit attributable to owners of the parent company | -13,246,723.63            | -6,434,558.27                |
| Closing balance                                              | -69,737,796.54            | -56,491,072.91               |

## (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  | 988,549,333.34            | 835,871,803.11 | 799,290,563.30               | 654,441,609.66 |
| Revenue from other operations | 23,847,074.05             | 18,724,687.07  | 35,448,660.17                | 31,732,039.36  |
| Total                         | 1,012,396,407.39          | 854,596,490.18 | 834,739,223.47               | 686,173,649.02 |

## 2. Taxes and surcharge for operations

| Items                                  | Current period cumulative | Preceding period comparative |
|----------------------------------------|---------------------------|------------------------------|
| Business tax                           | 70,020.78                 | 245,668.85                   |
| Education surcharge                    | 1,333,649.74              | 1,735,641.31                 |
| Urban maintenance and construction tax | 1,887,542.83              | 2,405,871.95                 |
| Housing property tax [Note]            | 743,011.81                |                              |
| Land use tax [Note]                    | 307,838.40                |                              |
| Stamp duty[Note]                       | 304,729.73                |                              |
| Vehicle and vessel use tax [Note]      | 360.00                    |                              |
| Others                                 | 80,289.32                 | 551.18                       |
| Total                                  | 4,727,442.61              | 4,387,733.29                 |

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

### 3. Selling expenses

| Items                                | Current period cumulative | Preceding period comparative |
|--------------------------------------|---------------------------|------------------------------|
| Employee benefits                    | 40,410,988.01             | 35,332,445.32                |
| Business entertainment               | 12,506,326.83             | 11,552,284.70                |
| Travelling expenses                  | 8,527,473.91              | 8,326,482.17                 |
| Transport fees and transport damages | 6,244,626.75              | 11,088,298.50                |
| Office expenses                      | 2,418,013.33              | 5,423,780.26                 |
| Conference expenses                  | 766,886.71                | 1,292,444.62                 |
| Sales service charges                | 1,324,029.54              | 1,235,935.02                 |
| Promotion expenses                   | 624,200.69                | 951,066.49                   |
| Equipment maintain fees              | 433,299.53                | 496,036.48                   |
| Others                               | 6,075,264.84              | 4,775,944.92                 |
| Total                                | 79,331,110.14             | 80,474,718.48                |

### 4. Administrative expenses

| Items                       | Current period cumulative | Preceding period comparative |
|-----------------------------|---------------------------|------------------------------|
| Employee benefits           | 26,652,034.10             | 19,328,181.10                |
| Technology development fees | 33,592,736.42             | 32,935,519.58                |
| Lease expenses              | 251,056.88                | 3,763,281.11                 |

| Items                                        | Current period cumulative | Preceding period comparative |
|----------------------------------------------|---------------------------|------------------------------|
| Depreciation and amortization                | 2,921,316.55              | 1,887,533.90                 |
| Office expenses                              | 1,788,657.50              | 2,730,509.81                 |
| Travelling expense                           | 777,036.64                | 696,820.56                   |
| Business entertainment                       | 1,589,428.71              | 1,151,560.97                 |
| Consulting, intermediary and litigation fees | 1,174,061.81              | 2,259,364.57                 |
| Taxes                                        |                           | 1,117,969.85                 |
| Others                                       | 4,213,837.11              | 3,642,370.65                 |
| Total                                        | 72,960,165.72             | 69,513,112.10                |

Notes: Details are attached to tax and additional notes in this financial statement.

#### 5. Financial expenses

| Items                             | Current period cumulative | Preceding period comparative |
|-----------------------------------|---------------------------|------------------------------|
| Interest expenditures             | 9,671,043.19              | 12,437,759.85                |
| Less: Interest income             | 1,235,408.10              | 1,393,645.72                 |
| Losses on foreign exchange        | 101,222.11                | 99,659.27                    |
| Less: Gains from foreign exchange | 21,259.35                 | 68,383.33                    |
| Handling charges                  | 185,990.97                | 172,552.89                   |
| Total                             | 8,701,588.82              | 11,247,942.96                |

#### 6. Assets impairment loss

| Items                | Current period cumulative | Preceding period comparative |
|----------------------|---------------------------|------------------------------|
| Bad debts            | 1,400,299.64              | 1,619,726.63                 |
| Inventory write-down | 68,315.08                 |                              |
| Total                | 1,468,614.72              | 1,619,726.63                 |

#### 7. Investment income

| Items                                                                   | Current period cumulative | Preceding period comparative |
|-------------------------------------------------------------------------|---------------------------|------------------------------|
| Investment income from long-term equity investments under equity method | -618,093.05               | 917,844.11                   |
| Total                                                                   | -618,093.05               | 917,844.11                   |

#### 8. Other income

| Items                                | Current period cumulative | Preceding period comparative |
|--------------------------------------|---------------------------|------------------------------|
| The software product VAT tax returns | 2,784,809.60              |                              |

|       |              |  |
|-------|--------------|--|
| Total | 2,784,809.60 |  |
|-------|--------------|--|

## 9. Non-operating revenue

| Items                                        | Current period cumulative | Preceding period comparative | Amount included in non-recurring profit or loss |
|----------------------------------------------|---------------------------|------------------------------|-------------------------------------------------|
| Gains on disposal of non-current assets      | 29,788.25                 | 30,429.96                    | 29,788.25                                       |
| Including: Gains on disposal of fixed assets | 29,788.25                 | 30,429.96                    | 29,788.25                                       |
| Government grants                            | 2,368,873.77              | 3,531,664.76                 | 2,368,873.77                                    |
| Gains on debt restructuring                  | 301,606.55                |                              | 301,606.55                                      |
| Others                                       | 69,330.61                 | 302,562.55                   | 69,330.61                                       |
| Total                                        | 2,769,599.18              | 3,864,657.27                 | 2,769,599.18                                    |

## (2) Government grants

| Items                                                         | Current period cumulative | Preceding period comparative | Related to assets/income |
|---------------------------------------------------------------|---------------------------|------------------------------|--------------------------|
| Refund of VAT                                                 |                           | 2,320,477.29                 | Related to income        |
| Subsidy income                                                | 213,064.93                | 205,619.65                   | Related to income        |
| Subsidy for Nanjing municipal high-end talent project         | 443,149.84                | 1,001,167.82                 | Related to income        |
| Subsidy for disposal of zombie company                        | 1,662,659.00              | 2,400.00                     | Related to income        |
| Jiangning district finance bureau intellectual property award |                           | 2,000.00                     | Related to income        |
| Subsidies for high-tech enterprises                           | 50,000.00                 |                              | Related to income        |
| Subtotal                                                      | 2,368,873.77              | 3,531,664.76                 |                          |

## 10. Non-operating expenditures

| Items                                         | Current period cumulative | Preceding period comparative | Amount included in non-recurring profit or loss |
|-----------------------------------------------|---------------------------|------------------------------|-------------------------------------------------|
| Losses on disposal of non-current assets      | 693,153.07                | 16,712.60                    | 693,153.07                                      |
| Including: Losses on disposal of fixed assets | 693,153.07                | 16,712.60                    | 693,153.07                                      |
| Donation expenditures                         | 2,000.00                  | 10,000.00                    | 2,000.00                                        |
| Fines expenditures                            | 1,725.22                  | 25,051.31                    | 1,725.22                                        |
| Penalty                                       | 187,832.09                |                              | 187,832.09                                      |
| Others                                        | 44,965.91                 | 29,639.65                    | 44,965.91                                       |
| Total                                         | 929,676.29                | 81,403.56                    | 929,676.29                                      |

## 11. Income tax expenses

## (1) Details

| Items                              | Current period cumulative | Preceding period comparative |
|------------------------------------|---------------------------|------------------------------|
| Current period income tax expenses | 3,203,411.84              | 3,235,803.32                 |
| Deferred income tax expenses       |                           |                              |
| Total                              | 3,203,411.84              | 3,235,803.32                 |

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

| Items                                                                                                        | Current period cumulative |
|--------------------------------------------------------------------------------------------------------------|---------------------------|
| Profit before tax                                                                                            | -5,382,365.36             |
| Income tax expenses based on statutory tax rate applicable to the parent company                             | -1,345,591.34             |
| Effect of different tax rate applicable to subsidiaries                                                      | -409,465.39               |
| Effect of prior income tax reconciliation                                                                    | 192,009.22                |
| Effect of non-taxable income                                                                                 | -163,805.43               |
| Effect of non-deductible costs, expenses and losses                                                          | 1,628,506.99              |
| Effect of deductible temporary differences or deductible losses not recognized as deferred income tax assets | -155,618.48               |
| Adjustment of valuation appreciation                                                                         | 5,733,731.90              |
| Deduction of R&D expenditures                                                                                | 92,031.50                 |
| Income tax expenses                                                                                          | -2,368,387.13             |

