YOFC 长飞

長飛光纖光纜股份有限公司
YANGTZE OPTICAL FIBRE AND CABLE JOINT STOCK LIMITED COMPANY

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock code: 6869

GLOBAL OFFERING

Joint Sponsors and Joint Global Coordinators
(in alphabetical order)

CICC 中金香港证券 Goldman Sachs

Joint Bookrunners and Joint Lead Managers

Goldman Sachs CICC 中金香港证券 建银国际 CCB International

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

Yangtze Optical Fibre and Cable Joint Stock Limited Company*

長飛光纖光纜股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	159,870,000 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	15,987,000 H Shares (subject to adjustment)
Number of International Offer Shares	:	143,883,000 H Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK$10.28 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	RMB1.00 per H Share
Stock code	:	6869

Joint Sponsors and Joint Global Coordinators
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CICC 中金香港证券

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建銀國際 CCB International

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or around Wednesday, December 3, 2014 and, in any event, not later than Sunday, December 7, 2014. The Offer Price will be not more than HK$10.28 per H Share and is currently expected to be not less than HK$7.39 per H Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, upon application, the maximum Offer Price of HK$10.28 per H Share for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$10.28 per H Share.

If, for any reason, the Offer Price is not agreed by Sunday, December 7, 2014 between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK$7.39 to HK$10.28) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our company at **www.yofc.com**. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications can subsequently be withdrawn.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the section headed "Risk Factors" and in "Appendix IV — Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix V — Summary of the Articles of Association" to this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

November 26, 2014

* *For identification purposes only*

Latest time for completing electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**	11:30 a.m. on Monday, December 1, 2014
Application lists open [2]	11:45 a.m. on Monday, December 1, 2014
Latest time for lodging **WHITE** and **YELLOW** Application Forms [3]	12:00 noon on Monday, December 1, 2014
Latest time for completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, December 1, 2014
Latest time for giving **electronic application instructions** to HKSCC [3]	12:00 noon on Monday, December 1, 2014
Application lists close [2]	12:00 noon on Monday, December 1, 2014
Expected Price Determination Date [5]	Wednesday, December 3, 2014
Announcement of:	
(1) the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Tuesday, December 9, 2014
(2) the results of allocations in the Hong Kong Public Offering (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus from	Tuesday, December 9, 2014
(3) a full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.yofc.com** from	Tuesday, December 9, 2014
Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result/** with a "search by ID" function from	Tuesday, December 9, 2014
Dispatch of H Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before [6]	Tuesday, December 9, 2014
Dispatch of **HK eIPO White Form** e-Auto Refund payment instruction / refund cheques (if applicable) in respect of wholly or partially unsuccessful applications to be dispatched on or before [6]	Tuesday, December 9, 2014
Dealings in the H Shares on the Stock Exchange expected to commence on	Wednesday, December 10, 2014

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering."

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, December 1, 2014, the application lists will not open on that day. Further information is set out in "How to Apply for Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists."

(3) Applicants who apply by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS."

(4) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(5) The Price Determination Date is expected to be on or about Wednesday, December 3, 2014, and in any event, not later than Sunday, December 7, 2014. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us on or before Sunday, December 7, 2014, the Global Offering will not proceed and will lapse.

(6) **H Share certificates for the Hong Kong Offer Shares will only become valid certificates of title provided that (i) the Global Offering has become unconditional, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.** Refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheques, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheques. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheques.

Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Forms may collect refund cheques (where applicable) and H Share certificates in person from our H Share Registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on, Tuesday, December 9, 2014 or any other date notified by the Company in the newspaper is as the date of dispatch of H Share certificates/e-Auto Refund payment instructions/refund cheques. Individual applicants who opt for personal collection must not authorize any other person to make their collection on their behalf. Corporate applicants who opt for personal collection must attend by their authorized representatives, each bearing a letter of authorization from such corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. Uncollected H Share certificates and refund cheques will be dispatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Forms. Further information is set out in "How to Apply for Hong Kong Offer Shares."

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Forms may collect their refund cheques (if any) but may not elect to collect their H Share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application

Forms for Hong Kong Offer Shares is the same as that for applicants who apply on **WHITE** Application Forms.

H Share certificates for the Hong Kong Offer Shares to be distributed via CCASS are expected to be deposited into CCASS on Tuesday, December 9, 2014 for credit to the respective CCASS Participant's stock accounts designated by the International Underwriters, the purchasers or their agents, as the case may be.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the application payment account, in the form of e-Auto Refund payment instructions; Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

If you have applied for less than 1,000,000 Hong Kong Offer Shares or have applied for 1,000,000 Hong Kong Offer Shares or more but have not provided all information required by their application forms, your H Share certificates and/or refund cheques will be dispatched by ordinary post at the applicant's own risk to the address specified on the Application Form.

e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applicants in the event that the Offer Price is less than the price payable on application.

Uncollected H Share certificates and/or refund cheques (if any) will be dispatched by ordinary post at the applicants' own risk to the addresses specified in the Application Forms promptly after the expiry of the time for their collection. See "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of H Share Certificates and Refund Monies."

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Yangtze Optical Fibre and Cable Joint Stock Limited Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors and the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the leading optical fibre preform, optical fibre and optical fibre cable suppliers in the world. According to the Freedonia Report and based on volume in 2013, we were:

- the No. 1 optical fibre preform, optical fibre and optical fibre cable supplier in China, with 37%, 25% and 16% of the market share, respectively;
- the No. 1 optical fibre preform supplier in the world, with 19% of the global market share; and
- the No. 2 optical fibre and optical fibre cable supplier in the world, with 13% and 8% of the global market share, respectively.

Since our inception in 1988, we have established a vertically integrated business model, offering a wide variety of products and services across the optical fibre cable production value chain. Our leading position in the optical fibre preforms market in China enhances our bargaining power and enables us to better capture market opportunities arising from optical fibre and cable manufacturers in China that lack the capability and capacity to produce optical fibre preforms.

We currently utilize the PCVD production process, considered to be the most flexible production process in meeting different product requirements, for the production of our optical fibre preforms. We and Draka, one of our Controlling Shareholders, are currently the only companies in the world that produce optical fibre preforms using the PCVD process with substantial scale. The PCVD production process, as compared to production process used by other optical fibre preform manufacturers, has enabled us to offer a more comprehensive range of products that include optical fibre preforms, fibres and cables with various standard specifications and specialty optical fibre and cables that are able to cater to special customer needs and meet various emerging new applications for optical fibre cables. We believe we have one of the most comprehensive optical fibre and cable portfolios among all optical fibre and cable suppliers in China. We currently license certain patents associated with key technologies in connection with our PCVD production processes from Draka under an Optical Fibre Technology Cooperation Agreement, which was initially signed in October 2008 and subsequently amended in August 2013 and May 2014. Given that we have formed a good relationship with Draka and have been using its PCVD related technologies without any disputes since the day the technologies were furnished to us when Draka Holding N.V. became a shareholder of us, we do not foresee any likelihood that Draka will cease licensing the relevant technologies to us in the future. In addition, under the Optical Fibre Technology Cooperation Agreement, neither party may terminate the agreement before the expiry of current agreement on July 22, 2024, unless there is a breach of the contract or any party neglects or fails to comply with the terms or conditions of the agreement. As advised by our PRC Legal Advisor, we are of the view that neither party has any legitimate right at all to terminate the agreement prematurely. In addition, licensing Draka's PCVD related technologies to us has also been economically beneficial to both Draka and us. See "Business — Transactions with Draka."

Although we obtained the PCVD related core technologies from Draka, our in-house research and development team has been independently and continuously developing and improving such technologies to further enhance product quality and production efficiency. For example, we were able to successfully significantly improve the deposition efficiency of our PCVD process and increase the diameter of optical fibre preforms produced by our PCVD process. In addition, pursuant to the Optical Fibre Technology Cooperation Agreement, other than the existing customers that were established prior to entering into the cooperation agreement, we can sell our optical fibre products using PCVD technologies in Asia, Africa and Israel, while the sales territories of Draka are Europe, North America, South America and the Middle East, except Israel. The geographical delineation will no longer be effective when Draka's shareholding in our Company decreases to less than 20%. For more details as to risks associated with technologies licensed from Draka, see "Risk Factors — Risks Relating to Our Group — If we are no longer able to benefit from the technology cooperation with Draka or if Draka's shareholding in our Company reduces to less than 20%, our business may be adversely affected." We are also in the process of independently developing other production processes, which are suitable for mass production of optical fibre preforms with standard specifications, to complement our PCVD process and to enhance our production efficiency and flexibility in a cost effective manner.

Our strong research and development capabilities have enabled us to continuously develop and upgrade our products and services. We established a consolidated research and development platform, consisting of a dedicated research and development center and the State Key Laboratory, the only key national laboratory recognized by the National Ministry of Science and Technology in our industry. The State Key Laboratory has represented China in ITU Telecommunication Standardization Sector ("**ITU-T**"), and has been the editor responsible for four ITU-T international standards with respect of optical fibres and cables. We are also one of the deputy director entities of the China Communications Standards Association ("**CCSA**"), and have been in charge of the development of five CCSA national industry standards in China. In addition, we also participated in the development of two ITU-T standards and 24 CCSA standards. Our products have won various awards and recognitions.

We have also continuously expanded our production capacity through adding production lines as well as increasing our production efficiency. For the six months ended June 30, 2014, our weighted average designed production capacity of optical fibre preforms, optical fibres and optical fibre cables reached 28.5 million fkm (based on one ton of optical fibre preforms being used to draw 30,000 fkm of optical fibres), 17.5 million fkm and 4.9 million fkm, respectively. For more details, see "Business — Production — Production Facilities and Capacities."

We have experienced significant growth during the Track Record Period. Our total turnover increased from RMB4,175.0 million for 2011 to RMB4,777.8 million for 2012 and further to RMB4,825.9 million for 2013. Our total turnover increased from RMB1,995.5 million for the six months ended June 30, 2013 to RMB2,634.9 million for the same period in 2014. Our profit increased from RMB344.1 million in 2011 to RMB364.8 million in 2012 and further to RMB415.0 million in 2013. Our profit increased from RMB207.7 million for the six months ended June 30, 2013 to RMB209.2 million for the same period in 2014.

CUSTOMERS AND MARKETING

Our end customers are primarily telecommunications network operators in China or overseas. Our customers also include optical fibre and cable manufacturers to whom we sell optical fibre preforms and optical fibres, respectively, with certain of such manufacturers being our Joint Ventures.

We have developed long and stable business relationships with the three major state-owned telecommunications network operators in China. Prior to the reform of telecommunications industry in China in the 1990s, we sold our products to the business entities under the Ministry of Post and Telecommunications, one of the predecessors of the current Ministry of Information Industry. As a result of the reform of telecommunications industry, China Unicom was established in 1994 and we started our business relationship with it in 1995. China Telecom and China Mobile were subsequently established in 1998 and 2000, respectively, and we became one of their suppliers in the year they were established.

The sales of our products to certain customers, such as the three major state-owned telecommunications network operators in China and government entities, are typically conducted through competitive bidding and tender processes. In particular, the three major state-owned telecommunications network operators in China, namely China Mobile, China Unicom and China Telecom, implement centralized procurement policies and optical fibre and cable suppliers that participate in the bidding and tender processes, including us, are considered and selected by the three major state-owned telecommunications network operators, generally based on product quality, product performance, brand reputation, operation track record, bidding prices and after-sales support. During the Track Record Period, we took part in all the centralized procurement bidding and tender processes organized by the headquarters of the three major state-owned telecommunications network operators as well as in certain other smaller scale bidding and tender processes organized by their local entities. Due to our outstanding product quality, recognized brand name and competitive prices, we are able to secure and continuously expand our customer base. We were selected in all of the centralized bidding and tender processes during the Track Record Period, and have been one of the major suppliers in terms of procurement of optical fibres and cables by each of the three major state-owned telecommunications network operators in China since 2004.

We primarily sell our products to end customers through our own sales force as our target potential customer base in China is generally concentrated and we have accumulated comprehensive understanding about our customers. We may supplement our own sales force by using selected third-party agents to reach a broader range of potential customers, especially in overseas markets or when targeting customers in certain industries where we may have limited resources. We have actively expanded our customer base by acquiring new local and overseas customers.

In 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, our top five customers accounted for approximately 50.5%, 52.6%, 48.9%, 47.7% and 43.9%, respectively, of our total turnover, and the largest customer accounted for approximately 20.9%, 23.5%, 23.9%, 20.4% and 24.5%, respectively, of our total turnover. In addition, during the Track Record Period, certain of our Joint Ventures were among the top five customers in terms of dollar amount.

RAW AND FEED MATERIALS AND SUPPLIERS

Key raw materials used for the production of our optical fibre preforms are glass substrate tubes and silica jacket cylinders and various chemical gases, such as silicon tetrachloride, germanium tetrachloride as well as hexafluoroethane. Key feed materials used for the production of our optical fibres are optical fibre preforms. Key feed materials used for the production of our optical fibre cables are optical fibres, polyethylene and other polymers sheathing materials, steel and aluminum.

We typically procure major materials from multiple third party suppliers. However, we currently purchase silica jacket cylinders and glass substrate tubes only from Heraeus, which is an independent third party. Substantially all of our self-produced optical fibre preforms and fibres and self-produced optical fibre cables directly or indirectly involved the use of silica jacket cylinders and glass substrate tubes sourced from Heraeus for production. Turnover derived from our self-produced products accounted for approximately 47.6%, 42.8%, 45.7%, 45.0% and 42.4% of total turnover in 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively. According to the Freedonia Report, Heraeus is the only supplier globally of such materials with the necessary high quality to meet relevant production standards for optical fibre preforms using the PCVD process. We have established a strong relationship with it and have entered into long term supply agreement with Heraeus for over ten years. For more details, see “Business — Raw and Feed Materials, Inventories and Suppliers — Purchases from Heraeus." In addition to purchasing silica jacket cylinders and glass substrate tubes from Heraeus to produce our optical fibre preforms, we purchase a limited amount of core rods that we then place inside silica jacket cylinders to produce optical fibre preforms from other suppliers. We also purchase a limited amount of optical fibre preforms directly from Shin-Etsu Chemical Co., Ltd., a Japan-based leading supplier of optical fibre preform and silicon products, that can be used to produce optical fibres with standardized specifications in similar quality as those drawn from our self-produced optical fibre preforms. In the event we are no longer able to purchase sufficient silica jacket cylinders and glass substrate tubes from Heraeus, we may increase our purchase of optical fibre preforms from Shin-Etsu Chemical Co., Ltd. and other third party suppliers. Furthermore, we are in the process of developing other production processes that will not require the use of silica jacket cylinders and glass substrate tubes from Heraeus with the aim to maintain our competitiveness in the market and increase our production flexibility.

OUR JOINT VENTURES

During the ordinary course of our business, we have business relationships with all of our nine Joint Ventures. In particular, we engage in transactions with eight Joint Ventures by selling a portion of our optical fibre preforms, optical fibres and optical fibre cables to, and purchasing a portion of optical fibres and optical fibre cables produced from. Such eight Joint Ventures include five optical fibre cable manufacturers, two optical fibre manufacturers and one manufacturer of optical devices and related products.

We have strategically established or invested in Joint Ventures primarily to increase production capacity while limiting the capital required to gain such capacity. In addition, we have been able to gain a strong local sales and manufacturing presence in various regions across China with significantly lower upfront investments and establish strong local relationships to expand and strengthen our customer base. These Joint Ventures have also generated additional demand for our upstream products by means of purchasing optical fibre preforms or optical fibres from us. By leveraging these Joint Ventures, in most cases we have been able to prioritize our resources on the high quality and higher value-added production work streams in the production of optical fibre preforms and optical fibres, which require more sophisticated production technologies and generally have higher profit margins than those of optical fibre cables. For more details, see "Business — Transactions with Joint Ventures."

Despite our majority equity holding in YOFC Sichuan, YOFC Shanghai and YOFC Jiangsu, such entities are accounted for in our financial statements as Joint Ventures under the IFRS because unanimous consent from all shareholders to the entities are required for substantial financing and operating decisions and no single joint venture partner may exercise dominant control over the entities. Such financing and operating decisions typically include but are not limited to: (i) approval of annual budget, (ii) revision of articles of association and other material internal regulations, (iii) merger or disposal of business, (iv) termination or liquidation of the joint venture, (v) appointment or dismissal of senior management and their compensation, (vi) material investment or borrowing over a certain amount, (vii) profit distribution plan, and (viii) approval of disposal or pledge of material assets.

For more details about the accounting treatments of these Joint Ventures, please see Note 19 to the financial information as set out in Appendix I to this prospectus. However, under the section entitled "History and Corporate Structure" in the prospectus, these three entities were treated as our subsidiaries pursuant to the Listing Rules. During the ordinary course of business, decisions that are material to the operation of each of these Joint Ventures are jointly determined by us and the respective joint venture partner and require the unanimous consent from both shareholders.

The below table summarizes certain key information relating to our nine Joint Ventures. For more details, see "History and Corporate Structure – The Subsidiaries, Joint Ventures and Associates".

Joint Venture	Our Equity Interest	Other Equity Holder(s)	Term of Joint Venture	Principal Operation	Main Business Relationship with Us	Board Composition
YOFC Shanghai	75%	25% owned by Draka	The initial term is 50 years, subject to renewal.	production and sales of optical fibre cables	purchase optical fibres from us and sell optical fibre cables to us	The board is initially consisted of four directors, three of whom are appointed by us.
YOFC Jiangsu	51%	49% owned by Zhongli Sci-Tech Group Co., Ltd.	The initial term is 20 years, subject to renewal.	production and sales of optical fibre cables	purchase optical fibres from us and sell optical fibre cables to us	The board is initially consisted of five directors, three of whom are appointed by us.
YOFC Sichuan	51%	49% owned by Sichuan Chuantou Energy Co., Ltd.	The initial term is 20 years, subject to renewal.	production and sales of optical fibre cables	purchase optical fibres from us and sell optical fibre cables to us	The board is initially consisted of five directors, three of whom are appointed by us.
Shantou Aoxing	42.42%	47.11% and 10.47% owned by Guangdong Telecom Industry Group Co., Ltd. and Leader Global (Hong Kong) Co., Ltd., respectively	The initial term is 20 years, subject to renewal.	production and sales of optical fibre cables	purchase optical fibres from us and sell optical fibre cables to us	The board is initially consisted of five directors, two of whom are appointed by us.
Tianjin YOFC XM Cable	20%	80% owned by Tianjin Xinmao Science & Technology Co., Ltd.	The initial term is 10 years, subject to renewal.	production and sales of optical fibre cables	purchase optical fibres from us and sell optical fibre cables to us	The board is initially consisted of three directors, one of whom is appointed by us.
Tianjin YOFC XM Fibre	49%	51% owned by Tianjin Xinmao Science & Technology Co., Ltd.	The initial term is 10 years, subject to renewal.	production and sales of optical fibres	purchase optical fibre preforms from us and sell optical fibres to us	The board is initially consisted of five directors, two of whom are appointed by us.
Shenzhen SDGI	35.36%	64.64% owned by Shenzhen SDG Information Co., Ltd.	The initial term is 20 years, subject to renewal.	production and sales of optical fibres	purchase optical fibre preforms from us and sell a limited amount of optical fibres to us	The board is initially consisted of five directors, two of whom are appointed by us.
YOSC	46.32%	20.00%, 28.42% and 5.26% owned by Hubei Guangyuan Electronic Technology Co., Ltd., Wuhan Yangtze Optical Network Communications Co., Ltd. and Wuhan Hongtuo New Technologies Co., Ltd., respectively	The initial term is 30 years, subject to renewal.	production and sales of optical devices and related products	purchase optical fibres from us	The board is initially consisted of five directors, two of whom are appointed by us.
Wuhan Guangyuan	20%	80% owned by Hubei Guangyuan Electronic Technology Co., Ltd.	The initial term is 30 years, subject to renewal.	production and sales of precise mould and electronic devices	sell winding drums of optical fibres to us	The board is initially consisted of three directors, one of whom is appointed by us.

COMPETITION

The industry in which we operate is highly competitive. We face direct competition both in China and internationally across all products and price ranges. Moreover, the industry is becoming increasingly competitive as new foreign entrants are currently seeking to enter the PRC market while more domestic Chinese manufacturers are developing their international presence and enhancing their competitiveness. For more details about our competitive landscape, see "Business — Competition" and "Industry Overview."

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and will continue to help us expand our leadership position:

- ***Established leader in optical fibre preform, optical fibre and cable market and well positioned to capture growth opportunities in China and globally***. We were the No. 1 optical fibre preform, optical fibre and optical fibre cable supplier in China, the No. 1 optical fibre preform supplier and the No. 2 optical fibre and optical fibre cable supplier in the world, in each case in terms of volume in 2013, according to the Freedonia Report. Leveraging our established leadership, we are well positioned to further capture growing opportunities in our industry both in China and overseas and continue to benefit from our economies of scale.

- ***Vertically integrated business model and production platform anchored by world-class optical fibre preform production capability***. We believe we are one of few companies in the PRC that could capture every part of the optical fibre cable production value chain. We believe our significant market and technical leadership in optical fibre preforms strengthens our cost and quality advantages across the value chain, while our strong presence in optical fibre cables supports the demand for our optical fibre preforms and optical fibres.

- ***Continuous breakthrough in product and technical innovations led by strong research and development capabilities***. We believe we have the leading research and development capabilities in our industry in China, enabling us to continuously launch innovative products as well as upgrade production processes and technologies. We have a dedicated research and development center and our State Key Laboratory is the only key national laboratory recognized by the National Ministry of Science and Technology in the industry in China.

- ***Advanced production technologies and stringent quality control ensuring reliable products with outstanding performance***. We adopt advanced PCVD production process and related technologies, which have certain unique features and position us as the only Chinese company that is able to utilize such technologies to produce optical fibre preforms on a commercial mass production basis. Our product quality is highly recognized and we were awarded the Golden Award For Quality And Business Prestige and the International Arch of Europe Quality Award in the Platinum Category in 2013.

- ***Long term and stable relationships with major customers underpinned by quality products, in-depth industry understanding and responsive customer services***. We have developed a strong and expanding customer base which mainly comprises of various telecommunications network operators and their associated design and research institutions. Our quality production, in-depth industry understanding and outstanding customer services have enabled us to continue to retain existing customers as well as attract new customers.

- ***Visionary management, experienced execution team, and merit-based corporate culture***. We have established an experienced execution team led by visionary senior management members. The merit-based corporate culture has been, and will continue to be, important for human capital in terms of retaining and attracting experienced and skillful management and other employees to contribute to our sustainable success.

OUR STRATEGIES

Our objective is to further strengthen our existing market leadership and achieve higher market shares in China and globally. We intend to achieve such objective by implementing a business strategy with the following key aspects:

- ***Strengthen leading position in optical fibre preform and fibre***. We will continue to leverage our existing leading market positions to further solidify our leadership in China and grow our market share on a global basis.

- ***Optimize production structure and increase production capacity aiming to increase the sale of self-produced products***. We will optimize our production structure by allocating resources and adjusting production schedules to enhance our economic returns. We will also expand production capacity to increase the proportion of our self-produced products which generally have a higher profitability.

- ***Develop multiple production processes and techniques for optical fibre preforms***. We will utilize our leading research and development capabilities in our industry in China to develop alternative production processes and techniques complementary to the current PCVD process, which is expected to realize more optimal capacity allocation, increase overall production efficiency and lower average production costs. We expect our competitiveness will be strengthened after the introduction of such alternative production processes and techniques.

- ***Continue vertical integration of optical fibre cable production value chain through controlling upstream production of key raw materials as well as extending to downstream equipment sales and service offerings***. We expect to improve our leadership and bargaining power by further deepening our vertical integration of the optical fibre cable production value chain. We will invest in upstream production of raw materials as well as downstream opportunities such as equipment sales and service offerings.

- ***Further enhance product portfolio and develop new products and new applications for optical fibres and cables to capture emerging industry growth potentials***. We will constantly study and identify industry trends, aiming at capturing and realizing the growth potential offered by new products or new applications of optical fibre cables so as to increase and diversify our turnover sources.

- ***Enhance international sales and increase optical fibre and cable production footprint globally with particular focus on Southeast Asia and Africa***. We expect to gradually expand our global presence by implementing localization strategy and establishing sales platforms in overseas emerging markets, in particular Southeast Asia and Africa, where demand for our products are expected to be significant. We also plan to establish production capacity for optical fibres and cables in targeted regions outside of China.

SUMMARY CONSOLIDATED FINANCIAL AND OPERATIONAL INFORMATION

The following is a summary of the consolidated financial information of our Group as of and for the years ended December 31, 2011, 2012 and 2013 and as of June 30, 2014 and for the six months ended June 30, 2013 and 2014. We have derived the summary from our consolidated financial information set forth in the Accountants' Report in Appendix I to this prospectus. The below summary should be read together with the consolidated financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in "Financial Information" in this prospectus. Our consolidated financial information was prepared in accordance with IFRS.

Summary Consolidated Statement of Comprehensive Income

The following table sets forth, for the periods indicated, the consolidated results of operations of our Group.

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for per share data and percentages)									
Turnover	4,175,044	100.0	4,777,823	100.0	4,825,895	100.0	1,995,491	100.0	2,634,868	100.0
Cost of sales	(3,433,810)	(82.2)	(3,895,577)	(81.5)	(3,808,113)	(78.9)	(1,552,133)	(77.8)	(2,109,691)	(80.1)
Gross profit	741,234	17.8	882,246	18.5	1,017,782	21.1	443,358	22.2	525,177	19.9
Other revenue and net income	42,593	1.0	32,376	0.7	21,280	0.4	11,745	0.6	20,348	0.8
Selling expenses	(90,865)	(2.2)	(96,593)	(2.0)	(109,758)	(2.3)	(46,782)	(2.3)	(50,160)	(1.9)
Administrative expenses	(376,963)	(9.0)	(431,495)	(9.0)	(438,857)	(9.1)	(180,979)	(9.1)	(209,667)	(8.0)
Profit from operations	315,999	7.6	386,534	8.1	490,447	10.2	227,342	11.4	285,698	10.8
Profit before taxation	376,486	9.0	400,874	8.4	470,283	9.7	237,856	11.9	244,752	9.3
Profit for the year/period	344,139	8.2	364,790	7.6	415,041	8.6	207,650	10.4	209,221	7.9
Total comprehensive income for the year/period	340,472	8.2	359,886	7.5	421,137	8.7	208,338	10.4	218,296	8.3

Summary of Reportable Segments Financial Information

The following table sets forth a breakdown of our turnover by each of our two reportable segments and turnover derived from other products and services. In addition, the following table also sets forth a breakdown of our turnover by whether such products are produced by us or purchased from third parties, including from Joint Ventures, that are then on-sold to third parties:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Optical fibre preforms and fibres:										
Self-produced	1,357,615	32.5	1,359,150	28.4	1,507,964	31.2	645,643	32.4	759,427	28.8
Purchased from third parties [(1)]	985,449	23.6	1,190,916	24.9	1,214,731	25.2	543,351	27.2	643,500	24.4
Total	2,343,064	56.1	2,550,066	53.4	2,722,695	56.4	1,188,994	59.6	1,402,927	53.2
Optical fibre cables:										
Self-produced	631,435	15.1	688,212	14.4	699,630	14.5	252,175	12.6	359,085	13.6
Purchased from third parties [(2)]	1,156,645	27.7	1,382,115	28.9	1,117,995	23.2	442,943	22.2	619,163	23.5
Total	1,788,080	42.8	2,070,327	43.3	1,817,625	37.7	695,118	34.8	978,248	37.1
Other products and services	43,900	1.1	157,430	3.3	285,575	5.9	111,379	5.6	253,693	9.6
Total Turnover	4,175,044	100.0	4,777,823	100.0	4,825,895	100.0	1,995,491	100.0	2,634,868	100.0

Notes:

(1) Turnover derived from optical fibre preforms and fibres that were purchased from Joint Ventures was RMB391.3 million, RMB556.4 million, RMB490.1 million, RMB237.9 million and RMB315.7 million in 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively.

(2) Turnover derived from optical fibre cables that were purchased from Joint Ventures was RMB1,063.7 million, RMB1,196.6 million, RMB1,081.5 million, RMB442.0 million and RMB533.0 million in 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by each of our two reportable segments and gross profit and gross profit margin of other products and services for the periods indicated. In addition, the following table also sets forth a breakdown of our gross profit and gross profit margin by whether such products are produced by us or purchased from third parties that were then on-sold for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for per share data and percentages)									
Optical fibre preforms and fibres										
Self-produced	511,401	37.7	617,563	45.4	687,011	45.6	295,835	45.8	302,903	39.9
Purchased from third parties	21,488	2.2	34,235	2.9	57,185	4.7	32,806	6.0	82,760	12.9
Total	532,889	22.7	651,798	25.6	744,196	27.3	328,641	27.6	385,663	27.5
Optical fibre cables										
Self-produced	157,464	24.9	158,932	23.1	185,453	26.5	71,122	28.2	97,894	27.3
Purchased from third parties	46,095	4.0	36,490	2.6	26,950	2.4	12,551	2.8	2,376	0.4
Total	203,559	11.4	195,422	9.4	212,403	11.7	83,673	12.0	100,270	10.2
Other products and services	4,786	10.9	35,026	22.2	61,183	21.4	31,044	27.9	39,244	15.5
Total	741,234	17.8	882,246	18.5	1,017,782	21.1	443,358	22.2	525,177	19.9

Summary of Consolidated Balance Sheet Items

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2011	2012	2013	2014
	(in RMB thousands)			
Current assets				
Inventories	299,286	439,157	721,303	721,521
Trade and bills receivables	1,186,069	1,420,340	1,508,587	2,497,680
Deposits, prepayments and other receivables	76,341	148,909	156,867	126,513
Other financial assets	-	-	-	90,000
Income tax recoverable	7,490	16,070	1,135	-
Cash and cash equivalents	431,939	299,186	906,378	431,398
Total current assets	**2,001,125**	**2,323,662**	**3,294,270**	**3,867,112**
Current liabilities				
Bank loans	854,397	939,124	808,188	1,155,359
Trade and bills payables	345,039	662,899	713,540	703,277
Accrued expenses and other payables	304,408	470,375	1,078,492	1,060,649
Income tax payable	-	-	-	18,082
Total current liabilities	**1,503,844**	**2,072,398**	**2,600,220**	**2,937,367**
Net current assets	**497,281**	**251,264**	**694,050**	**929,745**

Summary of Material Operational Information

The below table sets forth by total volume of optical fibre preforms, optical fibres and optical fibre cables we sold for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
			(in thousands)		
Optical fibre preforms (fkm)[1]	18,719	20,503	28,924	10,922	14,902
Optical fibres (fkm)	24,816	27,900	29,628	13,829	18,236
Optical fibre cables (fkm)	13,395	17,292	15,975	5,986	8,982

(1) Based on one ton of optical fibre preforms being used to draw 30,000 fkm of optical fibres.

The table below sets forth the price ranges (including value added tax) of our most common optical fibre preform, optical fibre and optical fibre cable with standard specification, respectively, for the periods indicated. The difference in prices for optical fibre preforms was primarily due to the different output rates of preforms in drawing optical fibres. The prices for optical fibre preforms were relatively higher in 2011 primarily because of the shortage in optical fibre preforms imported from manufacturers in Japan to China caused by the Japan earthquake and tsunami in March 2011 which resulted in more pronounced fluctuations in optical fibre preform prices. The difference in prices for optical fibres and optical fibre cables for a given period during the Track Record Period was primarily due to one-off sales to certain customers during these periods or special orders from customers for specific projects that are less recurring in nature.

	Optical Fibre Preforms		Optical Fibres		Optical Fibre Cables	
	Low end	High end	Low end	High end	Low end	High end
	(in RMB per kilogram)		(in RMB per fkm)		(in RMB per fkm)	
2011	1,069	1,713	55	90	133	203
2012	1,074	1,398	52	75	129	182
2013	1,054	1,398	50	90	127	201
For the six months ended June 30, 2014	997	1,274	43	69	122	208

KEY FINANCIAL RATIOS

The following table sets forth certain of the key financial ratios of our Group for the period or as of the dates indicated:

	As of / for the year ended December 31,			As of / for the six months ended June 30,
	2011	2012	2013	2014
Rates of return:				
Return on total assets [1]	9.8%	9.7%	9.2%	7.8%
Return on equity [2]	22.9%	22.1%	25.5%	25.6%
Liquidity:				
Current ratio (times) [3]	1.33	1.12	1.27	1.32
Quick ratio (times) [4]	1.13	0.91	0.99	1.07
Capital adequacy:				
Gearing ratio (times) [5]	0.52	0.43	0.47	0.98
Interest coverage ratio (times) [6]	7.28	7.47	12.80	9.43

Notes:

(1) Calculated using profit for the period divided by average total assets on an annualized basis, multiplied by 100%.

(2) Calculated using profit for the period divided by average total equity on an annualized basis, multiplied by 100%.
(3) Calculated using current assets divided by current liabilities as of the end of period.
(4) Calculated using the result of current assets less inventory divided by current liabilities as of the end of period.
(5) Calculated using net debt (all bank loans net of cash and cash equivalents) divided by total equity as of the end of each period.
(6) Calculated using the sum of profit before taxation and interest on bank loans for the period divided by interest on bank loans for the period.

For more details, see "Financial Information — Key Financial Ratios" on page 203 of this prospectus.

SHAREHOLDERS' INFORMATION

As of the date of this prospectus, we have three Shareholders, namely China Huaxin, Draka and Yangtze Communications. Please refer to the section headed "History and Corporate Structure," "Relationship with Controlling Shareholders," and "Business" of this prospectus for more detailed information.

China Huaxin is an investment and operations platform for foreign cooperation and technological innovation in China's information industry. As of the date of this prospectus, China Huaxin held 37.5% equity interest in our Company. Immediately following the completion of the Global Offering (but excluding any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), China Huaxin will hold approximately 28.12% of the post offering enlarged issued share capital of our Company.

Draka is an indirect wholly-owned subsidiary of Prysmian S.p.A., which, together with its close associates, is a world leader in the energy and telecom cables and systems industry. As of the date of this prospectus, Draka held 37.5% equity interest in our Company. Immediately following the completion of the Global Offering (but excluding any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), Draka will hold approximately 28.12% of the post offering enlarged issued share capital of our Company.

Yangtze Communications is mainly engaged in the investment, research and development and manufacture as well as sales of communications products. It also provides integrated communications and information systems related technical services. As of the date of this prospectus, Yangtze Communications held 25.0% equity interest in our Company. Immediately following the completion of the Global Offering (but excluding any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), Yangtze Communications will hold approximately 18.76% of the post offering enlarged issued share capital of our Company.

FREEDONIA REPORT

Certain information included in this prospectus is quoted from the Freedonia Report issued by Freedonia Custom Research, Inc. Freedonia Custom Research, Inc. conducts primary and secondary researches in order to gather data and for analysis. The industry trends and forecasts discussed in the Freedonia Report were based on general guidelines, including (i) preliminary estimates based on historical data collected from government and industry sources; (ii) market size assessments based on values published by Freedonia Custom Research Inc. based on its earlier researches; (iii) the historical relationship between the market segments and an indicator of demand that is extrapolated into future years, excluding the effects of exchange rate fluctuations; (iv) the estimated relationship that is also adjusted to take into account the likely impact of regulations and other influencing factors and

(v) demand forecast that is based on factors including historical market trends, the expectations of interviewed market participants and reports published by other organizations.

GLOBAL OFFERING STATISTICS[1]

Offer size	: Initially 25% of the enlarged registered share capital of our Company (subject to the Over-allotment Option)
Offering structure	: Initially 10% for Hong Kong Public Offering (subject to adjustment) and 90% for International Offering (subject to adjustment and the Over-allotment Option)
Over-allotment Option	: Up to 15% of the number of Offer Shares initially available under the Global Offering
Offer Price Per Share	: HK$7.39 to HK$10.28 per Offer Share

	Based on an Offer Price of HK$7.39 per H Share	**Based on an Offer Price of HK$10.28 per H Share**
Market capitalization of our Shares [2]	HK$4,726 million	HK$6,574 million
Unaudited pro forma adjusted net tangible asset value per Share [3]	HK$4.77	HK$5.47

Notes:

(1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization is based on 159,870,000 H Shares expected to be issued under the Global Offering, and assuming that 639,462,598 Shares are issued and outstanding immediately following the completion of the Global Offering.

(3) The unaudited pro forma adjusted net tangible asset per Share is calculated after making the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" and on the basis that 639,462,598 Shares are issued and outstanding immediately following the completion of the Global Offering.

USE OF PROCEEDS

The table below sets forth the estimate of the net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering:

	Assuming the Over-allotment Option is not exercised	**Assuming the Over-allotment Option is exercised in full**
Assuming an Offer Price of HK$8.84 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	Approximately HK$1,323 million	Approximately HK$1,535 million
Assuming an Offer Price of HK$10.28 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	Approximately HK$1,544 million	Approximately HK$1,790 million
Assuming an Offer Price of HK$7.39 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	Approximately HK$1,103 million	Approximately HK$1,280 million

We intend to use the net proceeds of the Global Offering for the following purposes (assuming an Offer Price of HK$8.84 per Share, being the mid-point of the Offer Price range stated in the prospectus, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering, and the Over-allotment Option is not exercised):

- approximately 20%, or HK$265 million, will be used for global purchase of raw materials, primarily including certain chemical gases which are to be used for the optical fibre preform production processes that are under development and expected to complement our current PCVD process, such as silicon tetrachloride, germanium tetrachloride and hexafluoroethane, and equipment and in particular, we expect to use approximately 75% of this portion of proceeds to purchase new production equipment in connection with such complementary optical fibre preform production processes that are currently under development;

- approximately 27%, or HK$357 million, will be used for constructing the phase I project of YOFC Science & Technology Park in Wuhan to expand our production capacity and increase our production efficiency, primarily by relocating and expanding the existing production lines for optical fibre cables and active optical cables, as well as by further streamlining the production lines for all data center cabling related products; we are in the process of obtaining the requisite approvals and permits for this project and we do not foresee any legal impediment in obtaining such permits or licenses; see "Risk Factors — Risks relating to the Global Offering — The proper use of certain proceeds of the Global Offering is subject to future governmental approvals or permits and any delay or failure in obtaining such requisite approvals or permits may have a material and adverse impact on our business, financial condition and results of operations;"

- approximately 13%, or HK$172 million, will be used for research and development projects on alternative optical fibre preform production processes;

- approximately 10%, or HK$132 million, will be used for establishment of overseas production bases, such as optical fibre and/or optical fibre cable production bases in Southeast Asia and Africa with potential local partners; while we currently do not have any concrete expansion plan in this regard, we do not foresee any legal impediment in obtaining requisite permits or licenses, if required, given our leading market position in China and globally in our industry, and the fact that we will conduct detailed due diligence and obtain appropriate legal advice before establishing such production bases;

- approximately 20%, or HK$265 million, will be used for repayment of bank loans, including all or part of two one-year loans of US$15.0 million each from Bank of Communications, each of which carries a floating interest rate of LIBOR plus 390 basis points and expires in May 2015, of which they were used for our working capital purposes; and

- approximately 10%, or HK$132 million, will be used for replenishment of working capital in order to improve the liquidity and gearing ratio of the Company.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate, based on various factors such as our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future business plans and prospects and other factors that we may consider relevant.

A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits may not be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Furthermore, if we or any of our subsidiaries incur debt on our or its own behalf in the future, the instruments governing the debt may restrict our ability to pay dividends. The past dividend distribution record may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

In 2011, 2012 and 2013, we declared dividends of RMB253.0 million, RMB152.9 million and RMB662.7 million, respectively, to our Shareholders. Dividends declared in 2013 include a special dividend of RMB500.0 million to our shareholders, which will be paid either (i) during the period between the date on which the application for the listing of H Shares has passed the hearing of the Listing Committee of the Hong Kong Stock Exchange and the date of the actual listing of the H Shares on the Main Board of the Hong Kong Stock Exchange, or, if earlier, (ii) when so required by any competent authority. As of the Latest Practicable Date, except for the special dividend of RMB500.0 million, we had paid out all the other dividends declared during the Track Record Period. You should note that historical dividend distributions are not indicative of our future dividend distribution policy.

We currently intend to adopt, after our Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our shareholders in the future but subject to, among other things, our operation needs, earnings, financial condition, working capital requirements and future business plans as our Board may deem relevant at such time. There is, however, no assurance that we will be able to declare dividends of such amount or any amount each year or in any year. In addition, the declaration and/or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

RECENT DEVELOPMENTS

In the two months ended August 31, 2014, our total turnover amounted to approximately RMB1,056.4 million and our gross profit was approximately RMB199.4 million. Our total turnover and gross profit for the eight months ended August 31, 2014 increased by approximately 28.7% and 15.4%, respectively, as compared to those for the same period in 2013. In addition, in the two months ended August 31, 2014, the price ranges of our most common optical fibre preforms, optical fibres and optical fibre cables with standard specifications remained relatively stable as compared to those in the six months ended June 30, 2014. The financial information disclosed above is derived from our interim financial statements for the eight months ended August 31, 2014, which have been reviewed by our Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

As of September 30, 2014, being the latest practicable date for purpose of indebtedness statement in this prospectus, we had approximately RMB4,835.4 million in unutilized banking facilities (including RMB4,749.0 million loan related facilities and RMB86.4 million trade finance facilities), compared with approximately RMB4,527.3 million as of June 30, 2014 (including RMB4,483.4 million loan related facilities and RMB43.9 million trade finance facilities). As of September 30, 2014, we had total outstanding bank loans in the amount of RMB2,274.7 million, of which RMB1,294.6 million was repayable within one year. These bank loans are unsecured and had variable interest rates ranging from 1.53% to 4.52% per annum. For more details, see "Financial Information — Indebtedness." In addition, as of September 30, 2014, we had net current assets of RMB1,058.5 million, compared with RMB929.7 million as of June 30, 2014, primarily due to an increase in trade and bills receivables as well as a decrease in accrued expenses and other payables. For more details, see "Financial Information — Net Current Assets."

On August 13, 2014, MOFCOM concluded its anti-dumping investigation against imports of single-mode optical fibres originated in India and announced that an anti-dumping tax will be levied on the single-mode optical fibres originated in India, for a term of five years. We believe such decision is in favor of the optical fibre manufacturers in the PRC as it will further enable domestic companies, including us, to compete effectively with international players in China and also to stabilize the pricing of optical fibres in China. In addition, in early 2014, the PRC government has launched an anti-dumping investigation on optical fibre preform products imported from Japan and the United States, examining the prices of such imported products and the relevant damages caused to domestic optical fibre preform manufacturers. The results of the investigation are currently uncertain and will not be available at least until 2015.

Our Directors confirm that there has been no material adverse change in the financial, operational, trading position, regulatory regime, or prospects of our Group since June 30, 2014 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our Group, (ii) risks relating to the industry, (iii) risks relating to the PRC, and (iv) risks relating to the Global Offering. We believe that the most significant risks we face include:

- we have a limited number of key suppliers for certain of our raw and feed materials and we are subject to risks associated with availability and volatility in the prices of materials used in the production of our products;

- our customer concentration exposes us to the risks faced by our major customers and may subject us to risks relating to significant fluctuations or declines in turnover or increasing trade and bills receivables and level of gearing;

- if we are no longer able to benefit from the technology cooperation with Draka or if Draka's shareholding in our Company reduces to less than 20%, our business may be adversely affected;

- we may not be able to continuously enhance our product portfolio and offer high quality new products and/or services, which will materially and adversely affect our ability to achieve our expansion plan; and

- our ability to enhance production capability is subject to risks and uncertainties.

A detailed discussion of all the risk factors involved are set forth in the section headed "Risk Factors" starting on page 32 in this prospectus and you should read the whole section carefully before you decide to invest in the Offer Shares.

In addition, our operations are exposed to fluctuation in exchange rates of the Renminbi against foreign currencies resulting from the sale of our products overseas and purchases made from overseas suppliers in foreign currencies. We also had bank borrowings denominated in foreign currencies during the Track Record Period. As a result, any adverse change in the value of the Renminbi against foreign currencies may affect our net profit margin and other financial condition and results of operations. Furthermore, we cannot predict if there will be any further reforms of China's exchange rate system or any change in foreign exchange policies in the future that may impact the value of the Renminbi against foreign currencies. See "Risk Factors — Risks Relating to the PRC — Changes in foreign exchange regulations and future movements in the exchange rate of the Renminbi may adversely affect our financial condition and results of operations and our ability to pay dividends" and "Financial Information — Qualitative and Quantitative Disclosure about Market Risks — Currency Risk." During the Track Record Period, we recognized net foreign exchange gains of RMB46.6 million, RMB14.9 million, RMB41.5 million, RMB22.4 million and nil in 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively. Net foreign exchange losses incurred in the same periods were nil, nil, nil, nil and RMB14.3 million, respectively. Our profit before taxation was approximately RMB376.5 million, RMB400.9 million, RMB470.3 million, RMB237.9 million and RMB244.8 million in 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively, representing approximately 9.0%, 8.4%, 9.7%, 11.9% and 9.3% of total turnover during such periods. However, excluding the impact of the net foreign exchange gains or losses, our adjusted profit before taxation would be approximately RMB329.9 million, RMB386.0 million, RMB428.8 million, RMB215.5 million and RMB259.1 million in 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively, representing approximately 7.9%, 8.1%, 8.9%, 10.8% and 9.8% of total turnover during these periods.

The entire prospectus should be read carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through other media relating to us and/or the Global Offering, some of which may not be consistent with the information contained in this prospectus.