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

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

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

## 1. Other cash receipts related to operating activities

| Items                                                | Current period cumulative | Preceding period comparative |
|------------------------------------------------------|---------------------------|------------------------------|
| Government grants                                    | 9,360,520.93              | 210,019.65                   |
| Interest income                                      | 1,235,408.10              | 1,393,645.72                 |
| Temporary receipts and recovery of temporary payment | 76,751,381.14             | 45,346,412.20                |
| Others                                               | 2,412,782.82              | 790,470.45                   |
| Total                                                | 89,760,092.99             | 47,740,548.02                |

## 2. Other cash payments related to operating activities

| Items                                                 | Current period cumulative | Preceding period comparative |
|-------------------------------------------------------|---------------------------|------------------------------|
| Temporary payment and repayment of temporary receipts | 63,705,426.62             | 54,374,593.08                |

|                       |                |                |
|-----------------------|----------------|----------------|
| Out of pocket expense | 55,240,035.72  | 66,739,004.42  |
| Others                | 234,907.27     | 146,935.30     |
| Total                 | 119,180,369.61 | 121,260,532.80 |

## 3. Payment of other cash related to investment activities

| Items          | Current period cumulative | Preceding period comparative |
|----------------|---------------------------|------------------------------|
| Fixed deposits | 20,000,000.00             |                              |
| Total          | 20,000,000.00             |                              |

## 4. 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                                                                                     | -8,585,777.20             | -17,212,364.51               |
| Add: Provision for assets impairment loss                                                      | 1,468,614.72              | 1,725,216.33                 |
| Depreciation of fixed assets, oil and gas assets, productive biological assets                 | 5,484,695.90              | 5,159,988.82                 |
| Amortization of intangible assets                                                              | 601,621.91                | 584,358.05                   |
| Amortization of long-term prepayments                                                          | 297,974.87                | 287,667.67                   |
| Loss on disposal of fixed assets, intangible assets and other non-current assets (Less: gains) | 632,574.75                | -13,717.36                   |
| Fixed assets retirement loss (Less: gains)                                                     | 30,790.07                 |                              |
| Losses on changes in fair value (Less: gains)                                                  |                           |                              |
| Financial expenses (Less: gains)                                                               | 9,751,005.95              | 12,469,035.79                |
| Investments losses (Less: gains)                                                               | 618,093.05                | -917,844.11                  |
| Decrease of deferred tax assets (Less: increase)                                               |                           |                              |
| Increase of deferred tax liabilities (Less: decrease)                                          |                           |                              |
| Decrease in inventories (Less: increase)                                                       | 95,981,248.40             | 6,897,520.30                 |
| Decrease in operating receivables (Less: increase)                                             | -579,098,066.73           | -153,899,907.08              |
| Increase of operating payables (Less: decrease)                                                | 336,652,630.50            | 48,338,635.21                |
| Others                                                                                         |                           |                              |
| Net cash flow from operating activities                                                        | -136,164,593.81           | -96,581,410.89               |
| (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                                                          |                           |                              |

| Supplement information                                | Current period<br>cumulative | Preceding period<br>comparative |
|-------------------------------------------------------|------------------------------|---------------------------------|
| Fixed assets rented in under finance leases           |                              |                                 |
| (3) Net changes in cash and cash equivalents:         |                              |                                 |
| Cash at the end of the period                         | 209,573,910.36               | 246,409,391.52                  |
| Less: Cash at the beginning of the period             | 484,954,713.07               | 405,920,943.68                  |
| 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             | -275,380,802.71              | -159,511,552.16                 |

## (2) Cash and cash equivalents

| Items                                                                                        | Closing balance | Opening balance |
|----------------------------------------------------------------------------------------------|-----------------|-----------------|
| 1) Cash                                                                                      | 209,573,910.36  | 484,954,713.07  |
| Including: Cash on hand                                                                      | 1,922.76        | 2,762.57        |
| Cash in bank on demand for payment                                                           | 209,571,987.6   | 484,951,950.50  |
| Other cash and bank balances on demand for payment                                           |                 |                 |
| 2) Cash equivalents                                                                          |                 |                 |
| Including: Bond investments maturing within three months                                     |                 |                 |
| 3) Cash and cash equivalents at the end of the period                                        | 209,573,910.36  | 484,954,713.07  |
| Including: Cash and cash equivalents of parent company or subsidiaries with use restrictions |                 |                 |

## (3) Remarks on supplement information to the cash flow statement

Cash and cash equivalents with use restrictions are deposit for acceptance and deposit for L/G, of which closing balance amounts to 38,145,590.87yuan and opening balance amounts to 48,381,421.04 yuan.

## (IV) Others

## 1. Assets with title or use right restrictions

| Items                  | Closing carrying amount | Reasons for restrictions                    |
|------------------------|-------------------------|---------------------------------------------|
| Cash and bank balances | 38,145,590.87           | Deposit for acceptance and deposit for L/G  |
| Investment property    | 3,890,588.45            | Providing mortgagedguarantee for borrowings |
| Fixed assets           | 59,766,012.14           | Providing mortgagedguarantee for borrowings |
| Intangible assets      | 3,691,805.82            | Providing mortgagedguarantee for borrowings |
| Total                  | 105,493,997.28          |                                             |

Note: We draw the attention of users of financial statements that, apart from the above assets with title or use right restrictions, in order to entrust the parent company to apply for loans from Bank of Beijing, Jiangning Sub-branch, the Company pledged its holding equities to the parent company, which include equity of Nanjing PotevioTelege

Intelligent Building Ltd. amounting to 4.80 million yuan, equity of Nanjing PotevioChangle Telecommunications Equipment Co., Ltd. amounting to 5.07 million yuan, equity of Nanjing PotevioWangzhi Electronic Co., Ltd. amounting to 60.4273 million yuan, equity of Nanjing Potevio Network Co., Ltd. amounting to 7.8 million yuan and equity of Nanjing South Telecommunications Company Limited amounting to 33.17 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         | 1,152,674.27                          | 6.7744        | 7,808,676.57   |
| HKD                    | 647,997.08                            | 0.86792       | 562,409.63     |
| EUR                    | 1,654.30                              | 7.7496        | 12,820.16      |
| GBP                    | 208.79                                | 8.81441       | 1,840.36       |
| Accounts payable       |                                       |               |                |
| Including: HKD         | 1,834,742.89                          | 0.86792       | 1,592,410.05   |

## 3. Government grants

1) Related to income, and used to compensate for costs or losses incurred during the company's future

| Items                                                                 | Opening balance<br>Deferred income | Current subsidy | Current carrying forward | Closing balance<br>Deferred income | current carrying forward<br>Presentation project | Notes |
|-----------------------------------------------------------------------|------------------------------------|-----------------|--------------------------|------------------------------------|--------------------------------------------------|-------|
| Special funds for the introduction of high-end talent team in nanjing | 1,599,211.58                       |                 | 443,149.84               | 1,156,061.74                       | Non-operating income                             |       |
| Subsidy for disposal of zombie company                                |                                    | 9,097,456.00    | 1,662,659.00             | 7,434,797.00                       | Non-operating income                             |       |
| Total                                                                 | 1,599,211.58                       | 9,097,456.00    | 2,105,808.84             | 8,590,858.74                       |                                                  |       |

2) Related to income, and used to compensate for the costs or losses incurred by the company

| Items                               | Amount       | Presentation project | Notes |
|-------------------------------------|--------------|----------------------|-------|
| VAT tax return on software products | 2,784,809.60 | Other income         |       |
| Subsidies income                    | 213,064.93   | Non-operating income |       |
| Subsidies for high-tech enterprises | 50,000.00    | Non-operating income |       |
| Total                               | 3,047,874.53 |                      |       |

**VI. Interest in other entities****(I) Interest in significant subsidiaries****1. Significant subsidiaries****(1) Basis information**

| Subsidiaries                                                  | Main operating place | Place of registration | Business nature | Holding proportion (%) |          | Acquisition method |
|---------------------------------------------------------------|----------------------|-----------------------|-----------------|------------------------|----------|--------------------|
|                                                               |                      |                       |                 | Direct                 | Indirect |                    |
| Nanjing South Telecommunications Company Limited              | Nanjing City         | Nanjing City          | Manufacture     | 96.99                  | 1.38     | Set up             |
| Nanjing Mennekes Electrics Co., Ltd.                          | Nanjing City         | Nanjing City          | Manufacture     | 75.00                  |          | Set up             |
| Nanjing PotevioTelege Intelligent Building Ltd.               | Nanjing City         | Nanjing City          | Manufacture     | 45.767                 |          | Set up             |
| Nanjing PotevioChangle Telecommunications Equipment Co., Ltd. | Nanjing City         | Nanjing City          | Manufacture     | 50.70                  |          | Set up             |
| Nanjing PotevioDatang Information Electronic Co., Ltd.        | Nanjing City         | Nanjing City          | Manufacture     | 40.00                  |          | Set up             |

**(2) Other remarks****1) Remarks on inconsistency between holding proportion owned and voting rights proportion owned in subsidiaries**

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

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

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

**2. Significant not wholly-owned subsidiaries****(1) Details**

| Subsidiaries                                     | Holding proportion of non-controlling shareholders | Profit or loss attributable to non-controlling shareholders | Dividend declared to non-controlling shareholders | Closing balance of non-controlling shareholders |
|--------------------------------------------------|----------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------|-------------------------------------------------|
| Nanjing South Telecommunications Company Limited | 1.630%                                             | 124,696.54                                                  |                                                   | 2,081,487.61                                    |
| Nanjing Mennekes Electrics Co., Ltd.             | 25.00%                                             | 581,619.71                                                  |                                                   | 24,347,495.19                                   |

| 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 PotevioTelege Intelligent Building Ltd.               | 54.233%                                            | 3,471,633.08                                                |                                                   | 60,199,990.33                                   |
| Nanjing PotevioChangle Telecommunications Equipment Co., Ltd. | 49.30%                                             | -90.18                                                      |                                                   | 15,769,883.61                                   |
| Nanjing PotevioDatang Information Electronic Co., Ltd.        | 60.00%                                             | 1,178,924.42                                                |                                                   | 17,409,233.44                                   |

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

#### (1) Assets and liabilities

| Subsidiaries                                                  | Closing balance |                    |                |                     |                         |                   |
|---------------------------------------------------------------|-----------------|--------------------|----------------|---------------------|-------------------------|-------------------|
|                                                               | Current assets  | Non-current assets | Total assets   | Current liabilities | Non-current liabilities | Total liabilities |
| Nanjing South Telecommunications Company Limited              | 344,194,038.04  | 13,035,198.99      | 357,229,237.03 | 229,530,610.67      |                         | 229,530,610.67    |
| Nanjing Mennekes Electrics Co., Ltd.                          | 193,541,706.51  | 33,460,976.63      | 227,002,683.14 | 129,612,702.37      |                         | 129,612,702.37    |
| Nanjing PotevioTelege Intelligent Building Ltd.               | 234,180,498.43  | 40,869,667.30      | 275,050,165.73 | 164,047,657.43      |                         | 164,047,657.43    |
| Nanjing PotevioChangle Telecommunications Equipment Co., Ltd. | 74,630,705.10   | 659,466.45         | 75,290,171.55  | 43,302,578.02       |                         | 43,302,578.02     |
| Nanjing PotevioDatang Information Electronic Co., Ltd.        | 25,683,250.77   | 16,286,215.53      | 41,969,466.30  | 12,954,077.22       |                         | 12,954,077.22     |

(Continued)

| Subsidiaries                                                  | Opening balance |                    |                |                     |                         |                   |
|---------------------------------------------------------------|-----------------|--------------------|----------------|---------------------|-------------------------|-------------------|
|                                                               | Current assets  | Non-current assets | Total assets   | Current liabilities | Non-current liabilities | Total liabilities |
| Nanjing South Telecommunications Company Limited              | 369,198,464.82  | 13,067,689.53      | 382,266,154.35 | 262,217,622.67      |                         | 262,217,622.67    |
| Nanjing Mennekes Electrics Co., Ltd.                          | 164,748,368.62  | 34,146,046.19      | 198,894,414.81 | 103,830,912.88      |                         | 103,830,912.88    |
| Nanjing PotevioTelege Intelligent Building Ltd.               | 258,226,846.80  | 41,353,498.45      | 299,580,345.25 | 194,979,166.54      |                         | 194,979,166.54    |
| Nanjing PotevioChangle Telecommunications Equipment Co., Ltd. | 75,621,044.49   | 664,458.52         | 76,285,503.01  | 44,297,726.56       |                         | 44,297,726.56     |
| Nanjing PotevioDatang Information Electronic Co., Ltd.        | 29,135,939.82   | 16,745,277.23      | 45,881,217.05  | 18,830,702.01       |                         | 18,830,702.01     |

#### (2) Profit or loss and cash flows

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

(Continued)

| Subsidiaries                                                  | Preceding period comparative |              |                            |                                      |
|---------------------------------------------------------------|------------------------------|--------------|----------------------------|--------------------------------------|
|                                                               | Operating revenue            | Net profit   | Total comprehensive income | Cash flows from operating activities |
| Nanjing South Telecommunications Company Limited              | 246,824,340.55               | 8,174,011.25 | 8,174,011.25               | -28,012,375.76                       |
| Nanjing Mennekes Electrics Co., Ltd.                          | 59,853,154.52                | 2,686,829.19 | 2,686,829.19               | -13,853,022.18                       |
| Nanjing PotevioTelege Intelligent Building Ltd.               | 144,073,856.61               | 7,478,429.00 | 7,478,429.00               | -23,312,954.54                       |
| Nanjing PotevioChangle Telecommunications Equipment Co., Ltd. | 30,703,788.91                | -94,363.26   | -94,363.26                 | -444,134.92                          |
| Nanjing PotevioDatang Information Electronic Co., Ltd.        | 21,359,235.76                | 2,107,868.66 | 2,107,868.66               | -50,181.47                           |

## (II) Interest in joint venture or associates

## 1. Significant joint ventures or associates

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

## 2. Main financial information of significant joint ventures

| Items | Closing balance/<br>current period cumulative | Opening balance/<br>preceding period comparative |
|-------|-----------------------------------------------|--------------------------------------------------|
|-------|-----------------------------------------------|--------------------------------------------------|

|                                                                                     | SEI-Nanjing Potevio Optical Network Co., Ltd. |               |
|-------------------------------------------------------------------------------------|-----------------------------------------------|---------------|
| Current assets                                                                      | 43,839,423.50                                 | 40,490,589.14 |
| Including: Cash and cash equivalents                                                | 3,167,116.86                                  | 1,707,598.89  |
| Non-current assets                                                                  | 1,231,696.85                                  | 1,349,024.62  |
| Total assets                                                                        | 45,071,120.35                                 | 41,839,613.76 |
| Current liabilities                                                                 | 17,895,115.48                                 | 14,215,853.48 |
| Non-current liabilities                                                             |                                               |               |
| Total liabilities                                                                   | 17,895,115.48                                 | 14,215,853.48 |
| Non-controlling interest                                                            |                                               |               |
| Equity attributable to owners of parent company                                     | 27,176,004.87                                 | 27,623,760.28 |
| Proportionate share in net assets                                                   | 13,588,002.44                                 | 13,811,880.14 |
| Adjustments                                                                         |                                               |               |
| Goodwill                                                                            |                                               |               |
| Unrealized profit in internal trading                                               |                                               |               |
| Others                                                                              |                                               |               |
| Carrying amount of investments in joint ventures                                    | 13,588,002.44                                 | 13,811,880.14 |
| Fair value of equity investments in joint ventures in association with quoted price |                                               |               |
| Operating revenue                                                                   | 8,226,323.40                                  | 26,720,749.13 |
| Financial expenses                                                                  | -272,455.78                                   | -622,792.36   |
| Income tax expenses                                                                 |                                               |               |
| Net profit                                                                          | -447,755.41                                   | 537,520.27    |
| Net profit of discontinued operations                                               |                                               |               |
| Other comprehensive income                                                          |                                               |               |
| Total comprehensive income                                                          | -447,755.41                                   | 537,520.27    |
| Dividend from joint ventures received in current period                             |                                               |               |