LISTING EXPENSES

In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares will be deducted from equity upon the Listing. The remaining listing related fees are either fully charged to profit or loss or charged to profit or loss on an apportioned basis. During the Track Record Period, we have incurred listing expenses, including legal, professional and other fees, in connection with the Global Offering. We expect the total estimated amount of listing related fees, including underwriting commissions, would be approximately RMB94.4 million, of which approximately RMB10.6 million and RMB13.1 million were charged to our administrative expenses for the year ended December 31, 2013 and the six months ended June 30, 2014, respectively. We expect an additional amount of approximately RMB9.4 million to be further recognized as administrative expenses for the year ending December 31, 2014 and approximately RMB61.3 million to be deducted from equity upon the Listing. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2014.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** applications form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the articles of association of the Company adopted on May 6, 2014 which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"Associates"	the entities listed as associates of the Company in Note 18 to the financial information set out in the Accountants' Report in Appendix I to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	our board of Directors
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCBI"	CCB International Capital Limited
"CCSA"	China Communications Standards Association
"China", "PRC" or the "People's Republic of China"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" do not include, Hong Kong, Macau and Taiwan
"China Huaxin"	China Huaxin Post and Telecommunication Economy Development Center (中國華信郵電經濟開發中心), an entity

	incorporated in the PRC on January 21, 1993, one of our Controlling Shareholders and Promoters, and a connected person of our Company. It is wholly-owned by China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司)
"China Telecom"	China Telecommunications Corporation (中國電信集團公司), a state-owned telecommunications company established in the PRC on May 17, 2000 under the supervision of SASAC, an independent third party of our Company
"CICC"	China International Capital Corporation Hong Kong Securities Limited
"close associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Company", "our Company", "Group", "our Group", "we" or "us"	(i) Yangtze Optical Fibre and Cable Joint Stock Limited Company (長飛光纖光纜股份有限公司), a joint stock company established under the laws of the PRC with limited liability on December 27, 2013 by way of joint promotion by the Promoters and, except where the context indicated otherwise, the Subsidiaries, or (ii) the business operated by YOFC
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected person"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholders"	Draka and China Huaxin
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company
"Domestic Shares"	ordinary shares of our capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Draka"	Draka Comteq B.V., a company incorporated in the Netherlands on May 14, 2004 and wholly-owned by Draka Holding B.V.. It is one of our Controlling Shareholders and Promoters, and a connected person of our Company
"Draka Group"	Draka and any legal entity which is controlled by or controls Draka. For the purpose of this definition, the term "control" shall mean (a) having an ownership of more than 50% of the outstanding shares representing the right to vote for directors or other managing officers of Draka, or having an ownership of

	more than 50% of the ownership interest representing the right to make decisions for Draka; (b) having a status of being a shareholder whose ownership of the outstanding shares or ownership interest representing the right to make decisions is less than 50% but who enjoys a voting right large enough to independently determine the outcome of the resolution of the shareholders' meeting; or (c) having a status of an "actual controller," which refers to anyone who may be or may not be a shareholder but is able to hold actual control of the acts of a company by means of investment, contractual arrangements or any other arrangements
"EIT"	enterprise income tax
"EverPro"	EverPro Technologies Company Limited (長芯盛（武漢）科技有限公司), a company established in the PRC on December 9, 2013 and one of our Subsidiaries. It is owned as to 69.23% by our Company, 15.00% by VIA Technologies (HK) Inc. Limited (香港威盛電子有限公司), 10.00% by VIA Labs, Inc. (威鋒電子股份有限公司), and 5.77% by S3 Graphics Co., Ltd. (旭上電子（上海）有限公司)
"EverProsper Hong Kong"	EverProsper Technologies Company Limited (長芯盛（香港）科技有限公司), a company incorporated in Hong Kong on June 6, 2014 and is wholly-owned by EverPro and one of our Subsidiaries
"FiberHome Telecommunication"	FiberHome Telecommunication Technologies Co., Ltd. (烽火通信科技股份有限公司), a joint stock company established under the laws of the PRC with limited liability on December 25, 1999, whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600498), and is an independent third party of our Company
"First Six-month Period"	the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date
"Freedonia Report"	a report commissioned by us dated November 12, 2014 and independently prepared by Freedonia Custom Research Inc., the industry consultant
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Goldman Sachs"	Goldman Sachs (Asia) L.L.C.
"GREEN application form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider
"HK$" or "Hong Kong dollars" or "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by us, as specified on the designated website **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 15,987,000 H Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offering by the Company of initially 15,987,000 H Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated November 25, 2014 relating to the Hong Kong Public Offering and entered into by our Company, the Controlling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters
"H Shares"	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, to be subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"IFRS"	International Financial Reporting Standards
"independent third party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not a connected person of our Company as defined under the Listing Rules

"International Offer Shares"	the 143,883,000 H Shares initially offered by our Company pursuant to the International Offering for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to adjustments as described in the section headed "Structure of the Global Offering" in this prospectus)
"International Offering"	the offer of the International Offer Shares at the Offer Price, outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around December 3, 2014 by our Company, the Controlling Shareholders, the Joint Global Coordinators, the Joint Bookrunners, and the International Underwriters in respect of the International Offering, as further described in the section headed "Underwriting — International Offering" in this prospectus
"Joint Bookrunners"	in relation to the Hong Kong Public Offering, CICC, Goldman Sachs and CCBI; in relation to the International Offering, CICC, Goldman Sachs and CCBI
"Joint Global Coordinators"	CICC and Goldman Sachs
"Joint Lead Managers"	in relation to the Hong Kong Public Offering, CICC, Goldman Sachs and CCBI; in relation to the International Offering, CICC, Goldman Sachs and CCBI
"Joint Sponsors"	CICC and Goldman Sachs
"Joint Ventures"	the entities listed as joint ventures of the Company in Note 19 to the financial information set out in the Accountants' Report in Appendix I to this prospectus
"km"	kilometers
"Latest Practicable Date"	November 17, 2014, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of our H Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange

"Listing Date"	the date, expected to be on or around Wednesday, December 10, 2014, on which our H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Committee and other PRC government departments on August 27, 1994, as amended, supplemented or otherwise modified from time to time
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NK Wuhan"	NK Wuhan Cable Co., Ltd. (武漢安凱電纜有限公司) a company established in the PRC on December 1, 1999 and one of our Associates. It is owned as to 20% by our Company, 60% by NK China Investments B.V. and 20% by Yangtze Communications
"Nomination Committee"	the nomination committee of the Board
"Non-PRC Resident Enterprise"	as defined under the current PRC income tax laws, means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC
"NSSF"	National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"NV Philips"	N.V. Philips' Gloeilampenfabrieken, one of the shareholders of YOFC, our predecessor, from May 1988 to January 1994

"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$10.28 and expected to be not less than HK$7.39, at which Hong Kong Offer Shares are to be subscribed for, and to be determined in the manner further described in the section headed "Structure of the Global Offering — Pricing of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Optical Fibre Technology Cooperation Agreement"	the optical fibre technology cooperation agreement entered into on October 13, 2008 between Draka and our Company, which was subsequently revised on August 27, 2013 and May 30, 2014
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 23,980,000 additional H Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC"	People's Bank of China (中國人民銀行)
"PCVD Agreement"	the PCVD core technology protection agreement entered into between Draka and our Company on November 3, 2011, which was further revised on December 10, 2013 and May 30, 2014
"PCVD Core Technology"	certain software and source codes licensed by Draka to us under the PCVD Agreement and all the technologies in the eight lathes which are constructed with certain equipment parts purchased from Draka by us under the PCVD Agreement
"People's Congress"	the PRC's legislative apparatus, including the National People's Congress and all the local people's congresses (including provincial, municipal and other regional or local people's congresses) as the context may require, or any of them
"Philips Technology License Agreement"	an optical fibre technology license agreement entered into between NV Philips and YOFC, our predecessor, on March 5, 1988
"PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Twelfth National People's Congress on December 28, 2013 and effective on March 1, 2014

"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them
"PRC Legal Advisor"	Commerce & Finance Law Offices, the legal advisor to our Company as to the laws of the PRC
"PRC Securities Law"	Securities Law of the People's Republic of China (中華人民共和國證券法), as amended and adopted by the Standing Committee of the Twelfth National People's Congress on June 29, 2013 and effective on June 29, 2013
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and the Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about December 3, 2014 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and we may agree, but in any event no later than December 7, 2014
"Promoters"	the promoters of our Company, namely China Huaxin, Draka and Yangtze Communications
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Prysmian Group"	except for the purpose of the section headed "Connected Transactions" of this prospectus, Prysmian S.p.A. and its close associates (for the avoidance of doubt, excluding YOFC Shanghai)
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Jurisdictions"	Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or Japan
"Remuneration Committee"	the remuneration committee of the Board
"RMB" or "Renminbi"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (國家外匯管理局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)

"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Second Six-month Period"	the period of six months commencing on the date on which the First Six-month Period expires
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shantou Aoxing"	Shantou Hi-Tech Zone Ao Xing Optical Communication Equipment Co., Ltd. (汕頭高新區奧星光通信設備有限公司), a company established in the PRC on November 6, 1992 and one of our Joint Ventures. It is owned as to 42.42% by our Company, 47.11% by Guangdong Telecom Industry Group Co., Ltd. (廣東省電信實業集團有限公司), and 10.47% by Leader Global (Hong Kong) Co., Ltd. (立達環球（香港）有限公司)
"Shareholder(s)"	holder(s) of our Shares
"Shares"	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our Domestic Shares and our H Shares
"Shenzhen SDGI"	Shenzhen SDGI Optical Fibre Co., Ltd. (深圳特發信息光纖有限公司), a company established in the PRC on August 30, 2000 and one of our Joint Ventures. It is owned as to 35.36% by our Company and 64.64% by Shenzhen SDG Information Co., Ltd. (深圳市特發信息股份有限公司)
"Special Regulations"	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
"Stabilizing Manager"	Goldman Sachs
"State Council"	State Council of the PRC (中華人民共和國國務院)
"State Key Laboratory"	the State Key Laboratory of Optical Fibre and Cable Manufacture Technology, which is currently the only key national laboratory recognized by the National Ministry of Science and Technology in optical fibre and cable industry in China
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiaries"	the entities listed as subsidiaries of the Company in Note 17 to the financial information set out in the Accountants' Report in Appendix I to this prospectus and EverProsper Hong Kong
"subsidiaries"	has the meaning ascribed thereto in the Listing Rules

"substantial shareholder"	has the meaning ascribed thereto in the Listing Rules
"Supervisor(s)"	one (or all) of our supervisors
"Tianjin YOFC XM Fibre"	Tianjin YOFC XMKJ Optical Communications Co., Ltd. (天津長飛鑫茂光通信有限公司), a company established in the PRC on June 1, 2009 and one of our Joint Ventures. It is owned as to 49% by our Company and 51% by Tianjin Xinmao Science & Technology Co., Ltd. (天津鑫茂科技股份有限公司)
"Tianjin YOFC XM Cable"	Tianjin YOFC XMKJ Optical Cable Co., Ltd. (天津長飛鑫茂光纜有限公司), a company established in the PRC on July 13, 2009 and one of our Joint Ventures. It is owned as to 20% by our Company and 80% by Tianjin Xinmao Science & Technology Co., Ltd. (天津鑫茂科技股份有限公司)
"Track Record Period"	the three financial years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
"United Kingdom" or "U.K."	the United Kingdom of Great Britain and Northern Ireland
"Unlisted Foreign Shares"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for in a currency other than Renminbi, or the consideration for which is the injection of assets and are held by persons other than PRC nationals or PRC corporate entities and are not listed on any stock exchange
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"Wuhan Guangyuan"	Wuhan Guangyuan Electronic Technology Co., Ltd. (武漢光源電子科技有限公司), a company established in the PRC on November 4, 2002 and one of our Joint Ventures. It is owned as to 20% by our Company and 80% by Hubei Guangyuan Electronic Technology Co., Ltd. (湖北光源電子科技有限公司)

"Wuhan Yunjingfei"	Wuhan Yunjingfei Optical Fibre Materials Co., Ltd. (武漢雲晶飛光纖材料有限公司), a company established in the PRC on April 26, 2011 and one of our Associates. It is owned as to 20% by our Company, 60% by Yunnan Lincang Xinyuan Germanium Industry Co., Ltd. (雲南臨滄鑫圓鍺業股份有限公司), 10% by FiberHome Telecommunication, and 10% by Beijing Guojinghui Infrared Optical Technology Co., Ltd. (北京國晶輝紅外光學科技有限公司)
"Yangtze Communications"	Wuhan Yangtze Communications Industry Group Co., Ltd (武漢長江通信產業集團股份有限公司), a company incorporated in PRC on January 2, 1996, whose shares are listed on the Shanghai Stock Exchange (Stock Code: 600345), one of the substantial shareholders and Promoters of our Company, and a connected person of our Company
"YOFC"	Yangtze Optical Fibre and Cable Company Ltd (長飛光纖光纜有限公司), a company incorporated in the PRC on May 31, 1988 as a sino-foreign equity joint venture, and is our predecessor
"YOFC Hong Kong"	Yangtze Optical Fibre and Cable Company (Hong Kong) Limited (長飛光纖光纜（香港）有限公司), a company incorporated in Hong Kong on July 17, 2013 and is our wholly-owned Subsidiary
"YOFC Jiangsu"	Yangtze Zhongli Optical Fibre and Cable (Jiangsu) Co., Ltd. (江蘇長飛中利光纖光纜有限公司), a company incorporated in the PRC on March 6, 2002 and one of our Joint Ventures. It is owned as to 51% by our Company and 49% by Zhongli Sci-Tech Group Co., Ltd. (中利科技集團股份有限公司)
"YOFC Shanghai"	Yangtze Optical Fibre and Cable (Shanghai) Co,. Ltd. (長飛光纖光纜（上海）有限公司), a company incorporated in the PRC on October 30, 2002 and one of our Joint Ventures. It is owned as to 75% by our Company and 25% by Draka
"YOFC Shanghai Patent License Agreement"	a patent license agreement entered into by and between YOFC Shanghai and our Company on March 17, 2014 pursuant to which our Company has agreed to grant licenses to YOFC Shanghai for the exclusive use of certain of our patents registered in the PRC for a term of 6 years commencing from March 17, 2014
"YOFC Sichuan"	Yangtze Optical Fibre and Cable Sichuan Co., Ltd. (長飛光纖光纜四川有限公司), a company incorporated in the PRC on May 17, 1993 and one of our Joint Ventures. It is owned as to 51% by our Company and 49% by Sichuan Chuantou Energy Co., Ltd. (四川川投能源股份有限公司)
"YOSC"	Yangtze (Wuhan) Optical System Corp. (長飛（武漢）光系統股份有限公司), a company established on July 29, 2004 in the PRC and one of our Joint Ventures. It is

owned as to 46.32% by our Company, 20.00% by Hubei Guangyuan Electronic Technology Co., Ltd. (湖北光源電子科技有限公司), 28.42% by Wuhan Yangtze Optical Network Communications Co., Ltd. (武漢長江光網通信有限責任公司), and 5.26% by Wuhan Hongtuo New Technologies Co., Ltd. (武漢虹拓新技術有限責任公司)

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

This glossary contains definitions of certain terms used in this prospectus in connection with our Group and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

"fkm"	fibre kilometers, which represent kilometers of optical fibres. For optical fibre preforms, means the kilometers of optical fibres that can be drawn from optical fibre preforms. For optical fibre cables, means the kilometers of optical fibres contained in optical fibre cables
"FTTB"	fibre-to-the-buildings
"FTTC"	fibre-to-the-curb
"FTTH"	fibre-to-the-home
"FTTN"	fibre-to-the-node
"FTTU"	fibre-to-the-user
"FTTX"	fibre-to-the-x
"MES"	manufacturing execution system
"OVD"	outside vapor deposition
"PCVD"	plasma activated chemical vapor deposition
"PVC"	polyvinyl chloride
"RIC"	rod-in-cylinder
"VAD"	vapor axial deposition

This prospectus contains certain forward-looking statements and information relating to our Group that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth under the section headed "Risk Factors" in this prospectus and the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. We caution you not to place undue reliance on any forward-looking statements or information.

In this prospectus, statements of or references to the intentions of our Group or any of our Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

An investment in our H Shares involves a high degree of risk. You should carefully consider the following information about risks, together with the other information contained in this prospectus, including our consolidated financial statements and related notes, before you decide to buy our H Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition and prospects would likely suffer. In any such case, the market price of our H Shares could decline and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward looking statements as a result of many factors, including the risks described below.

RISKS RELATING TO OUR GROUP

We have a limited number of key suppliers for certain of our raw and feed materials and we are subject to risks associated with availability and volatility in the prices of materials used in the production of our products.

Key raw materials used for the production of our optical fibre preforms are glass substrate tubes and silica jacket cylinders and various chemical gases such as silicon tetrachloride, germanium tetrachloride as well as hexafluoroethane. Key feed materials used for the production of our optical fibres are optical fibre preforms. Key raw and feed materials used for the production of our optical fibre cables are optical fibres, polyethylene and other polymers sheathing materials, steel and aluminum. Although we typically source from multiple suppliers for major materials needed to produce our products, we place a large percentage of our orders for certain raw materials with a limited number of key suppliers. In particular, we currently purchase silica jacket cylinders from Heraeus Quarzglas GmbH & Co., KG, and glass substrate tubes from Heraeus Tenevo LLC (collectively referred to as "**Heraeus**"). Heraeus is an independent third party. According to the Freedonia Report, Heraeus is the only supplier globally of glass substrate tubes and silica jacket cylinders with the necessary high quality to meet relevant production standards for optical fibre preforms using the PCVD process. In addition, we also purchase a limited amount of optical fibre preforms directly from Shin-Etsu Chemical Co., Ltd. In the event we are no longer able to purchase sufficient silica jacket cylinders and glass substrate tubes from Heraeus, we may increase our purchase of optical fibre preforms from Shin-Etsu Chemical Co., Ltd. or other third party suppliers. If we are required to purchase optical fibre preforms directly from Shin-Etsu Chemical Co., Ltd. to substantially replace the preforms we self-produce using the glass substrate tubes and silica jacket cylinders from Heraeus, we expect that the cost position of our segment of optical fibre preforms and fibres may be negatively affected, due to the fact that the cost of sales of self-produced optical fibre preforms and fibres as a percentage of its segment turnover, ranging from 54.2% (for the six months ended June 30, 2013) to 62.3% (for 2011) during the Track Record Period, is lower than that of optical preforms and fibres purchased from third parties, ranging from 87.1% (for the six months ended June 30, 2014) to 97.8% (for 2011) during the same period. As such, if our major suppliers, including Heraeus, fail to provide key raw or feed materials to us in sufficient amounts or in a timely manner on favorable terms as a result of reasons which can be beyond our control, such as any of our major suppliers become subject to economic sanctions, our business operation may be significantly interrupted and our financial results may be materially and adversely affected. Furthermore, although we usually retain multiple suppliers for most of our raw materials, we cannot assure you that we are able to secure alternative supply sources for similarly high quality raw materials in a timely and cost effective manner if the business relationships with one or more suppliers are terminated.

In addition, with limited exceptions such as the long-term agreement with Heraeus, we usually do not enter into long-term supply contracts with our suppliers. We cannot assure you that we can be provided with raw materials that meet our requirements in a timely or sufficient manner at current levels at all. In addition, we cannot assure you that our suppliers can expand their production capacities to a sufficient level and in a timely manner that could support our growth. These factors may constrain our production and reduce our sales or gross margins.

Moreover, we may be subject to significant fluctuation in the prices of our raw materials, which may increase our operating costs. Raw material cost fluctuates due to various factors, many of which may be out of our control, such as overall economic conditions or the uncertainty in market demand. If we are unable to effectively control our production costs, in particular, the costs of raw materials, we may not be able to maintain our competitiveness and profitability. Particularly, our bargaining power may be constrained with respect to the price determination with certain suppliers who have a prevailing market position.

Finally, as we import certain raw materials from overseas, including glass substrate tubes and silica jacket cylinders, we may be required to devote additional effort and time and incur additional costs. If certain of our overseas suppliers fail to deliver the raw materials we purchase in a timely manner, we may have difficulty or incur higher costs identifying replacement suppliers, or we may suffer from reduced product availability, which will further harm our operating results.

Our customer concentration exposes us to the risks faced by our major customers and may subject us to risks relating to significant fluctuations or declines in turnover or increasing trade and bills receivables and level of gearing.

Due to the nature of our industry, we currently derive a substantial portion of our turnover from a limited number of customers, which are primarily national or regional major telecommunication network operators in the PRC. In 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, our top five customers accounted for approximately 50.5%, 52.6%, 48.9%, 47.7% and 43.9%, respectively, of our total turnover, and the largest customer accounted for approximately 20.9%, 23.5%, 23.9%, 20.4% and 24.5%, respectively, of our total turnover. Any disruption in our direct business relationship with any of our major customers will adversely affect our sales and profitability. During the Track Record Period, certain of our Joint Ventures, namely Tianjin YOFC XM Fibre, Shantou Aoxing, YOFC Jiangsu and YOFC Shanghai, were in certain year or period among the top five customers in terms of dollar amount.

In particular, as there are only a limited number of national or regional major telecommunications network operators in the PRC, our potential customer base is relatively consolidated and concentrated. The three state-owned telecommunications network operators are the major ultimate customers for optical fibre and cable suppliers in China, including us. In 2011, 2012, 2013 and the six months ended June 30, 2013 and 2014, the three major state-owned telecommunications network operators accounted for approximately 36.2%, 35.9%, 32.5%, 29.0% and 32.1% of our total turnover, respectively. Purchases from the three major state-owned telecommunications network operators involve a bidding and tender process. We cannot assure you that we will be successfully selected by these three state-owned major telecommunications network operators as their suppliers, or to supply products to these customers at current levels or at all. If we fail the bidding and tender processes of any single, dominant customer due to the failure to offer a competitive price or other reasons out of our control, our results of operations may be materially adversely affected. Our current concentration on a few significant customers will continue to make it difficult for us in the negotiation of prices for our products. Further, since most of our customers are national or regional telecommunications network operators who have a stronger market position than us, we usually are required to accept the terms of the agreements provided by them. In this case, we have limited bargaining power with respect to contract negotiation and may not be able to assert contractual terms that are favorable to us, such as product price adjustment or penalties for cancelling purchase orders. Moreover, we believe that a significant portion of our customers other than the three major state-owned telecommunications network operators who purchased optical fibre preforms and optical fibres from us ultimately sell their products to the three major state-owned telecommunications network operators. Therefore, the demand of such telecommunications network operators will also indirectly affect our business.

In addition, we generally do not have long-term purchase commitments with our customers and our sales are made on the basis of individual purchase orders under a master purchase agreement entered into with our customers, which usually have a term of one or two years. We cannot assure you that any of our customers will place purchase orders with us in the future at the same level, or that the volume of our customers' purchase orders will be consistent with our expectation. As a result, our results of operations may vary significantly from period to period and the contracted selling prices of our products are subject to fluctuation and uncertainty upon the renewal of the relevant contracts.

Any one of the following events, among others, may cause material fluctuations or declines in our turnover and have a material and adverse effect on our financial condition, results of operations and prospects:

- reduction of the amount or in the price of products purchased from us by one or more of our significant customers;
- delay or cancellation of procurement plans by our customers due to the delay or cancellation of telecom or non-telecom infrastructure projects;
- the decision by one or more of our significant customers to select one or more of our competitors to supply optical fibres or cables;
- the loss of one or more of our significant customers and our failure to identify and obtain additional or replacement customers that can replace the lost sales volume at satisfactory pricing or other terms; or
- the failure or inability of any of our significant customers to make timely payment for our products and services.

These factors may result in a lack of certainty and predictability about our sales, which may fluctuate unpredictably depending on customer demand and orders. We anticipate that our dependence on a limited number of customers is unavoidable due to the nature of telecommunications industry, and will continue in the foreseeable future. We cannot assure you that our customer relationships will continue to improve or if these customers will continue to generate significant turnover for us in the future. Any failure to maintain our existing customer relationships or to expand our customer base will materially and adversely affect our results of operations.

Moreover, our customer base with concentration of state-owned telecommunications network operators may also subject us to risks relating to increasing trade and bills receivables as their dominance in the industry in China leads to strong bargaining power as compared to their suppliers, including us, in respect of payment settlement. For example, our trade and bills receivables increased from RMB1,186.1 million as of December 31, 2011 to RMB1,420.3 million as of December 31, 2012 to RMB1,508.6 million as of December 31, 2013, which further increased to RMB2,497.7 million as of June 30, 2014. Such increases were primarily the result of the continued increase in sales of our products. During the Track Record Period, balance of trade and bills receivables that were past due but not impaired was also increasing, particularly in the first half of 2014. It was mainly due to the outstanding receivable balances from the three major state-owned telecommunications network operators, who delayed their payments or settlements to their suppliers, including us, because of the delay in the issuance of 4G licenses by the relevant authorities until near the end of December 2013. In addition, in anticipation of the tax rule change in China, in early 2014, the three state-owned telecommunications network operators started their procedures and also asked their suppliers, including us, to replace the general value-added tax invoices previously issued with the special value-added tax invoices, which further prolonged the payment collection cycles. Furthermore, the higher balance of trade and bills receivables as of June 30, 2014 as compared to December 31, 2013 was also due to the fact that we did not enter into any new trade receivables factoring arrangement during the period and also to the seasonality of the first quarter of a fiscal year caused by the Chinese New

Year. For more details, see "Financial Information — Net Current Assets — Trade and Bills Receivables." The increasing trade and bills receivables from major customers may also adversely affect our level of gearing by restricting our liquidity. As such, we expect that our increasing sales to a limited number of major state-owned telecommunications network operators may continue to subject us to risks of increasing trade and bills receivables and level of gearing and any material and adverse change in their payment settlements with suppliers may also negatively affect us.

If we are no longer able to benefit from the technology cooperation with Draka or if Draka's shareholding in our Company reduces to less than 20%, our business may be adversely affected.

As part of our establishment as a sino-foreign joint venture in 1988, NV Philips, a leading international manufacturer of optical fibres and optical fibre cables in the 1980s and one of our then shareholders, became our strategic technology partner and we entered into the Philips Technology License Agreement with NV Philips in March 1988. Pursuant to the Philips Technology License Agreement, we were licensed to use several technologies necessary for the manufacture of optical fibres. Such agreement was assigned to Draka Holding N.V. when NV Philips transferred its equity interest in us to Draka Holding N.V. in 1994. We entered into the Optical Fibre Technology Cooperation Agreement with Draka in October 2008, which was subsequently amended in August 2013 and May 2014. The agreement first came into effect on June 1, 2008 and, pursuant to the subsequent revisions, will expire on July 22, 2024 unless terminated earlier by one party by written notice in the case of breach of contract by the other party, provided that in the case of any breach capable of being made good, the agreement shall not be terminated unless and until such breaching party has failed to make good the breach within sixty days after it has been served with a written notice specifying the breach and requiring it to make the breach good. Under the Optical Fibre Technology Cooperation Agreement, Draka agreed to license to us a series of patents it owns or it has applied for patent registrations. Such patents included the core technologies of the PCVD production process. Although we are developing other production processes and techniques, PCVD is currently our main production process for optical fibre preforms and is used for the production of substantially all of our self-produced optical fibre preforms, which in turn, are the feed materials for our self-produced optical fibres and cables. Turnover derived from our self-produced products accounted for approximately 47.6%, 42.8%, 45.7%, 45.0% and 42.4% of our total turnover in 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively. We cannot assure you that the optical fibre technology cooperation agreement will not be terminated prior to its expiry or that Draka will renew the agreement with us when it expires. Although most patents subject to the Optical Fibre Technology Cooperation Agreement will be in the public domain by 2024 when the amended agreement expires, we may be prohibited from using the technologies licensed from Draka under the agreement that remain protected, and our operation could be materially and adversely affected.

In addition, subject to the initial Optical Fibre Technology Cooperation Agreement, other than the existing customers that were established prior to entering into the agreement, we can sell our optical fibre products using PCVD technologies in Asia, Africa and Israel, while the sales territories of Draka Group are Europe, North America, South America and the Middle East, except Israel. The Optical Fibre Technology Cooperation Agreement was later amended in May 2014, pursuant to which the geographical delineation will no longer be effective when Draka's shareholding in our Company decrease to less than 20%. We cannot assure you that our international expansion may not be limited as a result of geographical restriction provided in the Optical Fibre Technology Cooperation Agreement with Draka. On the other hand, in the event that Draka's shareholding in our Company reduces below 20% so that the geographical restriction is no longer effective, we may face competition from the Draka Group as to our sales efforts that may have an adverse effect on our business prospects and results of operations.

We may not be able to continuously enhance our product portfolio and offer high quality new products and/or services, which will materially and adversely affect our ability to achieve our expansion plan.

Our growth and future success depend on our ability to expand customer base by enhancing our product portfolio and increasing our market position. Our ability to successfully attract and retain customers largely depends on, among others, our ability to anticipate and effectively respond to changing customers' demands and preferences, anticipate and respond to changes in the competitive landscape, identify and adopt evolving technologies and develop and upgrade our products and services that cater to the needs of our potential and existing customers. We cannot guarantee that we are able to successfully develop and upgrade products and/or services that could gain market acceptance, achieve technological feasibility, or meet prescribed industrial standards, in which case, our ability to expand customer base and maintain our leading market position could be adversely affected. Our business, prospects, financial condition and results of operations may be materially and adversely affected.

Our ability to enhance production capabilities is subject to risks and uncertainties.

Our future success, in part, depends on our ability to enhance our production capabilities, which include increasing our production utilization rate, improving our production efficiency, acquiring and upgrading manufacturing or testing equipment and production facilities and modifying our existing production processes. In order to achieve the desired level of economies of scale in operations and to deliver a larger amount of high quality products at a competitive cost level, we are required to continue to expand our existing production capacity. Our continuous expansion plans and business growth require substantial capital expenditure and dedicated management attention. We intend to fund such purchases and expansions by using cash generated from our operations and from the proceeds of the Global Offering. Nevertheless, we may require additional financing to achieve our expansion plans.

There can be no assurance that we will be able to obtain any necessary additional financing in time on reasonable terms or at all, due to various factors such as the general market conditions for financing activities by optical fibre and cable companies, the prevailing economic and political conditions and our future financial position. If we are unable to finance the acquisition of the equipment we need and as a result of which, we may not be able to expand our production capacity or enhance our production capabilities to satisfy the demand from our customers. As a result, our growth prospects would be limited. In addition, we also cannot assure you that these plans will be implemented successfully on time, or at all, within budget, or may result in the anticipated benefits.

Furthermore, our ability and efforts to enhance our production capabilities are subject to other significant risks and uncertainties, including but are not limited to:

- unexpected delays and cost overruns resulting from a number of factors, many of which may be beyond our control, including increases in the prices of raw materials and utilities, shortages of skilled employees, transportation constraints, disputes with customers or raw material suppliers as well as equipment malfunctions;
- our ability to obtain the required permits, licenses and approvals from relevant government authorities;
- availability of the necessary technology or equipment from third parties or our internal research and development department;
- diversion of management attention and other resources; and
- interruptions caused by natural disasters or other unforeseen events.

Furthermore, our efforts to enhance our production capabilities may not achieve the expected benefits. We cannot assure you that the demand for our products will continue to increase, or remain at the current levels, which is affected by various factors beyond our control, including underlying economic conditions and market competitiveness. If the demand for our products is weaker than anticipated, we may experience problems associated with overcapacity and under-utilization of headcounts and other resources, which may have an adverse effect on our financial condition, results of operations and business.

We may need additional capital but may not be able to obtain it in a timely manner and on favorable terms or at all.

Our operation and further growth need additional capital or financing from time to time. During the Track Record Period, we had outstanding bank borrowings of RMB1,229.3 million, RMB1,052.3 million, RMB1,622.1 million and RMB2,151.5 million as of December 31, 2011, 2012 and 2013 and June 30, 2014, respectively. As of June 30, 2014, we had unutilized banking facilities of approximately RMB4,527.3 million (including RMB4,483.4 million loan related facilities and RMB43.9 million trade finance facilities). We have also utilized non-recourse factoring arrangements during the Track Record Period. As of December 31, 2011, 2012 and 2013 and June 30, 2014, we transferred trade receivables to banks under such non-recourse factoring arrangements with carrying amounts of RMB113.5 million, RMB194.0 million, RMB425.5 million and RMB179.9 million, respectively. We may require additional cash resources due to future growth and development of our business. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities or entering into additional factoring arrangements. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows and liquidity of international capital and lending markets. In addition, our existing loan agreements contain financial covenants that may restrict our ability to incur additional indebtedness. Any indebtedness that we may incur in the future may also contain operating and financing covenants that could further restrict our operations. There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing Shareholders.

We are exposed to potential product liability claims and we may be unable to obtain sufficient compensation from suppliers for defective raw and feed materials used in our products.

Most optical fibres and cables offered by us are products with standardized specifications. We are subject to prescribed industry technical standards in relation to the production and sale of our products. We are also exposed to product liability as provided in the sales contracts with our customers. Although we have implemented stringent quality control measures, we cannot assure you that any defect or malfunction in our products or the failure of our products to meet our customers' specifications will not occur, which could lead to delays in installation that in turn may result in losses to our customers. We could be required to replace or repair the defective products at our own cost and compensate our customers and their customers for such losses or damages caused by our defective products. We may also have to spend certain amount of resources to defend ourselves in the event where claims or legal proceedings are instituted against us. Furthermore, our reputation and brand may be materially and adversely damaged as a result.

On the other hand, we are required to place significant emphasis, including investments in techniques and testing equipment or human resource, on ensuring the quality of our products. Despite our own quality control efforts, the quality of our final products is highly dependent on the quality of the raw and feed materials we purchase from third parties. In the event that we become subject to product liability or warranty claims as a result of the defective raw or feed materials from third-party suppliers, we will attempt to seek compensation from the relevant suppliers pursuant to the purchase agreements between such suppliers and us. However, some of our supply agreements do not have provisions to cover lost profits and indirect or consequential losses incurred by us. If no claim can be asserted against a supplier, or amounts that we claim cannot be recovered from the supplier, to the extent that such amounts cannot be covered by insurance coverage, if any, we may be required to bear customer claims or replace the products at our own costs and expenses. Our reputation, business, financial condition and results of operations could be materially and adversely affected as well.

During the Track Record Period, we had not encountered any new material product liability claim against us nor experienced any material loss or product recall. However, prior to the Track Record Period, we made a provision for potential product liability claims that amounted to RMB15.0 million related to certain products but have not received any claims related to such products as at the Latest Practicable Date. As at the Latest Practicable Date, we did not purchase any liability insurance for our products as it is neither an industry requirement nor general practice to do so. However, any successful product liability claim against us in the future could, nevertheless, have a material adverse effect on our business, prospects, financial condition and results of operations.

Our research and development efforts may not yield the benefits that we expect and we may not be able to introduce market-leading products and maintain the competitiveness of our product offerings.

In order to maintain and increase our current competitive position and to continue to grow our business, we need to continuously introduce market-leading products and services. The market for our products is characterized by continuous technological developments and innovation to provide better product performance and address the increasingly complex and diverse market needs. As a result, we have been focusing on our research and development activities, which require considerable human resources and capital investments. In addition, developing new production techniques and new products through research and development is time-consuming and costly. However, our research and development efforts may not be successful or the anticipated return on investment is not guaranteed.

Even if our research and development efforts are successful, we may not be able to apply these newly developed technologies to introduce and upgrade products that will be well accepted by the market, or we may not be able to apply them in a timely manner to take advantage of first-mover opportunities in the market. Furthermore, the success of our new products depends on a number of factors, some of which are beyond our control, such as the prevailing economic conditions, the inherent uncertainty in market demand forecast or the compatibility of such new products with existing technology. The level of economic benefit that can be derived from newly developed technologies or products may also be affected by the ability and promptness of our competitors to replicate these technologies or products or develop more advanced or cheaper alternatives. If our technologies or products are replicated, replaced or made redundant, or if the demand for our products is not as anticipated, our turnover associated with such technologies or products may not offset the costs that we have incurred in developing such new technologies. Furthermore, if we are unable to anticipate trends in technological or product development and rapidly develop the new and innovative technologies or products that are required by our customers, we may not be able to produce sufficiently advanced products at competitive prices, which in turn may have a material and adverse impact on our business, financial position and results of operations.

Furthermore, in addition to the research and development of new products, we are also focused on the research and development of our new production techniques to enhance our production efficiency, the quality of our products while reducing our production costs. If we are not able to develop such processes or other new production techniques within our expected timetable, or if the anticipated results from new production techniques cannot be attained, our business and future prospects may be materially adversely affected.

We are operating under the brand name of "YOFC" and our business may be materially and adversely affected if we fail to protect our brand name.

We are operating under the brand name of "YOFC" and we were recognized as the "Most Valuable Brand in Communications Industry in China" by China Communications Industry Association in November 2012, the Most Competitive Enterprise in Optical Fibre and Optical Fibre Cable Industry in China and one of the Most Competitive Enterprise in Optical Fibre and Optical Fibre Cable Industry in the World, each by China Optical Communications Development and Competiveness Forum in November 2013. We believe that we have a well-established brand name recognition in our industry, which is a result of our track record and considerable marketing efforts. We may not be able to protect the brand name and may need to defend against infringement claims, which could reduce the value of goodwill associated with our brand name, resulting in the loss of competitive advantage and materially harming our business and profitability. If any third party that uses our registered trademark to carry out similar business of us or sell similar products, our reputation and brand recognition could be harmed, which, in turn, could have an adverse impact on our growth prospects.

We may not be able to protect our patents and non-patented intellectual property rights, and we may be subject to claims for the infringement of intellectual property rights of others.

Our success depends in part on our ability to obtain and maintain trade secrets, patents and other intellectual property protection for our products, technologies, designs and know-how as well as our ability to successfully protect our intellectual properties and to defend ourselves against third-party challenges. As of June 30, 2014, we had obtained 75 patents for invention, four patents for design and 95 patents for utility models in the PRC. As of the same date, we have also obtained nine patents overseas, including four in the United States, three in Taiwan, one in New Zealand and one in Australia. Furthermore, as of June 30, 2014, we were in the process of applying for registration of 51 patents in the PRC and 26 patents overseas, including the European Patent Office, the United States Patent and Trademark Office, the African Regional Intellectual Property Organization and the Indian Patent Office. Our patents are principally related to the formula, technology, process, improvement, and design of our products. In addition, as of June 30, 2014, we had 76 registered trademarks in the PRC and ten applications for trademarks in the PRC. As of the same date, we have also obtained ten registered trademarks overseas, including in Malaysia, Indonesia and Korea. In addition, as of the Latest Practicable Date, we had also registered two trademarks in Hong Kong.

We cannot assure you the measures we currently adopt to protect our patents or non-patented intellectual property rights are adequate to efficiently enforce such protection or to prevent any unauthorized use of our intellectual property by third parties. On the other hand, the existence of any particular intellectual property right may not necessarily protect us from competition, as it may be challenged, invalidated or held to be unenforceable.

Competitors may successfully challenge our patents, produce similar products that do not infringe our patents or produce products in countries that do not recognize our patents. Our patent priority in the PRC or other foreign countries may be defeated by third-party patents issued on a later date but applied for earlier than ours. Additionally, the existence of a patent does not provide assurance that the manufacturing, sale or use of our products does not infringe upon others' patent rights. Third parties may also have blocking patents that might be used to prevent us from marketing our own patented products or utilizing our patented technologies or processes. As it may take years for patent applications to be approved, there may be pending applications, known or unknown to us, that may later result in issued patents upon which we may infringe on. Therefore, we may initiate lawsuits in order to defend our ownership or proprietary design of our products and trade secrets, or we may be subject to litigation brought by third parties based on claims that we have infringed upon their intellectual property rights or that we have misappropriated the trade secrets of others, either of which scenarios will be time-consuming and costly to defend. We cannot assure you that we can achieve a favorable outcome in any such litigation. If we are unable to protect our patents, trademarks and other intellectual property rights or to successfully defend ourselves from infringement claims, our reputation, business, financial position and results of operations may be materially and adversely affected.

Our existing or future joint ventures, associates, strategic alliances and acquisitions are subject to risks that could adversely affect our business.

We have established various Joint Ventures and Associates in the past as part of our operation strategy. Many of our Joint Ventures are entities that we sell our products to and/or purchase feed materials or finished products from that we subsequently on-sell to our customers. See "Business — Transactions with Joint Ventures." These entities have formed, and will continue to form, an important part of our operations. We purchase optical fibres and optical fibre cables from our Joint Ventures to supplement our production. During the Track Record Period, certain of our Joint Ventures were among the top five suppliers of us. As such, the quality and availability of those products provided by our Joint Ventures has a significantly impact on the quality of our final products in case we use such feed materials for our production, or on our reputation in case we sell such products to end customers. On the other hand, we also sell optical fibre preforms and optical fibres to our Joint Ventures for their production of products for sale to other third parties. If any of these Joint Ventures reduces its purchase volume from us or decides to terminate its business relationship with us and purchases from our competitors, our results of operations may be adversely affected.

Moreover, since we do not have dominate control over the Joint Ventures, the interest of such Joint Ventures may not always align with our interest during its daily operation. For example, they may compete with us for customers in which case our market share may be diluted.

In addition, we may establish new joint ventures, associates or strategic alliances or engage in selected strategic acquisitions. These transactions involve significant challenges, risks and uncertainties, including the possibility that the transaction may not realize satisfactory return on our investment, or that we experience difficulty integrating new employees, business systems, and technology, or diversion of management's attention from our other businesses. It may take longer than expected to realize the full benefits, such as increased turnover and cash flow, enhanced efficiencies, or market share, or those benefits may ultimately be smaller than anticipated, or may not be realized. The occurrence of these events in any specific period could harm our operating results or financial condition during such and future periods.

We may not be able to implement our international expansion strategy efficiently.

To further expand our business operations, we have been actively developing markets in and outside of China and expect to deepen our market penetration in major target overseas markets, such as countries in Southeast Asia and Africa. For instance, we intend to increase the international sales of our products and also to establish production capacity for optical fibres and cables in targeted overseas regions.

Expanding into new markets involves uncertainties and challenges as we may be less familiar with, among others, local regulatory practices and customs, customer preferences and behavior, the reliability of local suppliers, business practices and business environments. In addition, expanding our business into new markets would entail competition with optical fibre and cable companies which have a better-established local presence or greater access to local resources, including customer base, labor, expertise and knowledge than we do. Our expansion plan requires significant managerial, operational, technical, capital and other resources. We also need to recruit, train and retain qualified management personnel as well as other administrative and sales and marketing personnel as we expand into new markets. If we fail to recruit qualified and experienced sales and marketing personnel, or our sales and marketing team fails to effectively attract new customers in the newly entered markets, our expansion strategy may not generate the economic benefit as we expect. Furthermore, tapping into new markets also requires us to allocate more capital and human resources to enhance our customer services, catering to the needs of customers in those new regions.

We cannot guarantee that we will be able to effectively and efficiently manage the growth of our operations, or integrate new overseas operations in a cost effective manner. Any failure to effectively and efficiently manage our international expansion may adversely affect our ability to capitalize on new business opportunities, to achieve our operation objectives and to further advance our market leading position.

Failure to maintain inventory levels in line with the approximate level of demand for our products could cause us to lose sales or face excess inventory risks and holding costs, either of which could have a material adverse effect on our business, financial condition and results of operations.

To operate our business successfully and meet our customers' demands and expectations, we must maintain a certain level of raw materials as well as finished goods inventory based on our internal annual budget plans for our products to ensure timely delivery when required. We adjust our raw material procurement according to our production process, taking into account lead time required for each type of raw materials, so as to maintain our inventory of raw materials at an appropriate level. For example, we typically maintain raw materials sourced domestically that will be able to support about one week of production needs and raw materials sourced overseas, such as glass substrate tubes and silica jacket cylinders, that will be able to support about one to two months of production needs. However, forecasts are inherently uncertain. If our forecasted demands are lower than actual purchase orders we receive, we may not be able to maintain an adequate inventory level of our products or manufacture our products in a timely manner, and may lose sales and market share to our competitors. On the other hand, we may also be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials. Over-stock may increase our inventory holding costs, risk of inventory obsolescence, markdown allowances or write-offs, which could have a material adverse effect on our business, financial condition and results of operations.

If we lose the service of any key executive officers or senior management or skilled and experienced experts, our ability to effectively manage and execute our operations and meet our strategic objectives could be harmed.

Our success has been, and will continue to be, dependent, in large part, on the continued service of our key executive officers and senior management. Any loss or interruption of the service of our key executive officers or senior management could significantly affect our ability to effectively manage our operations and to meet our strategic objectives. In addition, we could incur additional expenses and devote significant time and resources to recruit and train replacement personnel, which could further disrupt our business and growth.

Our success also depends, to a significant extent, on our ability to attract, train and retain our technical experts, research and development personnel, sales and marketing personnel and customer service personnel. Recruiting and retaining capable personnel, particularly those with expertise and experience in our industry, are vital to our success. There is substantial competition for research and development personnel, qualified technical experts, sales and marketing professionals and post-sales providers, and there can be no assurance that we will be able to continuously attract or retain these individuals to achieve our business objectives. If we fail to attract and retain valuable employees, to keep pace with our expected growth, our competitiveness, business, financial condition and results of operations may be materially and adversely affected.

We have limited insurance coverage in China.

Insurance companies in China offer limited business insurance products and do not, to our knowledge, offer business liability insurance. While business disruption insurance is available to a limited extent in China, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, except for transport accident insurance for most products shipped to our customers, vehicle insurance and property casualty insurance, we do not have any business liability, disruption or litigation insurance coverage for our operations in the PRC, which we believe is in line with the industry practice in the PRC. The occurrence of certain incidents including severe weather, earthquake, fire, war, power outages, flooding and the consequences resulting from them may not be covered by our insurance policies adequately, or at all. If we were subject to substantial liabilities that were not covered by our insurance, we could incur costs and losses that could materially and adversely affect our results of operations.

We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our raw material suppliers, third party agents and customers and, may face significant liabilities as a result.

We may from time to time be involved in disputes with various parties arising out of our operations, including raw material suppliers, third party agents, and customers. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention from our core business activities. In addition, we may encounter compliance issues with regulatory bodies in the course of our operations, in respect of which we may face administrative proceedings and unfavorable decisions that may result in liabilities and cause delays to our production and delivery. We may be involved in other proceedings or disputes in the future that may have a material adverse effect on our business, financial condition, results of operations or cash flows.

We may be affected as a result of our sales to certain countries that are subject to evolving economic sanctions of the United States, the European Union, the United Nations Security Council and other relevant sanctions authorities. In addition, if any of our major suppliers or customers becomes subject to economic sanctions, our business operation may be materially and adversely affected.

The United States and other jurisdictions, including the European Union and the United Nations, have comprehensive or broad economic sanctions targeting Cuba, Iran, North Korea, Sudan and Syria (collectively, "**Sanctioned Countries**") or certain targeted persons or entities, including, without limitation, those named on the U.S. specially designated nationals list or the U.S. foreign sanctions evaders list and any entity owned or controlled by any of the foregoing (collectively, "**Sanctioned Persons**" and together with Sanctioned Countries, "**Sanctions Targets**"). During the Track Record Period, an insignificant portion of our products was sold to customers located in certain sanctioned countries, namely Iran, Syria and North Korea. Turnover derived from the sales to these countries in aggregate accounted for less than 0.1% of our total turnover in each of 2011, 2012 and 2013. These transactions involved the sales of optical fibres and optical fibre cables and were on a contract-by-contract basis. The counterparties to these transactions are generally trading companies located in these countries and are not Sanctions Persons. We have not sold any products to customers located in Iran after November 2012, or to Syria after September 2013 or to North Korea after August 2013. Furthermore, we will not engage in any future business dealings with or relating to Sanctions Targets, in each case except to the extent that economic sanctions are lifted against such Sanctions Targets. In addition, certain of our products were sold to Myanmar (Burma) during the Track Record Period, which was previously subject to broad United States and other economic sanctions that were eased at the beginning of 2012 as a result of reforms within Myanmar (Burma). Turnover derived from the sales to Myanmar (Burma) was less than 0.2% of our total turnover in each of 2011, 2012, 2013 and the six months ended June 30, 2014. These transactions also involved the sales of optical fibres and optical fibre cables and were on a contract-by-contract basis. The counterparties to these transactions are generally optical fibre cable manufacturers and are not Sanctions Persons.

As a company established and based in China, we will comply with all PRC laws and applicable laws in the jurisdictions where we have operations. We have obtained legal advice to the effect that we are very unlikely to be subject to any liability under economic sanctions as to our business activities and operations during the Track Record Period or in the future. The Company has also obtained legal advice to the effect that the Group's business with customers in Sanctioned Countries and in Myanmar (Burma) will not be deemed to be prohibited activities under the relevant economic sanctions laws and regulations. The Company confirms that it has not been notified of any sanctions that will be imposed on the Group as to its business activities and operations during the Track Record Period and up to the Latest Practicable Date. However, there can be no assurance that regulators will not take the position that our past, current or future activities globally include sanctionable activities or business, including for example as a consequence of future amendments to the United States, the European Union, and/or other jurisdictions' sanctions laws and regulations. If our past, current or future activities or business in relation to our contracts are considered in violation of any of the United States, the European Union and/or other jurisdictions' sanctions laws and regulations, we may become subject to the applicable penalties or sanctions pursuant to such laws or regulations. There is no assurance that investors who are subject to the jurisdictions of the United States, the European Union and/or other jurisdictions will be willing to make investments, or may divest their investment, in us, which may have an adverse impact on the Global Offering and the future prevailing market price of our H Shares. Furthermore, we also undertake to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctions Targets, and will provide timely update as to our exposure to risks related to Sanction Targets in our annual and interim reports. If we breach these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our H Shares. In addition, in the event that any of our major suppliers, including Heraeus, or any of our customers becomes subject to economic sanctions in the future, it may become inadvisable for us to continue to do business with such supplier or customer due to potential economic sanctions liability risk associated with any continuing business relationship with such supplier or customer. As such, our business operation may be significantly interrupted and our financial results may be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

If any uncertainties or adverse changes in government investments, initiatives and policies affect the telecommunications industry in China, preventing it from sustaining its current pace of growth, our growth, profitability and future prospects could be materially and adversely affected.

We derive a substantial portion of our turnover by providing optical fibre preforms, optical fibres, optical fibre cables and related products and services used in a variety of applications in the telecommunications industry, a variety of which are customized for the specific need of our customers. During the Track Record Period, a substantial majority of the turnover was generated, directly or indirectly, from end customers that are domestic telecommunications service providers. The continued growth of the telecommunications industry in the PRC is essential to our business growth prospects and future success.

We believe government investments, initiatives, incentives and other favorable policies have been one of the major growth drivers for the telecommunications industry in the PRC. There can be no assurance, however, that government support will continue at the same present level or at all. Any decrease or delay of government investments or incentives currently available to industry participants may result in reduction of demand from our current and new customers or increasing operating costs incurred by our current customers, which in turn, will materially and adversely affect our business and results of operations. Although the industry in which we operate in China has experienced significant expansion in recent years in line with the growth of the telecommunications industry, we cannot assure you that such growth will be sustained in the future. If the growth of the telecommunications industry in China slows down or continues at a rate lower than we anticipate, or if local or central governments' policies and regulations are perceived to discourage the development of or investment in the telecommunications industry, the market demand for our products may decrease, and our profitability and future prospects could be materially and adversely affected.

The industry we operate in and the telecommunications industry we serve are subject to extensive and evolving laws and regulations, failure to comply with which could subject us to severe penalties.

The industry in which we operate and the telecommunications industry that we serve are required to comply with extensive PRC laws and regulations on matters such as regulations on the telecommunications industry, product quality and intellectual properties. For example, our products are subject to product certification by a qualified third party under the existing rules. Please see "Regulatory Overview — Industry Regulations — Notice Concerning the Implementation of Product Certification on Optical Cable and Telecommunications Equipment." If we fail to obtain or renew such product certification on a timely basis, the sales of our products will be suspended and we may face fines or other severe penalties. In addition, the Chinese government exercises considerable control over the structure and overall development of the telecommunications equipment industry in China. It also owns a substantial percentage of all major telecommunications network operators in China. The MIIT is the primary central government agency responsible for regulating the telecommunications equipment industry in China and has broad discretion and authority. The MIIT has adopted, and may adopt in the future, regulations that impose stringent standards on the telecommunications equipment industry in China, with which we must comply. In order to comply with new regulations or revisions of previously implemented regulations, we may be required to change our business plan, increase our costs or limit our ability to sell our products and solutions. If we are not able to comply with these regulations, we would be subject to various penalties, including fines and suspension or discontinuation of our operations. Therefore, adoption of new laws or regulations by the Chinese government or a change in or revision of the interpretation of existing laws or regulations may also negatively affect our business prospects.

We operate in a highly competitive environment.

We operate in a highly competitive environment, and our outlook depends on our market position based on our ability to compete with other optical fibre technology product companies in the marketplace. We compete on the basis of various factors, including product variety, product performance, customer service, quality, price, new product innovation, timely delivery, global presence and brand recognition. Our market share could be reduced due to aggressive pricing or product strategies pursued by competitors, unanticipated product or manufacturing difficulties, our failure to price our products competitively, our failure to produce our products at a competitive cost or unexpected, emerging technologies or products. We expect that we will face continuous competition from existing domestic and international competitors and new entrants. There can be no assurance that our products will be able to compete successfully, in which case our business, financial condition and results of operations may be materially adversely affected.

In addition, in early 2014, the PRC government has launched an anti-dumping investigation on optical fibre preform products imported from Japan and the United States, examining the prices of such imported products and the relevant damages caused to domestic optical fibre preform manufacturers. The results of the investigation are currently uncertain and will not be available at least until 2015. The result of such investigation may have a material adverse impact on our business and financial condition as to the price of optical fibre preforms and the amount of such preforms that we can purchase from overseas and the quality of such imported optical fibre preforms. During the Track Record Period, we purchased optical fibre preforms from Shin-Etsu Chemical Co., Ltd., a Japan-based global leading supplier of optical fibre preform and silicon products, in the amount of RMB318.3 million, RMB326.7 million, RMB453.1 million and RMB241.3 million in 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. We did not make purchase of optical fibre preforms from other suppliers in Japan or from the United States during the Track Record Period. If anti-dumping duties are imposed against foreign optical fibre preform manufacturers, price of imported optical fibre preforms will increase which may increase our cost for optical fibre preforms that we currently purchase from such manufacturer located in Japan. The volume of imported optical fibre preforms from affected countries may also decrease, which may limit the volume of optical fibre preforms with certain specifications that we may import into China. Such limitation may affect the specifications of the optical fibres and optical fibre cables that we can produce. On the other hand, if the investigation turns out to be favorable to optical fibre preform manufacturers from Japan and the United States, competition for the sale of optical fibre performs in China may intensify, which may adversely affect the sale of our optical fibre preforms to third parties.

We face pricing pressures that could adversely affect our financial performance.

We face pricing pressure in each of our product types as a result of intense competition, strong market position and bargaining power of certain customers, emerging technologies, or over-capacity in the PRC. While we work consistently toward reducing our costs to offset pricing pressures, we may not be able to achieve proportionate reductions in costs or sustain our current rate of cost reduction. We may consider changing our pricing policies in response to the intensified competition but we may still not be successful in retaining our customers and market positions. Any broad-based change as to our prices and pricing policies may reduce our profitability. Furthermore, under the centralized procurement policies implemented by the three major state-owned telecommunications network operators in China, the prices for each type of products to be sold, the relevant raw material prices for such products and the suppliers for such raw materials are fixed in the tender, which also limit our ability to price our products. We anticipate pricing pressures will continue in the future for all of our products.

Emerging technologies that provide superior performance than optical fibres and cables may be developed and become widespread in the future, which will have a material adverse effect on our business, future prospects, financial condition and results of operations.

Although optical fibres and cables are currently the most widely used means to transmit data in the telecommunications industry in the world and serves as the primary backbone to global communication infrastructure, other emerging technologies may be developed in the future that provide better performance than optical fibre technology. An increase in adoption of any of these emerging technologies could result in a decline in demand for our products and a resulting decrease in our turnover. We may aim to adopt such emerging technologies in the future, however, our efforts may not be successful and we may incur significant resources as a result, which will have a material adverse effect on our business, future prospects, financial condition and results of operations.

RISKS RELATING TO THE PRC

PRC economic, political, social conditions as well as government policies could adversely affect our business, prospects, financial condition and financial results.

We primarily conduct our business operations in the PRC. The PRC economy differs from the economies of most of the developed countries in many aspects, including:

- political structure;
- level of the PRC government involvement and control;

- growth rate and level of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. We cannot predict whether changes in the PRC's economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition.

Changes in foreign exchange regulations and future movements in the exchange rate of the Renminbi may adversely affect our financial condition and results of operations and our ability to pay dividends.

Current foreign exchange regulations have reduced the PRC government's foreign exchange control on routine transactions under the current account, including trade and service-related foreign exchange transactions and payment of dividends. Under the existing foreign exchange regulations in the PRC, following completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, foreign currency transactions under our capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to significant foreign exchange controls and require the approval of the SAFE. These limitations could affect our ability to obtain foreign exchange through debt or equity financing, or to obtain foreign exchange for capital expenditures.

We receive a certain amount of turnover in foreign currencies in relation to our international sales. We also purchase raw materials and equipment from overseas suppliers in foreign currencies. During the Track Record Period, we had bank borrowings denominated in Renminbi and foreign currencies and as of June 30, 2014, almost all of our outstanding bank borrowings were denominated in U.S. dollars due to our significant amount of purchases of raw materials and equipment from overseas suppliers. As a result, our net profit margin and other financial condition and results of operations are exposed to fluctuation in exchange rates of the Renminbi against these foreign currencies. The value of the Renminbi may fluctuate due to a number of factors. In 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the current policy, the Renminbi is pegged against a basket of currencies, determined by the People's Bank of China. There has been significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further appreciation of the Renminbi against the U.S. dollar or other foreign currency. However, we cannot predict if or when any further reforms of China's exchange rate system will occur. Fluctuation of the Renminbi value will affect the amount of our non-Renminbi debt service, if any, in Renminbi terms since we will have to convert Renminbi into non-Renminbi currencies to service our foreign debt, if any. Since our income and profits are denominated in Renminbi, any appreciation of Renminbi will also increase the value of, and any dividends payable on, our H Shares in foreign currency terms. Conversely, any depreciation of Renminbi, which has occurred from time to time, will decrease the value of, and any dividends payable on, our H Shares in foreign currency terms. There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

Legal protections available to you under the PRC legal system may be limited

We are organized under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be quoted for reference but have limited precedential value. Since 1979, the PRC government has promulgated laws and regulations dealing with such economic matters as securities, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as these laws and regulations are relatively new and evolving, the effect of these laws and regulations on the rights and obligations of the parties involved may involve uncertainty. As a result, the legal protections available to you under the PRC legal system may be limited.

Our Articles of Association provide that, except for the disputes arising out of the identification of Shareholders or the registry of Shareholders, disputes between holders of our H Shares and us, our Directors, Supervisors or executive officers or other Shareholders arising out of our Articles of Association or any rights or obligations conferred or imposed thereupon by the PRC Company Law and related rules and regulations concerning our affairs are to be resolved through arbitration by either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Center, rather than by a court of law. Awards made by Chinese arbitral authorities recognized under the Hong Kong Arbitration Ordinance, including the CIETAC, can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in China, subject to the satisfaction of certain PRC legal requirements. However, to our knowledge, no action has been brought in the PRC by any Shareholder to enforce an arbitral award, and we cannot assure you that any action brought in the PRC by any Shareholder to enforce a Hong Kong arbitral award made in favor of holders of the H Shares would succeed.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management

We are a company incorporated under the laws of the PRC and all of our business, assets and operations are located in China. In addition, a majority of our Directors, Supervisors and executive officers reside in China, and substantially all of the assets of such Directors, Supervisors and executive officers are located in China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon us or such Directors, Supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. While China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) in 2006, there are still uncertainties as to whether the judgments in Hong Kong will be recognized under the arrangement. Moreover, China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. As a result, recognition and enforcement in China or Hong Kong of a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

Although we will be subject to the Listing Rules and the Takeovers Code upon the listing of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Takeovers Code do not have the force of law in Hong Kong.

You may be subject to PRC taxation

Under applicable PRC tax laws, dividends paid by us to non-PRC resident individual holders of H Shares and gains realized by non-PRC resident individual holders of H Shares upon sale or other disposition of H Shares are both subject to PRC individual income tax. However, we understand that in practice to date the PRC tax authorities have not sought to collect from non-PRC resident individuals either the tax on gains realized upon sale or other dispositions of H Shares, or any excess of the tax on dividends paid by a PRC company over the amount that was withheld at source. The rate for tax on dividends is between 5% and 20% depending on the applicable tax treaties or arrangements between the PRC and the specific jurisdiction in which such non-PRC resident individual holder of H Shares resides or 20% if there is no such treaty or arrangement. In accordance with the Notice of the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Shareholders which are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Administration of Taxation of the PRC and effective from November 6, 2008, dividends paid to, and gains realized by, non-PRC resident enterprise holders of H Shares are both subject to PRC enterprise income tax at a rate of 10%. Absent any further guidance from the PRC tax authorities, we intend to withhold 10% from any dividend payment made through CCASS without seeking prior consent from the PRC tax authorities. There are significant uncertainties as to the interpretation and application of applicable PRC tax laws due to several factors, including the relatively short history of certain of such laws. These uncertainties include, whether non-PRC resident individual holders of H Shares will be subject to PRC individual income tax at a flat rate of 20% even where payments are made through an organization such as CCASS (and if so, whether and how the excess of PRC individual income tax on the dividends paid by us to non-PRC resident individual holders of H Shares over any amount withheld by us will be collected by the PRC tax authorities in the future), and whether and how income tax on gains realized by non-PRC resident persons upon the sale or other disposition of H Shares will be collected by the PRC tax authorities in the future. If there is any change to applicable PRC tax laws and interpretations or applications in respect of such laws, holders of H Shares may be required to pay PRC income tax (in the case of individuals, at a rate of up to 20%) on the dividends paid by us and gains realized upon sale or other disposition of H Shares which have not historically been collected by the PRC tax authorities in practice.

Preferential tax treatments currently available to us in the PRC could be discontinued or reduced

The PRC government identified eight new technology sectors that are eligible for government support in the Measures for the Administration of Designation of High and New Technology Enterprises (《高新技術企業認定管理辦法》) (the "**Measures**") in April 2008. In accordance with the Measures, we received the High and New Technology Enterprises Certificate (the "**Technology Tax Certificate**") on October 13, 2011. Under these certificates, we were recognized as a high and new technology enterprise and were entitled to an enterprise income tax rate of 15% for the three years starting from 2008. We successfully renewed the qualification in 2011 for another three years. See "Financial Information — Description of Major Components of Our Results of Operations — Income Tax Expenses." However, we cannot assure you that we will be able to continue to enjoy any further preferential tax treatments after the respective expiration dates, or that we will be able to pass the required annual assessment to qualify for preferential tax treatments.

Payment of dividends is subject to restrictions under PRC laws

Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under the IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under the IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some cities in China may be under the threat of flood, earthquake, rainstorm or drought. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS, H5N1 avian flu, H1N1 influenza or an outbreak of any other epidemics in China, including the spread of H7N9 avian influenza virus, especially in the cities in which we or our customers operate, may result in material disruptions to production activities and our sales and marketing efforts, which in turn may adversely affect our financial condition and results of operations.

Any possible conversion of our Domestic Shares into H Shares in the future could increase the number of our H Shares in the market and negatively impact the market price of our H Shares

Subject to the approval of the CSRC, all of our Domestic Shares may be converted into H Shares in the future, and such converted shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, any requisite internal approval by our Shareholders in a general meeting is duly obtained and the approvals from relevant PRC regulatory authorities are obtained. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of listing of the public offering. Therefore, upon obtaining the requisite approval, our Domestic Shares may be traded, after the conversion, in the form of H Shares on the Hong Kong Stock Exchange one year after this Global Offering, which at that time could further increase the number of our H Shares available in the market and negatively impact the market price of our H Shares.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for our H Shares may not develop, and their trading prices may fluctuate significantly

Prior to the Global Offering, no public market for our Shares has existed. We cannot assure you that a liquid public market for our H Shares will develop or be sustained after the Global Offering. In addition, the offer price of our H Shares is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us, and may not be indicative of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop after the Global Offering, the market price and liquidity of our H Shares may be adversely affected.

Future sales or perceived sales of a substantial number of our H Shares in public markets, including any future sale of our H Shares by our Controlling Shareholders or the conversion of Shares held on our domestic Share register into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and dilute our Shareholders' H Share holdings

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our H Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us. In addition, our Shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to our existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the H Shares.

Further, according to the approval of the State Council securities regulatory authority, our domestic Shares may be converted into H Shares, and such converted shares may be listed or traded on an overseas stock exchange, provided certain conditions are met and certain procedures are completed. See "Share Capital — Conversion of Domestic Shares." Conversion of a substantial number of our domestic Shares to H Shares, or the perception that such conversion may occur, could adversely affect the price of our H Shares.

You will incur immediate dilution because the Offer Price of the H Shares is higher than the net tangible asset value per Share

The initial public offering price of our H Shares is higher than our net tangible asset value per Share of the outstanding Shares issued to our existing Shareholders. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in the pro forma net tangible asset value. However, our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their Shares. In addition, holders of our H Shares may experience a further dilution of their interest if the Underwriters exercise the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

There will be a time gap of several business days between pricing and trading of our H Shares offered in the Global Offering; holders of our H Shares are subject to the risk that the trading prices of our H Shares could fall during the period before trading of our H Shares begins

The range of initial price to the public of our H Shares was determined on the date of this prospectus. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Hong Kong business days after the pricing date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Future sale or major divestment of Shares by any of our Controlling Shareholders could materially and adversely affect the prevailing market price of our Shares

The future sale of a significant number of our H Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders could materially and adversely affect the market price of our H Shares and could materially impair our future ability to raise capital through offerings of our H Shares. Although our Controlling Shareholders are subject to a statutory lock-up on their H Shares as required by applicable PRC laws and regulations, any major disposal of our H Shares by any of our Controlling Shareholders upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our H Share to fall which could negatively impact our ability to raise equity capital in the future.

The proper use of certain proceeds of the Global Offering is subject to future governmental approvals or permits and any delay or failure in obtaining such requisite approvals or permits may have a material and adverse impact on our business, financial condition and results of operations

We expect to use a portion of the proceeds obtained from this Global Offering for constructing the phase I project of our YOFC Science & Technology Park in Wuhan, primarily in order to expand our production capacity. See "Future Plans and Use of Proceeds." This project has obtained various approvals from the relevant authorities, including the approvals for project proposal and environment assessment and the land use planning permit. However, as of the Latest Practicable Date, we had not obtained the land use right certificate for the parcel of land in connection with the YOFC Science & Technology Park, which will not be issued until the land premium is paid in full. In addition, we are currently in the process of obtaining other requisite approvals and permits for this project, including the project planning permit and the project construction permit.

We have made a commitment to the relevant authority that we have asked the responsible departments to postpone the construction work of the project immediately and would not resume until the requisite approvals and permits are obtained. We also urged the relevant departments to actively report the progress to senior management and to complete the applications for the outstanding project planning permit, project construction permit and other requisite approvals and permits.

If there is any unexpected delay or failure in obtaining the above mentioned land use right certificate, the project planning permit and the project construction permit or any other approvals or permits, we will not be able to properly use a portion of the proceeds from this Global Offering to complete and operate the YOFC Science & Technology Park as we have currently planned and our business, financial condition and results of operations may be materially adversely affected.

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our public shareholders' best interests

Immediately following the Global Offering, our Controlling Shareholders will beneficially own 56.24% of our Company's outstanding shares on a fully-diluted basis, or approximately 54.21% if the Over-allotment Option is exercised in full. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, such other Shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of our other Shareholders. As such, our Controlling Shareholders' interests may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, which may have a material and adverse effect on our Company's business operations and the price at which our H Shares are traded on the Stock Exchange.

Dividends declared in the past may not be indicative of our dividend policy in the future

In 2011, 2012 and 2013, we declared dividends of RMB253.0 million, RMB152.9 million and RMB662.7 million, respectively, to our Shareholders. Dividends declared in 2013 include a special dividend of RMB500.0 million to shareholders, which will be paid either (i) during the period between the date on which the application for the listing of H Shares has passed the hearing of the Listing Committee of the Hong Kong Stock Exchange and the date of the actual listing of the H Shares on the Main Board of the Hong Kong Stock Exchange, or, if earlier, (ii) when so required by any competent authority. The special dividends have not been paid.

A declaration of dividends is proposed by our Board of Directors and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Board of Directors may determine are important from time to time. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined. We cannot guarantee if and when we will declare and pay dividends in the future. For further details on our dividend policy, please see "Financial Information — Dividend Policy."

Certain statistics contained in this prospectus are derived from a third party report and publicly available official sources

This prospectus, particularly the section headed "Industry Overview" in this prospectus, contains information and statistics, including but not limited to information and statistics relating to the PRC and to the telecommunications and optical fibre preform, optical fibre and optical fibre cable industry and markets. Such information and statistics have been derived from various official government and other publications and from a third party report commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint

Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other jurisdictions. Therefore, you should not unduly rely upon the industry facts and statistics contained in this prospectus.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “going forward”, “intend”, “plan”, “project”, “seek”, “expect”, “may”, “ought to”, “should”, “would” or “will” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by the Stock Exchange in its discretion.

Since substantially all of our Company's business operations and management are located in the PRC, there is no business need to appoint executive Directors based in Hong Kong. As none of our executive Directors or senior management currently resides in Hong Kong, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rule 8.12 and Rule 19A.15 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules. The two authorized representatives are Mr. Wen Huiguo (文會國), our Chairman of the Board and Executive Director and Ms. Cheng Pik Yuk (鄭碧玉). The authorized representatives will act as the principal channel of communication between the Stock Exchange and our Company. The authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;

(b) each of the authorized representatives has means to contact all Directors (including the non-executive Directors and the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby:

    (i) each Director will provide his or her mobile phone number, office phone number, residential phone number, email address and facsimile number to the authorized representatives;

    (ii) each Director will provide his or her phone numbers or means of communication to the authorized representatives when he or she is travelling; and

    (iii) each Director will provide his or her mobile phone number, office phone number, email address and facsimile number to the Stock Exchange;

(c) in compliance with Rule 3A.19 of the Listing Rules, we have retained Messis Capital Limited, to act as our compliance advisor, and who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date that our Company publishes our financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Listing Rules;

(d) any meetings between the Stock Exchange and our Directors may be arranged through the authorized representatives within a reasonable time frame;

(e) our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives and the compliance advisor; and

(f) all Directors who are not Hong Kong residents have confirmed that they possess valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and, when required, meet with the Stock Exchange upon reasonable notice.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute partially-exempt or non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see the section headed "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving our information to the public with regard to the Group. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC APPROVAL

The CSRC issued an approval letter on October 23, 2014 for the conversion of our foreign-invested shares into H Shares and for the submission of the application to list our H Shares on the Hong Kong Stock Exchange. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 15,987,000 Offer Shares and the International Offering of initially 143,883,000 Offer Shares (subject, in each case, to reallocation on the basis as set out in "Structure of the Global Offering").

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Global Coordinators, on behalf of the Underwriters, and us. The International Offering is managed by the Joint Global Coordinators and is expected to be underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about December 3, 2014, subject to agreement on the Offer Price between the Company and the Joint Global Coordinators, on behalf of the Underwriters. If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators, on behalf of the Underwriters on or before December 7, 2014, or such later date or time as may be agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, the Global Offering will not proceed. Further details of the Underwriters and the underwriting arrangements are set out in "Underwriting."

The H Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering," and the procedures for applying for our H Shares are set out in "How to Apply for the Hong Kong Offer Shares" and in the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on or around Wednesday, December 3, 2014, and in any event no later than Sunday, December 7, 2014.

If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price on or before Sunday, December 7, 2014 or such later date or time as may be agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF H SHARES

Each person acquiring the H Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the H Shares to, confirm that he is aware of the restrictions on offers and sales of the H Shares described in this prospectus.

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, H Shares was not under public offering or sale, directly or indirectly, in China or the U.S.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares, including any H Shares which may be issued by us pursuant to the Global Offering and upon the exercise of the Over-allotment Option and H Shares to be converted from our foreign-invested shares. Our Domestic Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized approval authorities of the State Council.

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on Wednesday, December 10, 2014. Save as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Hong Kong Stock Exchange.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(iii) agrees with us and each our Shareholders that our H Shares are freely transferable by the H Shares holders thereof; and

(iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the H Shares or exercising any rights attached to them.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in "Structure of the Global Offering."

H SHARE REGISTER AND STAMP DUTY

All the H Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Company's H Share register of members maintained in Hong Kong. We will maintain the Company's principal register of members at our current registered office in China.

Dealings in the H Shares registered on the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders listed on the H Share register of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of the Company.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi and Hong Kong dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise, the translations between Renminbi and Hong Kong dollars and between U.S. dollars and Hong Kong dollars were made at the rates of RMB0.7938 to HK$1.00 and US$1.00 to HK$7.7540, being the exchange rate set by PBOC on June 30, 2014 and the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Board of the United States on November 14, 2014. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. However, the English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included for identification purposes only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
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Jiang Zhikang (江志康)	Room 602, Unit 1, Block C, Xianggeli Jiayuan, No. 1 Stadium Road Wuchang District Wuhan, Hubei Province PRC	Chinese
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For further information, see section headed "Directors, Supervisors, Senior Management and Employees" in this prospectus.

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Head office in the PRC	No. 9 Guanggu Avenue East Lake High-tech Development Zone Wuhan, Hubei Province PRC
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Company Secretary	Cheng Pik Yuk (鄭碧玉) *(HKICS)* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
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China Development Bank
Hubei Branch
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Wuhan, Hubei Province
PRC

This section and elsewhere in the prospectus contains information extracted from a report commissioned by us (the "Freedonia Report") dated November 12, 2014 and independently prepared by Freedonia Custom Research, Inc. ("Freedonia") for purposes of this prospectus. We believe that the sources of the information in this "Industry Overview" section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or their respective directors or advisors or any other party involved in the Global Offering and no representation is given as to its accuracy or completeness. Such information should not be unduly relied upon. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information that would qualify, contradict or have a material impact on such information since the date of the Freedonia Report.

SOURCE OF INFORMATION

We commissioned Freedonia, an independent market research consulting firm, to conduct an analysis of the global and PRC optical fibre preform, optical fibre, optical fibre cable market and industry. Freedonia was established in 1985 and provides industry analysis and research services, which include product and market forecasts, industry trends, threats and opportunities, competitive strategies, market share determinations and company profiles. Certain information set forth in this section has been extracted from the Freedonia Report. We paid a total amount of US$81,000 to Freedonia for the research for, and preparation of, the Freedonia Report. The payment was not conditional on the success of the Global Offering or on the research findings of the Freedonia Report.

The Freedonia Report represents data, research opinion or viewpoints developed independently on our behalf and does not constitute a specific guide to action. In preparing the Freedonia Report, Freedonia used various sources, including publically available third-party financial statements, government statistical reports, press releases, industry magazines, and interviews with suppliers of related products (including us), manufacturers of competitive products, distributors of related products, and government and trade associations. Freedonia's independent research was undertaken through both primary and secondary research. The primary research involved in-depth interviews with various industry constituents. The secondary research involved research and comparison of public information. The Freedonia Report speaks as of its final publication date (and not as of the date of this prospectus), and the opinions and forecasts expressed in the Freedonia Report are subject to change without notice. The industry trends and forecasts discussed in the Freedonia Report were based on general guidelines, including: (i) preliminary estimates based on historical data collected from government and industry sources; (ii) market size assessments based on values published by Freedonia Custom Research Inc. based on its earlier researches; (iii) the historical relationship between the market segments and an indicator of demand that is extrapolated into future years, excluding the effects of exchange rate fluctuations; (iv) the estimated relationship that is also adjusted to take into account the likely impact of regulations and other influencing factors and (v) demand forecast that is based on factors including historical market trends, the expectations of interviewed market participants and reports published by other organizations.

GLOBAL OPTICAL FIBRE PREFORM, OPTICAL FIBRE AND OPTICAL FIBRE CABLE MARKET

Overview

The optical fibre preform, optical fibre and optical fibre cable industries are primarily affected by investment in the construction of optical fibre communications networks by communications network operators, such as the telecommunications network operators, the radio and television service providers, and the myriad of other owners of such networks. In addition, government investments and subsidies in telecommunications infrastructure have also provided additional support for demand of optical fibre and cable products.

In the last few years, the strong demand for broadband Internet and faster wireless services have led to robust growth of demand for optical fibre products. Global demand for optical fibre preforms, optical fibres and optical fibre cables experienced a CAGR of 12.9%, 13.1% and 12.7%, respectively, from 2009 to 2013, according to the Freedonia Report. The expected ongoing strong increase in Internet users worldwide, and the expected fast growth of mobile subscribers are expected to lead to further growth in capital expenditure in the telecommunications industry, leading to continued demand for optical fibre products. However, such demand is expected to grow at a more moderate pace in the future as compared to historical growth rate. Global demand for optical fibre preforms, optical fibres and optical fibre cables are expected to grow at a CAGR of 5.2%, 5.3% and 5.4%, respectively, from 2013 to 2018, according to the Freedonia Report.

The below table sets forth the historical and expected demand for optical fibre preform, optical fibre and optical fibre cable globally and in China for the periods indicated.

	2009	2010	2011	2012	2013	2014 (E)	2015 (E)	2016 (E)	2017 (E)	2018 (E)
Optical fibre preform:										
Global demand (metric tons)	5,550	5,850	7,000	8,150	9,000	9,500	9,950	10,450	11,100	11,600
China demand (metric tons)	2,120	2,750	3,105	3,945	4,700	3,800	4,090	4,550	5,100	5,350
China's % of global demand	38.2%	47.0%	44.4%	48.4%	52.2%	40.0%	41.1%	43.5%	45.9%	46.1%
Optical fibre:										
Global demand (million fkm)	165	175	210	245	270	285	300	315	335	350
China demand (million fkm)	86	96	105	138	132	138	142	150	160	168
China's % of global demand	52.1%	54.9%	50.0%	56.3%	48.9%	48.4%	47.3%	47.6%	47.8%	48.0%
Optical fibre cable:										
Global demand (million fkm)	155	165	195	230	250	265	280	295	310	325
China demand (million fkm)	75	82	87	116	111	113	116	122	130	136
China's % of global demand	48.4%	49.7%	44.6%	50.4%	44.4%	42.6%	41.4%	41.4%	41.9%	41.8%

Source: The Freedonia Report

Global Competitive Landscape

The global optical fibre preform industry is heavily concentrated, with the top eight suppliers accounting for 85% of the market share. On the other hand, the optical fibre and optical fibre cable industries are much more fragmented, where there are hundreds of suppliers. We were the No. 1 optical fibre preform supplier and the No. 2 optical fibre and optical fibre cable supplier in the world based on volume in 2013.

The below set forth the leading suppliers globally for optical fibre preforms in 2013 based on volume, which for each supplier includes optical fibre preforms produced and used or sold by such supplier and optical fibre preforms purchased and on-sold by such supplier.

Company	% of Market Share
Yangtze Optical Fibre and Cable Company Ltd. (1)	19%
Corning Inc.	17%
Prysmian S.p.A. (1)	11%
Shin-Etsu Chemical Co., Ltd. (1)	10%
Furukawa Electric Co., Ltd.	9%
Sumitomo Electric Industries	7%
Hengtong Optic-electric Co., Ltd.	6%
Fujikura Ltd.	6%
Others	16%

Source: The Freedonia Report

(1) Currently known as Yangtze Optical Fibre and Cable Joint Stock Limited Company. Our percentage of market share takes into account optical fibre preforms produced by Draka, one of our Controlling Shareholders and a subsidiary of Prysmian S.p.A., and Shin-Etsu Chemical, an independent third party, that we purchased and subsequently sold by us .

The below set forth leading suppliers globally for optical fibres in 2013 based on volume, which for each supplier includes optical fibres produced and used or sold by such supplier and optical fibres purchased and on-sold by such supplier.

Company	% of Market Share
Corning Inc.	16%
Yangtze Optical Fibre and Cable Company Ltd. (1)	13%
Prysmian S.p.A. (1)	12%
Furukawa Electric Co., Ltd.	9%
Sumitomo Electric Industries	7%
Hengtong Optic-electric Co., Ltd.	7%
Fujikura Ltd.	6%
Others	31%

Source: The Freedonia Report

(1) Currently known as Yangtze Optical Fibre and Cable Joint Stock Limited Company. All of the optical fibres produced and sold by us are included in our percentage of market share, while the market share for Prysmian S.p.A., the ultimate parent company of one of our Controlling Shareholders, does not include any such optical fibres produced and sold by us merely pursuant to Prysmian S.p.A.'s indirect share ownership in our Company.

The below set forth leading suppliers globally for optical fibre cables in 2013 based on sales volume, which for each supplier includes optical fibre cables produced and sold by such supplier and optical fibre cables purchased and on-sold by such supplier.

Company	% of Market Share
Prysmian S.p.A.	9%
Yangtze Optical Fibre and Cable Company Ltd. [(1)]	8%
Corning Inc.	7%
Hengtong Optic-electric Co., Ltd.	7%
Futong Group	6%
Furukawa Electric Co., Ltd.	6%
Others	57%

Source: The Freedonia Report

(1) Currently known as Yangtze Optical Fibre and Cable Joint Stock Limited Company. All of the optical fibre cables produced and sold by us are included in our percentage of market share, while the market share for Prysmian S.p.A., the ultimate parent company of one of our Controlling Shareholders, does not include any such optical fibre cables produced and sold by us merely pursuant to Prysmian S.p.A.'s indirect share ownership in our Company. Optical fibre cables sold by us, including those produced by YOFC Shanghai and YOFC Sichuan, are also reflected in our market share.

CHINA TELECOMMUNICATIONS INDUSTRY AND OPTICAL FIBRE PREFORM, OPTICAL FIBRE AND OPTICAL FIBRE CABLE MARKET

China Telecommunications Industry

Key Market Drivers

According to the Freedonia Report, China has one of the world's fastest growing telecommunication markets and operates the world's largest fixed and wireless telecommunications networks. China also boasts the world's biggest Internet population and mobile subscriber base, although its broadband penetration and average connection speed currently still lag behind developed nations, according to the Freedonia Report. China is also characterized by a large proportion of Internet users who rely on mobile devices, especially smart phones. As such, China plays a significant role in the increasing global demand for optical fibre preforms, optical fibres and optical fibre cables.

The number of Internet users in China is expected to increase at a CAGR of 4.4% and mobile phone subscriptions is expected to increase at a CAGR of 7.3% from 2013 to 2018, according to the Freedonia Report. Accompanying the growth in Internet users and mobile phone subscribers, investments in the telecommunications industry will also see double-digit CAGR of 10.1% from 2013 to 2018 according to the Freedonia Report, which represent a notable rebound from the slight decrease seen from the 2009 to 2013 period, boding well for optical fibre and cable product demand.

The below table sets forth historical and expected data as to China's telecommunications industry for the periods indicated.

	2009	2010	2011	2012	2013	2014 (E)	2015 (E)	2016 (E)	2017 (E)	2018 (E)
Internet users (million)	385	460	515	570	605	635	670	700	725	750
% of China population	28.9	34.5	38.3	42.2	44.6	46.7	48.9	50.9	52.5	54.2
Mobile phone subscription (million units)	745	860	985	1,110	1,230	1,360	1,475	1,575	1,655	1,745
% of China population	56.0	64.4	73.2	82.2	90.8	100.0	107.7	114.5	120.7	126.0
Telecom fixed assets investment (in RMB billions)	370	320	335	360	365	395	440	475	530	590

Source: The Freedonia Report

State-owned enterprises dominate China's telecommunications industry. As such, government initiatives and investments are key determinants of demand for optic fibre and cable products. As part of the "Broadband China" initiatives that initially announced in September 2012 with its implementation plan announced in August 2013 by the PRC State Council and the Twelfth Five-Year Plan of the Communication Industry covering 2011 to 2015 approved in 2011, the PRC government plans to invest RMB2 trillion to improve its broadband infrastructure by 2020, to accommodate the needs of a rapidly expanding industrial sector and provide a solid foundation for continued economic development. The multi-pronged "Broadband China" initiative implementation plan aims to, among others:

- achieve broadband speeds for all end-users in developed cities of 100 megabits per second, urban areas of more than 20 megabits per second and rural areas of 4 megabits per second by 2015, and further to achieve 1,000 megabits per second in developed cities, 50 megabits per second in urban areas and 12 megabits per second in rural areas by 2020;

- increase the penetration rate of 3G and LTE users from 25% in 2013 to 32.5% by 2015 and to 85% by 2020;

- increase the number of 3G and LTE subscriptions from 330 million in 2013 to 450 million by 2015 and to 1.2 billion by 2020;

- increase the number of fixed broadband subscriber base from 210 million in 2013 to 270 million by 2015 and to 400 million by 2020; and

- increase the household fixed broadband penetration rate from about 40% in 2013 to 50% by 2015 and to 70% by 2020.

In order to achieve these targets above, optical-fibre-to-the-home or -to-the-buildings will need to be completed in cities by 2015. Such initiatives would require investments in new broadband Internet and wireless networks and upgrade of existing telecommunications infrastructure, all of which will drive demand for optical fibre preforms, optical fibres and optical fibre cables.

Demand from Mobile Communication Network

Optical fibre and cable product demand from mobile communication network was historically driven by investment in 2G or 3G mobile communication networks. 3G mobile communication networks were first installed in China in 2009, and since the backbone of 2G mobile communication networks could not meet the requirements of high-speed signal transmission for 3G, new backbone networks needed to be built, which fueled the growth in demand for optical fibre cables in the last few years.

Certain major telecommunications network operators in China have recently determined to terminate the 2G network services and stop the construction of additional 2G network. The construction of new 3G mobile communication base stations and networks will continue to be a main driver for optical fibre products in China going forward.

The introduction of 4G mobile communication networks is replacing some of the existing investment in 3G mobile communication networks. On December 4, 2013, the MIIT officially issued 4G mobile network licenses to each of the three major mobile network operators in China. China Mobile, the largest network operator in China by subscribers, has announced a rapid rollout plan to build a total of 500,000 4G mobile network base stations by 2014, creating the largest 4G network globally. The new and rapid investment in 4G mobile communication networks will serve to further drive demand for optical fibre cables. In addition, with faster mobile Internet capabilities, demand for new applications, such as viewing high-definition videos over mobile Internet network, will likely increase as well. Such new applications are expected to further generate demand for optical fibre cables due to the need to increase overall network capacity. According to the Freedonia Report, mobile communication networks represent approximately 70% of the total demand for optical fibre cables in China. Most of the demand is expected to originate from construction of new backbone networks, and from replacing copper cables with optical fibre cables and upgrading existing optical networks to accommodate higher bandwidth in the core networks connecting the backbone networks to base stations.

Demand from Fixed-Line Internet Networks

The biggest demand from fixed-line Internet networks is currently coming from "last-mile" applications, the final leg of the telecommunications networks that deliver communications connectivity to end users. It is typically the speed bottleneck in communication networks, as the bandwidth limit in that "last-mile" limits the amount and speed of data that can be delivered to end users.

Historically, due to the costs involved, the "last-mile" network still primarily used copper wires as compared to optical fibres. An array of acronyms has been developed to illustrate the point at which the communication network converts from optical fibre to copper, often generically referred to as FTTX. The most common end points are FTTN, FTTB, FTTC, FTTH and FTTU. An FTTN network will typically bring optical fibre cabling to within 5,000 feet of the user, and the remote terminal (or network access point) at the end of the optical fibre line connects to copper lines for up to 500 individual subscribers. In an FTTC network, the optical fibre cabling terminates about 300 to 500 feet from the user, and each terminal connects to around 10 user lines. Both FTTB and FTTH systems have no copper wiring beyond the users' premises, while an FTTU network is completely comprised of optical fibre cablings.

The Broadband China initiatives aim to increase the use of optical fibre in the "last-mile" applications, specifically to increase FTTH coverage. Even in relatively developed areas, current penetration of FTTH is still quite low, and therefore the demand for optical fibre cables for FTTH is expected to be very high. FTTH also typically leads to increased demand for bandwidth in the core networks, necessitating upgrades of existing core networks and generating additional demand for optical fibre cables. According to the Freedonia Report, Internet networks represent approximately 30% of the total demand for optical fibre cables in China.

China's Optical Fibre Preform, Optical Fibre and Optical Fibre Cable Markets

The demand for optical fibre products in China are and will continue to be driven by the continued development of mobile communication networks, which allows for mobile Internet connectivity, and fixed-line Internet networks in China. Reduction in imports of optical fibre preforms and growth in exports of optical fibres and optical fibre cables will further drive sales gains for optical fibre preforms, optical fibres and optical fibre cables from domestic suppliers.

Historically, optical fibre preform was mostly produced in Japan, the United States and Europe, although China has increased its share of global production. However, going forward, according to the

Freedonia Report, it is expected that majority of investments in new optical fibre preform production capacity will occur in China. As a result, China's imports of optical fibre preforms are expected to decline over the next several years, with domestic producers meeting a larger portion of China's optical fibre preform demand. According to the Freedonia Report, production capacity in China for optical fibre preform has increased from 900 metric tons in 2009 to 4,000 metric tons in 2013. According to the Freedonia Report, it is also expected that production capacity in China for optical fibre preform will continue to increase, reaching 4,500 metric tons by 2015, which is expected to be sufficient to meet demand for optical fibre preform in China, further reducing the percentage of the demand satisfied by imports.

For optical fibres, production capacity in China experienced an increase from 78 million fkm to 206 million fkm during the 2009 to 2013 period. Prior to August 2012, due to shortage in optical fibre supply as a result of the Japan earthquake and tsunami in March 2011, the production capacity utilization rate for producers in China was high at approximately 90% according to the Freedonia Report. However, such utilization rate experienced a decrease towards the end of 2013 as production capacity increased at a faster rate than demand for optical fibres in China, reaching approximately 75% in 2013 according to the Freedonia Report. According to the Freedonia Report, it is expected that production capacity for optical fibres will continue to increase through 2014, with production capacity utilization rate reaching its lowest level at approximately 66%. After 2014, through expected industry consolidation and the shutdown of smaller optical fibre producers in China, production capacity utilization rate is expected to pick up again as overall production capacity is expected to remain relatively constant while demand grows, according to the Freedonia Report.

For optical fibre cables, production capacity in China has historically been higher than that of optical fibres. Such production capacity also experienced an increase during the 2009 to 2013 period, at a rate that was faster than demand growth, resulting in excess capacity. According to the Freedonia Report, production capacity utilization rate for optical fibre cables during the period was approximately 70%, except in 2012 when there was a sharp increase in demand. However, according to the Freedonia Report, it is expected that certain optical fibre cable producers will transfer certain capacity to the production of electric cables, resulting in lower optical fibre cable production capacity relative to production capacity for optical fibres, hence leading to potentially higher utilization rate. In addition, certain smaller optical fibre cable producers are expected to exit the industry according to the Freedonia Report, further contributing to the increase in production capacity utilization rate.

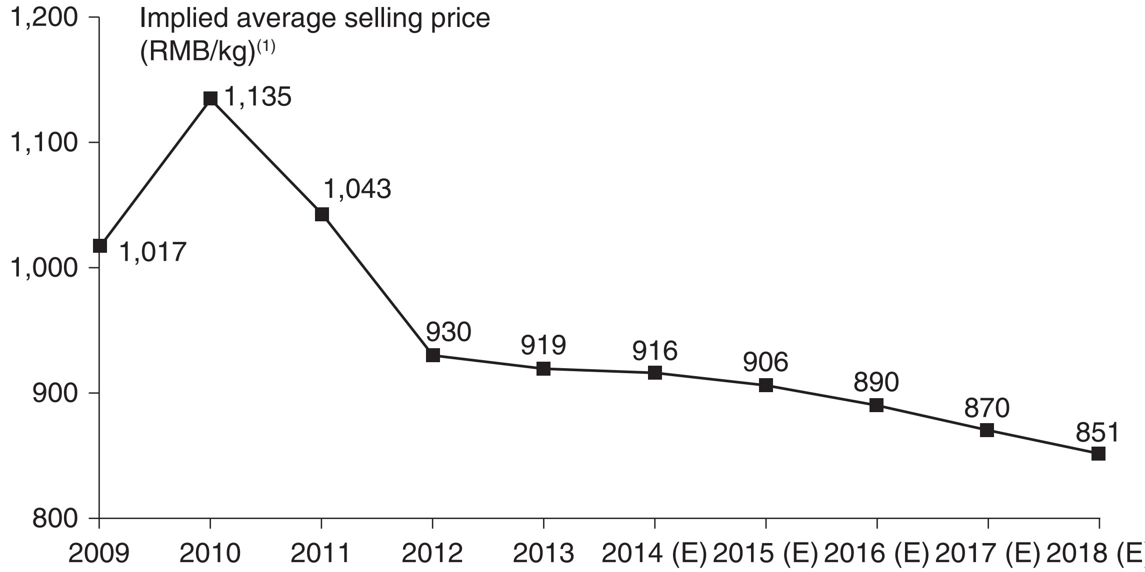
Optical Fibre Preforms

Based on the latest market information available to Freedonia, the below table sets forth the historical and expected volume demand, net import, volume shipped by domestic suppliers and shipment monetary value for the periods indicated.

	2009	2010	2011	2012	2013	2014 (E)	2015 (E)	2016 (E)	2017 (E)	2018 (E)
Optical fibre preform:										
Volume demand (metric tons)	2,120	2,750	3,105	3,945	4,700	3,800	4,090	4,550	5,105	5,350
Net import (metric tons)	1,535	1,750	1,825	1,885	2,050	990	1,220	1,410	1,455	1,350
Volume shipped by domestic suppliers (metric tons)	585	1,000	1,280	2,060	2,650	2,810	2,870	3,140	3,650	4,000
Shipment monetary value (in RMB millions)	595	1,135	1,335	1,915	2,435	2,575	2,600	2,795	3,175	3,405

Source: The Freedonia Report

Based on the latest market information available to Freedonia, the below chart sets forth the implied average selling price of optical fibre preforms shipped in China for the periods indicated.



Source: The Freedonia Report

(1) Includes value added tax.

According to the Freedonia Report, shipment of optical fibre preforms by China domestic suppliers in terms of volume has experienced strong growth from 2009 to 2013, with a CAGR of 45.9%. This is primarily driven by the increasing demand for optical fibre cables in China that led to strong demand for optical fibre preforms, which increased at a CAGR of 22.0% from 2009 to 2013, and also the increasing number of companies in China that has started to expand their capabilities and capacities to produce optical fibre preforms.

Historically, a significant amount of the optical fibre preform demand in China are satisfied by imported optical fibre preforms, with net import representing 72.4% of volume demand in 2009, according to the Freedonia Report. This is mainly due to technological barrier of producing optical fibre performs. However, as more companies started to develop the capabilities to produce optical fibre preforms, net import as a percentage of volume demand has decreased to 43.6% in 2013, according to the Freedonia Report.

According to the Freedonia Report, shipment of optical fibre preforms by China domestic suppliers is expected to increase at a CAGR of 8.6% from 2013 to 2018. Such increase will continue to be driven by increasing demand for optical fibres in China, which in turn leads to continued increase in demand for optical fibre preforms at an expected CAGR of 2.6% from 2013 to 2018. Demand for optical fibre preform in 2014 is expected to decrease from 2013 as a result of excess optical fibre inventory built up in 2013. However, growth in demand for optical fibre performs in China is expected to pick up after 2014, leading to a CAGR of 6.6% in terms of volume from 2014 to 2018, according to the Freedonia Report.

In addition to demand growth, the expected increase in shipment of optical fibre preforms is also expected to be driven by import substitution from Chinese optical fibre preform suppliers and the resulted decrease in expected net import of optical fibre preforms from overseas. According to the Freedonia Report, net import as a percentage of volume demand is expected to decrease further to from 43.6% in 2013 to 25.2% in 2018.

It is expected that majority of the optical fibre preform produced in China will be sold domestically, with only a small percentage of such products exported overseas. Optical fibre preform exported increased from 80 metric tons in 2009 to 135 metric tons in 2013 and is expected to increase to only 150 metric tons in 2018.

On the other hand, price for optical fibre preforms shipped by China domestic suppliers are expected to decrease from 2013 to 2018. This will be due in part to continued domestic production capacity expansion and the recent excess inventory of optical fibres, offset by expected strong shipment growth for optical fibre preforms, according to the Freedonia Report.