## 3. Main financial information of significant associates

| Items               | Closing balance/<br>current period cumulative | Opening balance/<br>preceding period comparative |
|---------------------|-----------------------------------------------|--------------------------------------------------|
|                     | Potevio Hi-tech Industry Co., Ltd.            |                                                  |
| Current assets      | 214,881,648.48                                | 218,095,772.45                                   |
| Non-current assets  | 128,729,805.69                                | 128,129,896.79                                   |
| Total assets        | 343,611,454.17                                | 346,225,669.24                                   |
| Current liabilities | 1,591,657.26                                  | 3,336,927.90                                     |

| Items                                                                           | Closing balance/<br>current period cumulative | Opening balance/<br>preceding period comparative |
|---------------------------------------------------------------------------------|-----------------------------------------------|--------------------------------------------------|
|                                                                                 | Potevio Hi-tech Industry Co., Ltd.            |                                                  |
| Non-current liabilities                                                         |                                               |                                                  |
| Total liabilities                                                               | 1,591,657.26                                  | 3,336,927.90                                     |
| Non-controlling interest                                                        |                                               |                                                  |
| Equity attributable to owners of parent company                                 | 342,019,796.91                                | 342,888,741.34                                   |
| Proportionate share in net assets                                               | 169,778,627.19                                | 170,209,971.20                                   |
| Adjustments                                                                     |                                               |                                                  |
| Goodwill                                                                        |                                               |                                                  |
| Unrealized profit in internal trading                                           |                                               |                                                  |
| Others                                                                          |                                               |                                                  |
| Carrying amount of investments in associates                                    | 169,778,627.19                                | 170,209,971.20                                   |
| Fair value of equity investments in associates in association with quoted price |                                               |                                                  |
| Operating revenue                                                               | 5,850,644.65                                  | 16,674,172.86                                    |
| Net profit                                                                      | -868,944.43                                   | 1,747,840.13                                     |
| Net profit of discontinued operations                                           |                                               |                                                  |
| Other comprehensive income                                                      |                                               |                                                  |
| Total comprehensive income                                                      | -868,944.43                                   | 1,747,840.13                                     |
| Dividend from associates received in current period                             |                                               | 362,372.00                                       |

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

| Items                                       | Closing balance/current<br>period cumulative | Opening<br>balance/preceding period<br>comparative |
|---------------------------------------------|----------------------------------------------|----------------------------------------------------|
| Associates                                  |                                              |                                                    |
| Total carrying amount of investments        | 3,098,134.88                                 | 3,061,006.22                                       |
| Proportionate shares in the following items |                                              |                                                    |
| Net profit                                  | 82,508.92                                    | 450,600.72                                         |
| Other comprehensive income                  |                                              |                                                    |
| Total comprehensive income                  | 82,508.92                                    | 450,600.72                                         |

## 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, 2017, 14.63% (December 31, 2016: 17.49%) of the total accounts receivable was due from the five largest customers of the Company. The Company has no significant central credit risk.

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

| Items               | Closing balance               |                           |                |              |                |
|---------------------|-------------------------------|---------------------------|----------------|--------------|----------------|
|                     | Neither past due nor impaired | Past due but not impaired |                |              | Total          |
|                     |                               | Within 1 year             | 1-2 years      | Over 2 years |                |
| Notes receivable    | 42,716,179.49                 |                           |                |              | 42,716,179.49  |
| Accounts receivable | 595,066,349.35                |                           | 163,495,361.06 |              | 758,561,710.41 |
| Other receivables   | 17,836,218.42                 |                           | 8,189,618.07   |              | 26,025,836.49  |
| Subtotal            | 655,618,747.26                |                           | 171,684,979.13 |              | 827,303,726.39 |

(Continued)

| Items               | Opening balance               |                           |                |              |                |
|---------------------|-------------------------------|---------------------------|----------------|--------------|----------------|
|                     | Neither past due nor impaired | Past due but not impaired |                |              | Total          |
|                     |                               | Within 1 year             | 1-2 years      | Over 2 years |                |
| Notes receivable    | 59,748,722.91                 |                           |                |              | 59,748,722.91  |
| Accounts receivable | 603,015,571.33                |                           | 106,446,095.08 |              | 709,461,666.41 |

| Items             | Opening balance               |                           |                |              |                |
|-------------------|-------------------------------|---------------------------|----------------|--------------|----------------|
|                   | Neither past due nor impaired | Past due but not impaired |                |              | Total          |
|                   |                               | Within 1 year             | 1-2 years      | Over 2 years |                |
| Other receivables | 19,094,866.16                 |                           | 5,109,572.54   |              | 24,204,438.7   |
| Subtotal          | 681,859,160.40                |                           | 111,555,667.62 |              | 793,414,828.02 |

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

## (II) Liquidity risk

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

In order to control such risk, the Company utilized financing tools such as notes settlement 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.

Financial instruments classified based on remaining time period till maturity

| Items            | Closing balance  |                                    |                  |           |              |
|------------------|------------------|------------------------------------|------------------|-----------|--------------|
|                  | Carrying amount  | Contract amount not yet discounted | Within 1 year    | 1-3 years | Over 3 years |
| Bank borrowings  | 368,350,000.00   | 376,362,448.54                     | 376,362,448.54   |           |              |
| Notes payable    | 27,315,996.58    | 27,315,996.58                      | 27,315,996.58    |           |              |
| Accounts payable | 997,474,557.49   | 997,474,557.49                     | 997,474,557.49   |           |              |
| Interest payable | 709,377.30       | 709,377.30                         | 709,377.30       |           |              |
| Dividend payable | 1,692,213.38     | 1,692,213.38                       |                  |           | 1,692,213.38 |
| Subtotal         | 1,395,542,144.75 | 1,403,554,593.29                   | 1,401,862,379.91 |           | 1,692,213.38 |

(Continued)

| Items            | Opening balance |                                    |                 |           |              |
|------------------|-----------------|------------------------------------|-----------------|-----------|--------------|
|                  | Carrying amount | Contract amount not yet discounted | Within one year | 1-3 years | Over 3 years |
| Bank borrowings  | 473,500,000.00  | 482,540,963.06                     | 482,540,963.06  |           |              |
| Notes payable    | 83,071,160.95   | 83,071,160.95                      | 83,071,160.95   |           |              |
| Accounts payable | 897,012,031.63  | 897,012,031.63                     | 897,012,031.63  |           |              |
| Interest         | 732,412.79      | 732,412.79                         | 732,412.79      |           |              |

| Items             | Opening balance  |                                    |                  |           |              |
|-------------------|------------------|------------------------------------|------------------|-----------|--------------|
|                   | Carrying amount  | Contract amount not yet discounted | Within one year  | 1-3 years | Over 3 years |
| payable           |                  |                                    |                  |           |              |
| Dividend payable  | 1,692,213.38     | 1,692,213.38                       |                  |           | 1,692,213.38 |
| Long-term payable | 1,456,007,818.75 | 1,465,048,781.81                   | 1,463,356,568.43 |           | 1,692,213.38 |
| Subtotal          | 473,500,000.00   | 482,540,963.06                     | 482,540,963.06   |           |              |

### (III) Market risk

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

#### 1. Interest risk

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

As of June 30, 2016, balance of borrowings with interest accrued at floating interest rate totaled 254,850,000.00 yuan (December 31, 2016: 393,500,000.00 yuan). If interest rates had been 10 basis points higher/lower and all other variables were held constant, financial effect on the Company would be a/an decrease/increase of 1.1086 million yuan (December 31, 2016: a/an decrease/increase of 1.71 million yuan) in equity, a/an decrease/increase of 1.1086 million yuan (2016: a/an decrease/increase of 1.71 million yuan) in net profit.

#### 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 Tudi 2 Road, Zhongguan Village Economy Zone, Haidian District, Beijing | Information industry | 1,903,050                       | 53.49%                              | 53.49%                                   |

The Company's ultimate controlling party is 中国普天信息产业集团公司(China POTEVIO Corporation<sup>11</sup>).

<sup>11</sup>The English names are for identification purpose only.