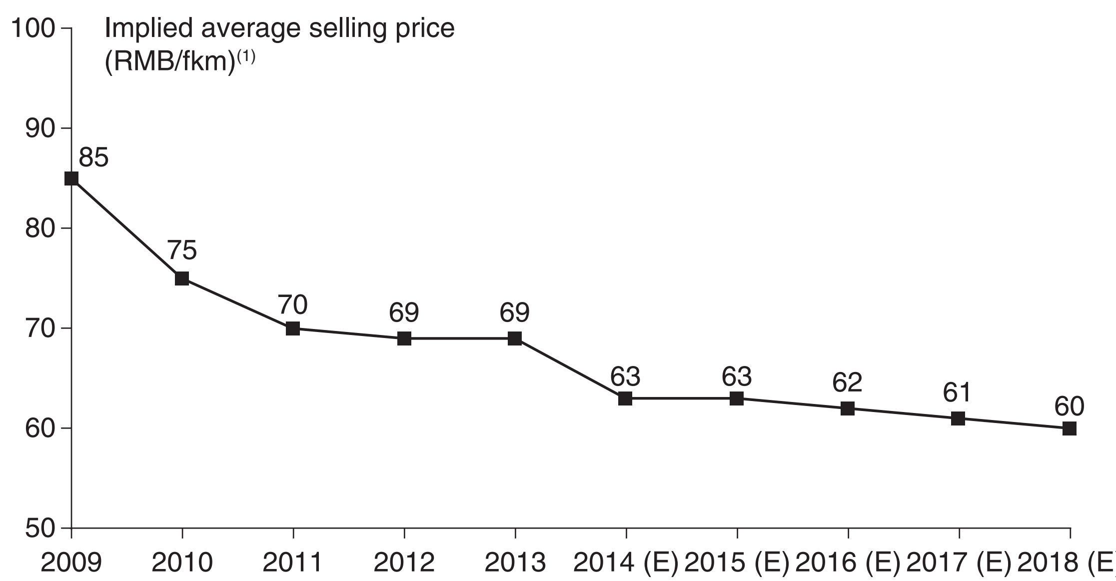
Optical Fibres

Based on the latest market information available to Freedonia, the below table sets forth the historical and expected volume demand, net import, volume shipped by domestic suppliers and shipment monetary value for the periods indicated.

	2009	2010	2011	2012	2013	2014 (E)	2015 (E)	2016 (E)	2017 (E)	2018 (E)
Optical fibre:										
Volume demand (million fkm)	86.0	96.0	105.0	138.0	132.0	137.5	141.5	149.5	160.0	168.0
Net import (export) (million fkm)	16.0	6.0	2.5	16.0	9.0	(9.5)	(6.0)	(7.0)	(7.5)	(8.5)
Volume shipped by domestic suppliers (million fkm)	70.0	90.0	102.5	122.0	123.0	147.0	147.5	156.5	167.5	176.5
Shipment monetary value (in RMB millions)	5,920	6,785	7,145	8,405	8,495	9,260	9,340	9,690	10,220	10,580

Source: The Freedonia Report

Based on the latest market information available to Freedonia, the below chart sets forth the implied average selling price of optical fibres shipped in China for the periods indicated.



Source: The Freedonia Report

(1) Includes value added tax.

According to the Freedonia Report, shipment of optical fibres by China domestic suppliers in terms of volume has experienced strong growth from 2009 to 2013, with a CAGR of 15.1%. This is primarily driven by the increasing demand for optical fibre cables in China that led to strong demand for optical fibres, which increased at a CAGR of 11.3% from 2009 to 2013, and also the number of companies in China that has started to expand their capacities to produce optical fibres domestically.

The net import of optical fibres into China has remained relatively stable in absolute terms during the period from 2009 to 2013, except for an increase in demand in 2009 due to strong demand from the growth of 3G mobile communication networks and FTTH network applications, and once again in 2012 due to government initiatives. According to the Freedonia Report, net import represented 18.6% of total demand in China in 2009 but decreased to 6.8% of total demand in China in 2013 as overall production capacity in China for optical fibres increased from 2009 to 2013, substituting net import as a result.

According to the Freedonia Report, shipment of optical fibres by China domestic suppliers is expected to increase at a CAGR of 7.5% from 2013 to 2018. Such increase will continue to be driven by increasing demand for optical fibre cables in China leading to continued increase in volume demand for optical fibres, which is expected to increase at a CAGR of 4.9% from 2013 to 2018. Demand for optical fibres is expected to accelerate after 2015 and is expected to increase at a CAGR of 5.9% from 2015 to 2018, driven by government initiatives and strong growth of optical fibre cables usage for FTTH network applications.

Going forward, it is expected that import of optical fibres will decrease and their share of the market in China will decline as demand will be further met through domestic production rather than imported products. Companies in China are also expected to start further expanding the sale of its optical fibres overseas. According to the Freedonia Report, these factors combined are expected to result in a net export of optical fibres starting in 2014.

On the other hand, price for optical fibres shipped by China domestic suppliers has been decreasing from 2009 and is expected to further decrease during the period, from 2013 to 2018, due in part to over-supply of optical fibres, the adverse impact of which is expected to be partially offset by the increasing shipment for such products.

Optical Fibre Cables

The below table sets forth the historical and expected volume demand, net import, volume shipped by domestic suppliers, shipment monetary value and implied average selling price of optical fibre cables shipped in China for the periods indicated.

	2009	2010	2011	2012	2013	2014 (E)	2015 (E)	2016 (E)	2017 (E)	2018 (E)
Optical fibre cable:										
Volume demand (million fkm)	75.2	81.6	87.0	115.8	110.8	113.4	115.6	122.0	129.8	136.2
Net export (million fkm)	(8.5)	(9.5)	(13.1)	(14.3)	(15.4)	(16.6)	(18.5)	(19.7)	(21.6)	(22.7)
Volume shipped by domestic suppliers (million fkm)	83.7	91.1	100.0	130.1	126.1	130.0	134.1	141.7	151.4	158.9
Shipment monetary value (in RMB millions)	12,970	12,750	13,000	16,910	15,560	15,800	16,090	16,300	17,410	17,480
Implied average selling price of products shipped (RMB/fkm)(1)	155	140	130	130	123	122	120	115	115	110

Source: The Freedonia Report

(1) Includes value added tax.

According to the Freedonia Report, shipment of optical fibre cables by China domestic suppliers in terms of volume has experienced strong growth from 2009 to 2013, with a CAGR of 10.8%. This is primarily driven by the strong demand for optical fibre cables during the period, increased at a CAGR of 10.2% from 2009 to 2013, as a result of government initiatives.

According to the Freedonia Report, shipment of optical fibre cables by China domestic suppliers is expected to increase at a CAGR of 4.7% from 2013 to 2018. Such increase will continue to be driven by increasing demand for optical fibre cables in China, which is expected to increase at a CAGR of 4.2% from 2013 to 2018.

Unlike optical fibre preforms or optical fibres, demand for optical fibre cables in China are primarily satisfied domestically, with very little optical fibre cable imported relative to overall demand, and import as percentage of the overall volume demand is expected to continue to decrease in the future.

China Competitive Landscape

China's optical fibre preform industry is heavily concentrated, similar to the global optical fibre preform industry. The top five suppliers represent approximately 73% of the total market in terms of volume. We were the market leader with 37% market share in terms of volume in 2013, compared to 11% for the closest competitor. In contrast, dozens of suppliers are involved in China's optical fibre and optical fibre cable industries. We have established the clear leadership in our industry in China and were the No. 1 supplier in China of optical fibre preforms, optical fibres and optical fibre cables in terms of volumes in 2013.

The below set forth the leading suppliers in China for optical fibre preforms in 2013 based on volume in China, which for each supplier includes optical fibre preforms produced and used or sold by such supplier and optical fibre preforms purchased and on-sold by such supplier.

Company	% of Market Share
Yangtze Optical Fibre and Cable Company Ltd. [1]	37%
Corning Inc.	11%
Hengtong Optic-electric Co., Ltd.	10%
Sumitomo Electric Industries	8%
Futong Group	7%
Fujikura Ltd.	6%
Jiangsu Zhongtian Technology Co., Ltd	5%
FiberHome Technologies Group	5%
Others	11%

Source: The Freedonia Report

(1) Currently known as Yangtze Optical Fibre and Cable Joint Stock Limited Company. Our percentage of market share takes into account optical fibre preforms produced by Draka, one of our Controlling Shareholders and a subsidiary of Prysmian S.p.A., and Shin-Etsu Chemical, an independent third party, that we purchased and subsequently sold by us.

The below set forth leading suppliers in China for optical fibres in 2013 based on volume in China, which for each supplier includes optical fibres produced and used or sold by such supplier and optical fibres purchased and on-sold by such supplier.

Company	% of Market Share
Yangtze Optical Fibre and Cable Company Ltd. (1)	25%
Hengtong Optic-electric Co., Ltd.	12%
Futong Group	11%
Corning China (Shanghai)	10%
FiberHome Technologies Group	8%
Jiangsu Zhongtian Technology Co., Ltd	8%
Tongding Group Co., Ltd	7%
Others	18%

Source: The Freedonia Report

(1) Currently known as Yangtze Optical Fibre and Cable Joint Stock Limited Company.

The below set forth leading suppliers in China for optical fibre cables in 2013 based on volume in China, which for each supplier includes optical fibre cables produced and sold by such supplier and optical fibre cables purchased and on-sold by such supplier.

Company	% of Market Share
Yangtze Optical Fibre and Cable Company Ltd. (1)	16%
Hengtong Optic-electric Co., Ltd.	14%
Futong Group	12%
Tongding Group Co., Ltd	11%
FiberHome Technologies Group	10%
Jiangsu Zhongtian Technology Co., Ltd	10%
Others	27%

Source: The Freedonia Report

(1) Currently known as Yangtze Optical Fibre and Cable Joint Stock Limited Company. All of the optical fibre cables produced and sold by us are included in our percentage of market share, while the market share for Prysmian S.p.A., the ultimate parent company of one of our Controlling Shareholders, does not include any such optical fibre cables produced and sold by us merely pursuant to Prysmian S.p.A.'s indirect share ownership in our Company. Optical fibre cables sold by us, including those produced by YOFC Shanghai and YOFC Sichuan, are also reflected in our market share.

Pricing Trend for Major Raw Materials

The principal raw materials for the production of our optical fibre preforms are high quality glass substrate tubes and silica jacket cylinders made from high purity quartz glass. Heraeus is the only supplier globally of glass substrate tubes and silica jacket cylinders with the necessary high quality to meet relevant production standards for optical fibre preforms using the PCVD process, according to the Freedonia Report. For additional information as to such raw materials, see "Business — Raw and Feed Materials, Inventories and Suppliers." Other principal raw materials used for the production of optical fibre preforms include various chemical gases, such as silicon tetrachloride, germanium tetrachloride and other industrial gases. Optical fibre preforms, in turn, constitute the major feed material for the production of optical fibres, which in turn, constitute the major material for the production of optical fibre cables. For information on pricing trends for optical fibre preforms and optical fibres, please see "— China Telecommunications Industry and Optical Fibre Preform, Optical Fibre and Optical Fibre Cable Market — China's Optical Fibre Preform, Optical Fibre and Optical Fibre Cable Markets." The production of optical fibre cables also involves the use of raw materials such as a variety of plastics as polymer sheathing materials and steel and/or aluminum that are used as coating and strength members used in the production of our optical fibre cables, depending on the type of optical fibre cables that are being produced. The below table sets forth additional information as to the main raw materials used in the production of optical fibre preforms and optical fibre cables:

Material	Pricing Trend
Silicon tetrachloride	• In 2013, the average price of silicon tetrachloride used in major optical fibre preform production was about US$2,400 per ton.
Germanium tetrachloride	• Global germanium metal price increased from an average of US$940 per kg in 2009 to an average of US$1,800 per kg in 2013.
Polymers	• A variety of polymers are used in the production of optical fibre cables, such as polyethylene, polypropylene, polyvinyl chloride ("**PVC**"), nylon and elastomers, but generally trends in pricing are affected by raw material costs, petroleum prices and other energy and production costs. • The price for polyethylene and PVC has fluctuated during the period from 2009 to 2013. • Price for polyethylene in China increased from an average of RMB9,500 per ton in 2009 to an average of RMB11,900 per ton in 2013. • Price for PVC in China decreased from an average of RMB7,000 per ton in 2009 to an average of RMB6,900 per ton in 2013.
Steel	• Steel prices in China decreased from an average of RMB5,465 per ton in 2008 to RMB4,250 per ton in 2009. • Steel prices in China increased in 2010 and 2011 to an average of RMB4,515 per ton and RMB4,965 per ton, respectively. • Since 2011, steel prices in China decreased to an average of RMB4,720 per ton and RMB4,600 per ton in 2012 and 2013, respectively.
Aluminum	• Aluminum prices in China saw a significant decrease from an average of RMB17,000 per ton in 2008 to RMB14,625 per ton in 2009. • Aluminum prices in China increased in 2010 and 2011 to an average of RMB18,625 per ton and RMB20,000 per ton, respectively. • Since 2011, aluminum prices decreased to an average of RMB15,610 per ton and RMB14,470 per ton in 2012 and 2013, respectively.

Our business includes manufacturing optical fibre and cable products. Our business is subject to supervision and regulation by the PRC authorities. This section sets out a summary of the main laws, regulations that govern our business operations in China. Information contained in this section should not be construed as a comprehensive summary of laws, regulations applicable to us.

Guidance Catalog of Industries for Foreign Investment (revised in 2011)

According to the Catalog of Industries for Guiding Foreign Investment (revised in 2011) (外商投資產業指導目錄(2011年修訂)) (the "**Catalog**"), which was promulgated and is amended from time to time jointly by MOFCOM and NDRC, our products are listed in the catalog of "encouraged industries."

INDUSTRY REGULATIONS

Notice Concerning the Implementation of Product Certification on Optical Cable and Telecommunications Equipment

Pursuant to the Notice Concerning the Implementation of Product Certification on Optical Cable and Telecommunications Equipment (關於對光電纜等電信設備實行產品認證的通知) issued on February 9, 2004 by the Telecommunications Administration Division of the Ministry of Information Industry (currently known as the Ministry of Industry and Information Technology) (the "**MIIT**"), 29 items of telecommunications equipment shall be subject to product certification by a qualified third party starting from March 1, 2004. The product authentication certificate issued by such qualified third party may substitute the network access license. Holders of the network access license of the concerned telecommunications equipment may voluntarily exchange for the product authentication certificate, and the network access license shall remain in full force and effective within its term.

Promoting Informatization Development and Practically Safeguarding Information Security

In June 28, 2012, the State Council issued the Certain Opinions of the State Council on Promoting Informatization Development and Practically Safeguarding Information Security (國務院關於大力推進信息化發展和切實保障信息安全的若干意見), pursuant to which, the implementation of the program of "Broadband China" and the acceleration of the broadband-based upgrading of information networks with focus on fibre-optic broadband are listed in the content of promoting informatization development. The relevant government authorities will take measures, such as strengthening organization and leadership, intensifying finance and taxation policy support, speed up the construction of laws, regulations, systems and standards and intensifying publicity, education and talent training to promote the development of the informatization.

The strategy of "Broadband China"

The Notice on "Broadband China" Strategy and Implementation Plan (國務院關於印發"寬帶中國"戰略及實施方案的通知) which was issued by the State Council and became effective on August 1, 2013, provides that the construction and reformation of the optic fibre networks is one of the important elements to accelerate the speed of broadband and to promote the rapid and sound development of the broadband infrastructure. In order to develop the broadband infrastructure, the relevant government authorities will take various measures, such as strengthening organization and leadership, improving the regulatory system, intensifying finance and taxation policy support, intensifying education and talent training and deepening international cooperation.

ENVIRONMENTAL PROTECTION

We are subject to a variety of PRC laws and regulations related to environmental protection. The major environmental regulations applicable to us include the Environmental Protection Law of the

People's Republic of China (中華人民共和國環境保護法) (the "**Environmental Protection Law**"), Law of the People's Republic of China on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), Rules for Implementation of the Law of the People's Republic of China on Prevention and Control of Water Pollution (中華人民共和國水污染防治法實施細則), Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) and Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法). Furthermore, there are national and local standards applicable to emissions control, discharges and disposal to surface and subsurface water and noise control.

Pursuant to the Environmental Protection Law, which was promulgated and became effective on December 26, 1989 and amended on April 24, 2014, the State Administration for Environmental Protection is required to establish the national standards for environmental protection. The provincial governments, autonomous regions and municipalities directly under the Central Government may establish local standards for environmental protection. The Environmental Protection Law requires each company that discharges environmental pollutants or other hazardous materials to incorporate environmental protection measures into its operations and establish an environmental protection responsibility system. According to this law, each company must adopt effective measures to prevent and control the pollution and harm to the environment by waste gases, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated during the course of production and related activities. In addition, a project operator must provide an assessment of the potential pollution and environmental impact of the project, as well as the prevention and control measures to the environmental protection authorities. The environmental protection authorities will not issue the approval to commence a construction project until they have reviewed and are satisfied with the pollution prevention and control measures.

Pursuant to the Law of the People's Republic of China on Evaluation of Environmental Effects (中華人民共和國環境影響評價法), which was promulgated on October 28, 2002 and became effective on September 1, 2003, the PRC government has established a system to appraise the environmental impact of a construction project and administer an environmental impact appraisal based on the environmental impact. Construction enterprises must submit the environmental impact reports to the relevant environmental protection authorities for approval. No enterprise may commence its construction project without the approval of the relevant environmental protection authorities.

The Standing Committee of the National People's Congress promulgated Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) on September 5, 1987 as amended on April 29, 2000, the Law of the People's Republic of China on Prevention and Control of Water Pollution (中華人民共和國水污染防治法) on May 11, 1984 as amended on February 28, 2008, Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) on October 29, 1996 and Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) on October 30, 1995 as amended on December 29, 2004 and June 29, 2013. These laws set out the regulations governing the prevention and control of air, water, noise and waste pollution in order to protect and improve the environment, safeguard public health and promote economic and social development. In particular, they stipulate concrete requirements for prevention and control of air, water, noise and solid waste pollution for a variety of activities, including residential, industrial and commercial activities.

Companies that fail to comply with the laws on the prevention and control of air, water, noise or solid waste pollution may be subject to warnings, fines and suspension of operations and closure of business, as determined by the relevant environmental protection authorities. Companies that cause air, water, noise or solid waste pollution are obligated to eliminate the pollution and are required to compensate the parties directly affected by the pollution for their losses. Criminal liabilities may also be imposed for serious violations.

STANDARDIZATION LAW

In accordance with the Standardization Law of the People's Republic of China (中華人民共和國標準化法), which was promulgated by the Standing Committee of the National People's Congress on December 29, 1988 and became effective on April 1, 1989, standards shall be formulated in respect of the following technical requirements: (i) requirements on varieties, specifications, quality, grades or safety and sanitary of industrial products; (ii) the design, production, inspection, packing, storage, transportation and operation methods of industrial products as well as the safety and sanitary requirements thereof in the process of production, storage and transportation; and (iii) other technical requirements that need to be standardized. National standard shall be established on those technical requirements which need to be unified throughout the country. The standardization administration department under the State Council shall be responsible to establish national standards. In the absence of national standards, industry standards may be formulated where technical requirements for a certain industry need to be unified within the PRC. In the absence of both national and industry standards, local standard may be formulated where safety and sanitary requirements for industrial products need to be unified within a province, an autonomous region or a municipality. In the event that neither national standard nor industry standard would be applicable to any products manufactured by an enterprise, an enterprise standard shall be formulated to serve as the production standard of such entity. The enterprise standard in relation to any product of the enterprise shall be submitted to the local standardization regulatory authority as well as relevant administration department for record. Both national standards and industry standards can be categorized as compulsory standards or optional standards. Standards either regarding the health or safety of human life and property or being defined as compulsory by laws and administrative regulations shall be compulsory, and the rest shall be optional.

WORK SAFETY LAW

The principal law on work safety is the Law of the People's Republic of China on Work Safety (中華人民共和國安全生產法) (the "**Work Safety Law**") promulgated by the Standing Committee of the National People's Congress on June 29, 2002, effective on November 1, 2002 and revised on August 27, 2009. Pursuant to the Work Safety Law, manufacturing companies should establish a control system for work safety and improve work conditions as provided by the Work Safety Law and relevant laws, administrative regulations and national standards or industrial specifications. Manufacturing companies that do not meet such standards or industrial specifications are not allowed to engage in manufacturing activities. Violation of the Work Safety Law will cause various penalties, including being ordered to take corrective actions within a specified time, suspension of business, confiscation of illegal proceeds and payment of fine in accordance with the particular circumstances. In serious circumstances, business licenses will be revoked or criminal offenses will be charged. Enterprises and persons directly responsible for the offenses may be subject to criminal liability.

PRODUCT QUALITY LAW

The Law of the People's Republic of China on Product Quality (中華人民共和國產品質量法) (the "**Production Quality Law**") was promulgated by the Standing Committee of the National People's Congress on February 22, 1993 and amended on July 8, 2000 and August 27, 2009. Under the Production Quality Law, industrial products that impose possible health or safety threats to human being or property must comply with relevant national and industry standards. Production and sale of industrial products that are inconsistent with such standards and requirements are prohibited. Producers shall be liable for the quality of the products they produce. The products shall meet the following quality requirements: (i) constituting no unreasonable threats to personal safety or safety of property, and conforming to the national standards or the sectoral standards for ensuring human health, personal safety and safety of property, where there are such standards; (ii) possessing the properties as required, except for those with directions stating their functional defects; and (iii) conforming to the product standards marked on the products or on the packages thereof, and to the quality conditions indicated by way of product directions and samples. No producer may produce any product that has been eliminated by State orders. Violations of the Product Quality Law will result in various penalties, including being ordered to take corrective actions within a specified time, suspension of business, confiscation of illegal proceeds and payment of fine in accordance with the particular circumstances. In serious circumstances, business licenses will be revoked and criminal offenses will be charged. Enterprises and persons directly responsible for the offenses may be subject to criminal liability.

REGULATIONS RELATING TO TENDER AND BIDDING

Pursuant to the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the Regulation on the Implementation of the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》), the Provisions for Exploration and Design Bidding of Construction Projects (《工程建設項目勘察設計招標投標辦法》) and the Provision on the Scope and Threshold of Construction Projects for Bid Invitation (《工程建設項目招標範圍和規模標準規定》), a bid must be invited for a construction engineering project if it is carried out in the PRC and meets certain criteria, including the engineering exploration, design, construction and supervision of the project, as well as procurement of important equipment and materials relating to construction works. A bid must be invited for a construction engineering project if it conforms with the scope and threshold requirements set out in the Provisions on the Scope and Threshold of Construction Projects for Bid Invitation (《工程建設項目招標範圍和規模標準規定》). No company or individual is permitted to evade the bidding process by splitting a project for which a bid must be invited according to law or by any other means. A bid inviter may, in light of the various characteristics of a construction engineering project, conduct an overall bidding process for exploration and design; or conduct separate processes in stages as required without prejudicing the integrity and continuity of the project.

INTELLECTUAL PROPERTY

Patent Law

According to the Patent Law of the People's Republic of China (Revised in 2008) (中華人民共和國專利法(2008年修正)), the State Intellectual Property Office is responsible for administering patents in the PRC. The patent administration departments of provincial, autonomous region or municipal governments are responsible for administering patents within their respective jurisdictions. The Chinese patent system adopts a "first come, first file" principle, which means, where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A patent is valid for twenty years in the case of an invention and ten years in the case of utility models and designs. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

Trademark Law

Trademarks are protected by the Trademark Law of the People's Republic of China (Revised in 2013) (中華人民共和國商標法(2013年修正)) which was adopted in 1982 and subsequently amended in 1993, 2001 and 2013 respectively as well as the Implementation Regulation of the Trademark Law of the People's Republic of China (中華人民共和國商標法實施條例) adopted by the State Council in 2002 and amended on April 29, 2014. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for a consecutive ten-year period upon request by the trademark owner. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract.

Trademark license agreements shall be submitted to the Trademark Office for record-filing and announcement. Without record-filing, the trademark licensing is not effective against bona fide third parties. Like patents, the PRC has adopted a "first come, first file" principle with respect to trademark registration. Where a trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others.

Copyright Law

The Copyright Law of the People's Republic of China (Revised in 2010) (中華人民共和國著作權法(2010年修訂)) (the "**Copyright Law**") provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The copyright owner enjoys various kinds of rights, including right of publication, right of authorship and right of reproduction.

The Computer Software Copyright Registration Measures (計算機軟件著作權登記辦法) (the "**Software Copyright Measures**") ,which was promulgated on February 20, 2002, regulate registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration of China shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the "**CPCC**"), is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyright applicants which conform to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (計算機軟件保護條例).

Domain Names

The MIIT promulgated Measures for the Administration of Internet Domain Names of China (中國互聯網絡域名管理辦法) (the "**Domain Name Measures**") on November 5, 2004. According to the Domain Name Measures, the MIIT is in charge of the administration of PRC Internet domain names. The domain name services follow a "first apply, first register" principle. An applicant for domain name registration shall submit truthful, accurate, and complete domain name registration information, and sign a user registration agreement with the relevant domain name registration service agency. The applicants will become the holder of such domain names upon the completion of the registration procedure.

FOREIGN INVESTMENT BY PRC ENTITIES

The MOFCOM promulgated the Measures for the Administration of Overseas Investment (境外投資管理辦法) on March 16, 2009, which became effective as of May 1, 2009, pursuant to which any PRC enterprise investing overseas must receive approval from the MOFCOM or its provincial departments. Upon such approval, any changes to the original application of such overseas investment shall be reported to the original approving authority for the application of approval of changes in compliance with relevant laws. According to the Administrative Measures for the Verification and Approval and Record-Filing of Outbound Investment Projects (境外投資項目核准和備案管理辦法), which was promulgated on April 8, 2014 and became effective on May 8, 2014, outbound investment projects in which the amount of Chinese investment reaches or exceeds US$1 billion and involving sensitive countries and regions or sensitive industries shall be subject to the verification and approval by the NDRC. Where an outbound investment project has Chinese investment of US$2 billion or higher and involves sensitive countries and regions or sensitive industries, the NDRC shall put forward review opinions thereon, and submit the same to the State Council for verification and approval. Any change with respect to an investor, or the equity structure, or the size and main contents of such an approved outbound project must be approved or record-filing by the NDRC.

TRANSFER OF STATE-OWNED SHARES TO NATIONAL COUNCIL FOR SOCIAL SECURITY FUND

According to the Interim Measures of the State Council on the Management of Reducing State-owned Shares and Raising Social Security Funds (國務院關於減持國有股籌集社會保障資金管理暫行辦法) promulgated on and effective from June 6, 2001, shareholders who hold state-owned shares in a PRC-incorporated company are generally required to reduce their shareholding in that company by transferring to National Council for Social Security Fund their shares of a number representing 10% of the total shares offered under any initial public offering and secondary offering by the company.

REGULATIONS RELATING TO FOREIGN CURRENCY EXCHANGE

Foreign Currency Exchange Control

Under the Regulations of the People's Republic of China on Foreign Exchange Control (中華人民共和國外匯管理條例) promulgated in 1996 and revised in 1997 and further amended in 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local office. Payments for transactions that take place within the PRC must be made in Renminbi. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of the State.

Foreign Exchange Administration of Overseas Listing

The SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知) on January 28, 2013, which became effective on the same day, pursuant to which a domestic company shall, within 15 working days after the completion of the initial offering of shares for its overseas listing, go through the registration of overseas listing with the Foreign Exchange Bureau at its place of registration. The funds raised by a domestic company from overseas listing may be repatriated to the corresponding special domestic account or be deposited in its special overseas account. The purposes of such funds shall be consistent with those listed in the prospectus documentation for shares or the prospectus documentation for corporate bonds, circulars to shareholders, resolutions of the general meeting and other public disclosure documents. After getting the approval from the Local Foreign Exchange Bureau, the foreign exchanges in the domestic company's special domestic account for overseas listing can be settled. A domestic shareholder of a domestic company shall, within 15 working days after material changes have happened to relevant arrangements of its holdings of the overseas stocks of the domestic company (such as changes in the percentage, price, period, schedule, etc. of shareholding increase or reduction), register such changes with the Local Foreign Exchange Bureau.

REGULATIONS ON TAXATION

Enterprise Income Tax

On March 16, 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅法) and on December 16, 2007, the State Council enacted the Regulations on the Implementation of the Enterprise Income Tax Law of People's Republic of China (中華人民共和國企業所得稅法實施條例) (collectively, the "**EIT Law**"). The EIT Law came into effect on January 1, 2008. The EIT Law provides that the rate of enterprise income tax is 25% while certain high and new technology enterprises are entitled to a reduced enterprise income tax rate of 15%. According to the Administrative Measures for the Determination of High and New Technology Enterprises (高新技術企業認定管理辦法) issued by Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on April 14, 2008 and which became effective from January 1, 2008, a company that is to be recognized as a High and New Technology Enterprise shall meet certain criteria, including (i) it is a PRC-registered enterprise which owns proprietary intellectual property right as to the core technologies related to its products or services in the last three years through independent research and development, transfer or purchase, donation, merger and acquisition, or through an exclusive license with a term of more than five years; (ii) its products or services are within the scope prescribed by the Fields of High and New Technology Eligible for Primary Support of the State issued in 2008; (iii) its technical personnel with college degree or above should account for more than 30% of its total personnel in that year and more than 10% of total research and development personnel; (iv) proportion of total research and development expenses as to total sales revenue should meet the requirements that (a) for enterprises with sales revenue of less than RMB50 million in the last year, the proportion shall not be lower than 6%; (b) for enterprises with sales revenue of RMB50 million to RMB200 million, the proportion shall not be lower than 4%; or (c) for enterprises with sales revenue of more than RMB200 million in the last year, the proportion shall not be lower than 3%; and apart from the above, proportion of research and development expenses incurred in China as to the total amount of such company's research and development expenses shall not be lower than 60%; and (v) revenue derived from high-tech products or services should contribute more than 60% of its total annual revenue. In addition, a high and new technology enterprise may apply for the tax benefits under the EIT Law, the Law of the People's Republic of China on the Administration of Tax Collection which became effective on May 1, 2001 and was revised in 2013 (中華人民共和國稅收徵收管理法) and the Detailed Rules on the Implementation of the Law of the People's Republic of China on the Administration of Tax Collection (中華人民共和國稅收徵收管理法實施細則) which became effective on October 15, 2002 and were revised in 2012 and 2013. Once an enterprise obtains the high and new technology enterprise qualification, it may apply for the tax reduction or exemption to the competent tax authorities.

Value-added Tax and Business Tax

The Interim Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例) were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994, which were subsequently amended on November 10, 2008 and came into effect on January 1, 2009. The Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-Added Tax (Revised in 2011) (中華人民共和國增值稅暫行條例實施細則（2011年修訂）) were promulgated by the Ministry of Finance and State Administration of Taxation on December 18, 2008, were subsequently amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the "**VAT Law**"). According to the VAT Law, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. For general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Law, the value-added tax rate is 17%.

Pursuant to the Interim Regulations of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例), which became effective on January 1, 1994 and were subsequently amended on November 10, 2008 and became effective on January 1, 2009, and the implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the Schedule of Items and Rates of Business Tax (營業稅稅目稅率表) attached to the regulation.

Pursuant to the Pilot Scheme for the Conversion of Business Tax to VAT (營業稅改徵增值稅試點方案) promulgated on November 16, 2011, since January 1, 2012 the State started to introduce taxation reform in certain service industries (namely transportation and certain modern service industries) which are subject to business tax in a gradual manner, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in certain regions including Shanghai, Beijing, Hubei province and Jiangsu province.

REGULATIONS ON EMPLOYMENT AND SOCIAL SECURITY

Employment Laws

The Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) ("**Labor Contract Law**"), which was implemented on January 1, 2008 and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with national regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers timely. In addition, according to the Labor Contract Law, (i) employers must pay laborers double income for each month in circumstances where within one year an employer fails to enter into an employment contract that is more than a month but less than a year from the date of employment. Where such period exceeds one year, the parties are deemed to have entered into a labor contract with an "unfixed term"; (ii) employees who fulfill certain criteria, including having worked for the same employer for ten years or more, may demand that the employer execute a labor contract with them with an unfixed term; (iii) employees must adhere to regulations in the labor contracts concerning commercial confidentiality and non-competition; (iv) an upper limit not exceeding the cost of training supplied to the employee has been set as the amount of compensation an employer may seek for an employee's breach of the provisions concerning term of services in the labor contract; (v) employees may terminate their employment contracts with their employers if their employers fail to make social insurance contributions in accordance with the law; (vi) employers who demand money or property from employees as guarantee or otherwise may be subject to a fine of RMB2,000 per employee as maximum penalty; and (vii) employers who intentionally deprive employees of any part of their salary must, in addition to their full salary, pay such employees compensation ranging from 50% to 100% of the amount of salary so deprived if they fail to pay the salary deprived within ascertain period by the labor administration authorities.

According to the Labor Law of the People's Republic of China (中華人民共和國勞動法) promulgated on July 5, 1994 and effective on January 1, 1995 and amended on August 27, 2009, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

Social Insurance and Housing Funds

As required under the Regulations on Work-Related Injury Insurance (工傷保險條例) implemented on January 1, 2004 and amended on December 20, 2010, the Provisional Measures for Maternity

Insurance of Employees of Corporations (企業職工生育保險試行辦法) implemented on January 1, 1995, the Decision of the State Council on Establishment of a Unified Basic Pension System for Enterprise Staff and Workers (國務院關於建立統一的企業職工基本養老保險制度的決定) issued on July 16, 1997, Decision of the State Council on Setting up the Basic Medical Insurance System for Staff Members and Workers in Cities and Towns (國務院關於建立城鎮職工基本醫療保險制度的決定) promulgated on December 14, 1998, the Unemployment Insurance Regulations (失業保險條例) promulgated on January 22, 1999 and the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) implemented on July 1, 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance.

In accordance with the Regulations on Management of Housing Provident Fund (住房公積金管理條例) which was promulgated by the State Council in 1999 and amended in 2002, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds in full and on time.

OUR HISTORY AND DEVELOPMENT

In 1980s, the Ministry of Posts and Telecommunications of China decided to introduce into the PRC an advanced optical fibre technology from abroad to enhance the domestic telecommunications network. As engaged by and with the support of the Ministry of Posts and Telecommunications of China and Wuhan Municipal Government, Wuhan Optical Communication Technology Co., Ltd. (武漢光通信技術公司) ("**Wuhan Optical Communication**") and Wuhan Trust and Investment Co., Ltd. (武漢市信託投資公司) ("**Wuhan Trust and Investment**") entered into negotiation with NV Philips in 1988 with the plan of establishing a joint venture to engage in the manufacture of optical fibres and optical fibre cables. NV Philips was then a leading international manufacturer of optical fibres and optical fibre cables and was expected to provide technology support, licenses and services to the joint venture.

Upon approval of China State Planning Commission and China Ministry of Foreign Economics and Trade, our Company was established on May 31, 1988 as a sino-foreign equity joint venture with a registered capital of 29.00 million Dutch guilders by (1) Wuhan Optical Communication and Wuhan Trust and Investment together as the Chinese party, and (2) NV Philips as the foreign party in the proportion of 50% and 50%, respectively. At the time of our establishment, the research center for optical fibre cables and the cable factory of the Ministry of Posts and Telecommunications of China were both located in Wuhan. To take advantage of the technical personnel and production facilities of the Ministry of Posts and Telecommunications of China, our Company commenced its business operations in Wuhan.

Our headquarters is located in Wuhan, PRC, and we are engaged in the development and manufacturing of optical fibre preforms, optical fibres and optical fibre cables and related accessories and materials and the provision of ancillary services.

On December 27, 2013, our Company was converted into a foreign invested joint stock limited liability company under the PRC law, and was renamed to Yangtze Optical Fibre and Cable Joint Stock Limited Company (長飛光纖光纜股份有限公司). For further detail, please refer to "— Conversion" below.

Business Milestones

We have achieved the following milestones in the history of our business:

May 1988	•	Our Company was established in Wuhan.
1992	•	We commenced our mass production of optical fibres and fibre cables in Wuhan.
1993	•	We completed our phase 1 production capacity expansion plan and started selling optical fibres to the United States, our first step into the overseas market. Our designed annual production capacity for optical fibres reached 100,000 fkm.
	•	We obtained ISO 9002 Quality Management System certification for all of our productions, being the first company receiving this certification in our industry in the PRC.
1996	•	We completed our phase 2 production capacity expansion plan. Our designed annual production capacity for optical fibres reached 500,000 fkm.
1997	•	We completed our phase 3 production capacity expansion plan and had successfully developed our POSH® fibre products. Our designed annual production capacity for optical fibres reached 800,000 fkm.
1998	•	We completed our phases 4 and 5 production capacity expansion plans. Our designed annual production capacity for optical fibres reached 1,800,000 fkm.

1999	• We diversified our product lines by commercializing slotted core ribbon cable, ADSS, OPGW and indoor cables.
2001	• We completed our phase 6 production capacity expansion plan. Our designed annual production capacity reached 3,500,000 fkm.
2002	• We completed our phase 7 production capacity expansion plan. Our designed annual production for optical fibres capacity reached 6,000,000 fkm.
2003	• We developed and started the commercial production of our FullBand® low water peak single-mode fibres.
2004	• We became one of the largest optical fibre manufacturers and one of the largest optical fibre cable manufacturers in the world.
2005	• Our none-zero dispersion shifted single-mode fibre project was awarded the second "National Science and Technology Progress Prize," the highest science and technology prize which had been awarded to telecommunications companies in China.
2006	• We were named as one of the "Top Ten Innovative Enterprises" in China IT Industry of the year and won the honor of "Famous Brand in China."
2007	• We were recognized as one of the "Top 500 Manufacturers in China."
2009	• We completed our phase 8 production capacity expansion plan. Our designed annual production capacity for optical fibres reached 18,000,000 fkm.
2010	• We completed our phase 9.1 production capacity expansion plan. Our designed annual production capacity for optical fibres reached 22,000,000 fkm.
2011	• We established the State Key Laboratory of Optical Fibre and Cable Manufacture Technology, which is the only key national laboratory in optical fibre and cable industry recognized by the Ministry of Science and Technology of the People's Republic of China.
2012	• We won the honor of "Most Valuable Brand in the China Communications Industry of the Year 2012."
	• We completed our phase 9.2 fibre production capacity expansion plan. Our weighted average designed annual production capacity for optical fibres reached 32,000,000 fkm.
2013	• We won the honor of "Top 10 Competitive Global Optical Fibre and Cable Enterprises for the Year 2012 to 2013 (Second Place)."
	• We completed our phase 10 preform production capacity expansion plan. Our weighted average designed annual production capacity for optical fibre preforms reached a maximum of 57,000,000 fkm, based on one ton of optical fibre preforms being used to draw 30,000 fkm of optical fibres.
	• We became the largest supplier of optical fibre preforms and the second largest supplier of optical fibres and optical fibre cables in the world according to the Freedonia Report.

Corporate History

Since our inception, we have undergone several changes in our registered and paid-in share capital and equity holding as a result of capital injection and/or transfers of equity, details of which are set out in the following table:

May 1988	•	Our Company was established as a sino-foreign equity joint venture with a registered capital of 29.00 million Dutch guilders by (1) Wuhan Optical Communication and Wuhan Trust and Investment (together as to 50%) and (2) NV Philips (as to 50%).
March 1994	•	To streamline its business structure, NV Philips decided to sell its optical fibre business (including its interest in our Company). NV Philips transferred 12.5% and 37.5% of its equity interest in our Company to Wuhan Optical Communication and Draka Holding N.V., respectively, at a cash consideration of 3.75 million Dutch guilders and 11.25 million Dutch guilders, respectively, which consideration was determined on the basis of our then registered capital. Draka Holding N.V. was originally the wire and cable division of NV Philips, which became independent from NV Philips in 1986. Upon completion of the equity transfer, our Company was owned as to 37.5%, 37.5% and 25.0% by Wuhan Optical Communication, Draka Holding N.V. and Wuhan Trust and Investment, respectively.
June 1994	•	We changed our company name from Wuhan Yangtze Optical Fibre and Cable Co., Ltd. (武漢長飛光纖光纜有限公司) to Yangtze Optical Fibre and Cable Co., Ltd. (長飛光纖光纜有限公司).
August 1995	•	The registered capital of our Company increased from 29.00 million Dutch guilders to 36.50 million Dutch guilders in the form of cash injection.
July 1997	•	The Ministry of Posts and Telecommunications of China decided to have its investment in our Company to be administered by China Huaxin, replacing Wuhan Optical Communication. On the other hand, Wuhan Municipal Government decided to transfer its investment in our Company through Wuhan Trust and Investment to Yangtze Communications to promote the development of the telecommunications industry in Wuhan. As such, Wuhan Optical Communication and Wuhan Trust and Investment transferred all of their respective equity interest in our Company to China Huaxin and Yangtze Communications, respectively. The transfer of 37.5% equity interest from Wuhan Optical Communication to China Huaxin was approved by the Ministry of Posts and Telecommunications of China at nil consideration. The transfer of 25.0% equity interest from Wuhan Trust and Investment to Yangtze Communications was settled by a share swap pursuant to which shares of Yangtze Communications at a value of RMB48.50 million were issued to Wuhan Trust and Investment. The amount of the consideration was determined on an arm's length basis between the parties by reference to the net assets value. Upon completion of the equity transfer, our Company was owned as to 37.5%, 37.5% and 25.0% by China Huaxin, Draka Holding N.V. and Yangtze Communications, respectively.
April 1999	•	The registered capital of our Company increased from 36.50 million Dutch guilders to 53.66 million Dutch guilders by the capitalization of retained profits.
June 2000	•	The registered capital of our Company increased from 53.66 million Dutch guilders to 89.66 million Dutch guilders by the capitalization of retained profits.

October 2000	•	As part of the Chinese government's restructuring of the telecommunications industry, China Telecom was established in May 2000. Since then, China Huaxin was subject to the administration of China Telecom and our Company was to become one of the group companies of China Telecom pursuant to the restructuring plan. As such, China Huaxin transferred all its equity interest in our Company to China Telecom at nil consideration upon approval of the Ministry of Foreign Trade and Economic Cooperation of China (中國對外貿易經濟合作部).
June 2002	•	The registered capital of our Company increased from 89.66 million Dutch guilders to Euro 63.33 million.
December 2005	•	Due to internal restructuring, China Telecom and Draka Holding N.V. transferred all their respective equity interest in our Company to China Huaxin and Draka, respectively, at nil consideration. China Huaxin was then a direct wholly-owned subsidiary of China Telecom whereas Draka was then a non-wholly owned subsidiary of Draka Holding N.V. Upon completion of the equity transfer, our Company was owned as to 37.5%, 37.5% and 25.0% by China Huaxin, Draka and Yangtze Communications, respectively. Since then, there has been no equity holding changes to our Company.
December 2013	•	We were converted into a foreign invested joint stock limited liability company and were renamed to Yangtze Optical Fibre and Cable Joint Stock Limited Company (長飛光纖光纜股份有限公司).

The consideration for all the equity transfers has been fully paid. Our PRC Legal Advisor has advised that all the equity transfers and changes in our registered and paid-in share capital as described above have been approved by or filed with regulatory authorities pursuant to applicable PRC laws and regulations.

Our Shareholders

China Huaxin

China Huaxin was a state-owned entity established in January 1993 and was regulated by the former Ministry of Post & Telecommunications of China. In 1998, the former Ministry of Post & Telecommunications was reorganized and its role and functions were replaced by the Ministry of Information Industry. China Huaxin has been subject to the administration of China Telecom since 2000. In July 2011, SASAC transferred its ownership of China Huaxin to China Reform Holdings Corporation Ltd., an asset-management company owned by SASAC that aims to restructure and merge small state-owned enterprises. China Huaxin is an investment and operations platform for foreign cooperation and technological innovation in China's information industry.

The investment in our Company by China Huaxin was financed by its own funds.

As of the date of this prospectus, China Huaxin held 37.5% of our issued share capital. Upon the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), it will hold approximately 28.12% of our issued share capital.

Draka

Draka, which was established in May 2004 by Draka Beheer B.V., is currently a wholly-owned subsidiary of Draka Holding B.V. based in Amsterdam, Netherlands. Draka Holding B.V. is a Dutch manufacturer of electrical cables for the telecommunications, energy, infrastructure and automotive industries, which was established in December 1985.

Draka Holding B.V. was converted from Draka Holding N.V., a public company, into a private company with limited liability on February 13, 2014. Draka Holding N.V. was acquired by Prysmian S.p.A. in 2011 and Draka then became an indirect wholly-owned subsidiary of Prysmian S.p.A. Prysmian S.p.A. is listed on the Milan Stock Exchange (Stock Code: PRYMY). The Prysmian Group is a world leader in the energy and telecom cables and systems industry. In the energy sector, the Prysmian Group operates in the business of underground and submarine power transmission cables and systems, special cables for applications in many different industrial sectors and medium and low-voltage cables for the construction and infrastructure industry. In the telecom sector, the Prysmian Group manufactures cables and accessories for the voice, video and data transmission industry, offering a complete range of optical fibre preforms, optical fibres, optical and copper cables and connectivity systems.

The investment in our Company by Draka was financed by its own funds.

As of the date of this prospectus, Draka held 37.5% of our issued share capital. Upon the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), it will hold approximately 28.12% of our issued share capital.

Yangtze Communications

Yangtze Communications, was established in January 1996 under the authentication by the National Ministry of Science and Technology and Chinese Academy of Sciences. It is a high-tech company listed on the Shanghai Stock Exchange (Stock Code : 600345). As of the Latest Practicable Date, Yangtze Communications is 28.63% owned by Wuhan FiberHome Technologies Group Co., Ltd. (武漢烽火科技集團有限公司, formerly known as Wuhan FiberHome Technologies Co., Ltd. (武漢烽火科技有限公司)), a company directly affiliated to the State-owned Asset Supervision and Administration Commission of the State Council.

Yangtze Communications is mainly engaged in the investment, research and development and manufacture as well as sales of communications products, including optical transmission equipment, access network equipment, optical fibres and cables, wireless communications systems and equipment, base station radiofrequency cables, digital video equipment, communication equipment precise structure products, optical memory products, relevant software. It also provides integrated communications and information systems related technical services.

The investment in our Company by Yangtze Communications was financed by its own funds.

As of the date of this prospectus, Yangtze Commutations held 25.0% of our issued share capital. Upon the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), it will hold approximately 18.76% of our issued share capital.

THE SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

During the ordinary course of our business, our Company purchases raw materials and finished goods from and sells our products to some of our Joint Ventures. As at the Latest Practicable Date, we had three Subsidiaries and nine Joint Ventures under the IFRS.

For the purpose of financial statements prepared under the IFRS, Subsidiaries are entities controlled by the Group. Despite of our majority equity holding, YOFC Shanghai, YOFC Jiangsu and YOFC Sichuan are accounted for in our financial statements as Joint Ventures under the IFRS because unanimous consents from all parties to the Joint Ventures are required for substantial financing and operating decisions and no single joint venture partner may exercise dominant control over these Joint Ventures. For further details of the accounting treatment of these three joint ventures, please see Note 19 to the financial information in the Accountants' Report as set out in Appendix I to this prospectus. YOFC Shanghai, YOFC Jiangsu and YOFC Sichuan are considered as subsidiaries of our Company under the Listing Rules.

The Subsidiaries

EverPro

EverPro Technologies Company Limited (長芯盛（武漢）科技有限公司), or EverPro, was established on December 9, 2013 in the PRC with a registered capital of RMB325.0 million. As at the Latest Practicable Date, we held 69.23% equity interest in EverPro, with the remaining 15.00%, 10.00% and 5.77% equity interest held by VIA Technologies (HK) Inc. Limited (香港威盛電子有限公司), VIA Labs, Inc. (威鋒電子股份有限公司) and S3 Graphics (Shanghai) Co., Ltd. (旭上電子(上海)有限公司), respectively, all of which are wholly-owned subsidiaries of VIA Technologies, Inc. VIA Technologies, Inc. is a Taiwanese manufacturer of integrated circuits and is registered on the Taiwan Stock Exchange (Stock Code: 2388), and it is a connected person of our Company solely due to its equity holding in EverPro. EverPro is expected to engage in the research and development, manufacturing and sales of optical fibres and cables, chipsets, modules and optical network equipment.

YOFC Hong Kong

Yangtze Optical Fibre and Cable Company (Hong Kong) Limited (長飛光纖光纜（香港）有限公司), or YOFC Hong Kong, was incorporated by our Company on July 17, 2013 under the laws of Hong Kong. YOFC Hong Kong is our wholly-owned Subsidiary and has an authorized share capital of HK$1,680,000 divided into 1,680,000 shares of HK$1.00 each. YOFC Hong Kong is principally engaged in import of materials and equipment.