2. Please refer notes to interest in other entities for details on the Company's subsidiaries.

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

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

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

### 4. Other related parties of the Company

| Related parties                                                                        | Relationships with the Company                          |
|----------------------------------------------------------------------------------------|---------------------------------------------------------|
| 南京普天鸿雁电器科技有限公司<br>(Nanjing Honyar Electrical Technology Co., Ltd.*)                    | An affiliated company of the ultimate controlling party |
| 南京普天鸿雁电器有限公司<br>(Nanjing Honyar Electrical Co., Ltd.*)                                 | An affiliated company of the ultimate controlling party |
| 上海普天邮通科技股份有限公司<br>(Shanghai Potevio Post and Telecommunications Technology Co., Ltd.*) | An affiliated company of the ultimate controlling party |
| 北京普天太力通信科技有限公司<br>(Beijing PotevioTaili Communications Technology Co., Ltd.*)          | An affiliated company of the ultimate controlling party |
| 杭州鸿雁东贝光电科技有限公司<br>(Hangzhou HonyarDongbei Photoelectric Technology Co., Ltd.*)         | An affiliated company of the ultimate controlling party |
| 上海普天网络技术有限公司<br>(Shanghai Potevio Network Technology Co., Ltd.*)                       | An affiliated company of the ultimate controlling party |
| 普天通信有限责任公司<br>(POTEVIO Telecommunications Co., Ltd.*)                                  | An affiliated company of the ultimate controlling party |
| 南京普天通信通信实业有限公司<br>(NanjingPotevio communication industry co. LTD)                      | An affiliated company of the ultimate controlling party |
| 普天信息技术有限公司<br>(Potevio Information Technology Co., Ltd.*)                              | An affiliated company of the ultimate controlling party |
| Beijing Picom Telecommunications Equipment Co., Ltd.                                   | An affiliated company of the Company                    |
| Mennekes Electric Industrial Co., Ltd. (China)                                         | Non-controlling shareholder of the Company's subsidiary |
| 普天和平科技有限公司<br>(PotevioHeping 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 trade 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 |
|-----------------|------------------------|---------------------------|------------------------------|
|-----------------|------------------------|---------------------------|------------------------------|

| Related parties                                | Content of transaction     | Current period cumulative | Preceding period comparative |
|------------------------------------------------|----------------------------|---------------------------|------------------------------|
| SEI-Nanjing Potevio Optical Network Co., Ltd.  | Telecommunication products | 4,402,431.79              | 9,024,031.01                 |
| Nanjing PotevioTelege Cable Co., Ltd.          | Telecommunication products | 10,287,304.27             | 12,577,759.12                |
| Nanjing Honyar Electrical Technology Co., Ltd. | Telecommunication products | 211,020.46                |                              |
| Nanjing Honyar Electrical Co., Ltd.            | Telecommunication products |                           | 141,138.49                   |
| Potevio Hi-tech Industry Co., Ltd.             | Telecommunication products |                           | 1,341,156.00                 |
| Mannikes industrial electrical (China) co. LTD | Telecommunication products | 2,470,678.34              |                              |

## (2) Sale of goods and rendering of services

| Related parties                                                   | Content of transaction     | Current period cumulative | Preceding period comparative |
|-------------------------------------------------------------------|----------------------------|---------------------------|------------------------------|
| Potevio Information Technology Co., Ltd.                          | Telecommunication products | 1,088,405.13              | 209,330.77                   |
| China Potevio Information Industry Inc                            | Telecommunication products | 11,588,384.12             | 25,562,525.57                |
| Beijing PotevioTaili Communications Technology Co., Ltd.          | Telecommunication products |                           | 36,899.15                    |
| PotevioHeping Technology Co., Ltd.                                | Telecommunication products | 30,769.23                 |                              |
| Nanjing Potevio Communication Industry Co., Ltd.                  | Telecommunication products | 230,477.80                |                              |
| Potevio Hi-tech Industry Co., Ltd.                                | Telecommunication products | 107,750.15                | 48,588.22                    |
| Shanghai Potevio Post and Telecommunications Technology Co., Ltd. | Telecommunication products |                           | 9,692.31                     |
| Shanghai Potevio Network Technology Co., Ltd.                     | Telecommunication products |                           | 3,418.80                     |
| Hangzhou hongyandongbei optoelectronic technology co. LTD         | Telecommunication products |                           | 13,076.92                    |
| Potevio international trade co. LTD                               | Telecommunication products | 382,000.66                |                              |
| Nanjing puzhuguang network co. LTD                                | Telecommunication products | 156,975.39                |                              |
| NanjingPotevotianji cable co. LTD                                 | Telecommunication products | 449,050.85                |                              |

## 2. Related party leases

## (1) The Company as the lessor

| Lessees                                       | Types of asset leased    | Lease income for current period | Lease income for the preceding period |
|-----------------------------------------------|--------------------------|---------------------------------|---------------------------------------|
| SEI-Nanjing Potevio Optical Network Co., Ltd. | Buildings and structures | 490,015.58                      | 401,248.38                            |

## (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 | 781,500.33                        | 4,432,114.67                            | 253,277.91                           | 1,277,232.00                               |

## 3. Related party guarantees

The Company and its subsidiaries as guaranteed parties

| Guarantors                             | Amount guaranteed | Commence-m<br>ent date | Maturity date | Whether the<br>guarantee is<br>mature |
|----------------------------------------|-------------------|------------------------|---------------|---------------------------------------|
| China Potevio Information Industry Inc | 44,000,000.00     | 2016/7/14              | 2017/7/14     | No                                    |
| China Potevio Information Industry Inc | 30,000,000.00     | 2016/9/18              | 2017/9/18     | No                                    |
| China Potevio Information Industry Inc | 10,000,000.00     | 2016/11/11             | 2017/11/10    | No                                    |
| China Potevio Information Industry Inc | 30,000,000.00     | 2016/12/14             | 2017/12/14    | No                                    |
| China Potevio Information Industry Inc | 40,000,000.00     | 2017/3/31              | 2018/1/15     | No                                    |
| China Potevio Information Industry Inc | 30,000,000.00     | 2017/4/5               | 2017/10/5     | No                                    |
| China Potevio Information Industry Inc | 30,000,000.00     | 2017/6/12              | 2018/6/12     | No                                    |
| China Potevio Information Industry Inc | 20,000,000.00     | 2017/6/23              | 2018/6/22     | No                                    |

## 4. Interest expenditures

In the current period, the Company paid to China Potevio Information Industry Inc a total of 2,743,744.97 yuan as interest expenditures.

## 5. Key management's emoluments

| Items                       | Current period cumulative | Preceding period comparative |
|-----------------------------|---------------------------|------------------------------|
| Key management's emoluments | 631,665.00                | 476,589.62                   |

## (III) Balance due to or from related parties

## 1. Balance due from related parties

| Items               | Related parties                                                   | Closing balance |                         | Opening balance |                         |
|---------------------|-------------------------------------------------------------------|-----------------|-------------------------|-----------------|-------------------------|
|                     |                                                                   | Book balance    | Provision for bad debts | Book balance    | Provision for bad debts |
| Accounts receivable | China Potevio Information Industry Inc                            | 23,908,728.37   | 940,358.59              | 30,685,856.21   | 351,548.00              |
| Accounts receivable | Potevio Information Technology Co., Ltd.                          | 618,827.95      |                         | 4,972.96        |                         |
| Accounts receivable | Shanghai Potevio Network Technology Co., Ltd.                     | 88,000.00       | 83,060.00               | 88,000.00       | 65,840.00               |
| Accounts receivable | Shanghai Potevio Post and Telecommunications Technology Co., Ltd. | 8,755,534.00    | 3,502,213.60            | 8,769,964.00    | 3,502,213.60            |
| Accounts receivable | Potevio Hi-tech Industry Co., Ltd.                                | 14,455.30       |                         | 14,455.30       |                         |
| Accounts receivable | Hangzhou Honyar Electrical Co., Ltd.                              |                 |                         | 1,075,704.00    |                         |

| Items               | Related parties                                                | Closing balance |                         | Opening balance |                         |
|---------------------|----------------------------------------------------------------|-----------------|-------------------------|-----------------|-------------------------|
|                     |                                                                | Book balance    | Provision for bad debts | Book balance    | Provision for bad debts |
| Accounts receivable | PotevioHeping Technology Co., Ltd.                             | 333,706.00      |                         | 333,706.00      |                         |
| Accounts receivable | Putian international trade co. LTD                             | 214,220.40      |                         |                 |                         |
| Subtotal            |                                                                | 33,933,472.02   | 4,525,632.19            | 40,972,658.47   | 3,919,601.60            |
| Other receivables   | China Potevio Information Industry Inc                         | 2,170,000.00    | 3,750.00                | 1,570,000.00    | 8,500.00                |
| Other receivables   | Beijing Picom Telecommunications Equipment Co., Ltd.           | 28,912,122.71   | 28,912,122.71           | 28,912,122.71   | 28,912,122.71           |
| Other receivables   | Nanjing Potevio science and technology industrial park company | 182,003.40      |                         |                 |                         |
| Subtotal            |                                                                | 31,264,126.11   | 28,915,872.71           | 30,482,122.71   | 28,920,622.71           |
| Advances paid       | PotevioHeping Technology Co., Ltd.                             |                 |                         | 436,294.00      |                         |
| Advances paid       | NanjingPoteviohongyan electric technology co. LTD              | 82,000.00       |                         |                 |                         |
| Subtotal            |                                                                | 82,000.00       |                         | 436,294.00      |                         |

## 2. Balance due to related parties

| Items             | Related parties                                   | Closing balance | Opening balance |
|-------------------|---------------------------------------------------|-----------------|-----------------|
| Accounts payable  | SEI-Nanjing Potevio Optical Network Co., Ltd.     | 31,001,679.04   | 31,925,323.52   |
| Accounts payable  | China Potevio Information Industry Inc            | 23,856,875.10   | 23,856,875.10   |
| Accounts payable  | Potevio Hi-tech Industry Co., Ltd.                |                 | 1,796,059.00    |
| Accounts payable  | Nanjing PotevioTelege Cable Co., Ltd.             |                 | 2,763,799.17    |
| Accounts payable  | Nanjing Honyar Electrical Technology Co., Ltd.    | 687,820.03      | 572,421.00      |
| Accounts payable  | Shanghai Potevio Network Technology Co., Ltd.     | 11,685.00       | 11,685.00       |
| Accounts payable  | POTEVIO Telecommunications Co., Ltd.              | 21,951.67       |                 |
| Accounts payable  | Wuhan putianhongyan electric appliance co. LTD    | 270,055.73      |                 |
| Accounts payable  | Mennekes Electric Industrial Co., Ltd. (China)    | 2,918,155.76    | 431,943.36      |
| Subtotal          |                                                   | 58,768,222.33   | 61,358,106.15   |
| Advances received | China Potevio Information Industry Inc            | 532,327,064.00  | 9,588,409.63    |
| Advances received | Potevio Information Technology Co., Ltd.          |                 | 15,307.90       |
| Advances received | Nanjing putianhongyan electric technology co. LTD | 82,000.00       |                 |
| Advances received | Wuhan putianhongyan electric appliance co. LTD    | 3,975,433.00    |                 |

| Items          | Related parties                      | Closing balance | Opening balance |
|----------------|--------------------------------------|-----------------|-----------------|
| Subtotal       |                                      | 536,384,497.00  | 9,603,717.53    |
| Other payables | Potevio Hi-tech Industry Co., Ltd.   |                 | 223,578.14      |
| Other payables | POTEVIO Telecommunications Co., Ltd. |                 | 200,000.00      |
| Subtotal       |                                      |                 | 423,578.14      |

**IX. Commitments and contingencies**

None.

**X. Other significant events**

## Segment information

## 1. Identification basis for reportable segments

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. The Company identified reportable segments based on products, which include video conferencing products, generic cable products, electrical products, 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 | Wireless network products | Wiring products  | Inter-segment offsetting | Total            |
|------------------------------|-----------------------------|------------------------|---------------------|---------------------------|------------------|--------------------------|------------------|
| Revenue from main operations | 243,563,472.88              | 161,900,328.48         | 71,301,568.30       | 236,288,888.90            | 310,388,629.99   | 34,893,555.21            | 988,549,333.34   |
| Cost of main operations      | 199,396,334.35              | 130,919,397.37         | 52,613,603.22       | 222,275,291.34            | 265,560,732.04   | 34,893,555.21            | 835,871,803.11   |
| Total assets                 | 357,229,237.03              | 275,050,165.73         | 227,002,683.14      | 624,733,247.00            | 1,465,166,429.88 | 418,597,712.97           | 2,530,584,049.81 |
| Total liabilities            | 229,530,610.67              | 164,047,657.43         | 129,612,702.37      | 611,956,426.03            | 1,206,202,560.46 | 254,432,173.51           | 2,086,917,783.45 |

**XI. 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 | 449,145,159.92  |            | 19,370,466.63           |                          | 429,774,693.29  |
| Portfolio 1                                                                                              |                 |            |                         |                          |                 |
| Portfolio 2                                                                                              | 449,145,159.92  |            | 19,370,466.63           |                          | 429,774,693.29  |
| Receivable of individually insignificant amount but with provision made on an individual basis           | 1,881,238.51    |            | 1,881,238.51            |                          |                 |
| Total                                                                                                    | 451,026,398.43  |            | 21,251,705.14           |                          | 429,774,693.29  |

(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 | 436,305,272.67  | 99.57      | 18,149,360.20           | 4.16                     | 418,155,912.47  |
| Portfolio 1                                                                                              | 207,800.00      | 0.05       |                         |                          | 207,800.00      |
| Portfolio 2                                                                                              | 436,097,472.67  | 99.52      | 18,149,360.20           | 4.16                     | 417,948,112.47  |
| Receivable of individually insignificant amount but with provision made on an individual basis           | 1,881,238.51    | 0.43       | 1,881,238.51            | 100.00                   |                 |
| Total                                                                                                    | 438,186,511.18  | 100.00     | 20,030,598.71           | 4.57                     | 418,155,912.47  |

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 | 271,609,595.48  |                         |                          |
| 1-2 years     | 126,926,307.05  |                         |                          |
| 2-3 years     | 25,414,433.61   | 2,541,443.36            | 10                       |
| 3-4 years     | 6,562,643.23    | 1,968,792.97            | 30                       |

| Ages         | Closing balance |                         |                          |
|--------------|-----------------|-------------------------|--------------------------|
|              | Book balance    | Provision for bad debts | Provision proportion (%) |
| 4-5 years    | 2,878,862.06    | 1,151,544.82            | 40                       |
| 5-6 years    | 10,223,165.06   | 8,178,532.05            | 80                       |
| Over 6 years | 5,530,153.43    | 5,530,153.43            | 100                      |
| Subtotal     | 449,145,159.92  | 19,370,466.63           | 4.31                     |

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

Provision for bad debts made in current period totaled 1,221,106.43 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 |
|--------------------------------------------------------------------------------------------|----------------|------------------------------------------------------------|-------------------------|
| China United Network Communications Group Co., Ltd., Henan Branch                          | 28,062,903.95  | 6.22                                                       |                         |
| 中国电信股份有限公司江苏分公司<br>(China Telecommunications Corporation, Jiangsu Branch <sup>12</sup> )   | 24,986,127.34  | 5.54                                                       | 2,378.00                |
| China Potevio Information Industry Inc.                                                    | 20,138,617.26  | 4.47                                                       | 878,343.71              |
| 中国联合网络通信有限公司河北省分公司<br>(China United Network Communications Group Co., Ltd., Hebei Branch*) | 17,581,097.03  | 3.90                                                       |                         |
| Quanzhou hua and communication technology co. LTD                                          | 12,643,382.61  | 2.80                                                       |                         |
| Subtotal                                                                                   | 103,412,128.19 | 22.93                                                      | 880,721.71              |

## 2. Other receivables

## (1) Details

## 1) Details on categories

| Categories                                                                                               | Closing balance |            |                         |                          |                 |
|----------------------------------------------------------------------------------------------------------|-----------------|------------|-------------------------|--------------------------|-----------------|
|                                                                                                          | Book balance    |            | Provision for bad debts |                          | Carrying amount |
|                                                                                                          | Amount          | % to total | Amount                  | Provision proportion (%) |                 |
| Receivables of individually significant amount and with provision made on an individual basis            | 32,997,289.04   | 40.23      | 32,997,289.04           | 100.00                   |                 |
| Receivables with provision made on a collective basis using portfolios with similar credit risk features | 49,014,407.62   | 59.77      | 3,981,003.49            | 8.12                     | 45,033,404.13   |

<sup>12</sup>The English names are for identification purpose only.

| Categories                                                                                     | Closing balance |            |                         |                          |                 |
|------------------------------------------------------------------------------------------------|-----------------|------------|-------------------------|--------------------------|-----------------|
|                                                                                                | Book balance    |            | Provision for bad debts |                          | Carrying amount |
|                                                                                                | Amount          | % to total | Amount                  | Provision proportion (%) |                 |
| Portfolio 1                                                                                    | 23,979,896.53   | 29.24      |                         |                          | 23,979,896.53   |
| Portfolio 2                                                                                    | 25,034,511.09   | 30.53      | 3,981,003.49            | 15.90                    | 21,053,507.60   |
| Receivable of individually insignificant amount but with provision made on an individual basis |                 |            |                         |                          |                 |
| Total                                                                                          | 82,011,696.66   | 100.00     | 36,978,292.53           | 45.09                    | 45,033,404.13   |