EverProsper Hong Kong

EverProsper Technologies Company Limited (長芯盛（香港）科技有限公司), or EverProsper Hong Kong, was incorporated on June 6, 2014 under the laws of Hong Kong with an authorized share capital of RMB6,800,000 divided into 6,800,000 shares of RMB1.00 each. As of the Latest Practicable Date, EverProsper Hong Kong was wholly owned by EverPro. EverProsper Hong Kong is primarily engaged in the import and export trading of active optical cables, modules, zero-client stations and relevant raw materials.

The Joint Ventures[(1)]

YOFC Shanghai

Yangtze Optical Fibre and Cable (Shanghai) Co,. Ltd. (長飛光纖光纜（上海）有限公司), or YOFC Shanghai, was established on October 30, 2002 in the PRC with a registered capital of USD12 million. As at the Latest Practicable Date, YOFC Shanghai was owned as to 75% by our Company and 25% by Draka. YOFC Shanghai is principally engaged in the production and sales of optical fibre cables.

YOFC Jiangsu

Yangtze Zhongli Optical Fibre and Cable (Jiangsu) Co., Ltd. (江蘇長飛中利光纖光纜有限公司), or YOFC Jiangsu, was established on March 6, 2002 in the PRC with a registered capital of RMB92.88 million. As at the Latest Practicable Date, YOFC Jiangsu was owned as to 51% by our Company and 49% by Zhongli Sci-Tech Group Co., Ltd. (中利科技集團股份有限公司). Zhongli Sci-Tech Group Co., Ltd. is listed on the Shenzhen Stock Exchange (Stock Code : 002309), and it is a connected person of our

Company solely due to its equity holding in YOFC Jiangsu. YOFC Jiangsu is principally engaged in the production and sales of optical fibre cables.

YOFC Sichuan

Yangtze Optical Fibre and Cable Sichuan Co., Ltd. (長飛光纖光纜四川有限公司), or YOFC Sichuan, was established on May 17, 1993 in the PRC with a registered capital of RMB30 million. On April 23, 2010, the registered capital of YOFC Sichuan was increased to RMB53.8 million. As at the Latest Practicable Date, YOFC Sichuan was owned as to 51% by our Company and 49% by Sichuan Chuantou Energy Co., Ltd. (四川川投能源股份有限公司). Sichuan Chuantou Energy Co., Ltd. is listed on the Shanghai Stock Exchange (Stock Code: 600674), and it is a connected person of our Company solely due to its equity holding in YOFC Sichuan. YOFC Sichuan is principally engaged in the production and sales of optical fibre cables.

Tianjin YOFC XM Fibre

Tianjin YOFC XMKJ Optical Communications Co., Ltd. (天津長飛鑫茂光通信有限公司), or Tianjin YOFC XM Fibre, was established on June 1, 2009 in the PRC with a registered capital of RMB220.0 million. As at the Latest Practicable Date, we held 49% equity interest in Tianjin YOFC XM Fibre, with the remaining 51% held by Tianjin Xinmao Science & Technology Co., Ltd. (天津鑫茂科技股份有限公司), or Tianjin Xinmao. Tianjin Xinmao is listed on the Shenzhen Stock Exchange (Stock Code: 000836) and is an independent third party. Tianjin Xinmao is also a 80% shareholder of Tianjin YOFC XM Cable, one of our Joint Ventures. Tianjin YOFC XM Fibre is principally engaged in the production and sales of optical fibres.

YOSC

Yangtze (Wuhan) Optical System Corp. (長飛（武漢）光系統股份有限公司), or YOSC, was established on July 29, 2004 in the PRC with a registered capital of RMB9 million. YOSC was converted into joint stock company on September 6, 2011 and its registered capital was increased to RMB50 million. On August 6, 2013, the registered capital of YOSC was reduced from RMB50 million to RMB47.5 million as a result of share reduction. As at the Latest Practicable Date, we held 46.32% shareholding in YOSC, with the remaining 20.00%, 28.42% and 5.26% shareholding held by Hubei Guangyuan Electronic Technology Co., Ltd. (湖北光源電子科技有限公司), Wuhan Yangtze Optical Network Communications Co., Ltd. (武漢長江光網通信有限責任公司) and Wuhan Hongtuo New Technologies Co., Ltd. (武漢虹拓新技術有限責任公司), respectively. Each of Hubei Guangyuan Electronic Technology Co., Ltd. and Wuhan Hongtuo New Technologies Co., Ltd. is an independent third party. Wuhan Yangtze Optical Network Communications Co., Ltd. is a subsidiary of our shareholder, namely Yangtze Communications. YOSC is principally engaged in the production and sales of optical devices and related products.

Shantou Aoxing

Shantou Hi-Tech Zone Ao Xing Optical Communication Equipment Co., Ltd. (汕頭高新區奧星光通信設備有限公司), or Shantou Aoxing, was established in the PRC on November 6, 1992 with a registered capital of RMB170.56 million. As at the Latest Practicable Date, we held 42.42% equity interest in Shantou Aoxing, with the remaining 47.11% and 10.47% equity interest held by Guangdong Telecom Industry Group Co., Ltd. (廣東省電信實業集團有限公司) and Leader Global (Hong Kong) Co., Ltd. (立達環球（香港）有限公司), respectively. Each of Guangdong Telecom Industry Group Co., Ltd. and Leader Global (Hong Kong) Co., Ltd. is an independent third party. Shantou Aoxing is principally engaged in the production and sales of optical fibre preforms, optical fibres and optical fibre cables.

Shenzhen SDGI

Shenzhen SDGI Optical Fibre Co., Ltd. (深圳特發信息光纖有限公司), or Shenzhen SDGI, was established on August 30, 2000 in the PRC with a registered capital of RMB149.01 million. On August 1, 2013, the registered capital of Shenzhen SDGI was increased from RMB149.01 million to RMB206.52 million as a result of additional capital contribution by Shenzhen SDG Information Co., Ltd. (深圳市特發信息股份有限公司). As at the Latest Practicable Date, we held 35.36% equity interest in Shenzhen SDGI, with the remaining 64.64% equity interest held by Shenzhen SDG Information Co., Ltd. Shenzhen SDG Information Co., Ltd. is listed on the Shenzhen Stock Exchange (Stock Code: 000070) and is an independent third party. Shenzhen SDGI is principally engaged in the production and sales of precise optical fibres.

Tianjin YOFC XM Cable

Tianjin YOFC XMKJ Optical Cable Co., Ltd. (天津長飛鑫茂光纜有限公司), or Tianjin YOFC XM Cable, was established on July 13, 2009 in the PRC with a registered capital of RMB100 million. As at the Latest Practicable Date, we held 20% equity interest in Tianjin YOFC XM Cable, with the remaining 80% held by Tianjin Xinmao. Tianjin Xinmao is also a 51% shareholder of Tianjin YOFC XM Fibre, one of our Joint Ventures. Tianjin YOFC XM Cable is principally engaged in the production and sales of optical fibre cables.

Wuhan Guangyuan

Wuhan Guangyuan Electronic Technology Co., Ltd. (武漢光源電子科技有限公司), or Wuhan Guangyuan, was established on November 4, 2002 in the PRC with a registered capital of RMB5 million. As at the Latest Practicable Date, we held 20% equity interest in Wuhan Guangyuan, with the remaining 80% equity interest held by Hubei Guangyuan Electronic Technology Co., Ltd. (湖北光源電子科技有限公司). Hubei Guangyuan Electronic Technology Co., Ltd. is an independent third party. Wuhan Guangyuan is principally engaged in the production and sales of precise mould and electronic devices.

Note:

(1) In order to concentrate on our optical fibres and cables business, in April 2013, our Company transferred all the 20% equity interest held by us in Tianmen Xinrun Woodwork Co., Ltd. (天門市信潤木業製品有限公司. "**Tianmen Xinrun**") to Tianmen Dingtai Cables Processing Plant (天門市鼎泰纜盤加工廠), the other joint venture partner of Tianmen Xinrun and an independent third party from our Company, at a cash consideration of RMB1.24 million. The consideration was determined on an arm's length basis between the parties by reference to the net assets value of Tianmen Xinrun and was settled on April 3, 2013. We have been advised by our PRC Legal Advisor that all the approvals in relation to such disposal have been obtained and such disposal has been legally completed and settled under the PRC laws. Our Directors are of the view that such disposal is insignificant to our Company's businesses.

The Associates

NK Wuhan

NK Wuhan Cable Co., Ltd. (武漢安凱電纜有限公司), or NK Wuhan, was established on December 1, 1999 in the PRC with a registered capital of USD12 million. As at the Latest Practicable Date, NK Wuhan was held as to 60% by NK China Investments B.V., an indirect wholly owned subsidiary of Prysmian S.p.A., 20% by Yangtze Communications and 20% by our Company. Draka, one of our Shareholders, is an indirect wholly-owned subsidiary of Prysmian S.p.A. Yangtze Communications is one of our Shareholders. NK Wuhan is principally engaged in the production and sales of radio frequency copper coaxial cables and related products.

Wuhan Yunjingfei

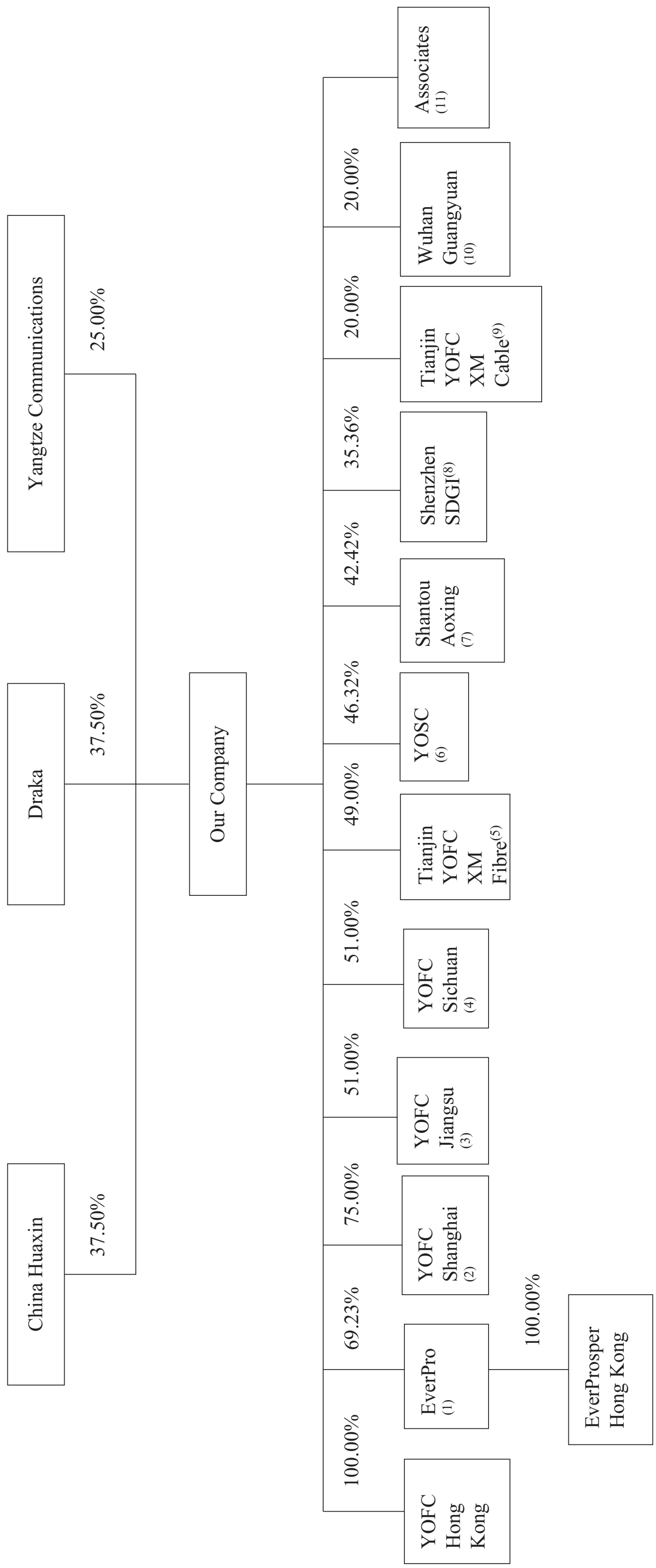
Wuhan Yunjingfei Optical Fibre Materials Co., Ltd. (武漢雲晶飛光纖材料有限公司), or Wuhan Yunjingfei, was established on April 26, 2011 in the PRC with a registered capital of RMB45 million. As at the Latest Practicable Date, we held 20% equity interest in Wuhan Yunjingfei, with the remaining 60%, 10% and 10% held by Yunnan Lincang Xinyuan Germanium Industry Co., Ltd. (雲南臨滄鑫圓鍺業股份有限公司), FiberHome Telecommunication and Beijing Guojinghui Infrared Optical Technology Co., Ltd. (北京國晶輝紅外光學科技有限公司), respectively. Each of Yunnan Lincang Xinyuan Germanium Industry Co., Ltd., FiberHome Telecommunication and Beijing Guojinghui Infrared Optical Technology Co., Ltd. is an independent third party. Yunnan Lincang Xinyuan Germanium Industry Co., Ltd. is listed on the Shenzhen Stock Exchange (Stock Code: 002428) and FiberHome Telecommunication is listed on the Shanghai Stock Exchange (Stock Code: 600498). According to the 2013 annual report of FiberHome Telecommunication, it is owned as to 50.30% by Wuhan FiberHome Technologies Group Co., Ltd. (武漢烽火科技集團有限公司, formerly known as Wuhan FiberHome Technologies Co., Ltd. (武漢烽火科技有限公司)). Wuhan FiberHome Technologies Group Co., Ltd. is also a shareholder of Yangtze Communications (one of our Shareholders) holding 28.63% equity interest in Yangtze Communications. Wuhan Yunjingfei is principally engaged in the production and sales of high purity germanium tetrachloride and other gases for the optical fibres.

CONVERSION

In preparation of the Global Offering, on August 27, 2013 and December 16, 2013, our Board resolved to convert our Company from a sino-foreign equity joint venture to a foreign invested joint stock limited liability company by way of promotion in accordance with the PRC Company Law and the Foreign Investment Joint Stock Company Provisional Regulations. Upon approvals by Wuhan Municipal Bureau of Commerce on December 16, 2013 and by SASAC on December 17, 2013, respectively, our Company completed the conversion into a foreign invested joint-stock limited liability company and was renamed to Yangtze Optical Fibre and Cable Joint Stock Limited Company (長飛光纖光纜股份有限公司) on December 27, 2013. Our PRC Legal Advisor has advised that all approvals as required for the completion of the conversion have been obtained pursuant to applicable PRC laws and regulations.

OUR SHAREHOLDING AND GROUP STRUCTURE

The following chart sets out our shareholding and group structure immediately prior to the completion of the Global Offering:



Notes:

(1) The remaining 15.00%, 10.00% and 5.77% equity interest in EverPro were held by VIA Technologies (HK) Inc. Limited (香港威盛電子有限公司), VIT Labs, Inc. (威鋒電子股份有限公司) and S3 Graphics Co., Ltd. (旭上電子（上海）有限公司), respectively, all of which are wholly-owned subsidiaries of VIA Technologies, Inc. VIA Technologies, Inc. is a connected person of our Company solely due to its equity holding in EverPro.

(2) Accounted for in our financial statements as a joint venture. It is owned as to 25% by Draka, one of our Shareholders.

(3) Accounted for in our financial statements as a joint venture. It is owned as to 49% by Zhongli Sci-Tech Group Co., Ltd. (中利科技集團股份有限公司), a connected person of our Company solely due to its shareholding in YOFC Jiangsu.

(4) Accounted for in our financial statements as a joint venture. It is owned as to 49% by Sichuan Chuantou Energy Co., Ltd. (四川川投能源股份有限公司), a connected person of our Company solely due to its shareholding in YOFC Sichuan.

(5) Accounted for in our financial statements as a joint venture. It is owned as to 51% by Tianjin Xinmao Science & Technology Co., Ltd. (天津鑫茂科技股份有限公司), an independent third party of our Company.

(6) Accounted for in our financial statements as a joint venture. The remaining 20.00%, 28.42% and 5.26% equity interest in YOSC were held by Hubei Guangyuan Electronic Technology Co., Ltd. (湖北光源電子科技有限公司), Wuhan Yangtze Optical Network Communications Co., Ltd. (武漢長江光網通信有限責任公司) and Wuhan Hongtuo New Technologies Co., Ltd. (武漢虹拓新技術有限責任公司), respectively. Each of Hubei Guangyuan Electronic Technology Co., Ltd. and Wuhan Hongtuo New Technologies Co., Ltd. is an independent third party of our Company. Wuhan Yangtze Optical Network Communications Co., Ltd. is a subsidiary of Yangtze Communications, one of our Shareholders.

(7) Accounted for in our financial statements as a joint venture. The remaining 47.11% and 10.47% equity interest in Shantou Aoxing were held by Guangdong Telecom Industry Group Co., Ltd. (廣東省電信實業集團有限公司) and Leader Global (Hong Kong) Co., Ltd. (立達環球（香港）有限公司). Each of Guangdong Telecom Industry Group Co., Ltd. and Leader Global (Hong Kong) Co., Ltd. is an independent third party of our Company.

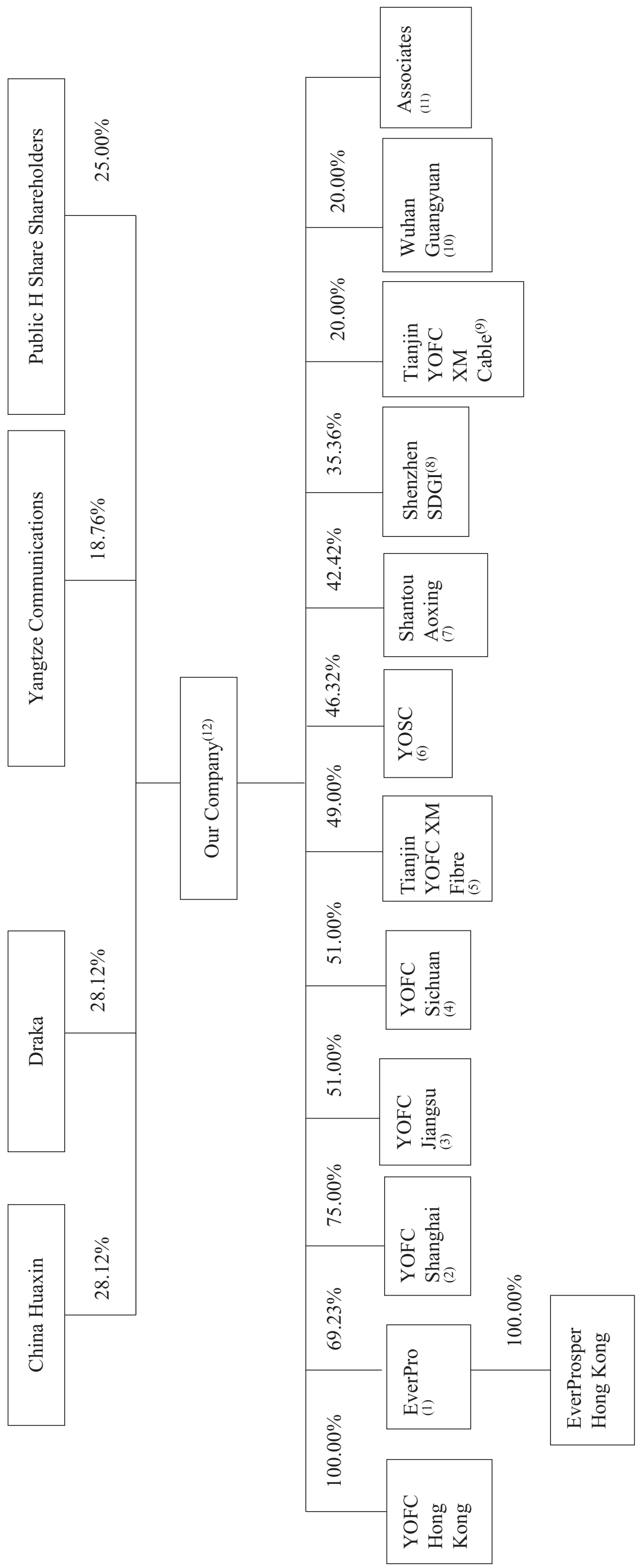
(8) Accounted for in our financial statements as a joint venture. It is owned as to 64.64% by Shenzhen SDG Information Co., Ltd. (深圳市特發信息股份有限公司), an independent third party of our Company.

(9) Accounted for in our financial statements as a joint venture. It is owned as to 80% by Tianjin Xinmao Science & Technology Co., Ltd. (天津鑫茂科技股份有限公司), an independent third party of our Company.

(10) Accounted for in our financial statements as a joint venture. It is owned as to 80% by Hubei Guangyuan Electronic Technology Co., Ltd. (湖北光源電子科技有限公司), an independent third party of our Company.

(11) For details of our associates, please see the paragraphs headed "The Subsidiaries, Joint Ventures and Associates — The Associates" in this section.

The following chart sets out our shareholding and group structure upon the completion of the Global Offering (assuming that the Over-allotment Option is not exercised):



Notes:

(1) The remaining 15.00%, 10.00% and 5.77% equity interest in EverPro were held by VIA Technologies (HK) Inc. Limited (香港威盛電子有限公司), VIT Labs, Inc. (威鋒電子股份有限公司) and S3 Graphics Co., Ltd. (旭上電子（上海）有限公司), respectively, all of which are wholly-owned subsidiaries of VIA Technologies, Inc. VIA Technologies Inc. is a connected person of our Company solely due to its equity holding in EverPro.

(2) Accounted for in our financial statements as a joint venture. It is owned as to 25% by Draka, one of our Shareholders.

(3) Accounted for in our financial statements as a joint venture. It is owned as to 49% by Zhongli Sci-Tech Group Co., Ltd. (中利科技集團股份有限公司), a connected person of our Company solely due to its shareholding in YOFC Jiangsu.

(4) Accounted for in our financial statements as a joint venture. It is owned as to 49% by Sichuan Chuantou Energy Co., Ltd. (四川川投能源股份有限公司), a connected person of our Company solely due to its shareholding in YOFC Sichuan.

(5) Accounted for in our financial statements as a joint venture. It is owned as to 51% by Tianjin Xinmao Science & Technology Co., Ltd. (天津鑫茂科技股份有限公司), an independent third party of our Company.

(6) Accounted for in our financial statements as a joint venture. The remaining 20.00%, 28.42% and 5.26% equity interest in YOSC were held by Hubei Guangyuan Electronic Technology Co., Ltd. (湖北光源電子科技有限公司), Wuhan Yangtze Optical Network Communications Co., Ltd. (武漢長江光網通信有限責任公司) and Wuhan Hongtuo New Technologies Co., Ltd. (武漢虹拓新技術有限責任公司), respectively. Each of Hubei Guangyuan Electronic Technology Co., Ltd. and Wuhan Hongtuo New Technologies Co., Ltd. is an independent third party of our Company. Wuhan Yangtze Optical Network Communications Co., Ltd. is a subsidiary of Yangtze Communications, one of our Shareholders.

(7) Accounted for in our financial statements as a joint venture. The remaining 47.11% and 10.47% equity interest in Shantou Aoxing were held by Guangdong Telecom Industry Group Co., Ltd. (廣東省電信實業集團有限公司) and Leader Global (Hong Kong) Co., Ltd. (立達環球（香港）有限公司). Each of Guangdong Telecom Industry Group Co., Ltd. and Leader Global (Hong Kong) Co., Ltd. is an independent third party of our Company.

(8) Accounted for in our financial statements as a joint venture. It is owned as to 64.64% by Shenzhen SDG Information Co., Ltd. (深圳市特發信息股份有限公司), an independent third party of our Company.

(9) Accounted for in our financial statements as a joint venture. It is owned as to 80% by Tianjin Xinmao Science & Technology Co., Ltd. (天津鑫茂科技股份有限公司), an independent third party of our Company.

(10) Accounted for in our financial statements as a joint venture. It is owned as to 80% by Hubei Guangyuan Electronic Technology Co., Ltd. (湖北光源電子科技有限公司), an independent third party of our Company.

(11) For details of our associates, please see the paragraphs headed "The Subsidiaries, Joint Ventures and Associates — The Associates" in this section.

(12) For information regarding our shareholding and share capital immediately following the completion of the Global Offering before or after the exercise of the Over-allotment Option, please see "Share Capital."

OVERVIEW

We are one of the leading optical fibre preform, optical fibre and optical fibre cable suppliers in the world. According to the Freedonia Report, we were:

- the No. 1 optical fibre preform, optical fibre and optical fibre cable supplier in China based on volume in 2013, with 37%, 25% and 16% of the market share, respectively;
- the No. 1 optical fibre preform supplier in the world based on volume in 2013, with 19% of the global market share; and
- the No. 2 optical fibre and optical fibre cable supplier in the world based on volume in 2013, with 13% and 8% of the global market share, respectively.

Since our inception in 1988, we have established a vertically integrated business model, offering a wide variety of products and services across the optical fibre cable production value chain. We believe we are one of few companies in the PRC that can develop and manufacture optical fibre preforms, optical fibres and optical fibre cables, at a commercially successful, mass production level. Our integrated business model enables us to drive the demand for upstream products, such as optical fibre preforms and optical fibres, through our leading position in the optical fibre cable market. It also allows us to enforce our quality and cost controls over each step of our production process, strengthening the competitiveness of all our products across the value chain. Our leading position in the optical fibre preform market in China enhances our bargaining power and enables us to better capture market opportunities arising from optical fibre and cable manufacturers in China that lack the capability and capacity to produce optical fibre preforms.

We currently utilize the PCVD production process, considered to be the most flexible production process in meeting different product requirements, for the production of our optical fibre preforms. Optical fibre preforms is the key feed material from which optical fibres are drawn that are then made into cables, and the quality and features of optical fibre preforms will have a fundamental impact on the quality and features of the resulting optical fibres and cables. PCVD production process has several advantages as compared to other processes, including the ability to be easily controlled and used to accurately produce optical fibre preforms with various refractive index profiles. The generally more accurate refractive index profiles of the optical fibre preforms produced by the PCVD production process enable us to produce a range of high quality feed materials with specific characteristics for different types of optical fibres in a cost efficient manner. We and Draka, one of our Controlling Shareholders, are currently the only companies in the world that produce optical fibre preforms using the PCVD process with substantial scale. The PCVD production process, as compared to production process used by other optical fibre preform manufacturers, has enabled us to offer a wider range of standard and specialty optical fibre preforms, fibres and cables that meet general market demands or catered to special customer needs as well as emerging new applications for optical fibre cables. We believe we have one of the most comprehensive optical fibre and cable portfolios among all optical fibre and cable suppliers in China.

Our strong research and development capabilities have enabled us to continuously develop and upgrade our products and services. We established a consolidated research and development platform, consisting of a dedicated research and development center and the State Key Laboratory, the only key national laboratory recognized by the National Ministry of Science and Technology in our industry. The State Key Laboratory has represented China in ITU-T and has been the editor responsible for four ITU-T international standards with respect to optical fibres and cables. We are also one of the deputy director entities of the China Communications Standards Association ("**CCSA**"), and have been in charge of the development of five CCSA national industry standards in China. In addition, we also participated in the development of two ITU-T standards and 24 CCSA standards. Our products have won various awards and recognitions. For example, we are the first and the largest OM3 and OM4 multi-mode fibre supplier in China, fibres that are widely used in data centers. Our Easyband® bending insensitive optical fibre used for indoor FTTH applications was awarded the first prize of Science and Technology Progress in Hubei Province in 2011. We were awarded the National Prize for Progress in Science and Technology by the State Council of China in 2005 for the wide application of our LAPOSH® G.655 optical fibres used in high speed long haul network system.

We have been consistently selected as one of the major suppliers to the three major state-owned telecommunications network operators in China through their centralized procurement biddings since 2004 due to our outstanding product quality, recognized brand name and competitive prices. Our strong and long-term business relationship with the three major state-owned telecommunications network operators in China position us well to strengthen our leading market position in China, as such telecommunications network operators account for a large majority of demand for optical fibre cables in China. We have also actively expanded our customer base by acquiring additional local and overseas customers. During the Track Record Period, in addition to the three major state-owned telecommunications network operators, we have 656, 691, 807 and 561 end customers for 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively, among which 641, 679, 793 and 549 were independent third parties.

We have experienced significant growth during the Track Record Period. Our total turnover increased from RMB4,175.0 million for 2011 to RMB4,777.8 million for 2012 and further to RMB4,825.9 million for 2013. Our total turnover increased from RMB1,995.5 million for the six months ended June 30, 2013 to RMB2,634.9 million for the same period in 2014. Our profit increased from RMB344.1 million in 2011 to RMB364.8 million in 2012 and further to RMB415.0 million in 2013. Our profit increased from RMB207.7 million for the six months ended June 30, 2013 to RMB209.2 million for the same period in 2014.

OUR STRENGTHS

We believe that the following competitive strengths have contributed to our success and will continue to help us strengthen our leadership position:

Established Leader in Optical Fibre Preform, Optical Fibre and Cable Market and Well Positioned to Capture Growth Opportunities in China and Globally

We are a leading optical fibre preform, optical fibre and optical fibre cable supplier in the world. According to the Freedonia Report, we are the No. 1 optical fibre preform, optical fibre and optical fibre cable supplier in China based on volume in 2013, with approximately 37%, 25% and 16%, respectively, of the market share in China. As China accounts for approximately 52%, 49% and 44% of the global optical fibre preform, optical fibre and optical fibre cable market, respectively, our leadership in the China translates into global leading market positions. According to the Freedonia Report, we are the No. 1 optical fibre preform supplier in the world based on volume in 2013, with 19% of the global market share, and the No. 2 optical fibre and optical fibre cable supplier in the world based on volume in 2013, with 13% and 8% of the global market share, respectively. Our market leadership extends from standardized products to specialized products as well. For example, we have the leading market share for multi-mode optical fibre in 2013 based on volume, with 39% of the market share in China.

We have a proven track record of success since our inception. We were first established as a joint venture between NV Philips and Wuhan Optical Communication and Wuhan Trust and Investment in 1988. NV Philips was then a leading international manufacturer of optical fibres and optical fibre cables, and provided us access to global leading production technologies in this sector. With over 25 years of operational experience in production and research and development, we believe we have established a leadership in the technology and production processes of optical fibre preforms, optical fibres and optical fibre cables in China. For example, we are the first China-based company capable of producing optical fibre preforms, according to the Freedonia Report. In addition, we are also capable of producing optical fibre preforms with the largest diameters in the world, according to the Freedonia Report, and the larger the diameter of optical fibre preforms is, the more efficient the production of optical fibres will be. Our capabilities have also enabled us to grow our market shares of optical fibres in China from approximately 19% in 2009 to 25% in 2013, according to the Freedonia Report. Similarly, we have maintained our market share in China for optical fibre cables above 15% since 2009, according to the Freedonia Report.

The communication industry, and its related industries, in particular the optical fibre and cable industry where we operate in, has been and will continue to be strongly supported by the central and local governments. We believe we are also one of the companies in our industry that state leaders in the PRC have attached importance to. The State Council issued a policy to implement the "Broadband China" initiatives that directly promotes the development of optical fibre broadband and wireless broadband mobile communications. Such initiatives aim at, among others, to increase the penetration rate of 3G and LTE users to 85%, to increase the household fixed broadband user penetration to 70% and significantly improving broadband speed in China, achieving 1,000 megabits per second broadband speed in developed cities, 50 megabits per second in urban cities and 12 megabits per second in rural areas, by 2020. Such government initiatives will continue to generate demand for optical fibre cables, which in turn will drive demand for optical fibre preforms and optical fibres. We believe we are well positioned as a market leader to capture such continuing growth opportunities. We will also leverage our success and capability in China to benefit from the strong and imminent optical fibre and cable network investment in many other emerging countries in Southeast Asia and Africa.

Vertically Integrated Business Model and Production Platform Anchored by World-class Optical Fibre Preform Production Capability

We believe we are one of few companies in the PRC that could develop and manufacture optical fibre preforms, optical fibres and optical fibre cables, each of which is a major stand-alone product across the optical fibre cable production value chain, at a commercially successful, mass production level. The vertically integrated business model enables us to: (i) drive demand for upstream optical fibre preforms and optical fibres through our leading market position in the optical fibre cable end market, and (ii) better manage the quality and cost of our optical fibres, which are the backbone of our optical fibre cable products. Furthermore, our vertical integration helps to improve our operating efficiency and flexibility through better resource allocation in our overall production across the value chain, which was evidenced by the high utilization rates of our production capacities for our optical fibre preforms, optical fibres and optical fibre cables during the Track Record Period.

Across the optical fibre cable production value chain, optical fibre preform is the product that requires the most technical capabilities and has the highest barrier to entry. In addition, the quality and features of optical fibre preforms have the most fundamental impact on the quality and features of the optical fibres drawn from such preforms and the optical fibre cables subsequently produced. In addition to being the first China-based company capable of producing optical fibre preforms, we are also able to manufacture optical fibre preforms with the largest diameters in the world at a mass production scale which demonstrates our world-class technical capability. According to the Freedonia Report, we have achieved a leading market position as to optical fibre preforms, both globally and in China. In particular, we have captured a 37% market share based on volume in 2013 in China, which is significantly higher than the next two largest companies with approximately 11% and 10% market shares in China, respectively.

We believe our integrated and well established production platform with specific competitive strength in optical fibre preforms provides us with a number of key advantages. Comparing with other suppliers whose product portfolios are more focused on downstream products, we are able to capture the upstream portion of the optical fibre cable production value chain where market dynamics are less competitive and pricing power of suppliers is stronger. We also sell a significant amount of our optical fibre preforms and optical fibres to third parties including optical fibre and cable manufacturers. The scale of operation for optical fibre preforms and fibres allows us to control raw material costs, which in turn has led, and we believe will continue to lead, to the competitive cost structure of our optical fibres and cables. We believe our pricing power, market position and cost efficiency in optical fibre preforms will augment the competitiveness of our optical fibre cable products and enhance our overall profitability.

Continuous Breakthrough in Product and Technical Innovations Led by Strong Research and Development Capabilities

We believe our strong research and development capabilities are one of the key factors for our sustainable development and business success. We have established an integrated research and development platform including a dedicated research and development center and the State Key Laboratory, the only key national laboratory recognized by the National Ministry of Science and Technology in our industry in China. Our State Key Laboratory, established in December 2010, is focused on developing advanced production technologies for optical fibre preforms, optical fibres and optical fibre cables, developing new optical fibre and cable products and their applications, and setting industry standards for optical fibres and optical fibre cables in China and overseas. As of June 30, 2014, our State Key Laboratory had 114 personnel, among which 15 hold a Ph.D degree, 58 hold a master's degree and 35 hold a bachelor's degree in relevant majors.

In addition, we also run a dedicated research and development center that focuses on research and development, technology management, and testing of optical fibre preforms, optical fibres and optical fibre cables. The internal testing laboratories within our research and development center have obtained various certifications, such as CNAS ISO/IEC17025 issued by China National Accreditation Service for Conformity Assessment, and the Optical Fibre and Cable Lab Certification issued by Telcordia and Verizon. Telcordia is a global leader in the development of mobile, broadband and enterprise communications software and services, which is also an entity of authority providing world-class optical fibre and cable testing related services.

Our strong research and development capabilities enable us to continuously achieve leading market position in product innovation. We have successfully developed and offered various proprietary and innovative products in the PRC market, including low water peak fibres, dispersion compensation and polarization maintaining fibres. Our products have won various awards and recognitions. For example, we won the second National Prize for Progress in Science and Technology by the State Council of China in 2005 for the wide application of our LAPOSH® G.655 optical fibres in high speed long haul network system. This is the highest level of National Prize for Progress granted in our industry. In addition, our Easyband® bending-insensitive optical fibres used for indoor FTTH applications was awarded the first prize of Science and Technology Progress in Hubei Province in 2011.

In addition to product development, we have upgraded our production technologies and processes by leveraging our research and development capacity, improving our operating efficiency and production capacity as a result. For example, by improving the PCVD and RIC technologies that we use for optical fibre preform production, and optimizing production machinery settings, we were able to successfully increase the deposition efficiency of our PCVD process and enlarge the diameter of manufactured optical fibre preforms from 150 millimeters in 2009 to currently over 206 millimeters. Such improvement significantly contributed to the increase in our annual production capacity during the Track Record Period. This breakthrough in optical fibre preform diameter also makes us capable of producing optical fibre preforms with the largest diameters in the world, according to the Freedonia Report.

As of June 30, 2014, we had obtained 75 patents for invention, four patents for design and 95 patents for utility models in the PRC. As of the same date, we had also obtained nine patents overseas, including patents registered in the United States, Taiwan, Australia and New Zealand. In addition, we also had 51 pending patent registrations in the PRC and 26 pending patent registrations overseas.

Advanced Production Technologies and Stringent Quality Control Ensuring Reliable Products with Outstanding Performance

We produce various high quality optical fibre preform, optical fibre and cable products by leveraging our advanced production processes and technologies. We and Draka are currently the only companies in the world that produce optical fibre preforms using the PCVD process with substantial scale. The PCVD process has certain unique advantages as compared to other production processes for the production of optical fibre preforms, such as more accurate control over refractive index profile, higher deposition efficiency and excellent process flexibility. Our PCVD production process has led to our ability to introduce more product offerings, especially those with complex refractive index profiles. Moreover, this wider variety of optical fibre performs can be manufactured at the same production line with only a few adjustments. Such features not only enable us to better meet the different requirements of our customers, but also better equip us to develop new products for various applications. For example, we are capable of producing various specialty optical fibres and specialty optical fibre cables that can be used in non-traditional communication applications. We also produce optical fibre cables for use in "last-mile" applications, meaning the final leg of the telecommunications networks that delivers communications connectivity to end customers. Historically, the "last-mile" network primarily used copper wires due to the cost advantage they used to provide. "Last-mile" applications such as FTTH are among the key focuses of the current "Broadband China" initiatives promoted by the PRC government. For more details, see "Industry Overview — China Telecommunications Industry and Optical Fibre Preform, Optical Fibre and Optical Fibre Cable Market — China Telecommunications Industry — Demand from Fixed-Line Internet Networks."

We believe we have in-depth understanding of and control over our production technologies, which enable us to capture various significant new market opportunities. We obtained licenses for the PCVD related technologies from Draka, one of our Controlling Shareholders, and the earlier holder of the related patent, NV Philips, since 1988. With over 25 years of experience in producing optical fibre preforms using the PCVD process, we believe we have a profound understanding as to the application of such technology, evidenced by our capability to independently and continuously developing and improving such technologies to further enhance product quality and production efficiency. For example, we have successfully increased the size of cavity resonator and enhanced the high-frequency system, which have enabled us to significantly improve the deposition efficiency of the PCVD process without compromising product quality.

Apart from our advanced production technologies, our consistently high product quality also helps to support our overall product performance. The quality of our products is one of the main reasons our products are chosen by our key customers, including the three state-owned telecommunications network operators. We have implemented stringent quality control procedures to ensure outstanding and consistent product performance. As of June 30, 2014, we had a quality control team with 173 employees and implemented over 100 detailed internal quality control procedures, covering every aspect of our operations from procurement, production, product testing and verification as well as after-sales customer services. Our ERP and self-developed MES systems enable us to apply standardized product specifications during the manufacturing and testing processes by inputting certain pre-set production standards. The defects identified by the MES system also provide us with timely information to improve our production processes. Our self-developed data reporting system contains technical specifications for all of our optical fibre and cable products and is connected to all of our testing equipment. By collecting and archiving data from the entire production process, the system tracks any quality control issues back to the original raw material, enabling us to efficiently test and identify any product that does not meet the necessary specifications and prevent such product from being further processed down the production chain. In addition to the product control systems, we also utilize an advanced equipment management system. Through this system, information relating to equipment efficiency, repair, maintenance, failure mode analysis and other important data can be timely and precisely collected, allowing us to monitor the condition and status of all of our production equipment and machine.

As a result of our advanced production technologies and stringent quality control measures during the entire production process, we are able to achieve strong performance and quality metrics for our products, and have obtained various certifications both in China and overseas as to the quality of our products. We have received numerous awards and prizes for our outstanding product quality from domestic and overseas authorities, including the Golden Award For Quality And Business Prestige and the International Arch of Europe Quality Award in the Platinum Category in 2013.

Long Term and Stable Relationships with Major Customers Underpinned by Quality Products, In-depth Industry Understanding and Responsive Customer Services

Due to our continuous efforts since the inception, we have developed a strong and extensive customer base. The potential customer base in our industry is relatively concentrated. Three state-owned telecommunications network operators, namely China Mobile, China Unicom and China Telecom, are the ultimate customers of almost all domestic optical fibre and cable suppliers. According to the Freedonia Report, these three major state-owned telecommunications network operators in aggregate contributed approximately 87% of total demand by volume for optical fibre cables in the PRC in 2013. Since 2004, the three major telecommunications network operators have gradually implemented centralized procurement policies. Optical fibre and optical fibre cable suppliers are required to participate in the centralized bidding and tender processes organized by the network operators to compete for their purchase orders. Due to the high quality and superior performance of our products, our brand recognition and our competitive pricing power, we have been selected as one of the major suppliers by each of the three state-owned telecommunications network operators in China since 2004. Furthermore, we also cooperate with the design and research institutions associated with the three state-owned telecommunications network operators to jointly conduct various researches on optical fibres and optical fibre cables and their applications. Such cooperation provides us with extensive opportunities to understand the current demands and product trends of the three state-owned telecommunications network operators, which in turn enables us to better serve these customers by developing and offering optical fibres and optical fibre cables that satisfy their needs. Our products with consistent quality and our in-depth understanding of the industry have enabled us to successfully expand our customer base which in turn, has contributed to the growth in our business and total turnover.

In addition to our extensive and high quality product portfolio, our responsive and extensive customer service is another important factor for us to retain and expand our customer base. We generally utilize our own sales and customer services personnel to serve our customers in the PRC as we believe we have accumulated comprehensive industry understanding about our customers and our products. In particular, for the three state-owned telecommunications network operators, we have established an office in Beijing to provide dedicated customer support and to better understand their needs. We also established a sales support department to address customer inquiries as to our products. We generally assign not only sales representatives but also technical staff for each of our local service team in order to better respond to technical enquiries of our customers. Our local service team is generally required to respond within 24 hours and resolve customer service requests within 48 hours. We also operate a service call center that is available 24 hours a day and 7 days a week. Also, our Joint Ventures and Associates set up across China have allowed us to be in proximity with the provincial subsidiaries of the three state-owned telecommunications network operators and other local customers, enabling us to deliver our order in relatively shorter notice period and be more responsive to our customers' need. These measures have all contributed to our strong brand reputation and customer relationship.

Visionary Management, Experienced Execution Team, and Merit-based Corporate Culture

Our senior management possesses extensive understanding of the industry trends and rich operational expertise, which has enabled us to successfully achieve leading position in our industry in the PRC and globally. For example, Dr. Zhuang Dan, the general manager of our Company, has over 16 years of experience in the optical fibre and cable industry. Dr. Zhuang joined our Company in 1998 and has been a senior management member since 2001. He possesses extensive experience in executing our business strategies and his understanding and vision of our industry has led us to adopt our preform-focused, vertically integrated business model. Mr. Jan Bongaerts, the first deputy general manager of our Company, has over 16 years of experience in the international optical fibre and cable industry, and is well-suited to lead our international expansion effort. Mr. Zhang Mu, the deputy general manager of our Company and the general manager of the strategic center of our Company, has more than 30 years of experience in the optical fibre and cable industry. Mr. Zhang joined our Company from the very beginning in 1988 as an engineer and has guided our Company's strategy in technology. Our strong research and development team is led by Dr. Luo Jie, our Chief Technology Officer, who has over 25 years of research and development experience in optical fibres. Mr. Leung King Yu, our chief financial officer and the general manager of the financial center of our Company, was a former partner at Ernst & Young with more than 18 years of experience in financial and accounting. Our visionary and experienced management team has significantly contributed to our leading market position and success.

Furthermore, we have established two separate promotion paths for corporate management personnel and technical specialists, respectively, allowing talents in each path to be rewarded for their contributions and achieve their career aspirations. The promotion path for technical specialists is conducive to our efforts to retain our technical and research and development talents. Such merit-based corporate culture has been, and will continue to be, important for our human capital in terms of attracting and retaining experienced and skillful management and other employees to contribute to our sustainable success.

OUR STRATEGIES

Our objective is to strengthen and further advance our market leadership in China and globally. We also endeavor to become the global leader for the research and development and manufacturing of optical fibre preforms, optical fibres and optical fibre cables and the global leader in providing marketing and consulting services to such product. We intend to achieve such objectives by implementing a business strategy with the following key aspects.

Strengthen Leading Position in Optical Fibre Preform and Fibre

We will continue to leverage our No. 1 market position in optical fibre preforms, optical fibres and optical fibre cables in China to capture the continued demand for such products in China and solidify our leadership. In addition, we plan to focus on growing selected international markets such as Southeast Asia and Africa. We believe the scale and brand recognition associated with our market leading position in China and globally will enable us to further improve our cost structure and efficiency, while continue to introduce products that can command better pricing premium in the market.

We intend to further grow our market share by focusing our efforts on optical fibre preforms and optical fibres, given their higher barrier to entry and the technological sophistication required in the production of such products. We believe such factors can lead to higher pricing power for suppliers of these products as compared to optical fibre cables, and resulting in greater profitability. Our focus on optical fibre preforms and optical fibres will entail continued development of additional market opportunities in China and overseas for us as to optical fibre cable production. This will enable us to drive upstream optical fibre preform and optical fibre demand not only through our own optical fibre cable production, but also the additional demand from such optical fibre cable producers. We will also continue to enhance our production efficiency for optical fibre preforms. This, together with our increased scale of operation, will enable us to lower our average production costs and enhance the price competitiveness of our products to further attract additional demand.

Optimize Production Structure and Increase Production Capacity Aiming to Increase the Sale of Self-Produced Products

Our leading market position in China, strong brand reputation and superior product performance have enabled us to generate strong demand for our products. From time to time, such demand may exceed our production capacity. As a result, we also currently purchase products from third parties, produced in accordance with the same stringent quality standard as our own products, and then sell these products to our customers to satisfy the surplus demand. The profitability of such purchased products that are then on-sold to customers is significantly lower than the profitability of our own self-produced products. As such, we are motivated to further optimize our production structure by allocating resources and adjusting production schedules. In order to achieve higher economic returns, we will also continue to expand production capacity for our products, especially for optical fibre preforms and optical fibres, and replace the sale of purchased products with products that we produce at our own facilities. We intend to achieve such production capacity expansion by both enhancing our production efficiency and also adding new production lines. We believe that the shift of focus on more self-produced products from on-sold products will potentially increase our profit margins over time in a material way. As our production capacity increases, we believe we will also be able to gain additional economies of scale and negotiation power with our suppliers, thereby further reducing average production costs for our products, in particular, the raw material costs. However, we will carefully balance our production capacity expansion with industry demand for optical fibre products as to maintain high production capacity utilization rate.

Develop Multiple Production Processes and Techniques for Optical Fibre Preforms

We currently utilize the PCVD production process for the production of optical fibre preforms. The core technologies relating to PCVD were licensed from Draka, one of our shareholders. While we continue to upgrade our PCVD production process, we have been utilizing our research and development capabilities to develop complementary production processes and techniques. Such other processes and techniques, although lacking the technical flexibility of PCVD production process, are suitable for mass production of optical fibre preforms with standardized specifications on a cost effective basis. As such, we believe by introducing these alternative production processes and techniques, we will be able to realize more optimal capacity allocation, increase overall production efficiency, lower our average production costs, reduce our reliance on certain raw materials and our current reliance on certain core PCVD technologies licensed from Draka. See "Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Operational Independence — 3. Independent Research and Development Capabilities." Thus, we expect the introduction of such alternative production processes and techniques will enable us to further strengthen our competitiveness. We have already begun the development of such other processes and techniques and expect to introduce such processes into production in the near future.

Continue Vertical Integration of Optical Fibre Cable Production Value Chain through Controlling Upstream Production of Key Raw Materials as well as Extending to Downstream Equipment Sales and Service Offerings

Our current vertically integrated model of producing optical fibre preforms, optical fibres and optical fibre cables has provided significant benefit to our business. We expect to further deepen our vertical integration by asserting control over other strategic segments of the optical fibre cable production value chain. For example, we have partnered with Yunnan Lincang Xinyuan Germanium Industry Co., Ltd. (雲南臨滄鑫圓鍺業股份有限公司), a leading germanium products supplier in Asia, Beijing Guojinghui Infrared Optical Technology Co., Ltd. (北京國晶輝紅外光學科技有限公司), a company that specializes in the research and development of germanium related materials, and FibreHome

Telecommunication Technologies Co., Ltd. to establish Wuhan Yunjingfei, which manufacture and provide us with a stable supply of germanium tetrachloride, one of the key raw materials for the production of optical fibre preforms. We will also focus on establishing additional partnership for the production of other raw materials. Such partnership will help provide stable raw materials supply to support our continued growth while also ensuring the quality of such materials.

We have also started to develop downstream opportunities through the introduction of other products and services, including optical distribution and connection products, data center cabling products and related installation and consulting services of our optical fibre products. Moreover, we sell production machinery, such as fibre drawing towers, and offer related installation services. We believe such supplementary business will enable us to expand our customer base and increase the sale of our optical fibre preforms as our optical fibre preforms are highly compatible and can work most efficiently with our production machinery.

We expect such strengthened integration will improve our leadership and bargaining power in the industry.

Further Enhance Product Portfolio and Develop New Products and New Applications for Optical Fibres and Cables to Capture Emerging Industry Growth Potentials

Most of our optical fibre cables are currently used in traditional applications in the communications industry. While we will continue to strengthen our market leading position to address the traditional applications for optical fibre cables, we will also constantly study and identify industry trends, aiming at capturing and realizing the growth potential offered by new products or new applications of optical fibre cables so as to increase our turnover sources.

For example, in December 2013, we established EverPro in conjunction with subsidiaries of VIA Technologies, Inc., a manufacturer of integrated circuits that is listed on the Taiwan Stock Exchange, for the research and development of active optical cables. Active optical cables convert electrical signal to optical signals and increase the speed of transmission between connections without sacrificing compatibility with existing electrical interfaces. These cables can also typically withstand significant bending, unlike traditional optical fibre cables. These are cables intended to replace widely used cables in computing and consumer electronics that are still in the current stage primarily made from copper wires. Given the increasing amount of data that is being transferred and used by consumers and the focus on bringing high-speed connection to "last-mile" application, using active optical cables instead of copper wires will significantly increase connection speed between devices and bring high-speed access directly to consumers' devices. In addition, by replacing copper wires with active optical cables in data centers, while the speed of data transmission can be significantly increased, the cost of operating such data centers can also be greatly reduced as less power will need to be consumed. We believe that such advantages of active optical cable will encourage its application as cloud computing continues to develop. For more details, see "— Our Products — Optical Fibre Cables." The active optical cable market has just started to emerge, but represents significant and attractive potentials. According to the reports prepared in 2014 by Communications Industry Researchers, Inc., a provider of international market analysis specializing in the optical networking business, the aggregate worldwide market potentials for active optical cables, in connection with both data center and non-data center uses, are estimated to increase from US$417.7 million in 2014 to US$6,809.9 million in 2022, representing a CAGR of 41.8%.

Our PCVD production process, due to its ability to more accurately control refractive index profiles of optical fibre preforms, is believed to be particularly suitable for the production of active optical cables. Through EverPro, we believe we will be well-positioned to benefit from the development of active optical cables. We also plan to develop medical optical fibres which we believe have great market and profit potentials as the relevant domestic market is underdeveloped and the cost of such products imported from overseas are high.

We will also continue to explore additional attractive opportunities as to other new products and new applications for optical fibre cables.

Enhance International Sales and Increase Optical Fibre and Cable Production Footprint Globally with Particular Focus on Southeast Asia and Africa

Compared to China, the telecommunications network in many developing countries, such as countries in Southeast Asia and Africa, are still at an early stage of development. Demand from such emerging economies presents significant potential for our products. We have targeted and will continue to strategically target overseas markets that have strong demand for optical fibres or markets, especially where China-based telecommunications companies have already established a presence, which we believe will enable us to leverage our existing relationships with such companies to better serve their needs in those overseas market. We have also targeted and will continue to target expansion into overseas markets that are favorably supported by existing PRC government policies, such as Africa. We expect to implement localization strategy and establish overseas sales platforms in selected regions, aiming at reducing operating costs and fully leveraging local resources and market opportunities.

In addition to increasing the sale of our products overseas, we will also seek to establish production facilities for optical fibres and cables in regions outside of China in which we are focusing our international efforts. Establishing production facilities overseas will enable us to more efficiently and timely deliver optical fibres and cables to customers, especially given that transportation for optical fibre cables is generally costly. We intend to establish such production facilities through joint ventures with other local partners, which we believe will also enable us to leverage the relationship of such partners to more efficiently increase our customer base. Such joint ventures will create further demand for our optical fibre preforms, optical fibres and production machinery. For example, we are currently exploring opportunities for such joint venture to establish a production base in Myanmar (Burma).

OUR PRODUCTS

We are one of the leading optical fibre preform, optical fibre and optical fibre cable suppliers in the world, according to the Freedonia Report. We were the largest optical fibre and optical fibre cable supplier in China based on volume in 2013, according to the Freedonia Report. We were also the largest optical fibre preform supplier in the world based on volume, and were the second largest optical fibre and optical fibre cable supplier in the world based on volume, in each case in 2013, according to the Freedonia Report.

We provide a wide range of optical fibre and cable products for the worldwide telecommunications industry, as well as for other industries, including broadcasting and television communications networks, utilities, transportation, petrochemical and healthcare.

We primarily manufacture and sell optical fibre preforms, optical fibres and optical fibre cables with various standard specifications that are widely used in the telecommunications industry. We also design and produce specialty optical fibres and cables, including specialty integration systems, that are customized to customers' specifications. For example, we provide specialty optical fibre cables with extremely small bending radius (means that the cable has high bending capabilities) suitable for installation in narrow areas or spaces with multiple corners. We also provide specialty optical fibre cables that can be used in high-temperature environments, which are widely used in mining, aerospace, military and medical industries. We believe we have one of the most comprehensive optical fibre and cable portfolios among all optical fibre and cable suppliers in the PRC and are well positioned to differentiate our product offerings from our competitors.

Furthermore, we sell other related products and services, including optical distribution and connection products, data center cabling products and production machinery, such as optical fibre drawing towers and related installation services. In connection with the sale of our optical fibre preforms, optical fibres, optical fibre cables and other products, we also provide our customers with various value-added solution-based services by leveraging our advanced technology and know-how. Such services include tailored cabling design and construction consulting services, testing services, machinery installation related consulting services and customized training programs to meet our customers' needs during their deployment and use of our products.

We manage our businesses by products and we review our results of operations according to two primary reportable segments, namely (i) optical fibre preforms and fibres and (ii) optical fibre cables, when making decisions about allocating resources and assessing performance. Our other business activities, which primarily represents turnover generated from the sale of other optical fibre and cable related products, production equipment and services, are referred to as other products and services. The below table sets forth the turnover and as percentage of total turnover of optical fibre preforms and fibres, optical fibre cables and other products and services for the periods indicated:

	Year ended December 31,						Six months Ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Optical fibre preforms and fibres	2,343,064	56.1	2,550,066	53.4	2,722,695	56.4	1,188,994	59.6	1,402,927	53.2
Optical fibre cables	1,788,080	42.8	2,070,327	43.3	1,817,625	37.7	695,118	34.8	978,248	37.1
Other products and services	43,900	1.1	157,430	3.3	285,575	5.9	111,379	5.6	253,693	9.6
Total Turnover	4,175,044	100.0	4,777,823	100.0	4,825,895	100.0	1,995,491	100.0	2,634,868	100.0

In addition to the sale of our products to independent third parties, we sell a certain portion of our products to our Joint Ventures. Furthermore, we purchase optical fibre preforms from independent third parties and optical fibres and optical fibre cables from our Joint Ventures and other third parties, which we then sell to our customers. Historically, we purchased and on-sold products primarily because the demand we obtained for such products exceeded our production capacity. The purchase of products from our Joint Ventures for on-sell to customers also enable us to focus our resources on high quality and higher value-added production work streams in optical fibre preforms and optical fibres, which generally have a higher profit margin, while leveraging on the strong local relationship of our joint venture partners to expand our end customer base as well as to cost effectively expand optical fibre cable production capacity as compared to spending such resources on building up our own production capacity. For additional information, please see "— Transactions with Joint Ventures" and "— Raw and Feed Materials, Inventories and Suppliers."

Optical Fibre Preforms and Fibres

Optical fibre preforms is the key feed material from which optical fibres are drawn. As such, the quality and features of optical fibre preforms will have a fundamental impact on the quality and features of the optical fibres drawn from such preforms. The production of optical fibre preforms hence represents the most important technical step in the entire optical fibre cable production value chain. The drawn optical fibres, which are solid strands of hair-thin, high quality glass, are then bundled together into cables, through which information is transmitted via light pulses from one point to another.

Our optical fibre preforms and fibres are either (i) used by us for the production of our optical fibres or optical fibre cables, respectively or (ii) sold to our Joint Ventures and independent third-party optical fibre or optical fibre cable manufacturers for the production of optical fibres or optical fibre cables, respectively.

The below table sets forth by total volume of optical fibre preforms and fibres sold for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	(in thousands)				
Optical fibre preforms (fkm)[1]	18,719	20,503	28,924	10,922	14,902
Optical fibres (fkm)	24,816	27,900	29,628	13,829	18,236

(1) Based on one ton of optical fibre preforms being used to draw 30,000 fkm of optical fibres.

The table below sets forth the price ranges (including value added tax) of our most common optical fibre preform with standard specification for the periods indicated. The difference in prices for optical fibre preforms was primarily due to the different output rates of preforms in drawing optical fibres. The prices for optical fibre preforms were relatively higher in 2011 primarily because of the shortage in optical fibre preforms imported from manufacturers in Japan to China caused by the Japan earthquake and tsunami in March 2011 which resulted in more pronounced fluctuations in optical fibre preform prices.

	Low end	High end
	(in RMB per kilogram)	
2011	1,069	1,713
2012	1,074	1,398
2013	1,054	1,398
For the six months ended June 30, 2014	997	1,274

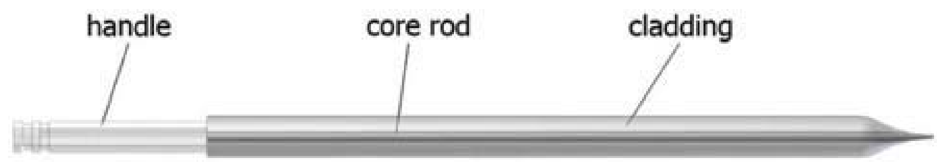
The table below sets forth the price ranges (including value added tax) of our most common optical fibre with standard specification for the periods indicated. The difference in prices for optical fibres for a given period during the Track Record Period was primarily due to one-off sales to certain customers during these periods or special orders from customers for specific projects that are less recurring in nature.

	Low end	High end
	(in RMB per fkm)	
2011	55	90
2012	52	75
2013	50	90
For the six months ended June 30, 2014	43	69

In addition to the production of our own optical fibre preforms and fibres, we from time to time also procured optical fibre preforms and optical fibres from third-party suppliers during the Track Record Period that we either on-sell to customers or use for our own production needs, primarily due to constraints of our production capacity and the large and varying types of optical fibre preforms and optical fibres that we and our customers require to produce a wide range of optical fibres and optical fibre cables. We also procure a portion of our optical fibres from selected third-party suppliers as our customers specify certain designated suppliers for the production of optical fibre cables.

Optical fibre preforms

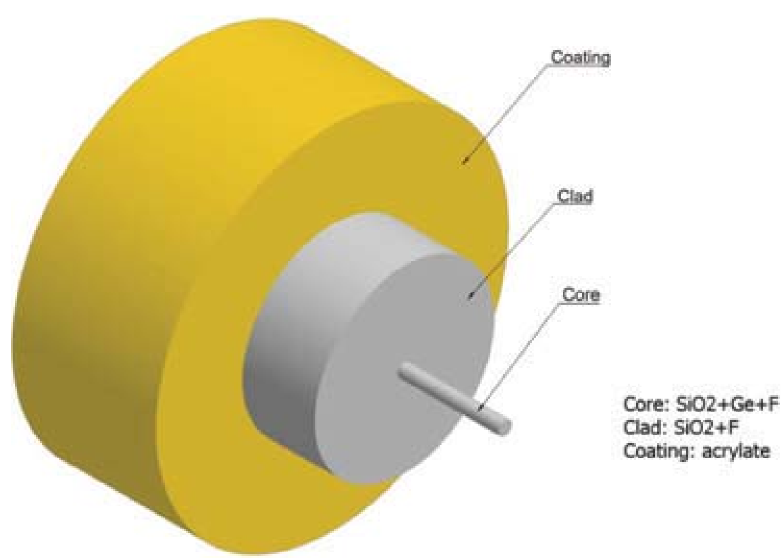
An optical fibre preform is a cylindrical high purity glass rod with a higher refractive index glass material in the central part of the rod, referred to as the core, and a lower refractive index glass material in the outer part of the rod, referred to as the cladding. The optical fibre preform can range from a few to 206 millimeters in diameter and one to several meters in length. A single optical fibre preform can be used to produce hundreds or thousands of kilometers of optical fibres. Depending on the purity and quality of raw materials utilized, the technologies applied and the sophistication of production processes, the quality of the manufactured preforms may vary significantly, which in turn, significantly affect the quality and features of the optical fibres, including its purity, tensile strength, effective refractive index and attenuation.



As of June 30, 2014, we manufacture various types of optical fibre preforms with varying lengths and diameters that range from 500 millimeters to 3,050 millimeters long and 33 millimeters to 206 millimeters in diameter, fully catering to the production of our 19 types of standard optical fibres, including single-mode and multi-mode fibres, as well as numerous specialty optical fibres. Optical fibre preforms that are longer and with wider diameters can produce more optical fibres in a more cost efficient manner as fewer set-up stages are required during the subsequent optical fibre drawing process. We are capable of producing optical fibre preform that is 3,050 millimeters long with a diameter of 206 millimeters, and can be used to draw optical fibres up to 7,850 fkm. According to Freedonia Report, we are capable of producing optical fibre preforms with the largest diameters in the world. For additional information as to the different type of optical fibres, see "— Optical Fibres."

Optical fibres

Optical fibres are widely used in the communications industry. At the transmission point, electrical impulses representing signal are converted into light waves by laser or LED (light emitting diode) transmitters. At the point of reception, the light waves are converted back into electrical impulses by a photo-detector. Each fibre consists of a central core of high-purity glass with higher refractive index encased in an outer glass cladding that has lower refractive index. The light waves are transmitted primarily through the central core and the glass cladding is designed to reduce signal loss from the fibre.



Communication by means of light waves guided through optical fibres travels faster than conventional means of transmitting information through metallic conductors. Optical fibres also offer a number of other advantages. For example, optical fibres have significantly more information carrying capacity (bandwidth) than metallic conductors and, unlike metallic conductors, are not subject to electromagnetic or radio frequency interference. Signals of equal strength can be transmitted over much longer distance through optical fibres than through metallic conductors and require the use of fewer repeaters (devices which strengthen a signal). Furthermore, optical fibre communication consumes much less energy than traditional communication over metallic conductors per the same amount of data transmitted.

There are two basic types of optical fibres, namely single-mode fibres and multi-mode fibres. The table below sets forth the major differences between these two types of optical fibres:

	Single-mode Optical Fibres	Multi-mode Optical Fibres
Physical Features and Construction	• A single strand of optical fibre core. • Usually has an optical fibre core to optical fibre outer cladding diameter ratio of 9 micrometers to 125 micrometers.	• Larger glass optical fibre core. • Usually has an optical fibre core to optical fibre outer cladding diameter ratio of 50 micrometers to 125 micrometers and 62.5 micrometers to 125 micrometers.
Light Pathways and Wavelengths	• Allows only one single ray of light, or mode, to be transmitted along the optical fibre and the construction of the optical fibre confines the mode toward the center of the optical fibre core. • Operates around a longer wavelength of 1,310 nanometers to 1,550 nanometers.	• Allow multiple modes to be transmitted along the optical fibre and the multiple modes are bounced off the edge of the optical fibre core at different angles between the optical fibre core and outer cladding. • Operates around a shorter wavelength of 850 nanometers to 1,310 nanometers.
Bandwidth	• Higher information carrying capacity, or bandwidth, and higher transmission speed due to lower dispersion (the potential for change in light along the optical fibre, which distort the signal) and attenuation (the potential for signal to be lost) as the single wave of light better avoids distortion that may result from overlapping light pulses. • Capable of transmitting 100 gigabits per second for distance up to thousands of kilometers with dense wavelength division multiplexing optical systems (multiplexing a number of signals onto one single optical fibre by using different wavelengths of light). The overall capacity of one single mode fibre could be as high as terabits per second.	• Limited bandwidth and transmission speed. • Typical transmission speed and distance limits are 100 megabits per second for distances up to 2 km, 1 gigabit per second for distances up to 1,000 meters and 10 gigabits per second for distance up to 550 meters.

	Single-mode Optical Fibres	Multi-mode Optical Fibres
Major Applications	• Long distance transmission, usually with laser diode based fibre optic transmission equipment. • Long distance cable networks, or applications from a central office to the outside of a building or home, such as fibre-to-the-curb (cable from a central office to the curb in front of an office building or home), fibre-to-the-building (cable from a central office to the boundary of an office building) or fibre-to-the-home (cable from a central office to inside the home), network configurations.	• Short to medium distance transmission since the quality of the signal is reduced over long distances as a result of high dispersion and attenuation, usually with LED or VCSEL (vertical-cavity surface-emitting laser) based fibre optic transmission equipment. • Due to cheaper set-up costs as compared to single-mode optical fibres, more widely used in local area network and in-door network cabling, such as data centers, corporate intranet networks or campus networks or wiring computers to computer peripherals.
Transmission and Installation Cost	• Higher transmission cost due to the use of single-mode transmitters, which are more expensive than transmission equipment for multi-mode fibres, leading to higher set up and installation cost.	• Lower transmission cost due to more cost effective transmission equipment, leading to lower set up and installation cost.

As of June 30, 2014, we produced 19 types of standard optical fibres, including nine types of single-mode fibres and ten types of multi-mode fibres. We also offered 13 models of specialty optical fibres. We believe we are currently the company in the PRC that has the most comprehensive optical fibre product portfolio. Our optical fibres are compliant with the specifications under various national and international industrial standards, including GB/T issued by Standardization Administration of China, ITU-T Recommendations and ISO/IEC standards.

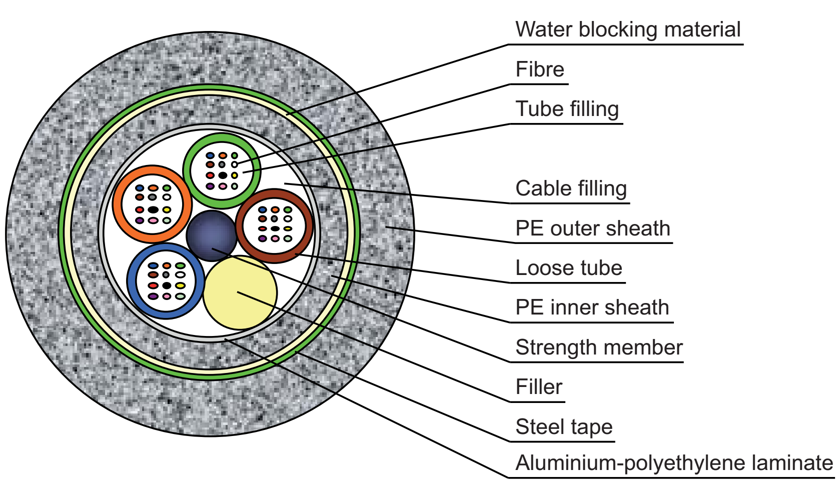
ITU-T is one of the sectors of the International Telecommunication Union, aiming at coordinating standards for telecommunications industry worldwide. ITU-T develops international standards and recommendations for information and communication technologies. By producing high quality optical fibres that are in compliance with internationally recognized ITU-T Recommendations, we believe we are able to ensure the compatibility of our products with wide variety of communication equipment and are well positioned to offer products to overseas markets where same standardized product specifications are adopted.

We were awarded the second National Prize for Progress in Science and Technology by the State Council of China in 2005 for the wide application of our LAPOSH® G.655 optical fibres in high speed long haul network system. This is the highest level of National Prize for Progress granted so far in our industry. Our G.652D low water peak optical fibre is currently one of the mainstream single mode optical fibre products in the PRC, optimized for attenuation and dispersion performance across the entire wavelength window. Therefore, this product can fully satisfy the demand for transmitting multi-channel, high-speed signals over one single optical fibre and is widely used for long distance transmission, such as backbone network cables. Our low water peak optical fibre won the second prize of Progress in Science and Technology of Hubei Province in 2010 and the first prize of electronic and information science and technology issued by The Chinese Institute of Electronics in 2012. In addition, our G.657.A2 and G.657.B3 bending insensitive optical fibre have lower bending induced loss and outstanding bending performance and are considered the current mainstream products used for indoor fibre-to-the-home applications. The overall performance of our bending insensitive optical fibre exceeds the ITU-T standards and it was recognized by the National Ministry of Science and Technology as a National Key New Product in 2012.

In addition to the optical fibres with standard specifications as described above, we also produce and offer specialty optical fibres. These specialty optical fibres are generally custom designed in accordance with the specific requirement of our customers for specialized applications. For example, our polarization-maintaining optical fibres are specially designed for fibre optical gyroscopes and other polarization sensitive components, which require extremely low attenuation and excellent birefringence for high performance in a variety of demanding applications. This product was awarded as a National Key New Product in 2010. We also offer dispersion compensating optical fibres, which are specially developed by leveraging our PCVD process and are able to have very low residual dispersion over the compensated working wavelength. Our high temperature optical fibres are designed for medium and high temperature environment up to 300°C, which can be used in demanding environment, such as in mining, aerospace, military and medical industries.

Optical Fibre Cables

Optical fibre cables are produced from one or more optical fibres by first coloring the optical fibre and then encasing the optical fibre in protective jackets. The protective jacket differs depending on the environment in which the cables are to be deployed. For example, optical fibre cables for outdoor applications generally need to be protected from challenging environmental conditions, such as contamination from water, temperature changes, construction works or animal damages. Strength members such as steel or glass fibres are also used in the production of optical fibre cables to enhance the strength and durability of the cable.



Our optical fibre cables are used in various industries, including in the telecommunications, broadcasting and television communications networks, utilities, transportation, petrochemical and healthcare industries as well as for office and home applications. For additional information as to the end customers of our optical fibre cables, please see "— Customers, Sales and Marketing — Our Customers."

As of June 30, 2014, we produced and sold 38 types of standard optical fibre cables, which ranged from indoor cables that contain one to 144 cores and outdoor cables that contain one to 576 cores. Our complete range of optical fibre cables can satisfy various complicated installation conditions, including but not limited to aerial, direct burial, duct or air-blown installation.

We also currently produce 13 types of specialty optical fibre cables based on the specific requests of our customers. In addition, we offer specialty systems that provide integrated service solutions using our specialty optical fibres and optical fibre cables. For example, our fibre-optic perimeter security system comprises of a highly sensitive optical fibres used both as a sensor and as the transmitter of alarm signals, detecting various vibration and with strong anti-interference capability. Such fibres are not subject to electromagnetic or various light interference. Our fibre-optic solar lighting system can be used to channel sunlight into buildings where it is used to light the building interior space.

Our slotted-core ribbon optical fibre cables are made of high density polyethylene, a steel wire or rope in the center as strength member and a water proof tape that is helically applied around the slotted core. This cable features high fibre density, good crush-resistance and can be efficiently spliced during installation, and especially suitable for relay networks and access networks.

Our air-blown micro-duct micro cables are able to minimize the diameter by using bending insensitive optical fibre counts with 200 micrometers in diameter and thus, enable the cables to be lightweight while maintaining moderate hardness. The diameter of our micro cable containing 144 fibres is 7.5 millimeters, while the common diameter of a duct optical fibre cable with normal specification which contains 144 standard fibres is usually 16.4 millimeters. The air-blown micro-duct micro cables utilize less duct spaces and enable our customers to reduce construction costs.

Our opto-electronic hybrid cables are made of single- or multi-mode optical fibres in loose tubes made from high modulus silicon, and are able to transmit both electrical power and light signals at the same time. This cable is mainly used in the centralized remote feed direct-current power systems of 3G or 4G distributed base stations, and can enhance the maintenance and monitoring in the provision of electrical powers.

Our all-dry series of optical fibre cables are innovative products developed based on the traditional gel filling optical fibre cables. Special dry materials, such as water-blocking yarn and water-blocking tape are used as substitute for traditional gel fillings. These special dry materials help to keep the cables more resistant to moistures, and also make the cables easier to install as compared to cables filled with gel. Due to the cable's small size and lightweight nature, it is used in backbone network, access network and fibre-to-the-home construction.

In addition, we also aim to capture and realize the growth potential offered by new applications of active optical cables. In December 2013, we established EverPro in conjunction with subsidiaries of VIA Technologies Inc., a manufacturer of integrated circuits that is registered on the Taiwan Stock Exchange, for the research and development of active optical cables. Subject to the joint venture agreement, EverPro has an initial term of operation of 20 years subject to renewal. The board of directors of EverPro is consisted of six directors, four of whom are appointed by us with the remaining two appointed by the other two shareholders. Chairman of the board of directors is also appointed by us subject to the approval by a simple majority of the board of directors. Pursuant to the joint venture agreement, all major decisions, including substantial financing and operating decisions, will be approved by a simple majority of the votes of its board of directors. As we have the power to appoint majority of the board of directors of EverPro, we consider that we can exercise dominant control over EverPro and we treat it as our subsidiary. To facilitate the establishment and future development of EverPro, EverPro acquired certain patents from us and VIA Labs, one of its other shareholders, mainly related to technologies and products in connection with the research and development of active optical fibres, to EverPro. For more details about EverPro. see "— Intellectual Property" below and "History and Corporate Structure — The Subsidiaries, Joint Ventures and Associates — The Subsidiaries — EverPro."

Active optical cables are cable products that accept the same electrical input as traditional copper wire based cables, but uses optical fibres between connections. These cables converts electrical signal to optical signals and increase the speed of transmission between connections without sacrificing compatibility with existing electrical interfaces. These cables can also typically withstand significant bending, unlike traditional optical fibre cables. Primary uses for active optical cables are to connect between consumer electronic devices, and between devices in personal computing and in data centers. These are cables intended to replace widely used cables that are still in the current stage primarily made from copper wires. Examples include USB cables, cables that link between computers, Ethernet cables, game consoles and controllers and TV cables. Given the increasing amount of data that is being transferred and used by consumers and the focus on bringing high-speed connection to "last-mile" application, using active optical cables instead of copper wires will significantly increase connection speed between devices and bring high-speed access directly to consumers' devices. In addition, currently most data centers utilize coppers wires that are much less power efficient and have lower transmission speed than optical fibre cables. By replacing copper wires with active optical cables in data centers, the speed of data transmission can be significantly increased, while the cost of operating such data centers can also be greatly reduced as less power will need to be consumed, which can support the continued development of cloud computing. According to the reports prepared in 2014 by Communications Industry Researchers, Inc., a provider of international market analysis specializing in the optical networking business, the aggregate worldwide market potentials for active optical cables, in connection with both data center and non-data center uses, are estimated to increase from US$417.7 million in 2014 to US$6,809.9 million in 2022, representing a CAGR of 41.8%. In addition, according to these reports, the major strategies to compete in the active optical cable market include superior branding and supply chains, value suppliers and leading-edge technologies. As such, leveraging our existing brand recognition, established supply chains and leading technologies in China and through the establishment of EverPro, we believe we will be well-positioned to benefit from the potential growth of the active optical cable market.

Most of our optical fibre cables are sold to independent third-party customers. The below table sets forth by total volume of optical fibre cables sold for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	fkm	fkm	fkm (in thousands)	fkm	fkm
Total	13,395	17,292	15,975	5,986	8,982

In addition to the production of our own optical fibre cables, we also from time to time procured optical fibre cables from third-party suppliers, including our Joint Ventures, during the Track Record Period and then on-sell to customers.

The below table sets forth the price ranges (including value added tax) of our most common optical fibre cable with standard specification for the periods indicated. The difference in prices for optical fibre cables for a given period during the Track Record Period was primarily due to one-off sales to certain customers during these periods or special orders from customers for specific projects that are less recurring in nature.

	Low end	High end
	(in RMB per fkm)	
2011	133	203
2012	129	182
2013	127	201
For the six months ended June 30, 2014	122	208

Other Products and Services

Our other products primarily include optical distribution and connection products, data center cabling products and production machinery. Optical distribution and connection products are integrated devices with optical fibres and splitters primarily for routing and distributing signals among FTTX network users. Our optical distribution and connection products include optical distribution frame, splice box, connection box, terminal box, fibre division box and others.

Data center cabling products are primarily composed of large-scale multi-mode optical fibre cables and various fibre connectors. These products are mainly used by telecommunications network operators, Internet network operators and other data center operators to optimize the cabling solution of their data centers.

Production machinery is primarily composed of drawing towers used for the production of optical fibres.

We also provide our customers with various value-added solution-based services by leveraging our advanced technology and know-how. Such services include tailored cabling design and construction consulting services, testing services, machinery installation and consulting services and customized training programs to meet our customers' needs during their deployment and use of our products.

Currently, almost all of our other products sold are self-produced.

PRODUCTION

Overview

Optical fibre cables are produced primarily from optical fibres that are bound and encased together, which in turn, are produced from optical fibre preforms. The primary raw materials used in the production of optical fibre preforms are high purity glass substrate tubes and silica jacket cylinders in various sizes, which in the aggregate account for a significant portion of the total raw material cost of optical fibre preforms.

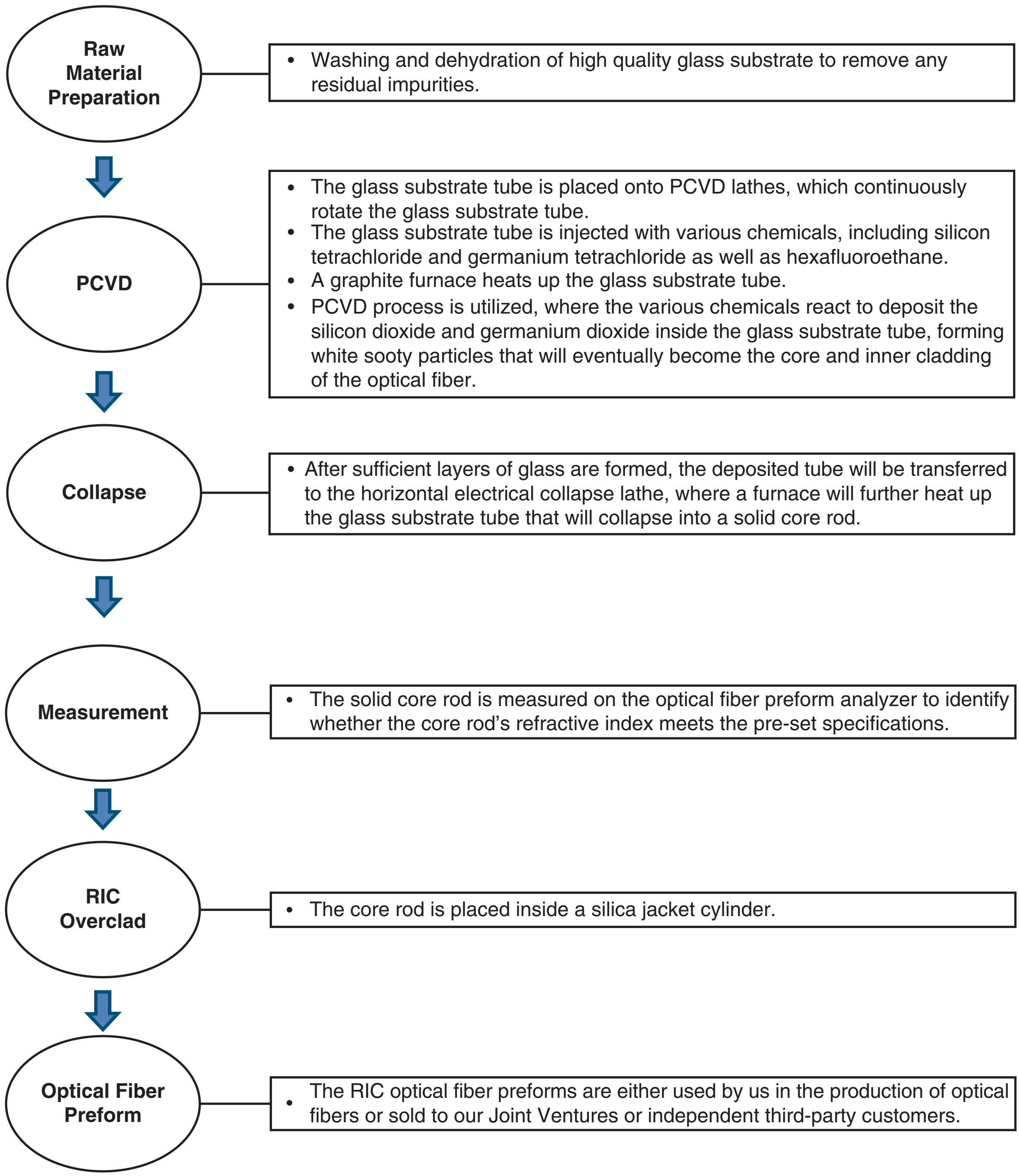
The following description sets forth the production process from high quality glass substrate tubes to optical fibre preforms to optical fibres and finally to optical fibre cables.

Production Process

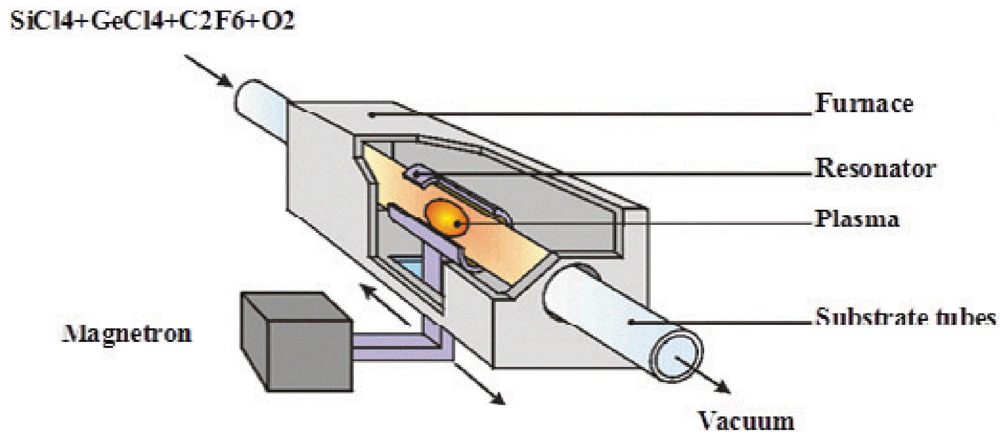
Optical Fibre Preform

Our production of optical fibre preforms primarily involves (i) preparing and cleaning the high purity glass substrate tubes to remove any residual impurities, (ii) subjecting the glass substrate tubes to a chemical deposition process through PCVD, (iii) collapsing deposited glass substrate tubes into solid core rods, (iv) measuring the core rod optical parameters and (v) overcladding the solid core rods with silica jacket cylinders by utilizing the "rod-in-cylinder" ("**RIC**") process, forming optical fibre preforms.

The following chart illustrates the primary production steps for our optical fibre preforms:



The diagram below illustrates the PCVD process:



We use the PCVD process for chemical deposition to produce the core rods of optical fibre preforms. A high power microwave field, which is provided through a magnetron cavity surrounding the glass substrate tube, heats the chemical reactants in the tube. Our PCVD production process enables precise deposition of thousands of fine layers of silicon dioxide and germanium dioxide inside the glass substrate tube and possesses features such as accurate refractive index control, high deposition efficiency and excellent process flexibility as compared to other production methods. PCVD's feature of more accurately and flexibly controlling refractive index profiles enables us to produce a variety of optical fibre preforms that can be drawn into different optical fibres to meet the diverse needs of customers. PCVD is currently our main production process for optical fibre preforms and is used for the production of substantially all of our self-produced optical fibre preforms, which in turn, are the feed materials for our self-produced optical fibres and cables. Turnover derived from our self-produced products accounted for approximately 47.6%, 42.8%, 45.7%, 45.0% and 42.4% of our total turnover in 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively.

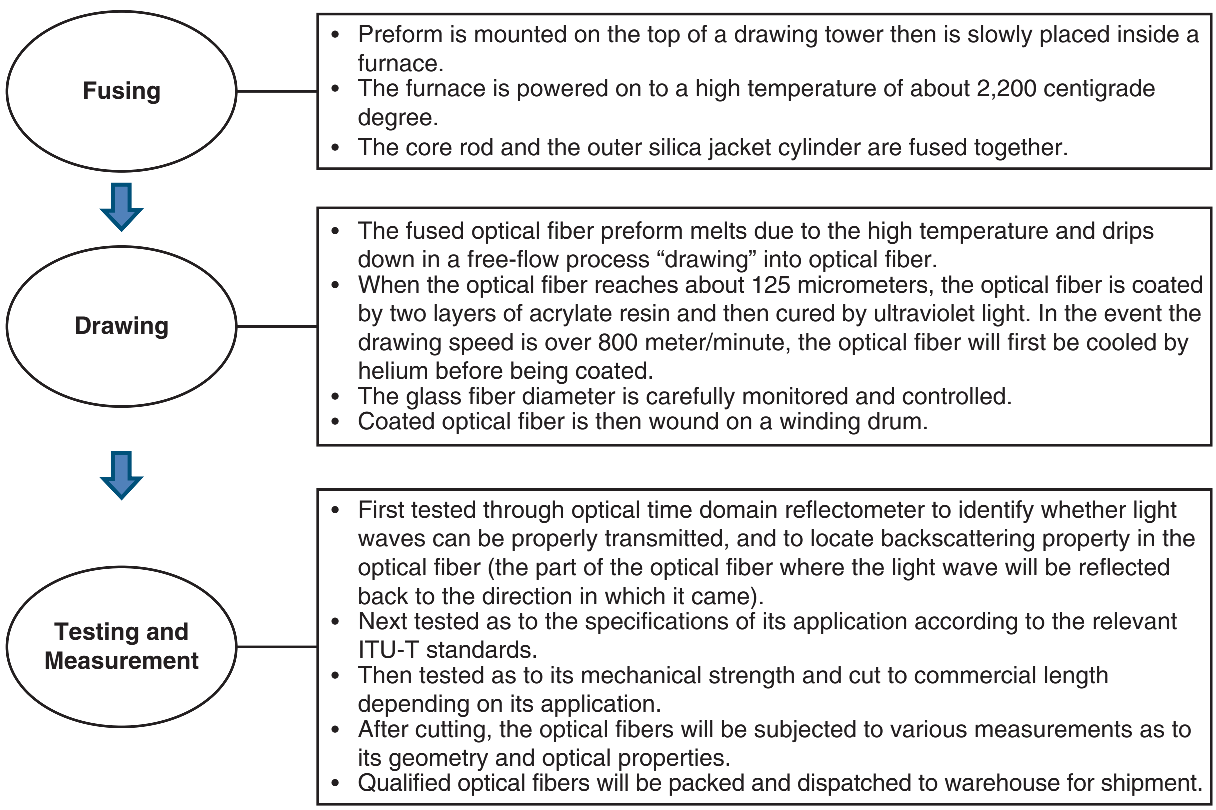
Our PCVD process is primarily based on process technology licensed from one of our shareholders, Draka, pursuant to a technology cooperation agreement we have entered into with it. For additional information as to such technology cooperation agreement, please see "— Transactions with Draka" and "Relationship with Controlling Shareholders — Relationship with Draka." Leveraging the first mover advantage, we and Draka are currently the only companies in the world that produce optical fibre preforms using the PCVD process with substantial scale, providing us with a number of unique advantages. The PCVD process, as compared to other processes, is capable of producing optical fibre preforms with more accurate refractive index profiles. Such accuracy allows us to produce a wide variety of optical fibre performs from which different types of optical fibres may be drawn, including single-mode, multi-mode or specialty fibres, from the same production line with only a few adjustments. As a result, according to the Freedonia Report, the PCVD process is the most flexible optical fibre preform production technology. Such flexibility enables us to easily adjust our production capacity for the different types of optical fibre preforms as required based on changing demand for our optical fibres and optical fibre cables while maintaining high utilization rate of our production lines. Such flexibility also enables us to offer customized solutions to our customers due to our enhanced ability in the production of specialty optical fibres and optical fibre cables. The PCVD process, however, requires extremely high quality of glass substrate tubes and silica jacket cylinders, which we procure from Heraeus, an independent third party which is the only supplier globally of glass substrate tubes and silica jacket cylinders with the necessary high quality to meet relevant production standards for optical fibre preforms using the PCVD production process, according to the Freedonia Report. See "— Raw and Feed Materials, Inventories and Suppliers — Purchases from Heraeus" below.

We adopt the RIC process to overclad the core rods with silica jacket cylinders, which are drawn together into optical fibres after the overcladding. The RIC process does not introduce hydroxyl groups on the interface between the core rod and the outer silica jacket cylinders, therefore avoiding contaminants and ensuring low loss in the resulting optical fibres as compared to other processes. The RIC process enables us to increase the length of single optical fibre that can be drawn from a single preform cost effectively and also ensures the proper proportion of the core rod to cladding material. According to the Freedonia Report, the RIC process associated with the PCVD process require less investment on overcladding machines and therefore is simpler than other process combinations.

Optical Fibres

Our optical fibres are currently made from optical fibre preforms by continuing the RIC process. The optical fibre preform is placed on a drawing tower, which through intense heat fuses the core rod and the outer silica jacket cylinder together. The fused RIC optical fibre preform then is drawn into optical fibres on the drawing tower.

The following chart illustrates the primary production steps for our optical fibres:



We believe manufacturing efficiency is one of the keys to our success. We believe we are currently able to achieve a high draw speed of fibres that represents one of the leading optical fibre draw speeds in the world. Achieving high draw speed requires a high level of technical capabilities with respect to equipment design, coating stability, fibre cooling and other aspects of process control.

We endeavor to utilize leading production processes and advanced and high quality equipment in order to enhance our production efficiency and product quality. For example, our latest drawing tower, which was designed through our own research and development efforts, is over 30 meters tall which provides more spaces for optical fibre cooling in high speed drawing process. It is necessary to cool optical fibres to a lower temperature before being coated by acrylate resin. Our drawing tower was designed to specifically cater to high speed drawing requirements, including higher power capacity and longer heating zone.

We are capable of producing optical fibre preforms of up to 3,050 millimeters long with 206 millimeters in diameter, which enables us to draw up to 7,850 fkm of optical fibres from one such preform. According to the Freedonia Report, we are capable of producing optical fibre preforms with the longest lengths and the largest diameters of any optical fibre producers in the world. As longer drawing length of a single optical fibre preform means less production stops, longer optical fibre preform with larger diameters also enhances production efficiency.

Optical Fibre Cables

Optical fibre cables are made from either single-mode or multi-mode optical fibres. The three main construction of optical fibre cables that we produce are loose tube stranded optical fibre cables, slotted core ribbon optical fibre cables and tight buffered optical fibre cables, each of which is comprised of different styles of construction. In addition, loose tube stranded optical fibre cables and slotted core ribbon optical fibre cables are better suited for outdoor applications and able to withstand a wide range of environmental conditions. Slotted core ribbon optical fibre cables generally come in smaller diameter than in loose tube stranded optical fibre cables. In comparison, tight buffered optical fibre cables are typically used indoor as they often come in thinner diameter, more flexible and easier to prepare for installation.

Our production of loose tube stranded optical fibre cables primarily involves (i) optical fibre coloring, (ii) fibre ribboning, (iii) secondary coating individual or multiple colored optical fibres, (iv) stranding the tube or fillers around a central strength member, (v) sheathing and (vi) final testing.

Our production of slotted core ribbon optical fibre cables primarily involves (i) optical fibre coloring, (ii) fibre ribboning, (iii) slotted core extruding, (iv) stranding, (v) sheathing and (vi) final testing.

Our production of tight buffered optical fibre cables primarily involves (i) tight buffer coating, (ii) sheathing and (iii) final testing.

The following charts illustrate the primary production processes for our optical fibre cables:

Loose Tube Stranded Cables and Slotted Core Ribbon Cables

Coloring

- Each optical fiber is colored with high quality UV-curable inks that do not compromise the optical fiber's waveguide properties.
- Coloring allows users to distinguish between the different optical fibers in multi-fiber cables within one tube or one ribbon.

Ribboning (For slotted core ribbon cables only)

- Bundling individual colored optical fibers together to form a ribbon coated with acrylic acid prepolymer, with up to 24 optical fibers for loose tube stranding optical cable or up to 12 optical fibers for slotted core ribbon cable that can then be bundled into one ribbon.
- Optical fiber ribbon provides higher fiber density per unit than individual optical fibers stranded in a bundle, reducing cable diameter.

Slotted Core Extruding (For slotted core ribbon cables only)

- High-density polyethylene is extruded on the steel wire or fiber reinforced plastic rod to form the slotted core.

Secondary Coating (For loose tube stranded cables only)

- Individual optical fiber or fiber ribbon is laid into a tube that is then filled with gel.
- Loose tube construction allows the cable to stretch, bend or crushed without stressing the optical fibers themselves.
- Coating is designed typically to withstand harsh outdoor environments.

Stranding

- For loose tube stranded cables, tubes with optical fibers or optical fiber ribbons are helically stranded over the tensile strength members by the so-called S-Z stranding process, which is a reverse oscillating process that periodically reverses the rotation direction of stranding to facilitate cable mid-span entry and allow for stretching, twisting and bending.
- For slotted core ribbon cables, fiber ribbons are laid in the slots that are helically arranged on the slotted core, to allow protection from stretching, twisting, crushing and bending.