(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            | 32,997,289.04   | 31.69      | 32,997,289.04           | 100.00                   |                 |
| Receivables with provision made on a collective basis using portfolios with similar credit risk features | 71,142,407.39   | 68.31      | 3,665,246.30            | 5.15                     | 67,477,161.09   |
| Portfolio 1                                                                                              | 47,311,606.41   | 45.43      |                         |                          | 47,311,606.41   |
| Portfolio 2                                                                                              | 23,830,800.98   | 22.88      | 3,665,246.30            | 15.38                    | 20,165,554.68   |
| Receivable of individually insignificant amount but with provision made on an individual basis           |                 |            |                         |                          |                 |
| Total                                                                                                    | 104,139,696.43  | 100.00     | 36,662,535.34           | 35.21                    | 67,477,161.09   |

## 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           |
|-----------------------------------------------------|---------------|-------------------------|--------------------------|--------------------------------------|
| Potevio Telecommunications (H.K.) Co., Ltd.         | 4,085,166.33  | 4,085,166.33            | 100.00                   | With long age and is hard to recover |
| Beijing Likangpu Communications Equipment Co., Ltd. | 28,912,122.71 | 28,912,122.71           | 100.00                   | With long age and is hard to recover |
| Subtotal                                            | 32,997,289.04 | 32,997,289.04           |                          |                                      |

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

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

| Ages          | Closing balance |                         |                          |
|---------------|-----------------|-------------------------|--------------------------|
|               | Book balance    | Provision for bad debts | Provision proportion (%) |
| Within 1 year | 11,820,827.07   |                         |                          |
| 1-2 years     | 6,162,548.46    |                         |                          |
| 2-3 years     | 2,072,182.37    | 207,218.24              | 10                       |
| 3-4 years     | 994,597.74      | 298,379.32              | 30                       |
| 4-5 years     | 428,846.72      | 171,538.69              | 40                       |
| 5-6 years     | 1,258,207.46    | 1,006,565.97            | 80                       |
| Over 6 years  | 2,297,301.27    | 2,297,301.27            | 100                      |
| Subtotal      | 25,034,511.09   | 3,981,003.49            | 8.12                     |

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

Provisions for bad debts made in current period totaled 315,757.19 yuan.

## (3) Other receivables categorized by nature

| Nature of receivables                | Closing balance | Opening balance |
|--------------------------------------|-----------------|-----------------|
| Petty cash for business traveling    | 1,386,776.63    | 1,077,665.93    |
| Deposits                             | 17,668,194.83   | 18,347,856.65   |
| Temporary advance payment receivable | 61,096,146.63   | 83,464,497.53   |
| Others                               | 1,860,578.57    | 1,249,676.32    |
| Total                                | 82,011,696.66   | 104,139,696.43  |

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

| Debtors                                                       | Nature of receivables                | Book balance  | Ages           | Proportion to the total balance of other receivables (%) | Provision for bad debts |
|---------------------------------------------------------------|--------------------------------------|---------------|----------------|----------------------------------------------------------|-------------------------|
| Beijing Likangpu Communications Equipment Co., Ltd.           | Temporary advance payment receivable | 28,912,122.71 | Over 6 years   | 35.25                                                    | 28,912,122.71           |
| 中招国际招标有限公司(China recruitment international tendering co. LTD) | Deposits                             | 2,450,000.00  | Within 1 years | 2.99                                                     |                         |
| China Potevio information industry co. LTD                    | Deposits                             | 2,170,000.00  | 1-3 years      | 2.65                                                     | 3,750.00                |
| Gongcheng management consulting co. LTD                       | Deposits                             | 1,252,700.00  | 1-3 years      | 1.53                                                     | 2,920.00                |
| Potevio Telecommunications (H.K.) Co., Ltd.                   | Temporary advance payment receivable | 4,097,886.33  | Over 6 years   | 5.00                                                     | 4,097,886.33            |
| Subtotal                                                      |                                      | 38,882,709.04 |                | 47.42                                                    | 33,016,679.04           |

## 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                  | 173,787,270.64  | 1,910,520.00             | 171,876,750.64  | 173,787,270.64  | 1,910,520.00             | 171,876,750.64  |
| Investments in associates and joint ventures | 183,366,629.63  |                          | 183,366,629.63  | 184,021,851.34  |                          | 184,021,851.34  |
| Total                                        | 357,153,900.27  | 1,910,520.00             | 355,243,380.27  | 357,809,121.98  | 1,910,520.00             | 355,898,601.98  |

## (2) Investments in subsidiaries

| Investees                                                       | Opening balance | Increase | Decrease | Closing balance | Provision for impairment made in current period | Closing balance of provision for impairment |
|-----------------------------------------------------------------|-----------------|----------|----------|-----------------|-------------------------------------------------|---------------------------------------------|
| Nanjing Mennekes Electrics Co., Ltd.                            | 57,831,011.71   |          |          | 57,831,011.71   |                                                 |                                             |
| Nanjing Bada Communication Equipment Co., Ltd.                  | 5,610,000.00    |          |          | 5,610,000.00    |                                                 |                                             |
| Nanjing PotevioChangle Telecommunications Equipment Co., Ltd.   | 2,610,457.00    |          |          | 2,610,457.00    |                                                 |                                             |
| Nanjing PotevioTelecommunication Technology Co., Ltd.           | 1,294,510.00    |          |          | 1,294,510.00    |                                                 |                                             |
| 南京普天信息技术有限公司(Nanjing Potevio Information Technology Co., Ltd.*) | 13,860,000.00   |          |          | 13,860,000.00   |                                                 |                                             |
| Nanjing PotevioTelege Intelligent Building Ltd.                 | 3,320,003.45    |          |          | 3,320,003.45    |                                                 |                                             |
| Potevio Telecommunications (H.K.) Co., Ltd.                     | 1,910,520.00    |          |          | 1,910,520.00    |                                                 | 1,910,520.00                                |
| Nanjing Potevio Network Co., Ltd.                               | 7,741,140.41    |          |          | 7,741,140.41    |                                                 |                                             |
| Nanjing PotevioWangzhi Electronic Co., Ltd.                     | 40,997,683.00   |          |          | 40,997,683.00   |                                                 |                                             |
| Nanjing South Telecommunications Company Limited                | 33,175,148.00   |          |          | 33,175,148.00   |                                                 |                                             |
| Nanjing PotevioDatang Information Electronic Co., Ltd.          | 5,436,797.07    |          |          | 5,436,797.07    |                                                 |                                             |
| Subtotal                                                        | 173,787,270.64  |          |          | 173,787,270.64  |                                                 | 1,910,520.00                                |

## (3) Investments in associates and joint ventures

| Investees                                     | Opening balance | Increase/decrease     |                       |                                                  |                                          |
|-----------------------------------------------|-----------------|-----------------------|-----------------------|--------------------------------------------------|------------------------------------------|
|                                               |                 | Investments increased | Investments decreased | Investment income recognized under equity method | Adjustment in other comprehensive income |
| Joint ventures                                |                 |                       |                       |                                                  |                                          |
| SEI-Nanjing Potevio Optical Network Co., Ltd. | 13,811,880.14   |                       |                       | -223,877.70                                      |                                          |
| Subtotal                                      | 13,811,880.14   |                       |                       | -223,877.70                                      |                                          |

| Investees                          | Opening balance | Increase/decrease     |                       |                                                  |                                          |
|------------------------------------|-----------------|-----------------------|-----------------------|--------------------------------------------------|------------------------------------------|
|                                    |                 | Investments increased | Investments decreased | Investment income recognized under equity method | Adjustment in other comprehensive income |
| Associates                         |                 |                       |                       |                                                  |                                          |
| Potevio Hi-tech Industry Co., Ltd. | 170,209,971.20  |                       |                       | -431,344.01                                      |                                          |
| Subtotal                           | 170,209,971.20  |                       |                       | -431,344.01                                      |                                          |
| Total                              | 184,021,851.34  |                       |                       | -655,221.71                                      |                                          |