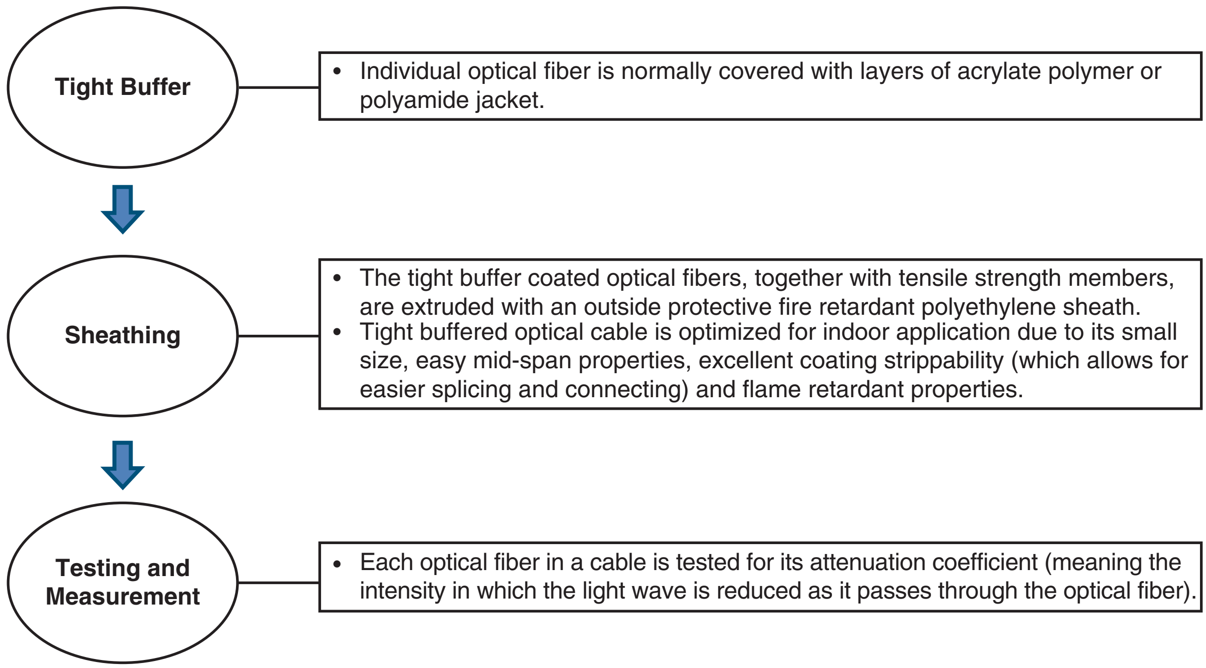
Sheathing

- The stranded cable core is extruded with an outside protective sheath, usually made from polyethylene.
- Additional layers of materials may be added for additional strength or outer layer protection depending on the use of the optical fiber.

Testing and Measurement

- Each optical fiber in a cable is tested for its attenuation coefficient (meaning the intensity in which the light wave is reduced as it passes through the optical fiber).
- Sample testing is conducted for polarization mode dispersion (whether there are any distortion of light waves in the optical fiber).

Tight Buffered Optical Cables



Production Facilities and Capacities

As of June 30, 2014, we had main production facilities with a total gross floor area of 24,384 square meters, 33,322 square meters and 15,805 square meters for the production of our optical fibre preforms, optical fibres and optical fibre cables, respectively. As of June 30, 2014, we had an aggregate 100 sets of main production lines, comprising PCVD lathes for the production of optical fibre preforms, drawing towers for the production of optical fibres and cable lines for the production of optical fibre cables. In addition, we had facilities with a total gross floor area of 17,013 square meters for warehouse purpose and 5,812 square meters for administrative and research and development purposes. As of June 30, 2014, we had a production team of 1,226 employees. The following table sets forth the weighted average designed production capacity, actual standardized production volume and utilization rate for our different products for the periods indicated:

	For the year ended December 31,								
	2011			2012			2013		
	Designed production capacity [(1)]	Actual standardized production volume[(2)]	Utilization rate	Designed production capacity [(1)]	Actual standardized production volume[(2)]	Utilization rate	Designed production capacity [(1)]	Actual standardized production volume[(2)]	Utilization rate
			%	(in thousands, except for percentages)		%			%
Optical fibre preforms (fkm)[(3)]	30,000	28,158	93.9	39,500	36,489	92.4	51,000	49,556	97.2
Optical fibres (fkm)	22,000	21,278	96.7	26,000	25,230	97.0	32,000	29,048	90.8
Optical fibre cables (fkm)[(4)]	8,200	7,205	87.9	9,700	8,610	88.8	9,700	8,699	89.7

	For the six months ended June 30, 2014		
	Designed production capacity (1)	Actual standardized production volume(2)	Utilization rate
			%
	(in thousands, except for percentages)		
Optical fibre preforms (fkm)(2)	28,500	27,565	96.7
Optical fibres (fkm)	17,500	16,050	91.7
Optical fibre cables (fkm)	4,850	4,392	90.6

Notes:

(1) Designed production capacity is calculated based on the production of standardized products and the production facilities operating 24 hours a day and based on 365 days a year or 180 days for the six months ended June 30 where applicable. The weighted average production capacity for a given period equals (i) the production capacity at the beginning of the period, plus (ii) weighted newly added production capacity during the relevant period. Weighted newly added production capacity during a given period is derived by multiplying (x) the total newly added production capacity during such period with (y) the number of months during which the new production capacity is in operation during such period and (z) divided by the number of months during such period.

(2) The production volume of non-standardized products is adjusted by the production time it would be otherwise required to produce our standardized products.

(3) Based on one ton of optical fibre preforms being used to draw 30,000 fkm of optical fibres.

(4) Our optical fibre cables are produced based on orders received and the utilization rate of our optical fibre cables production capacity is generally lower in the first quarter of each calendar year due to the long Chinese New Year holidays and less telecommunications network installation activities resulting from cold weather in northern China.

We have continuously upgraded our production facilities in the past. Since our inception in 1988, we have gone through ten phases of production expansions. We have also continuously expanded our production capacity through adding production lines as well as increasing our production efficiencies. For the six months ended June 30, 2014, our weighted average designed production capacity of optical fibre preforms, optical fibres and optical fibre cables reached 28.5 million fkm (based on one ton of optical fibre preforms being used to draw 30,000 fkm of optical fibres), 17.5 million fkm and 4.9 million fkm, respectively. As of the date of the prospectus, we do not have any material definitive expansion plan.

Moreover, we leverage our Joint Ventures to supplement our production capacity. As of June 30, 2014, we had business relationships in connection with the sale or purchase of optical fibre preforms, optical fibres or optical fibre cables with eight Joint Ventures, including five optical fibre cable manufacturers, two optical fibre manufacturers and one manufacturer of optical devices and related products. As of June 30, 2014, the aggregate annual designed production capacity of optical fibres of our Joint Ventures amounted to 29.5 million fkm. As of the same date, the aggregate annual designed production capacity of optical fibre cables of our Joint Ventures amounted to 25.9 million fkm. Among these, YOFC Shanghai, YOFC Jiangsu and YOFC Sichuan, our three subsidiaries under the Listing Rules, had an annual designed production capacity of optical fibre cables of 5.8 million fkm, 5.5 million fkm and 4.5 million fkm, respectively. We are one of the major customers for each of our Joint Ventures. For more details, see "— Transactions with Joint Ventures" below.

We have implemented an enterprise resource planning, or ERP, system since 2001 that serves to monitor our operation and financial performance data, which is currently comprised of 13 modules covering most of our major operating processes, such as purchase, material requirement planning, workflow, accounts receivable, accounts payable, inventory and fixed assets. Such ERP system enables us to monitor in real time purchase orders, inventory, production schedules and the availability of each of our production lines, which enables us to closely track the utilization rate of our production facilities to maximize production efficiency. In addition, we have also implemented a self-developed manufacturing execution system, or MES, since 2000 that is supplementary to the ERP system for optical fibres and optical fibre cables as well as specialty products which provides us with even more detailed manufacturing and testing data, quality specifications and inventory management data for the production of each of our optical fibres, optical fibre cables and specialty products. Through tracking and collecting production and testing data and analysis, our MES system enables our technical team to closely monitor our product quality and efficiently track and identify defective products throughout our production process, preventing such defective products to enter into the next phase of production. The system also records real-time equipment status information, which allows us to efficiently analyze and investigate the status of our production equipment. On the other hand, the defects identified by the MES system also provide our technical team with timely information to improve our production processes.

Our products are in strict compliance with national and international industry standards. We have also established comprehensive internal manufacturing and operational standards, which are consistent with or higher than such national and international standards. We formulated our internal standards by taking into account the technical, engineering and other specific requirements and procedures set out in the operation manual for the relevant machinery and the relevant ISO standards. These measures are in place to avoid unexpected stoppage and to maximize production efficiency. During the Track Record Period, we did not experience any unexpected stoppage of operations as a result of any failure of our production facilities.

Key Production Machinery, Equipment and Technology

Major machinery and equipment used in our production facilities are set forth below:

- optical fibre preforms — PCVD deposition lathe, electric furnace collapse machine, oxy-hydrogen flame machine, stretching tower and preform analyzer;

- optical fibres (including single-mode, multi-mode and specialty optical fibres) — high-speed drawing tower, fibre proof testing and rewinding system, optical time domain reflectometer (OTDR), PK2400 fibre geometry analysis system, PK2200/2500 optical fibre analysis system, preform stretching tower, drilling machine, Sentec crosstalk instrument and optical component analyzer; and

- optical fibre cables — fibre coloring machine, secondary coating production line, fibre ribboning machine, slotted core extruding production line, stranding production line and sheathing production line.

Historically, we purchased most of the machinery and equipment required for the production of our products. However, by leveraging our leading research and development capability, we have, during the Track Record Period, started to design and assemble our own custom made machinery and equipment for the production of our products to better improve their performance and to meet our production needs. We currently design and assemble most of our machinery and equipment used in the production of our optical fibre preforms and optical fibres, including fibre drawing towers, proof testers, PCVD lathes, horizontal electrical collapse lathes and stretching towers. We continue to purchase some of the machinery and equipment used for the production of optical fibre cables and for the testing of our products.

We perform regular maintenance check on the status of our production and testing machinery equipment and replace or upgrade our machinery equipment from time to time as equipment with better technical capabilities become available.

Key technologies applied in the manufacturing of our products are as set forth below:

- optical fibre preforms — functional gradient materials and waveguide structure design technology, PCVD online purification technology and Freon plasma dehydration technology, PCVD deep doping fluorine technology, electrical furnace with pressure control collapse technology, large-size preform assembly technology, preform welding/tapering/washing technology and preform stretching technology;

- optical fibres (including single-mode, multi-mode and specialty optical fibres) — high speed drawing technology, online tempering technology, D2 treatment technology, advanced measurement technology, technology for dispersion compensation fibre and component, splicing technology for specialty fibre, fibre sensing and application technology; and

- optical fibre cables — optical fibre coloring technology, loose tube preparation technology, loose tube stranding technology, cable sheathing technology, high-speed optical fibre ribbon preparation technology, mini-size tube preparation technology, high-speed yarn dual cross binding technology and batch-type gel filling technology.

RAW AND FEED MATERIALS, INVENTORIES AND SUPPLIERS

Raw and Feed Materials and Inventories

We procure various raw materials from third-party suppliers located in and outside of the PRC, including Germany and Japan, for the production of our products. The below sets forth the major raw and feed materials for our products.

Products	Raw and feed materials
Optical fibre preforms	Glass substrate tubes, silica jacket cylinders and various chemical gases such as silicon tetrachloride, germanium tetrachloride and hexafluoroethane
Optical fibres	Optical fibre preforms
Optical fibre cables	Optical fibres, polyethylene and other polymers sheathing materials, steel and aluminum

We currently purchase silica jacket cylinders and glass substrate tubes from Heraeus. Heraeus is an independent third party. According to the Freedonia Report, Heraeus is the only supplier globally of glass substrate tubes and silica jacket cylinders with the necessary high quality to meet relevant production standards for optical fibre preforms using the PCVD process. We have established a strong strategic business relationship with Heraeus, and have entered into long term supply agreements with Heraeus with a duration of over ten years and are one of the major customers of Heraeus. In addition, Heraeus is subject to minimum supply obligations for glass substrate tubes and silica jacket cylinders to us under the long term supply agreements, which help us secure the stability of Heraeus' supply. For additional information as to our relationship with Heraeus, please refer to "— Purchases from Heraeus" below. We are also in the process of developing alternative production processes for optical fibre preforms as a complement to our existing PCVD process, which will allow us to reduce the need to procure glass substrate tubes and silica jacket cylinders from Heraeus for our self-produced optical fibre preforms. Such alternative production processes will also enable us to reduce our current reliance on certain core PCVD technologies licensed from Draka, see "Relationship with Controlling Shareholders — Independence from Our Controlling Shareholders — Operational Independence — 3. Independent Research and Development Capabilities."

In addition, we purchase from other suppliers a limited amount of core rods that we then place inside silica jacket cylinders through the RIC process to produce optical fibre preforms and also purchase from Shin-Etsu Chemical Co., Ltd., a Japan-based global leading supplier of optical fiber preform and silicon products, a limited amount of optical fibre preforms directly that can be used to produce optical fibres with standardized specifications in similar quality as those drawn from our self-produced optical fibre preforms. Since Shin-Etsu Chemical Co., Ltd. adopts other production processes instead of the PCVD process, it requires different raw materials and does not rely on Heraeus as a supplier. In addition to Shin-Etsu Chemical Co., Ltd., there are also other preform suppliers in the PRC and globally that we can source from. In the event we are no longer able to purchase sufficient silica jacket cylinders and glass substrate tubes from Heraeus, we may increase our purchase of optical fibre preforms from Shin-Etsu Chemical Co., Ltd. and other third party suppliers.

We currently produce majority of the optical fibre preforms and optical fibres used for our production of optical fibres and optical fibre cables, respectively. We also purchase optical fibre preforms from two third-party suppliers, namely Shin-Etsu Chemical Co., Ltd. and Draka, one of our Controlling Shareholders, and optical fibres from our Joint Ventures, to complement our optical fibre preform and optical fibre production capacity, respectively.

We have also been actively seeking strategic cooperation or acquisition opportunities with key raw and feed material suppliers to ensure supply stability, establish long-term relationship and negotiate most favorable prices for such products. As of June 30, 2014, we had entered into strategic framework agreements with six suppliers for our other principal raw and feed materials, including optical fibre preforms, silicon tetrachloride, polyethylene and other polymers sheathing materials. The framework agreements in connection with the supply of key chemical gases, such as helium, usually have a term of five years and the agreements in connection with other gases, such as silicon tetrachloride and germanium tetrachloride, usually have a term ranging from one to three years.

In 2011, we established Wuhan Yunjingfei as an Associate in which we own 20.0% of the equity interest, with the remaining 60%, 10% and 10% held by Yunnan Lincang Xinyuan Germanium Industry Co., Ltd. (雲南臨滄鑫圓鍺業股份有限公司), FibreHome Telecommunication Technologies Co., Ltd. (烽火通信科技股份有限公司) and Beijing Guojinghui Infrared Optical Technology Co., Ltd. (北京國晶輝紅外光學科技有限公司), respectively. Yunnan Lincang Xinyuan Germanium Industry Co., Ltd. (雲南臨滄鑫圓鍺業股份有限公司) is the leading germanium products supplier in Asia and Beijing Guojinghui Infrared Optical Technology Co., Ltd. (北京國晶輝紅外光學科技有限公司) specializes in the research and development of germanium related materials. Wuhan Yunjingfei currently manufactures and supplies us with germanium tetrachloride, one of the chemical gases used in the PCVD process for the production of optical fibre preforms. By establishing Wuhan Yunjingfei, we believe we are able to enhance our supply chain for the relevant raw materials for the production of optical fibre preforms. We expect to seek similar corporation opportunities in the future to supplementary enhance our raw material supply chain.

A sensitivity analysis on the fluctuation in raw and feed material costs during the Track Record Period is set forth below, which illustrates the hypothetical effects on our net profit with 5%, 10% and 15% increase or decrease in our raw and feed material costs. Because a number of assumptions have been applied, this sensitivity analysis is for illustration only, and actual results may differ from those illustrated below. The below sensitivity analysis also takes into account the fact that a large portion of our turnover is derived from the on-sale of products purchased from third parties, and that change in our purchase price for such on-sold products will result in similar changes to their sales price.

	Change in profit for year / period for change in raw material costs		
	+/- 5%	**+/- 10%**	**+/-15%**
	(in RMB thousands)		
2011	-/+132,017	-/+264,034	-/+396,052
2012	-/+150,064	-/+300,127	-/+450,191
2013	-/+142,927	-/+285,854	-/+428,782
For the six months ended June 30, 2014	-/+80,410	-/+160,820	-/+241,230

Purchases from Heraeus

We currently purchase glass substrate tubes and silica jacket cylinders from Heraeus, an independent third party. According to the Freedonia Report, Heraeus is the only supplier globally of glass substrate tubes and silica jacket cylinders with the necessary high quality to meet relevant production standards for optical fibre preforms using the PCVD process. To secure the necessary supply of such raw materials for the production of our fibre optic preforms, we entered into a framework purchase agreement with Heraeus, the current version of which will expire in 2022, subject to automatic renewal of one year. The framework agreement provides the formula to calculate purchase prices for silica jacket cylinders, which are adjustable by referring to the base prices of the relevant products in the PRC market. Purchase prices for glass substrate tubes, subject to the product specifications, are either as specified in the framework agreement or gradually discounted subject to our annual aggregate purchase volumes. Purchase prices for silica jacket cylinders and substrate tubes are both subject to annual renegotiation. The payment term under the agreement is typically 60 days from the date of the relevant bills of lading. We agreed a minimum annual purchase amount, which may be lowered if the demand for our products declines, in which case we agreed to purchase at least 80% of the glass substrate tubes and silica jacket cylinders required for our own production needs in that year. Heraeus is subject to minimum supply obligations for tubes and cylinders with certain specifications each year. Since our first long term supply agreement with Heraeus since 2003, we have not failed to achieve the specified minimum purchase obligations.

Moreover, under the framework agreement, both parties are generally entitled to terminate the agreement by serving a 24-month prior written notice. In the event of force majeure which lasts over three months, the agreement may also be terminated by the unaffected party without incurring additional liability. In addition, under the circumstance that (i) we are able to prove that the RIC technology we currently use is no longer cost competitive for a long period of time, or (ii) Heraeus is able to prove that its production cost increases significantly for a long period of time, we are or Heraeus is, as the case may be, entitled to terminate the agreement with a 12-month prior written notice, if both parties could not successfully renegotiate the contractual terms within four months. Given our existing long term relationship with Heraeus as well as our significance to its glass substrate tube and silica jacket cylinder business segment, we believe that it is highly unlikely for Heraeus to terminate this framework agreement within the contract term. Moreover, based on our understanding and forecast of the technology development, market trend and conditions in our industry, we don't expect that there will be any material and adverse change as mentioned above that will result in the early termination of this agreement by us or by Heraeus. We are not obligated to exclusively purchase glass substrate tubes and silica jacket cylinders from Heraeus.

We place purchase orders under the framework purchase agreement with Heraeus subject to our production schedules, which specify detailed product specifications, respective unit price, total amounts and delivery schedules. We provide forecast of our need of glass substrate tubes and silica jacket cylinders to Heraeus from time to time based on our actual production schedules and purchase orders placed with us by our customers. Heraeus also agreed to use reasonable efforts to ensure supply in order to meet our demand. Since 2003 when we initially established business relationship with Heraeus and up to the Latest Practicable Date, we had not encountered any shortage or delay in the supply of substrate tubes and silica jacket cylinders from Heraeus.

During the Track Record Period, we purchased glass substrate tubes and silica jacket cylinders from Heraeus in the amount of RMB488.1 million, RMB521.3 million, RMB739.2 million and RMB377.7 million in 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively, accounting for approximately 13.3%, 12.8%, 17.8% and 18.9% of total purchases including raw and feed materials and equipment for the same periods. Substantially all of our self-produced optical fibre preforms and fibres and self-produced optical fibre cables directly or indirectly involved the use of silica jacket cylinders and glass substrate tubes sourced from Heraeus for production. Turnover derived from our self-produced products accounted for approximately 47.6%, 42.8%, 45.7%, 45.0% and 42.4% of total turnover in 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively.

Procurement Policies

Other than glass substrate tubes and silica jacket cylinders, we typically have multiple suppliers for each of our raw materials so as to minimize any potential disruption of our operations, maintain sourcing stability and secure competitive prices from suppliers. We currently purchase glass substrate tubes and silica jacket cylinders from Heraeus, an independent third party. Other than Heraeus, we believe we do not significantly rely on any particular supplier for our key raw materials. In addition, we are in the process of developing other production processes that will not require the use of silica jacket cylinders and glass substrate tubes from Heraeus with the aim to maintain our competitiveness in the market and increase our production flexibility.

We currently engage in collective sourcing practices for our raw materials, implemented since 2006 and overseen by our supply chain management department. We have established two collective sourcing platforms for optical fibres and optical fibre cables, respectively, which cover not only the raw and feed materials needed for our products but also for our Joint Ventures' products. From time to time, independent third parties may also join our collective sourcing platforms to take advantage of the lower raw and feed material cost we are able to obtain. Prior to implementing such collective sourcing practices, we and each of our Joint Ventures sourced its raw materials separately, resulting in multiple tenders and agreements entered into with the same supplier. Since 2006, we amended our procurement policies and requested our Joint Ventures to report to us their raw material requirement based on their production plan. We then centralize the purchase of such raw materials from suppliers and allocate the relevant portion to our Joint Ventures. With respect to the key raw and feed materials for optical fibres, we usually select and directly enter into purchase agreements for all needed materials with the relevant suppliers and sell the allocated portion to our Joint Ventures or independent third parties. The contractual terms of these transactions are determined on an arm's length basis and purchase prices are determined based on prevailing market prices. With respect to the key raw and feed materials for optical fibre cables, we usually select the suppliers and negotiate the key contract terms, including purchase price, on behalf of all the entities joining our collective sourcing platform while these respective entities enter into separate purchase agreements on their own with the relevant suppliers based on such pre-negotiated price and other contract terms.

We believe such collective sourcing practices centralize the purchase demands required from our operations, which aggregate our supply purchasing scale, increase our purchasing power and lower the cost of raw materials not only for us, but also for our Joint Ventures, and in turn, the price of products that we purchase from them. As such, our collective sourcing practices also enable us to maintain the price competitiveness of our final products. In addition, such sourcing practices enable us to better control our manufacturing cost and inventory level as well as ensure the quality of raw materials used by our Joint Ventures so that products produced by our Joint Ventures will meet our required specifications and be of the same standards as products that we produce. By leveraging our close relationships with suppliers, our market position and purchasing scale, we believe we are also able to enjoy extensive customer services and prompt response time to our procurement requests.

Other than for the purchase of glass substrate tubes and silica jacket cylinders, our raw material suppliers are selected through a tender process. We take into account pricing, payment option, production capabilities, quality, financial stability, historical performance and product innovation in selecting our raw material suppliers. We typically select multiple suppliers for each of our raw materials and enter into a purchase agreement that usually has a term of one to two years with such supplier that sets forth, among other things, the quality specifications and quantity of the raw materials, delivery schedules and payment terms.

Depending on the type and lead production time of the respective raw materials, purchase orders are usually issued on a monthly basis under the framework or purchase agreements entered into with our suppliers. The purchase orders will typically set forth the amount or quantity, quality specifications, warranty, payment terms, unit price and delivery terms. The lead-time for our individual purchases generally ranges from 7 days to 60 days, subject to the location and the means of transportation. We from time to time import raw materials from overseas, such as Germany and the United States. The lead-time for both glass substrate tubes and silica jacket cylinders from Heraeus are generally 90 days.

We constantly monitor and evaluate current and potential suppliers on their ability to meet our requirements and standards. Our quality control department evaluates our suppliers on an annual basis based on their size, production capabilities, quality control capabilities, delivery schedules, financial stability and ability to timely deliver raw materials. Each of our business divisions and Joint Ventures also actively monitors and evaluates its supply sources for raw materials and provide feedback to our quality control department as to the quality and suitability of the purchased raw materials. We will replace suppliers who fail our annual review.

For products that are sold to the three state-owned telecommunications network operators in China under the relevant tenders, we are required to use raw materials only from designated suppliers as specified in the relevant tenders. The majority of our regular suppliers is usually within the supplier list designated by the three state-owned telecommunications network operators. The cost of such raw materials is also set forth in the tenders, which is usually determined by referring to the then prevailing market prices for such raw materials.

We enjoy stable relationships with our suppliers. Our business relationships with our other key suppliers have on average lasted over five years. We have not encountered any material disruption of our business as a result of a shortage of raw materials in the past and we do not expect any material difficulties in procuring raw materials for our requirements.

In 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, purchases from our top five suppliers together accounted for 44.2%, 49.4%, 50.7%, 52.2% and 53.8%, respectively, of our total purchases including raw and feed materials and equipment for the corresponding years, and the purchase from the largest supplier accounted for 12.3%, 15.0%, 15.6%, 14.0% and 18.9% respectively, of our total purchases including raw and feed materials and equipment for the corresponding years. During the Track Record Period, certain of our Joint Ventures, namely Tianjin YOFC XM Fibre, Shantou Aoxing, Tianjin YOFC XM Cable and YOFC Sichuan, were among the top five suppliers in terms of dollar amount.

None of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after the Global Offering, to the knowledge of our Directors, held any interests in any of our five largest suppliers during the Track Record Period.

In addition, in the event that any of our major suppliers, including Heraeus, become subject to economic sanctions in the future, it may become inadvisable for us to continue to do business with such supplier due to potential economic sanctions liability risk associated with any continuing business relationship with such supplier. See "Risk Factors — Risks Relating to Our Group — We may be affected as a result of our sales to certain countries that are subject to evolving economic sanctions of the United States, the European Union, the United Nations Security Council and other relevant sanctions authorities. In addition, if any of our major suppliers or customers becomes subject to economic sanctions, our business operation may be materially and adversely affected."

Inventory Management

We implement inventory control management in order to avoid under- or over-stocking. We produce an annual master budgeting plan based on our production and sales forecast, which is subject to adjustment according to actual purchase orders that we receive. Based on on-going actual production and sales activities, we then establish more detailed weekly budgeting plans. We adjust our raw material procurement according to our production process, taking into account lead time required for each type of raw materials, so as to minimize and maintain our inventory of raw materials at an appropriate level. For example, we typically maintain raw materials sourced domestically that will be able to support about one week of production needs and raw materials sourced overseas that will be able to support about one to two months of production needs. We may temporarily increase the inventory of a certain raw material if we estimate the price of such raw material is going to increase significantly in the near future. Such increased inventory will be limited to support our production need to within one year. We have also installed an ERP system that provides us with real-time information about purchases, production schedules and supplies of our raw materials, further strengthening our ability to monitor and manage our inventory and raw material and inventory purchases.

Delivery and Transportation

We deliver our products to destinations specified by our customers subject to the relevant purchase orders. Transportation expenses usually constitute a portion of total purchase price and are stipulated in the purchase contracts.

SEASONALITY AND PRICING STRATEGIES

Our operations and sales fluctuate due to various factors. In particular, the utilization rate of our optical fibre cables production capacity is generally lower in the first quarter of each calendar year due to the long Chinese New Year holidays and less telecommunications network installation activities resulting from cold weather in northern China.

Product specifications, including the technical requirements, are the main factors affecting the pricing of a specific product. In addition, tailored products subject to specific customer requirements are generally more expensive than standardized products in the same amount, due to special raw materials required, unique manufacturing process or additional research efforts. We also take into account factors such as competition, market demand and changes and improvements in technical innovations when pricing our products.

For optical fibre preforms, we usually adopt a cost-plus pricing approach to determine the relevant prices by referring to the prevailing market prices of similar products. For optical fibres and optical fibre cables, since our major customers are the three state-owned telecommunications network operators, we typically exercise the prices as agreed in relevant bidding documents. For customers other than the three state-owned telecommunications network operators, we usually price our products based on the prevailing market prices.

CUSTOMERS, SALES AND MARKETING

Our Customers

Our end customers are primarily telecommunications network operators in China or overseas. Our customers also include optical fibre and cable manufacturers to whom we sell preforms and optical fibres, respectively, with certain of such manufacturers being our Joint Ventures or Associates. During the Track Record Period, in addition to the three state-owned telecommunications network operators, the numbers of our end customers were 656, 691, 807 and 561 for 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively, among which 641, 679, 793 and 549 were independent third parties.

Our products are sold to customers in China and also in the overseas market, including Asia, Africa and Israel. We strategically target overseas markets that have strong demand for optical fibres or markets in which China-based telecommunications companies have already established a presence, which we believe will enable us to leverage our existing relationships with such companies to better serve their needs at those overseas market. We also target expansion into overseas markets that are favorably supported by existing PRC government policies, such as in Africa. The below table sets forth our turnover by geography and as percentage of total turnover for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
China	3,889,554	93.2	4,495,269	94.1	4,483,388	92.9	1,865,409	93.5	2,471,985	93.8
Others	285,490	6.8	282,554	5.9	342,507	7.1	130,082	6.5	162,883	6.2
Total	4,175,044	100.0	4,777,823	100.0	4,825,895	100.0	1,995,491	100.0	2,634,868	100.0

The below sets forth the type of customers in which our different product categories are typically sold to during the Track Record Period:

Product categories	Domestic customers	Overseas customers
Optical fibre preforms	Optical fibre manufacturers, including our Joint Ventures	n/a
Optical fibres	Optical fibre cable manufacturers, including our Joint Ventures, and telecommunications network operators, and optical component manufacturers	Optical fibre cable manufacturers and optical component manufacturers
Optical fibre cables	Telecommunications network operators, enterprises with exclusive networks, such as power and petrochemical industries, railway and light rail industries, Internet network and data center operators, and terminal customers, such as system integrators, small- and medium-sized enterprises as well as households	Telecommunications network operators, enterprises with exclusive networks, such as power and petrochemical industries, railway and light rail industries, Internet network and data center operators

We have developed long and stable business relationships with the three major state-owned telecommunications network operators in China. Prior to the reform of telecommunications industry in China in the 1990s, we sold our products to the business entities under the Ministry of Post and Telecommunications, one of the predecessors of the current Ministry of Information Industry. As a result of the reform of telecommunications industry, China Unicom was established in 1994 and we started our business relationship with it in 1995. China Telecom and China Mobile were subsequently established in 1998 and 2000, respectively, and we became one of their suppliers in the year they were established.

The sales of our products to certain customers, such as the three state-owned telecommunications network operators in China and government entities, are typically conducted through competitive bidding and tender processes. Since 2004, the three state-owned telecommunications network operators in China have gradually implemented centralized procurement policies, under which each of the operators publicly announces, on average on an annual basis, their annual procurement plans and hold open tenderings. Such announcements include the total amounts of each type of product it will procure in the proceeding 12 to 24 months, with detailed product specifications. Optical fibre and cable suppliers that participate in the bidding and tender processes, including us, submit the bidding documents, which include product specifications, manufacturer's qualification, production capacities and other requisite information. Applicants are considered and selected by the three state-owned telecommunications network operators, generally based on product quality, product performance, brand reputation, operation track record, bidding prices and after-sales support. The tender typically must include details such as product pricing, raw material prices, the suppliers from which such raw materials are to be sourced, transportation costs, related service fees and insurance fees, if applicable, and a framework agreement reflecting such terms that will be entered into by the state-owned telecommunications network operators and each of the tender winners. The total procurement amounts provided in the framework agreement is on an estimated basis and the actual procurement amounts are subsequently assigned by the three stated-owned telecommunications network operators to their respective regional subsidiaries, and the tender winners are then required to enter into detailed purchase orders with such regional subsidiaries when they place orders from time to time. Subject to the detailed purchase order, the first installment, typically representing 70% to 90% of the total procurement amount, will be paid to us within 180 days after the delivery of the products subject to customers' quality inspection procedures. The remaining amount will be settled upon the installation and operation of the products.

From time to time, the local subsidiaries of the three state-owned telecommunications network operators may need to purchase more than their allocated quantity based on the originally announced procurement amount. Under the framework agreements, such local subsidiaries will also be able, subject to a certain upward ceiling, to purchase such additional amount pursuant to the same terms as specified in the framework agreement and at the relevant prices set forth in the original framework agreements.

Generally, the headquarters of the three major state-owned telecommunications network operators conduct the centralized procurement bidding and tender processes for their annual consumption of optical fibres and optical fibre cables based on their corresponding planned construction level of infrastructure network every year. As such, each three major state-owned telecommunications network operator's demand varies each year. Usually, approximately 70% to 80% of their annual consumption for optical fibres and optical fibre cables are fulfilled through the centralized procurement bidding and tender process while the remaining demand is fulfilled through other small scale bidding and tender processes conducted by the local subsidiaries or branches of these three major state-owned telecommunications network operators located in different provinces. During the Track Record Period, we took part in all the centralized procurement bidding and tender processes organized by the headquarters of the three major state-owned telecommunications network operators as well as in certain other smaller scale bidding and tender processes organized by their local entities.

Due to our outstanding product quality, recognized brand name and competitive prices, we are able to secure and continuously expand our customer base. We were selected in all of the centralized bidding and tender processes during the Track Record Period, and have been one of the major suppliers in terms of procurement of optical fibres and cables by each of the three major state-owned telecommunications network operators in China since 2004.

In 2011, 2012, 2013 and the six months ended June 30, 2013 and 2014, the three state-owned telecommunications network operators accounted for approximately 36.2%, 35.9%, 32.5%, 29.0% and 32.1% of our total turnover, respectively. During the same periods, approximately 69.4%, 66.6%, 66.7%, 66.2% and 70.6% of total turnover were derived from independent third parties with the remaining amounts contributed by our Joint Ventures and other related parties.

In 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, our top five customers accounted for approximately 50.5%, 52.6%, 48.9%, 47.7% and 43.9%, respectively, of our total turnover, and the largest customer accounted for approximately 20.9%, 23.5%, 23.9%, 20.4% and 24.5%, respectively, of our total turnover. In addition, during the Track Record Period, certain of our Joint Ventures, namely Tianjin YOFC XM Fibre, Shantou Aoxing, YOFC Jiangsu and YOFC Shanghai were in certain year or period among the top five customers in terms of dollar amount.

On the other hand, however, our customer base with concentration of state-owned telecommunications network operators may subject us to risks relating to increasing trade and bills receivables as their dominance in the industry in China leads to strong bargaining power as compared to their suppliers, including us, in respect of payment settlement. Our trade and bills receivables increased during the Track Record Period, primarily as a result of the increase in sales of our products. During the Track Record Period, balance of trade and bills receivables that were past due but not impaired was also increasing, particularly in the first half of 2014. It was mainly due to an increase in the outstanding receivable balances from the three major state-owned telecommunications network operators, who delayed their payments or settlements to their suppliers, including us, because of the delay in the issuance of 4G licenses by the relevant authorities until near the end of December 2013. In addition, in anticipation of the tax rule change in China, in early 2014, the three state-owned telecommunications network operators started their procedures and also asked their suppliers, including us, to replace the general value-added tax invoices previously issued with the special value-added tax invoices, which further prolonged the payment collection cycles. Furthermore, the higher balance of trade and bills receivables as of June 30, 2014 as compared to December 31, 2013 was also due to the fact that we did not enter into any new trade receivables factoring arrangement during the period and also to the seasonality of the first quarter of a fiscal year caused by the Chinese New Year. The increasing trade and bills receivables from major customers may also adversely affect our level of gearing by restricting our liquidity. For more details, see "Financial Information — Net Current Assets — Trade and Bills Receivables" and "Risk Factors — Risks Relating to Our Group — Our customer concentration exposes us to the risks faced by our major customers and may subject us to risks relating to significant fluctuations or declines in turnover or increasing trade and bills receivables and level of gearing."

Other than the foregoing, none of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after the Global Offering, to the knowledge of our Directors, held any interests in any of our five largest customers during the Track Record Period.

Sales and Distribution

We sell our products to end customers primarily through our own sales personnel. We utilize our own sales personnel as our target potential customer base in China is generally concentrated and we have accumulated comprehensive understanding about our customers. As such, we believe our own sales personnel enable us to maintain a high level of services offered to our customers and to establish long-term relationships with them.

We manage our sales forces by four departments based on both products as well as target customers. We currently divide our sales and distribution efforts with 209 employees in total as of June 30, 2014, targeting domestic optical fibre preform and fibre customers and overseas customers, specialty product and other product customers, public communication network service providers and commercial management and contract execution.

In addition, we have established a dedicated office in Beijing to provide enhanced customer support to the three state-owned telecommunications network operators in China and also to better understand their needs, as well as a dedicated sales support department to address customer inquiries as to our products. Our department responsible for the three state-owned telecommunications network operators and other major customers in public sectors had 71 employees as of June 30, 2014. We currently have 30 sales representative offices located in the capital cities of most provinces across China, which are monitored by eight regional sales and customer service offices located in Beijing, Shanghai, Guangzhou, Shijiazhuang, Shenyang, Wuhan, Chengdu and Xi'an. Such sales offices are strategically positioned to serve each of the key regions in China and the local subsidiaries of the three state-owned telecommunications network operators located in each of such regions. We have also established four overseas sales offices located in Mumbai of India, Jakarta of Indonesia, Makati of the Philippines and Bangkok of Thailand. We expect to establish additional overseas sales offices as we enhance our international presence.

During the Track Record Period, sales completed through centralized procurement biddings organized by major state-owned telecommunications network operators and through direct sales to other customers by our sales team in aggregate accounted for the majority of our total turnover. In 2011, 2012 and 2013 and the six months ended June 30, 2014, turnover generated from the sales through procurement biddings accounted for approximately 49.2%, 50.1%, 44.1% and 42.8% of total turnover, while direct sales accounted for approximately 48.4%, 47.8%, 54.2% and 55.9%, respectively. The fluctuation in sales through procurement biddings was primarily due to the difference, among others, in timing and scale of the various bidding arrangements of the three major state-owned telecommunications network operators. The increase in direct sales was primarily due to the expansion of our optical fibre preform and optical fibre production capacities which allows us to satisfy more demand from other customers. In addition, the continued growth in our overseas sales also contributed to the increase in direct sales.

We supplement our own sales force by also using selected third-party agents to reach a broader range of potential customers, especially when we first enter into a particular overseas market or when targeting customers in certain industries, such as petrochemical or healthcare, where we may have limited resources and where third-party agents may have better understanding of and are more familiar with local telecommunications network operators or other potential customers in the regions and industries. Many such third-party agents have in-depth knowledge and the relevant technical know-how as to their respective regions and industries, and can provide us with feedback and information to produce products that can better meet the special need of such industries, many of which need customized specialty optical fibre products.

Such third-party agents do not purchase products from us, but rather, they introduce the end customers to us who enter into purchase agreement with us directly. As of June 30, 2014, we have entered into agreements with seven such third-party agents for overseas markets. Such agreements generally have a contract term of one year, except for agreements with certain third-party agents overseas engaged for the sale of our specialty products, which have a contract term of two or three years due to the time and commitment required to work with our end customers for the sale of these customized products. The third-party agents usually are only allowed to market and sell products on behalf of us in regions as stipulated in the relevant distribution agreements. We pay commissions to third-party agents for such sales ranging from 3% to 5% of the amount sold by such agent. We regularly evaluate the performance of these agents by reviewing their accomplished sales target and will replace third-party agents that we determine to be underperforming. During the Track Record Period, sales through referral from third-party agents accounted for approximately 1.6%, 1.4%, 1.0% and 1.0% of total turnover in 2011, 2012 and 2013 and six months ended June 30, 2014, respectively.

We also from time to time develop business relationships with selected distributors to market and sell our special and terminal products. The distributors purchase our product and on-sell to end customers. During the Track Record Period, sales generated from such distributors accounted for approximately 0.8%, 0.7%, 0.7% and 0.3% of total turnover in 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively.

We enter into written sales contracts with each of our customers. The sales contracts which provide product specifications, prices, delivery schedules and other commercial terms, are negotiated and confirmed by both our customers and our sales representatives, and are subject to the review and approval by our commercial management and contract execution department. The approved contracts are then archived in our ERP system in order to monitor subsequent production schedules. For contracts that are subject to adjustable product prices during the contract terms, our commercial management and contract execution team also monitors and updates the applicable product prices in the ERP system based on the contract terms. The production and delivery status of products under the sales contracts are also captured by the ERP system which enables the contract execution team to monitor execution of each stage of sales contracts.

Customer Services

We typically offer a quality warranty term of 12 months after the sale for our products. Our product warranty usually does not cover normal wear and tear during the products' use. Given the interchangeability of our products, our sales contracts generally do not provide typical goods return policy. Instead, in case of any product liability claim within the warranty term, we repair or replace the defective products for the customer with another new batch of products at our own cost. Such corresponding replacement and delivery costs involved are not significant. Due to the stringent quality control measures during our entire production process as well as the on-site product inspection conducted by us together with our customers when such products arrive at the relevant customers' warehouse, we rarely encounter material quality defects of our products after they are inspected and accepted by our customers. During the Track Record Period, we had not encountered any significant product liability claim and the volume of defective products that were subject to the repair or replacement policy was insignificant. The warranty term and policies provided to our Joint Ventures and other third party customers are generally identical.

We provide extensive after-sales services to our customers. Our local sales staff will conduct on-site examination once we receive customer service request as to the quality of our products and will coordinate with our technical team to diagnose and resolve the relevant technical issues. We generally assign not only sales representatives but also technical staff for each of our local service team in order to better respond to technical enquiries of our customers from time to time. We usually require our sales and technical staff to respond within 24 hours and resolve customer service requests within 48 hours. We also operate a service call center that is available 24 hours a day and 7 days a week to respond to customer inquiries and service requests and provide timely Q&A and consulting services through Internet social platforms, such as WeChat, a popular social communication service in China developed by Tencent. We also conduct annual customer surveys to better understand our customers' feedback as to our products and services and to better anticipate the changing needs of our customers.

Marketing

We place great emphasis on the promotion of customers' awareness of our brands and products. Our marketing and promotional activities include participating in or organizing tradeshows, exhibitions, conferences as well as new product promotion seminars to promote our brand name, showcase our products and to seek end-user feedback for our products. Such events also help us to capture the most recent technical trends and market opportunities. We also pursue advertising campaigns through various media outlets such as industry-related websites. We leverage new social media platforms, such as Weibo, a leading social media platform in China, to promote our brand names and publish product information. Furthermore, our marketing activities also center on improving our abilities to provide customers with customized specialty products that are suitable for their specific needs.

In addition, in order to establish our leading market position, we strategically market our products by providing various solution-based services, such as cabling services where we promote and encourage our customers to use our products. We believe such solution-based services will continue to be an efficient way to promote our new products and enhance our brand recognition.

We cooperate with research institutions associated with the three state-owned telecommunications network operators to understand industrial trends and current main focuses of these research institutions. By jointly conducting various researches on optical fibres and optical fibre cables and their applications, we believe we will be benefited from the ability to effectively pursue potential opportunities with the three major state-owned telecommunications network operators. We are also able to promote our products and leverage their advanced research capability to further verify the quality and application of our new products.

TRANSACTIONS WITH DRAKA

As part of our establishment as a sino-foreign joint venture in 1988, NV Philips, a leading international manufacturer of optical fibres and optical fibre cables in the 1980s and one of our then shareholders, became our strategic technology partner and we entered into the Philips Technology License Agreement with NV Philips in March 1988. Pursuant to the Philips Technology License Agreement, we were licensed to use several technologies necessary for the manufacture of optical fibres. Such agreement was assigned to Draka Holding N.V. when NV Philips transferred its equity interest in us to Draka Holding N.V. in 1994. We entered into the Optical Fibre Technology Cooperation Agreement with Draka, one of our Controlling Shareholders, in October 2008, which was subsequently amended in August 2013 and May 2014. Subject to the Optical Fibre Technology Cooperation Agreement, Draka agreed, among other things, to license us certain patents associated with key technologies in connection with the PCVD production processes. For more details about the Optical Fibre Technology Cooperation Agreement with Draka, please see “Connection Transactions — Non-exempt Continuing Connected Transactions — I. Continuing connected transactions subject to the annual reporting and announcement requirements — Optical Fibre Technology Cooperation Agreement.” Given that we have formed a good relationship with Draka and have been using its PCVD related technologies without any disputes since the day the technologies were furnished to us when Draka Holding N.V. became a shareholder of us, we do not foresee any likelihood that Draka will cease licensing the relevant technologies to us in the future. In addition, under the Optical Fibre Technology Cooperation Agreement, neither party may terminate the agreement before the expiry of current agreement on July 22, 2024, unless there is a breach of the contract or any party neglects or fails to comply with the terms or conditions of the agreement. As advised by our PRC Legal Advisor, we are of the view that neither party has any legitimate right at all to terminate the agreement prematurely. In addition, licensing Draka’s PCVD related technologies to us has also been economically beneficial to both Draka and us.

Although we obtained the PCVD related core technologies from Draka, our in-house research and development team has been independently and continuously developing and improving such technologies to further enhance product quality and production efficiency of our PCVD process. For example, we have successfully increased the size of cavity resonator and enhanced the high-frequency system, which have enabled us to significantly improve the deposition efficiency of our PCVD process and increase the diameter of preforms produced by PCVD process. In addition, the Optical Fibre Technology Cooperation Agreement provided a geographical delineation of the respective sales markets between us and the Draka Group, and except for the sale to existing customers that were established prior to entering into the Optical Fibre Technology Cooperation Agreement, we were allowed to sell our products using PCVD technologies in Asia, Africa and Israel. The Optical Fibre Technology Cooperation Agreement was later on amended in May 2014, pursuant to which the geographical delineation will no longer be effective when Draka’s shareholding in our Company reduces below 20%.

During the Track Record Period, we sold optical fibres and cables to Draka’s subsidiaries and fellow subsidiary subject to their request from time to time. During the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, the total transaction amounts we sold to Draka’s subsidiaries and fellow subsidiary were RMB21.5 million, RMB29.1 million, RMB41.7 million, RMB8.9 million and RMB17.5 million, respectively.

In addition, during the Track Record Period, we purchased optical fibre preforms and optical fibres from Draka and its subsidiaries to supplement our production constraints. From 2013, due to the expansion of our production capacity, we reduced our procurements of optical fibre preforms and optical fibres from Draka and its subsidiaries. During the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, the total transaction amounts we purchased from Draka's subsidiaries were RMB198.0 million, RMB252.1 million, RMB164.5 million, RMB98.0 million and RMB19.0 million, respectively. For details, please refer to "Relationship with Controlling Shareholders — Relationship with Draka."

TRANSACTIONS WITH JOINT VENTURES

Overview

As of June 30, 2014, we have business relationships with all of our nine Joint Ventures. In particular, we engage in transactions in connection with the sale or purchase of optical fibre preforms, optical fibres or optical fibre cables with eight Joint Ventures. Such Joint Ventures include five optical fibre cable manufacturers, two optical fibre manufacturers and one manufacturer of optical devices and related products. Despite our majority equity holding in YOFC Sichuan, YOFC Shanghai and YOFC Jiangsu, such entities are accounted for in our financial statements as Joint Ventures under the IFRS because unanimous consent from all shareholders to the entities are required for substantial financing and operating decisions and no single joint venture partner may exercise dominant control over the entities. For more details about the accounting treatments of these Joint Ventures, please see Note 19 to the financial information as set out in Appendix I to this prospectus. However, under the section entitled "History and Corporate Structure" in the prospectus, these three entities were treated as our subsidiaries pursuant to the Listing Rules. During the ordinary course of business, decisions that are material to the operation of each of these Joint Ventures are jointly determined by us and the respective joint venture partner and require the unanimous consent from both shareholders.

During the ordinary course of our business, we engage in transactions with our Joint Ventures by selling a portion of our optical fibre preforms, optical fibres and optical fibre cables to, and purchasing a portion of optical fibres and optical fibre cables produced from, such Joint Ventures. In addition to the sales of products to and purchases of goods from our Joint Ventures, we also provided certain services and received rental incomes from certain Joint Ventures during the Track Record Period. We are not engaged in any tolling operation.

For more details about the history and main business operations of our Joint Ventures, please see "History and Corporate Structure — The Subsidiaries, Joint Ventures and Associates."

Reasons for Establishing Joint Ventures

Historically, we have strategically established or invested in Joint Ventures primarily to increase production capacity while limiting the capital required to gain such capacity. In particular, this strategy was often engaged to expand our production capacity for optical fibre cables, as in most cases, we strategically prioritized our resources on the high quality and higher value-added production work streams of the manufacturing of optical fibre preforms and optical fibres, which require more sophisticated production technologies and generally have higher profit margins than those of optical fibre cables. Meanwhile, we take transportation costs into consideration as transportation of optical fibre cables is generally more costly as compared to optical fibre preforms and optical fibres due to the size and weight of the cables. Close geographic proximity of cable production facilities to end customers shortens product delivery time and provides more cost advantages. We sell optical fibres to such Joint Ventures to produce optical fibre cables. We then purchase a portion of such optical fibre cables produced to on-sell to our customers to satisfy the increasing demand for our optical fibre cables.