(Continued)

| Investees                                     | Increase/decrease       |                                                |                          |        | Closing balance | Closing balance of provision for impairment |
|-----------------------------------------------|-------------------------|------------------------------------------------|--------------------------|--------|-----------------|---------------------------------------------|
|                                               | Changes in other equity | Cash dividend/profit declared for distribution | Provision for impairment | Others |                 |                                             |
| Joint ventures                                |                         |                                                |                          |        |                 |                                             |
| SEI-Nanjing Potevio Optical Network Co., Ltd. |                         |                                                |                          |        | 13,588,002.44   |                                             |
| Subtotal                                      |                         |                                                |                          |        | 13,588,002.44   |                                             |
| Associates                                    |                         |                                                |                          |        |                 |                                             |
| Potevio Hi-tech Industry Co., Ltd.            |                         |                                                |                          |        | 169,778,627.19  |                                             |
| Subtotal                                      |                         |                                                |                          |        | 169,778,627.19  |                                             |
| Total                                         |                         |                                                |                          |        | 183,366,629.63  |                                             |

## (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  | 477,333,066.05            | 428,357,160.89 | 317,684,044.43               | 278,160,497.11 |
| Revenue from other operations | 14,937,079.42             | 11,738,660.36  | 31,541,554.81                | 25,207,779.79  |
| Total                         | 492,270,145.47            | 440,095,821.25 | 349,225,599.24               | 303,368,276.90 |

## 2. Investment income

| Items                                                                   | Current period cumulative | Preceding period comparative |
|-------------------------------------------------------------------------|---------------------------|------------------------------|
| Investment income from long-term equity investments under equity method | -655,221.71               | 760,849.53                   |
| Total                                                                   | -655,221.71               | 760,849.53                   |

**XII. 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                                                                                                                                                                                                           | -663,364.82  |         |
| Tax refund, credit or exemption approved beyond the power of authorities, without formal documents, or with occasionality                                                                                                                                                                            |              |         |
| Government grant included in profit or loss (excluding those closely related to operating activities, or regular government grants)                                                                                                                                                                  | 2,368,873.77 |         |
| Fund possession charge from non-financial entities and included in profit or loss                                                                                                                                                                                                                    |              |         |
| Gains on acquisition of subsidiaries, joint ventures and associates due to the surplus of acquisition-date fair value of net identifiable assets in acquiree over the acquisition cost                                                                                                               |              |         |
| Gains on non-cash assets exchange                                                                                                                                                                                                                                                                    |              |         |
| Gains on assets consigned to the third party for investment or management                                                                                                                                                                                                                            |              |         |
| Assets impairment loss incurred due to force majeure such as natural disasters                                                                                                                                                                                                                       |              |         |
| Gains on debt restructuring                                                                                                                                                                                                                                                                          |              |         |
| Entity restructuring expenses, such as staffing and integrating expenses                                                                                                                                                                                                                             |              |         |
| Gains on transactions with unfair value                                                                                                                                                                                                                                                              |              |         |
| Net profit gains on subsidiaries acquired through business combination under common control from the beginning of the period to the combination date                                                                                                                                                 |              |         |
| Contingent gains on non-operating activities                                                                                                                                                                                                                                                         |              |         |
| Gains on changes in fair value of held-for-trading financial assets and liabilities and investment income from disposal of held-for-trading financial assets and liabilities, and available-for-sale financial assets, excluding those arising from hedging business related to operating activities |              |         |
| The reversed provision for impairment of receivables based on impairment testing on an individual basis                                                                                                                                                                                              |              |         |
| Gains on designated loans                                                                                                                                                                                                                                                                            |              |         |
| Gains on changes in fair value of investment properties with subsequent measurement at the fair value mode                                                                                                                                                                                           |              |         |
| Gains on reconciliation of current period profit or loss following legal and regulative requirements                                                                                                                                                                                                 |              |         |
| Management charges for consigned operations                                                                                                                                                                                                                                                          |              |         |
| Other non-operating revenue or expenditures                                                                                                                                                                                                                                                          | 134,413.94   |         |
| Other profit or loss satisfying the definition of non-recurring profit or loss                                                                                                                                                                                                                       |              |         |
| Subtotal                                                                                                                                                                                                                                                                                             | 1,839,922.89 |         |
| Less: enterprise income tax affected                                                                                                                                                                                                                                                                 | 39,788.87    |         |
| Non-controlling interest affected (after tax)                                                                                                                                                                                                                                                        | 763,084.07   |         |

| Items                                                                               | Amount       | Remarks |
|-------------------------------------------------------------------------------------|--------------|---------|
| Net non-recurring profit or loss attributable to shareholders of the parent company | 1,037,049.95 |         |

## (II) RONA and EPS

## 1. Details

| Profit of the reporting period                                                                          | Weighted average RONA (%) | EPS (yuan/share) |             |
|---------------------------------------------------------------------------------------------------------|---------------------------|------------------|-------------|
|                                                                                                         |                           | Basic EPS        | Diluted EPS |
| Net profit attributable to shareholders of ordinary shares                                              | -3.98                     | -0.06            | -0.06       |
| Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss | -4.29                     | -0.07            | -0.07       |

## 2. Calculation process of weighted average RONA

| Items                                                                                                                                 |                                                                                                                                  | Symbols                                                               | Current period cumulative |
|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|---------------------------|
| Net profit attributable to shareholders of ordinary shares                                                                            |                                                                                                                                  | A                                                                     | -13,246,723.63            |
| Non-recurring profit or loss                                                                                                          |                                                                                                                                  | B                                                                     | 1,037,049.95              |
| Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss                               |                                                                                                                                  | C=A-B                                                                 | -14,283,773.58            |
| Opening balance of net assets attributable to shareholders of ordinary shares                                                         |                                                                                                                                  | D                                                                     | 339,838,415.21            |
| Net assets attributable to shareholders of ordinary shares increased due to offering of new shares or conversion of debts into shares |                                                                                                                                  | E                                                                     |                           |
| Number of months counting from the next month when the net assets were increased to the end of the reporting period                   |                                                                                                                                  | F                                                                     | 3                         |
| 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                                                                                  | -148,053.34                                                           | -411,420.81               |
|                                                                                                                                       | Number of months counting from the next month when the net assets were increased or decreased to the end of the reporting period | 3                                                                     | 6                         |
| Number of months in the reporting period                                                                                              |                                                                                                                                  | K                                                                     | 6                         |
| Weighted average net assets                                                                                                           |                                                                                                                                  | $L = D + A \times 1/2 + E \times F/K - G \times H/K \pm I \times J/K$ | 333,141,026.73            |
| Weighted average RONA                                                                                                                 |                                                                                                                                  | $M = A/L$                                                             | -3.98%                    |
| Weighted average RONA after deducting non-recurring profit or loss                                                                    |                                                                                                                                  | $N = C/L$                                                             | -4.29%                    |

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

## (1) Calculation process of basic EPS

| Items                                                                                                            | Symbols                             | Current period<br>cumulative |
|------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------|
| Net profit attributable to shareholders of ordinary shares                                                       | A                                   | -13,246,723.63               |
| Non-recurring profit or loss                                                                                     | B                                   | 1,037,049.95                 |
| Net profit attributable to shareholders of ordinary shares<br>after deducting non-recurring profit or loss       | C=A-B                               | -14,283,773.58               |
| Opening balance of total shares                                                                                  | D                                   | 215,000,000.00               |
| Number of shares increased due to conversion of reserve to<br>share capital or share dividend appropriation      | E                                   |                              |
| Number of shares increased due to offering of new shares<br>or conversion of debts into shares                   | F                                   |                              |
| Number of months counting from the next month when the<br>share was increased to the end of the reporting period | G                                   | 3                            |
| Number of shares decreased due to share repurchase                                                               | H                                   |                              |
| Number of months counting from the next month when the<br>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                            |
| Weighted average of outstanding ordinary shares                                                                  | $L=D+E+F \times G/K-H \times I/K-J$ | 215,000,000.00               |
| Basic EPS                                                                                                        | $M=A/L$                             | -0.06                        |
| Basic EPS after deducting non-recurring profit or loss                                                           | $N=C/L$                             | -0.07                        |

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

## **Section XI. Documents Available for Reference**

(I) Financial statement of the Company with signature and seal from the person in charge of the Company, person in charge of the accounting works and person in charge of accounting;

(II) Original text of all documents of the Company as well as manuscript of the announcement that disclosed on website appointed by CSRC.

Board of Directors of  
Nanjing Putian Telecommunications Co., Ltd.

26 August 2017