Establishing Joint Ventures for the production of optical fibre cables also enabled us to gain a strong local sales and manufacturing presence in various regions across China with significantly lower upfront investments. In addition, we were able to leverage on and have continued to benefit from the strong local relationship of our Joint Venture partners to expand and strengthen our customer base. These Joint Ventures have enabled us to enhance relationships with local affiliates or subsidiaries of the three major state-owned telecommunications network operators in China, as well as other local customers. Our joint venture partners are able to provide us with local sales force, market intelligence, and information on customer demand and trends, which enable us to better plan our production schedules and better respond to local customers' needs. We currently have five Joint Ventures that are primarily engaged in the production of optical fibre cables, in various locations in China, namely Tianjin, Emeishan in Sichuan Province, Changshu in Jiangsu Province, Shanghai and Shantou in Guangdong Province.

We also have two Joint Ventures that are primarily engaged in the production of optical fibres, located in Tianjin and Shenzhen. These Joint Ventures have also enabled us to increase our production capacity for optical fibres with lower upfront investments. We sell optical fibre preforms to such Joint Ventures to produce optical fibres. We then purchase a portion of such optical fibres produced to produce optical fibre cables or sell to satisfy the increasing demand for our optical fibres. The Joint Ventures also sell optical fibres to independent third parties.

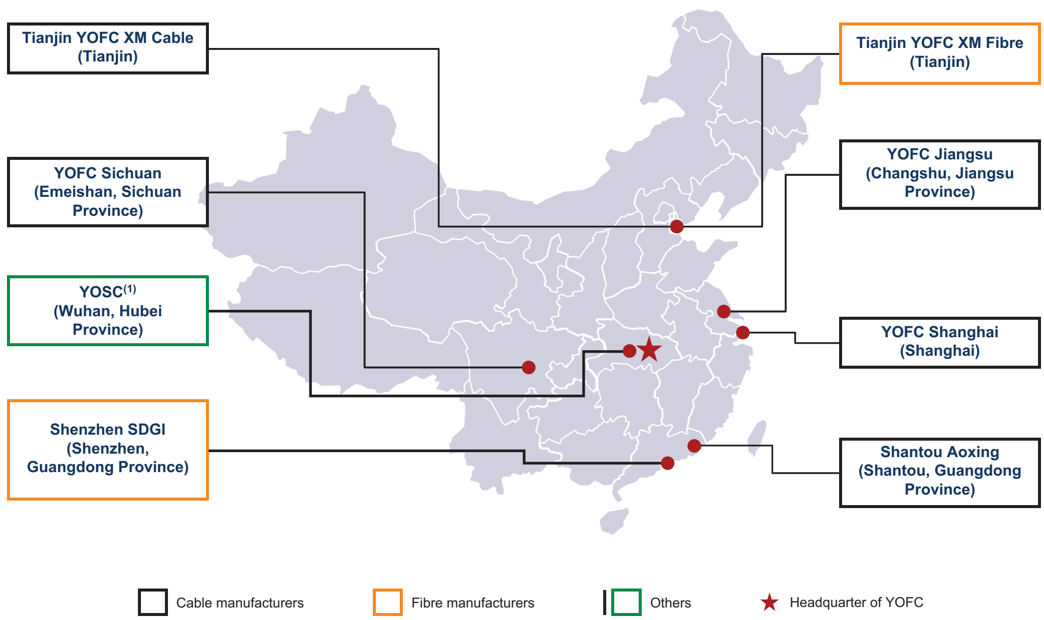
In addition, one of our Joint Ventures is primarily engaged in the manufacture and sales of optical devices, which purchases an insignificant amount of optical fibres from us for its production.

Not only have our Joint Ventures enabled us to cost effectively increase production capacity to satisfy the increase in demand for our products, they have also generated additional demand for our upstream products. These Joint Ventures sell optical fibres and optical fibre cables that they produce to independent third parties, which in turn, result in increased purchases by such Joint Ventures of our optical fibre preforms and optical fibres, respectively, while without requiring significant investments by us to build up our own sales force to increase the sale of our products.

In addition, our Joint Ventures have enabled us to capture additional market share in the sale of products to the three major state-owned telecommunications network operators in China. Such centralized procurement policies limit the portion of the total available bids that can be awarded to a single producer or entities controlled by such producers. However, as most of our Joint Ventures are not considered to be entities controlled by us, we, together with our Joint Ventures, are potentially able to win more bids in the aggregate than the limits placed on a single producer or entities controlled by such producers. The aggregate bids won by our Joint Ventures and ourselves will in turn drive the total sales of our products, including the sales to these Joint Ventures.

As increase in sale by our Joint Ventures to independent third parties also generally lead to an increase in the sale of our products to these Joint Ventures, we generally encourage and facilitate our Joint Ventures to develop their own customers, whether by more actively participating in centralized procurement processes of the three major state-owned telecommunications network operators in China, or by sourcing customers in other industries or in their geographic proximity.

The map below sets forth the locations and other relevant information of the eight Joint Ventures that engage in transactions in connection with the sale or purchase of optical fibre preforms, optical fibres or optical fibre cables with us as of the Latest Practicable Date.



Note:

(1) YOSC is primarily engaged in the manufacture and sales of optical devices and related products.

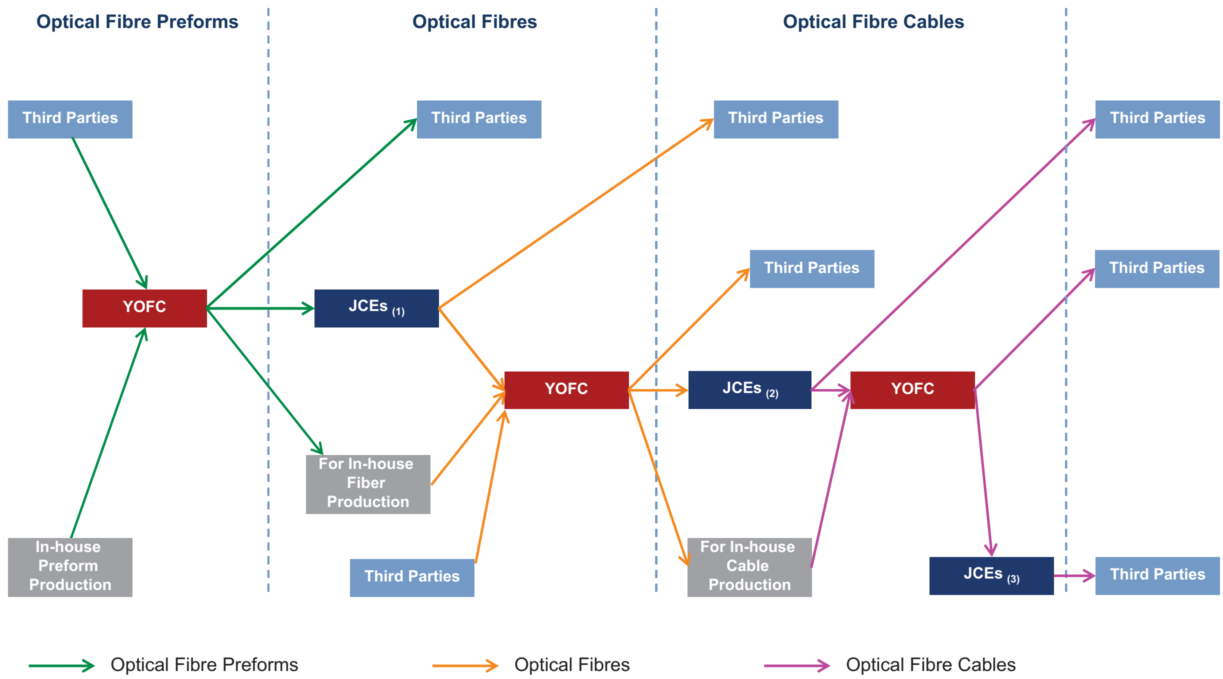
In the future, we expect to establish entities over which we are able to assert managerial control after our evaluation, among other things, the capital needs, operation of the relevant joint venture partners and demand trend of the relevant products. In addition, we will carefully monitor the performance of our existing Joint Ventures and may increase our investments in such Joint Ventures that we believe have strong growth potentials.

Transactions with Joint Ventures

Our Joint Ventures purchase optical fibre preforms and optical fibres from us and use them as feed materials in the production of optical fibres and optical fibre cables, respectively. Certain of our Joint Ventures undertake to first purchase optical fibre preforms or optical fibres from us as long as the quality and the specifications of our products can meet their production requirements. The purchase price is based on the prevailing market price of the relevant product.

On the other hand, we purchase optical fibres from our Joint Ventures as feed materials for the production of our optical fibre cables, or sell such purchased optical fibres to third-party customers, including our Joint Ventures, from time to time. We also purchase optical fibre cables from our Joint Ventures, which we sell to third-party customers, including the three major state-owned telecommunications network operators.

The following chart illustrates transactions with our Joint Ventures for our optical fibre preforms, optical fibres and optical fibre cables:



Notes:

(1) Represents Shenzhen SDGI and Tianjin YOFC XM Fibre.

(2) Represents Tianjin YOFC XM Cable, Shantou Aoxing, YOFC Shanghai, YOFC Jiangsu, YOFC Sichuan and YOSC.

(3) Represents Shantou Aoxing, Tianjin YOFC XM Cable, YOFC Shanghai and YOFC Jiangsu.

During the Track Record Period, we licensed certain technologies, patents and trademarks in connection with optical fibre production to certain Joint Ventures and received royalty fees in turn. Furthermore, we also received technical service fees from Joint Ventures and other third parties in connection with production machinery, mainly fibre drawing towers and proof testers, and other cable manufacturing equipment, that we sell to them. We also received rental income from our Joint Ventures related to the facilities we leased to some of them. The transactions with the Joint Ventures are arranged based on prevailing market prices.

Our Directors are of the view that our transactions with Joint Ventures were subject to normal commercial terms. For additional information as to sales to and purchases from our Joint Ventures, see "— Our Products," "— Customers, Sales and Marketing — Our Customers," "— Raw and Feed Materials, Inventories and Suppliers." For additional financial information of our transaction with Joint Ventures, see "Financial Information" and Accountants' Report in Appendix I to this prospectus.

During the Track Record Period, sales of goods to Joint Ventures amounted to RMB1,243.8 million, RMB1,504.5 million, RMB1,522.1 million and RMB757.5 million in 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. Among such sales, sales of optical fibre preform and optical fibres accounted for approximately 97.8%, 95.8%, 88.6% and 87.0%, respectively, and sales of optical fibre cables accounted for approximately 0.1%, 0.2%, 0.1% and 0.5%, respectively, with the remaining being sales of other products and services.

The following table sets forth the top three Joint Ventures to which we sold products and other relevant information for the periods indicated:

2011

Top Three Joint Ventures	Main Products Sold by Us	Amounts	Percentage of Total Sales of Goods to Joint Ventures During the Period
Tianjin YOFC XM Fibre	optical fibre preforms	RMB307.4 million	24.7%
YOFC Shanghai	optical fibres	RMB184.8 million	14.9%
Shantou Aoxing	optical fibres	RMB165.7 million	13.3%

2012

Top Three Joint Ventures	Main Products Sold by Us	Amounts	Percentage of Total Sales of Goods to Joint Ventures During the Period
Tianjin YOFC XM Fibre	optical fibre preforms	RMB398.3 million	26.5%
Shantou Aoxing	optical fibres	RMB214.0 million	14.2%
YOFC Shanghai	optical fibres	RMB207.3 million	13.8%

2013

Top Three Joint Ventures	Main Products Sold by Us	Amounts	Percentage of Total Sales of Goods to Joint Ventures During the Period
Tianjin YOFC XM Fibre	optical fibre preforms	RMB364.6 million	24.0%
YOFC Shanghai	optical fibres	RMB234.5 million	15.4%
Shenzhen SDGI	optical fibre preforms	RMB195.9 million	12.9%

Six Months Ended June 30, 2014

Top Three Joint Ventures	Main Products Sold by Us	Amounts	Percentage of Total Sales of Goods to Joint Ventures During the Period
YOFC Jiangsu	optical fibres	RMB125.7 million	16.6%
YOFC Sichuan	optical fibres	RMB119.0 million	15.7%
Shantou Aoxing	optical fibres	RMB116.7 million	15.4%

During the Track Record Period, purchases of goods from Joint Ventures amounted to RMB1,530.5 million, RMB1,855.6 million, RMB1,565.0 million and RMB770.5 million in 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. Among such purchases, purchases of optical fibres accounted for approximately 29.5%, 33.2%, 32.3% and 30.0%, respectively, and purchases of optical fibre cables accounted for approximately 67.7%, 64.3%, 66.5% and 69.1%, respectively, with the remaining being purchases of other products.

The following table sets forth the top three Joint Ventures from which we purchased products and other relevant information for the periods indicated:

2011

Top Three Joint Ventures	Main Products Purchased by Us	Amounts	Percentage of Total Purchase of Goods from Joint Ventures During the Period
Tianjin YOFC XM Fibre	optical fibres	RMB450.9 million	29.5%
Tianjin YOFC XM Cable	optical fibre cables	RMB265.8 million	17.4%
YOFC Sichuan	optical fibre cables	RMB243.1 million	15.9%

2012

Top Three Joint Ventures	Main Products Purchased by Us	Amounts	Percentage of Total Purchase of Goods from Joint Ventures During the Period
Tianjin YOFC XM Fibre	optical fibres	RMB611.0 million	32.9%
Tianjin YOFC XM Cable	optical fibre cables	RMB390.6 million	21.0%
YOFC Sichuan	optical fibre cables	RMB288.5 million	15.5%

2013

Top Three Joint Ventures	Main Products Purchased by Us	Amounts	Percentage of Total Purchase of Goods from Joint Ventures During the Period
Tianjin YOFC XM Fibre	optical fibres	RMB504.5 million	32.2%
YOFC Sichuan	optical fibre cables	RMB290.9 million	18.6%
Shantou Aoxing	optical fibre cables	RMB217.0 million	13.9%

Six Months Ended June 30, 2014

Top Three Joint Ventures	Main Products Purchased by Us	Amounts	Percentage of Total Purchase of Goods from Joint Ventures During the Period
Tianjin YOFC XM Fibre	optical fibres	RMB219.2 million	28.4%
YOFC Sichuan	optical fibre cables	RMB153.7 million	19.9%
Shantou Aoxing	optical fibre cables	RMB113.0 million	14.7%

The below table sets forth material transactions with our Joint Ventures and Associates and as a percentage of our total turnover or cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages of total turnover)									
Sales of goods to joint ventures	1,243,799	29.8	1,504,493	31.5	1,522,097	31.5	661,248	33.1	757,511	28.7
Royalty fees income from joint ventures	7,219	0.2	6,567	0.1	6,300	0.1	3,150	0.2	3,150	0.1
Rental income from joint ventures and associate	368	0.0	368	0.0	800	0.0	400	0.0	400	0.0

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages of total cost of sales)									
Purchase of goods from joint ventures and associates	1,530,530	44.6	1,855,642	47.6	1,570,120	41.2	657,311	42.3	783,872	37.2

Competition between Us and Our Joint Ventures

Our Joint Ventures are primarily engaged in the production and sales of optical fibres or optical fibre cables, which may on some level compete against us. Given their relatively independent decision making procedures, the interests of these Joint Ventures may not always align with our interests. For example, these companies may independently participate in the centralized procurements organized by the three major state-owned telecommunications network operators or compete with us by developing their end customers other than the three major state-owned telecommunications network operators. We believe the potential adverse impact of such competition is offset by the increase in the demand for upstream products from these Joint Ventures. Such upstream products generally have higher profit margins.

Except for YOFC Shanghai which is 25% owned by Draka and YOSC which is 28.42% owned by a subsidiary of Yangtze Communications, all of the joint venture partners of the other Joint Ventures are not our existing Shareholders. In addition, Shenzhen SDG Information Co., Ltd. and Zhongli Sci-Tech Group Co., Ltd., the respective joint venture partners of Sehnzhen SDGI and YOFC Jiangsu are primarily engaged in the manufacture and sales of optical fibres and cables and other related products as well, which may also on certain level compete against us.

However, due to our well established leading market position, brand name recognition and integrated business model of producing optical fibre preforms, optical fibres and optical fibre cables, we believe that these Joint Ventures and joint venture partners are of significantly smaller scale, and may only cause competition against a minor segment of our business and have minimal impact on our market standing with the three major state-owned telecommunications network operators. We do not expect such competition will have a material and adverse impact on our business and results of operations. Furthermore, as our Joint Ventures purchase almost all of their optical fibre preforms or optical fibres from us for the production of their optical fibres or optical fibre cables, respectively, an increase in the sale of their products also contribute to the increase in the sales of the upstream products. We believe turnover generated from such increase in the sales to our Joint Ventures will offset the decrease in the sales that we may experience as a result of our Joint Ventures' competition against us.

We currently do not enter into any non-competition arrangements with our Joint Ventures or joint venture partners.

Overlapping of Management

In order to better manage and supervise our Joint Ventures primarily in order to ensure their product quality and operating efficiency, we appoint or designate board members who subsequently, through the action of the board of such entities, appoint senior management members to monitor and manage each of these Joint Ventures. Such senior management members of the Joint Ventures are responsible for daily operation, marketing, product development or technology management, according to the positions they assume and the relevant entity's articles of association. Some of these personnel are also a member of our management team. We believe such arrangements are able to provide us with certain level of insight of the Joint Ventures' operations and better facilitate us to align the interests of these Joint Ventures with the interests of us.

In addition to the management nominees, we also implement other measures to enhance the product quality of our Joint Ventures. See "— Raw and Feed Materials, Inventories and Suppliers — Procurement Policies" and "— Quality Control — Quality Control Procedures and Systems."

QUALITY CONTROL

Overview

We have a long-standing emphasis on quality control programs, as we believe that quality control is essential to our continued success. As of June 30, 2014, we had a quality control team comprised of 173 employees, among whom over 18.5% had a bachelor's degree or an associate degree or above in communications, chemistry or electronics related majors.

Quality Control Procedures and Systems

We currently implement over 100 detailed internal quality control procedures, covering all aspects of our operations from procurement, production, product testing and verification as well as after-sales customer services. Our ERP and self-developed MES systems enable us to apply standardized product specifications during the manufacturing and testing processes by inputting certain pre-set production standards. We have also developed an internal integrated data reporting system for the production of our optical fibres and optical fibre cables. Such reporting system archives data from the entire production process by assigning a unique identification number through bar codes from each type of raw materials to each of the final products, providing us with the ability to track real-time any quality control issues back to its original raw material. The reporting system with the technical specifications for all of our optical fibre and cable products is connected to all of our product testing equipment, which enables us to efficiently test and identify any product that does not meet the necessary specifications and prevent such product from being further processed down the production chain. Such testing data collected can also enhance control and efficiency over our production process and provide timely information to improve our production processes. For example, as optical fibres are tested and measured, relevant data are transmitted in real time to our system in our optical fibre drawing lines. If the data recorded do not meet the necessary requirements up to a certain pre-determined level, alarms will be immediately triggered to alert our employees to examine our drawing towers to identify and remedy problems as to our production equipment and process. Besides, we also utilize advanced equipment management system. Through this system, information relating to equipment efficiency, repair, maintenance, failure mode analysis and other important data can be timely and precisely collected, which enables us to monitor the condition and status of all of our production equipment and machine.

To ensure the quality of our products, we also require our Joint Ventures that produce optical fibres and optical fibre cables for us to implement our stringent quality control standards and measures. Furthermore, we station a supervisor to each of our five Joint Ventures that produce optical fibre cables, who regularly conduct on-site supervision and monitor during the production process to ensure that the products of our Joint Ventures meet our stringent specification standards.

Raw and Feed Materials

We only purchase raw and feed materials from independent third-party suppliers that have passed our quality and reliability assessment and have been admitted to our list of qualified vendors. Our quality control and purchasing departments select these qualified independent third-party vendors based on a variety of factors, including their overall ability, technical capability, quality control over its production process, reputation, financial stability, price and services. We review our independent third-party suppliers on a quarterly basis with respect to their quality of products and services, cost and delivery schedule, and will conduct a comprehensive evaluation every year. All raw and feed materials provided by a new supplier are subject to tests conducted by our technical and quality control teams and will only be procured in large production scale after such raw and feed materials have passed the various tests during our trial production process that uses such materials.

Our quality control team inspects most raw and feed materials upon delivery. Furthermore, given the importance of the quality of glass substrate tubes and silica jacket cylinders to our products, our quality control and technical team conducts frequent review and analyze the data generated during the production to timely identify defects in such materials. We also review the factory production data of the glass substrate tubes and silica jacket cylinders provided by the supplier for each batch of such raw materials delivered to us. We return to suppliers any raw and feed materials that do not pass our inspection and will replace a supplier if the raw and feed material it supplies cannot fulfill our requirements within a specific period of time or if there are significantly delays in the delivery schedule. In addition, we analyze and record the geometric and optical features of the optical fibres that we produce as a continuous monitoring and verification process to the efficiency of the raw and feed materials from our suppliers.

Production Monitoring

In each key step of our production processes for all of our products, we have inspection and testing procedures in place prepared and reviewed by members of our senior management in charge of production. In addition to the testing and measurement procedures for our optical fibres and optical fibre cables, which are integral parts of our production processes, we also conduct periodic inspections on our products and production lines. We conduct selected inspection on our optical fibres three times each week and carry out inspections on all main technical parameters of optical fibres that are still under production. Quality analysis reports are prepared on a weekly and quarterly basis that are then submitted to our senior management as well as the relevant production team to further improve or refine our production process.

Product Testing

We have advanced testing equipment and technologies that contributed to the quality and reliability of our optical fibre preforms, fibres, cables as well as other products. We conduct testing for each of our end products to ensure that such products meet the relevant specifications and requirements prior to delivery to customers. Our product testing covers extensive parameters in connection with the geometric, optical and physical features of our products, including the attenuation, spectral width, dispersion, reflectance, diameter and concentricity of such products. As a result of our adoption of advanced testing equipment and stringent quality control measures during the entire production process, we believe the defective rates of our finished products are relatively low. We also have specific packing and delivery instructions for each of products to ensure the safety and quality of our products during transportation.

As of June 30, 2014, we had obtained seven product certificates for our optical fibres, 24 certificates for optical fibre cables and 12 certificates for our other products from TLC Certification Center, covering most of our major products. TLC Certification Center is an affiliate subordinated to the PRC Ministry of Industry and Information Technology and is currently the only entity engaging in providing certification for telecommunications related enterprises in the PRC. In addition, one model of our optical fibre cables has obtained the Certificate of Network Access for Broadcast Equipment from the Metrology and Test Center of Radio and Television of the PRC States Administration of Radio, Film and TV, which approves that YOFC products meet the requirements to be used in radio, film and television network in the PRC.

The below table sets forth other material certifications we have obtained for our products or production facilities in Wuhan and the relevant information as indicated.

Certification	Date of Issue	Expiry Date	Main Content
China			
ISO9001:2008	February 26, 2014	January 1, 2015	Quality management system certificate relating to the design, manufacture and sales of optical fibre cable and other products
TL9000 H R5.0/R5.0	February 26, 2014	January 1, 2015	Quality management system certificate relating to the design, manufacture and sales of optical fibre, optical fibre cable and optical connectors
ISO14001:2004	June 10, 2013	June 9, 2016	Environment management system certificate relating to the design and manufacture of optical fibre preform, optical fibre, optical cable and distribution equipment
OHSAS18001:2007	December 30, 2005	June 9, 2016	Occupational health and safety management system
SA8000:2008	August 21, 2009	August 20, 2015	Social responsibility management system
Certificate of Metrological Conformity	December 12, 2011	December 11, 2014(1)	Metrological conformity for products quality and management
Overseas(2)			
CACT (India)	June 13, 2012	June 12, 2015	Fibre G655
	July 2, 2012	July 1, 2015	Fibre G657A
	June 5, 2014	June 4, 2017	Fibre G652D
Telcordia (U.S.)	May 6, 2013	May 6, 2015	G.625D, G.656, and G.657/A2/B2 optical fibres, G.657A2 12-Fibre Ribbon
	April 12, 2013	April 12, 2016	Optical fibre and cable test laboratory
	May 6, 2013	May 6, 2016	Indoor 12 - Fibre ribbon cable
Intertek (Nigeria)	June 27, 2014	June 27, 2015	Optical fibre cables

Notes:

(1) We are currently renewing this certificate.

(2) In addition, we are also renewing three TELKOM cable product certifications related to the sale of our products to Indonesia.

For information as to our quality control measures relating to after-sales customer services, see "— Customers, Sales and Marketing — Customer Services."

During the Track Record Period and up to the Latest Practicable Date, we did not experience any customer complaints that had a material adverse effect on our business or results of operation.

RESEARCH AND DEVELOPMENT

We believe that one of our main competitive strengths is our research and development capability. We have established a strong research and development platform with:

- a dedicated research and development center; and

- the State Key Laboratory of Optical Fibre and Cable Manufacture Technology, or the State Key Laboratory, the only key national laboratory recognized by the National Ministry of Science and Technology in our industry, focusing on developing advanced production technologies for optical fibre preforms, optical fibres and optical fibre cables, developing new optical fibre and cable products and their applications, and setting industry standards for optical fibres and cables in China and overseas, such as the ITU-T.

As of June 30, 2014, our in-house research and development center located in Wuhan occupied a total gross area of approximately 3,080 square meters and had 91 dedicated research and development personnel, among which 11 hold a Ph.D degree and 41 hold a master's degree. Our research and development center is divided into three departments:

- research and development — primarily responsible for the research and development of optical fibre and cable products, product applications and specialty products;

- technology management — primarily responsible for the management and execution of our research and development projects related to our production processes, including the research and development of new production processes and related production equipment; and

- testing and measurement — primarily responsible for the research and development of various product testing technologies, designing and conducting reliability testing for our products, as well as engaging in developing and formulating industry standards in the PRC and overseas.

Our State Key Laboratory was established in December 2010 and has been approved by the National Ministry of Science and Technology in July 2013. It is led by Dr. Luo Jie, our chief technical officer, who has over 25 years of research and development experience in optical fibres. Dr. Luo possesses a doctorate degree and has received a number of prizes and awards for his outstanding research achievements, such as the first prize of Progress in Science and Technology of Hubei Province in 2011 and the first prize of electronic and information science and technology issued by The Chinese Institute of Electronics in 2012. He also led or participated in several state-sponsored research and development projects.

The State Key Laboratory is committed and focused on the research and development of advanced technologies for optical fibres and optical fibre cables and their applications in the communication industry as well as to establish national and industry standards for optical fibres and optical fibre cables in China and international industry standards. A seven-member administrative committee, consisting of our general manager and other senior management, and a 13-member academic committee, consisting of renowned industrial experts and specialists in China, supervise the laboratory and provide academic and research support on a regular basis.

As of June 30, 2014, our State Key Laboratory had 114 personnel. Since its inception, it has represented China as the editor responsible for four international industry standards recommended by ITU-T with respect to optical fibres and cables, namely ITU-T G650.1, ITU-T G650.2, ITU-T G650.3 and ITU-T G655. We are also one of the deputy director entities of the CCSA and have been in charge of the development of five CCSA national industry standards in China. In addition, we also participated in the development of two ITU-T standards and 24 CCSA standards.

In addition, our internal testing laboratories have obtained various certifications, such as CNAS ISO/IEC17025 issued by China National Accreditation Service for Conformity Assessment, and Optical Fibre and Cable Lab Certification issued by Telcordia and Verizon. Telcordia is a global leader in the development of mobile, broadband and enterprise communications software and services, and also an authority providing world-class optical fibre and cable testing related services. These certificates demonstrate our testing and measurement capabilities that are in line with global standards.

In 2011, 2012, 2013 and the six months ended June 30, 2014, our research and development expenditures were RMB198.1 million, RMB244.5 million, RMB171.3 million and RMB69.7 million, respectively, representing approximately 4.7%, 5.1%, 3.6% and 2.6% of total turnover over the same periods. The higher research and development expenditures from 2011 to 2012 were primarily due to the enhancement of our production efficiency in relation to the production of optical fibre preforms and fibres, which was completed in early 2013.

Our strong research and development capabilities have enabled us to achieve many important milestones for our industry in the PRC. For example, we are the first China-based company capable of producing optical fibre preforms. Over the years, we also successfully developed and introduced various proprietary and innovative products in the PRC, including low water peak optical fibres, non-zero dispersion-shifted optical fibres, large effective area cut-off wavelength shifted fibres, bending insensitive single mode fibre, dispersion compensation optical fibres and polarization maintaining optical fibres.

Moreover, our strong research and development capabilities have also enabled us to win various awards and recognitions. For example, we were awarded the second National Prize for Progress in Science and Technology by the State Council of China in 2005, for the wide application of our LAPOSH® G.655 optical fibres used in high speed long haul network system, which is the highest level of National Prize for Progress granted so far in our industry. Our current PCVD and RIC technologies have enabled us to produce optical fibre preforms up to 3,050 millimeters long and 206 millimeters in diameter. According to Freedonia Report, we are capable of producing optical fibre preforms with the largest diameters in the world. Such technology has resulted in the first prize of Science and Technology in China Electronics Enterprises Association in 2012. In addition, our Easyband® bending insensitive optical fibre used for indoor FTTH applications was awarded the first prize of Science and Technology Progress in Hubei Province in 2011. Due to our strong research and development capabilities in optical fibres and cables, we were recognized as a National Certified Enterprises' Technical Center and a National Innovative Enterprise. Our research and development efforts have also resulted in many patents both in the PRC and overseas, including in the United States, Australia and New Zealand. See "— Intellectual Property."

In addition to our internal research and development efforts, we have also sought to establish strategic relationships with our various business partners and other parties to enhance our research and development capabilities, including leveraging the research and development capabilities of various industry alliances that consolidate the various research resources across the respective industry's entire value chain. For example, we are currently the executive director unit of the national optical fibre material industry technology and innovation strategic alliance and a member of the national FTTx industry technology and innovation strategic alliance. We have also established strategic relationships with universities and colleges to leverage their leading industry studies and researches, including Peking University, Huazhong University of Science and Technology, Beijing University of Posts and Telecommunications and South China University of Technology. Furthermore, we have established relationships with overseas universities, including The Hong Kong Polytechnic University and University of Southampton in the United Kingdom. Such relationships with universities and colleges in the PRC or overseas cover a broad spectrum of research areas, including, among others, the development of innovative optical fibres and their potential applications, the research of specialty optical fibres as well as the development of new testing technologies.

We have continuously upgraded our production technologies and processes by leveraging our research and development capacity in order to improve our operating efficiency and production capacity. For example, by improving the PCVD and RIC technologies and optimizing our production machinery, we were able to successfully increase the deposition efficiency of our PCVD process and enlarge the diameter of manufactured optical fibre preforms from 150 millimeters in 2009 to 206 millimeters as of the Latest Practicable Date, which significantly contributed to the increase in our annual production capacity and volume during the Track Record Period.

INTELLECTUAL PROPERTY

As of June 30, 2013, we had obtained 75 patents for invention, four patents for design and 95 patents for utility models in the PRC. As of the same date, we have also obtained nine patents overseas, including four in the United States, three in Taiwan, one in Australia and one in New Zealand. Furthermore, as of June 30, 2014, we were in the process of applying for registration of 51 patents in the PRC and 26 patents overseas, including the European Patent Office, the United States Patent and Trademark Office, the African Regional Intellectual Property Organization and the Indian Patent Office. Our patents are principally related to the formula, technology, process, improvement, and design associated with our products.

As of June 30, 2014, we had 76 registered trademarks in the PRC and ten applications for trademarks in the PRC. As of the same date, we had also obtained ten registered trademarks in Malaysia, Indonesia, the Philippines and South Korea. In addition, as of the Latest Practicable Date, we had also registered two trademarks in Hong Kong.

In addition, in 2014, to facilitate the establishment and future development of EverPro, EverPro acquired certain patents from us and VIA Labs, one of its other shareholders, mainly in connection with the research and development of active optical fibres, to EverPro. Patents acquired by EverPro from us were certain of our multi-mode optical fibre and cable related technologies while patents acquired from VIA Labs were mainly related to USB transaction translator and system module as well as integrated circuits related technologies that VIA Labs has registered or is registering in China, Taiwan and the United States. We and VIA Labs also agreed not to provide such technologies to other competitors in active optical fibres and will not develop by itself the same active optical fibre related products upon the establishment of EverPro.

We recognize the importance of protecting and enforcing our intellectual property rights. We seek to maintain registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. We were not aware of any material infringement of our intellectual property rights as of the date of this prospectus and we believe that we have taken reasonable measures to prevent infringement of our own intellectual property rights. We are not aware of any pending or threatened claims against our Group relating to the infringement of intellectual property rights owned by third parties. Details of our registered intellectual property rights which we consider to be or may be material to our business are set out in the section "Statutory and General Information — B. Further Information About our Business — 2. Our Intellectual Property Rights" in Appendix VI to this prospectus.

AWARDS AND RECOGNITIONS

The table below sets forth some of our major awards and recognitions as of the Latest Practicable Date:

Awards / Recognitions	Issuing Entity	Year of Receipt
The Quality Award of Mayor of Wuhan	Wuhan Municipal Government	2014
Total Quality Customer Satisfaction Aptitude Seal For High Quality Performance & Best Customer Satisfaction (T.Q.C.S) and The Golden Award For Quality And Business Prestige	Otherways Management & Consulting Association, Paris France	2013
IAE International Arch of Europe Quality Award in the Platinum Category	Business Initiative Directions (B.I.D)	2013
2013 Top 100 Electronics and Information Enterprises in China	Ministry of Industry and Information Technology of the People's Republic of China	2013
Most Competitive Enterprise in Optical Fibre and Optical Fibre Cable Industry in China	China Optical Communications Development and Competiveness Forum	2013
Most Competitive Enterprise in Optical Fibre and Optical Fibre Cable Industry in the World	China Optical Communications Development and Competiveness Forum	2013
Quality Summit Award New York 2012	Business Initiative Directions (B.I.D)	2012
Most Valuable Brand in Communications Industry in China	China Communications Industry Association	2012
Top 10 Innovative Technology Enterprises in Hubei	Science and Technology Department of Hubei Province	2012
Top 10 Competitiveness Enterprises in the Optical Fibre and Cable Field of Global Market in 2012	Network Telecom	2012
Top 10 Competitiveness Enterprises in Optical Communications Industry of China in 2012	Network Telecom	2012
Top 100 Electronics Components Enterprises in China (2012)	Ministry of Industry and Information Technology of the People's Republic of China	2012
2012 Top 100 Enterprises in Hubei	Hubei Bureau of Statistics	2012
2012 Top 100 Electronics and Information Enterprises in China	Ministry of Industry and Information Technology of the People's Republic of China	2012
2011 Top 100 Electronics and Information Enterprises in China	Ministry of Industry and Information Technology of the People's Republic of China	2011
Hubei Provincial Science and Technology Progress Award (1st Prize)	Science and Technology Department of Hubei Province	2011

Awards / Recognitions	Issuing Entity	Year of Receipt
Top 10 Competitiveness Enterprises in the Optical Fibre and Cable Field of Global Market in 2011	Network Telecom	2011
The Innovative Enterprises	Ministry of Science and Technology of the People's Republic of China/ State-owned Assets Supervision and Administration Commission of the State Council/ All China Federation of Trade Unions	2010
The Innovative Key Products in Hubei (2010)	Science and Technology Department of Hubei Province/National Development and Reform Commission/Hubei Provincial Finance Service	2010
Hubei Provincial Science and Technology Progress Award (2nd Prize)	Science and Technology Department of Hubei Province	2010
Certificate of the National Independent Innovation Products	Ministry of Science and Technology of the People's Republic of China	2009
National Science and Technology Progress Award (2nd Prize)	Ministry of Science and Technology of the People's Republic of China	2005

COMPETITION

The industry in which we operate is highly competitive. We face direct competition both in China and internationally across all products and price ranges. Our major competitors that are based in China include Hengtong Optic-electric Co., Ltd., Futong Group, Jiangsu Zhongtian Technology Co., Ltd., FibreHome Technologies Group and Tongding Group Co., Ltd. Our major competitors that are based overseas include large multinational companies, such as Corning Inc., Shin-Etsu Chemical Co., Ltd., Furukawa Electric Co., Ltd., Sumitomo Electric Industries and Fujikura Ltd.

Moreover, the industry is becoming increasingly competitive as new foreign entrants are currently seeking to enter the PRC market while more domestic Chinese manufacturers are developing their international presence and enhancing their competitiveness. For instance, Corning Inc., Sumitomo Electric Industries and Fujikura Ltd. have established their local joint ventures to produce and sell optical fibres and optical fibre cables in China. Such multinational companies and their local joint ventures in China intensify the competition in our industry by also participating in the centralized procurement biddings organized by the three major state-owned telecommunications network operators. Under certain circumstances, the three major state-owned telecommunications network operators may require optical fibre cable manufacturers to supply cables that are made up of optical fibres manufactured by designated manufacturers, including designated overseas companies.

On the other hand, an increasing number of domestic optical fibre and optical fibre cables manufacturers have been actively expanding their footprints in overseas markets. For example, Hengtong Optic-electric Co., Ltd., Futong Group and Jiangsu Zhongtian Technology Co., Ltd. have established overseas operation in Brazil, Thailand and India, respectively. Furthermore, domestic manufacturers have also expanded their research and development efforts to increase the type of optical fibres and optical fibre cables that they are able to produce, and also to enhance their optical fibre preform production capabilities as well.

EMPLOYEES

As of December 31, 2011, 2012 and 2013 and June 30, 2014, we had a total of 1,522, 1,767, 1,769 and 1,769 full-time employees, respectively. The following table sets forth our full-time employees by function as of June 30, 2014:

	As of June 30, 2014	
	Number of employees	% of total
Manufacturing	1,226	69.3
Sales	209	11.8
Operation management	215	12.2
Research and development	80	4.5
Finance	39	2.2
Total	1,769	100.0%

We have designed an evaluation system to assess the performance of our employees annually. Such system forms the basis of our determinations of whether an employee should receive salary raises, bonuses or promotions. We believe the salaries and bonuses that our employees receive are competitive with market rates. Under applicable PRC laws and regulations, we are subject to social insurance contribution plans, work-related injury insurance and maternity insurance schemes. We believe that we have complied with relevant national and local labor and social welfare laws and regulations in China in all material respects.

In addition, a labor union was established in 1991 that represents employees with respect to labor disputes and other employee matters. Such labor union does not represent our employees for the purpose of collective bargaining and our employees are not covered by any collective bargaining agreement. We have not experienced any major disputes with our employees and we believe that we maintain a good working relationship with our employees.

We place strong emphasis on providing training to our employees in order to enhance their technical and product knowledge as well as their understanding of industry quality standards and work place safety standards. We design and offer different training programs for our employees at various positions. We also provide regular on-site and off-site trainings to help our employees improve their sales and marketing skills.

We currently recruit our employees primarily through on-campus recruiting programs and posting advertisements on recruitment websites. We also encourage our current employees with over two-year working experience to apply for open positions in other departments that fit their interests and expertise to maximize the potential of each employee.

INSURANCE

We maintain transport accident insurance policies for our products shipped to our customers that are renewed on an annual basis. As of the Latest Practicable Date, we have not received any material insurance claims against us. Consistent with what we believe to be customary practice in China, we do not carry any business interruption insurance.

Our insurance policies are typically reviewed on an annual basis. We believe that the existing insurance coverage of our business is adequate and is standard for our industry in China.

ENVIRONMENTAL AND SAFETY MATTERS

We are subject to environmental protection laws and regulations promulgated by the PRC Government. Our production facilities discharge pollutants such as industrial gaseous waste and wastewater, as well as industrial solid wastes and hazardous wastes. We have implemented stringent waste treatment procedures in our production facilities. Waste produced by us is treated in compliance with applicable environmental standards in our production facilities. For example, we have established wastewater treatment facilities to dispose industrial wastewater in compliance with the national discharge standards before such water is discharged into the urban sewage pipe network. We engage a professional waste management company to dispose of industrial solid waste for us. Furthermore, we have procedures in place and designated special staff to treat and dispose of any hazardous wastes. In particular, for hazardous wastes, we engage qualified companies with relevant treatment certification promulgated by the Ministry of Environmental Protection and have registered each batch of waste with the Ministry of Environmental Protection in compliance with applicable laws and regulations.

We obtained ISO 10041:2004 system certification in 2004, an environmental management certification, and OHSAS 18001:2007 system certification in 2005, a health and safety management certification, for our Wuhan production facilities, indicating that our environmental management system has complied with international standards. In addition, we were awarded the "Excellent Clean Production Enterprise" prize in 2008 and 2011 by Wuhan Development and Reform Commission and the Environmental Protection Bureau of Wuhan and was the only enterprise in Wuhan obtained such prize in 2011. We were also recognized as the "Advanced Unit of Environmental Protection" from 2010 to 2012 by the East Lake High-tech Development Zone Branch under the Environmental Protection Bureau of Wuhan.

We have in place a system of recording and handling accidents, by relevant production team and administrative personnel, in accordance with relevant internal policies. During the Track Record Period, we did not record any material accidents. As of the Latest Practicable Date, no material claim had been brought against us as a result of any accident.

Our expenses in respect of environmental and work-safety compliance matters amounted to approximately RMB3.4 million, RMB4.1 million, RMB4.7 million and RMB2.4 million in 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. We currently do not have any specific expenditure plan with respect to environmental and safety matters. However, we will devote operating and financial resources to such compliance whenever we are required by PRC laws and regulations to do so in the future.

As of the Latest Practicable Date, we had complied with applicable PRC laws and regulations on environmental protection and health and work safety in all material respects and obtained all the required environmental permits and approvals for our production facilities. As advised by our PRC Legal Advisor, after meeting the requirements of relevant laws and regulations, we do not believe that there will be material legal impediment to renew these licenses or permits. As of the Latest Practicable Date, no environmental complaints or administrative penalties had been made against or imposed on us.

OUR PROPERTIES

We occupy certain properties in China in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions)

Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of June 30, 2014, none of our properties has a carrying amount of 15% or more of our consolidated total assets.

Owned Land and Buildings

As of the Latest Practicable Date, we owned 16 properties with an aggregate gross floor area of approximately 103,182 square meters used for production facilities, warehouses and administrative offices to support our business activities and operations in the PRC located on six parcels of land with an aggregate site area of approximately 141,599 square meters.

The following table sets forth summary of the properties and other relevant information owned by us that are considered to be material, all of which are located in Wuhan:

Use of property	Approximate gross floor area (square meters)	Restrictions on use
Production of optical fibre preforms	24,384	Industrial land use
Production of optical fibres	33,322	Industrial land use
Production of optical fibre cables	15,805	Industrial land use
Research and development for optical fibres and cables	3,076	Industrial land use
Storage	17,013	Industrial land use
Administrative areas	2,736	Industrial land use
Power facilities	791	Industrial land use
Dormitory	1,920	Residential
Dormitory related facilities	4,134	Industrial land use
Total	**103,182**	

As of the Latest Practicable Date, we have obtained the land use rights certificates for all parcels of land in which such buildings are located and have obtained the property ownership certificates for all such buildings owned by us as listed above.

In addition, we are currently in the process of acquiring additional land parcels with an aggregate site area of approximately 337,179 sq.m. located in Wuhan. We have entered into the land grand contracts with the relevant authority and had paid the land premiums subject to the contracts. We are now in the process of obtaining the land use right certification. We expect to establish additional facilities for the production of optical fibres and optical fibre cables after we obtain the relevant land use rights.

Leased Properties

As of the Latest Practicable Date, we leased two properties in Wuhan and Beijing with a total gross floor area of 7,149 square meters for production facilities, warehouses and offices purposes, with a term of one year and three years, respectively. Both landlords are independent third parties. The leases will expire in September 2015 and November 2017, respectively. We expect to renew the leases upon their expiry.

The leases have not been registered. As advised by our PRC Legal Advisor, the lease registration, which largely depends on the cooperation of the landlord, is not a mandatory condition for the validity of the lease agreement and the absence of such registration will not affect the legality of the agreement or impede our use of the relevant property. The lack of lease registration may subject us to an administrative penalty of up to RMB10,000. As of the Latest Practicable Date, we had not received any notification from the relevant government authorities regarding the noncompliance with applicable land and property-related requirements.

Despite these defects, we believe that it will not cause us significant additional time or cost to relocate to other comparable properties. Our leased properties are in safe conditions. There will be no significant difference in rental expenses we would have to pay if the properties did not have defective titles. After due consideration, our Directors are of the view that the defects mentioned above are not crucial to our operations and financial conditions, given the current functions we use these properties and the small gross floor areas the leases cover.

Other than the foregoing, there is no other non-compliance relating to our properties as of the Latest Practicable Date.

LEGAL COMPLIANCE AND RISK MANAGEMENT

We may be involved, from time to time, in legal proceedings arising from the ordinary course of our operations. As of Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation or arbitration is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

As confirmed by our PRC Legal Advisor, save as disclosed in this prospectus, we had obtained all the necessary licenses, approvals and permits from appropriate regulatory authorities for our business operations as disclosed in this prospectus in the PRC and have complied with all the applicable PRC laws and regulations in relation to our business and operations in all material respects. See "Regulatory Overview" for the details of the relevant laws and regulations. We have not been materially penalized by national or local authorities for violations of PRC laws and regulations.

We have in place a set of internal control and risk management procedures to address various potential operational, financial and legal risks identified in relation to our operations, including but not limited to procurement management, inventory management, investment project management, connected party transaction controls, information disclosure controls, human resources, IT management and other various financial control and monitor procedures. These risk management policies set forth procedures to identify, categorize, analyze, mitigate and monitor various risks. The procedures also set forth the relevant reporting hierarchy of risks identified in our operations. Our Board is responsible for overseeing our overall risk management.

After due consideration, our Directors are of the view that our current internal control measures are adequate and effective.

HISTORICAL BUSINESS DEALINGS RELATED TO SANCTIONED COUNTRIES

The United States and other jurisdictions, including the European Union and the United Nations, have comprehensive or broad economic sanctions targeting Cuba, Iran, North Korea, Sudan and Syria (collectively, "**Sanctioned Countries**") or certain targeted persons or entities, including, without limitation, those named on the U.S. specially designated nationals list or the U.S. foreign sanctions evaders list and any entity owned or controlled by any of the foregoing (collectively, "**Sanctioned Persons**" and together with Sanctioned Countries, "**Sanctions Targets**"). During the Track Record Period, an insignificant portion of our products was sold to customers located in certain sanctioned countries, namely Iran, Syria and North Korea. Turnover derived from the sales to these countries in aggregate accounted for less than 0.1% of our total turnover in each of 2011, 2012 and 2013. These transactions involved the sales of optical fibres and optical fibre cables and were on a contract-by-contract basis. The counterparties to these transactions are generally trading companies located in these countries and are not Sanctions Persons. We have not sold any products to customers located in Iran after November 2012, or to Syria after September 2013 or to North Korea after August 2013. Furthermore, we will not engage in any future business dealings with or relating to Sanctions Targets, in each case except to the extent that economic sanctions are lifted against such Sanctions Targets.

In addition, certain of our products were sold to Myanmar (Burma) during the Track Record Period, which was previously subject to broad United States and other economic sanctions that were eased at the beginning of 2012 as a result of reforms within Myanmar (Burma). Turnover derived from the sales to Myanmar (Burma) was less than 0.2% of our total turnover in each of 2011, 2012, 2013 and the six months ended June 30, 2014. These transactions also involved the sales of optical fibres and optical fibre cables and were on a contract-by-contract basis. The counterparties to these transactions are generally optical fibre cable manufacturers and are not Sanctions Persons.

The Company has obtained legal advice to the effect that the Group's business with customers in Sanctioned Countries and in Myanmar (Burma) will not be deemed to be prohibited activities under the relevant economic sanctions laws and regulations. The Company confirms that it has not been notified of any sanctions that will be imposed on the Group during the Track Record Period and up to the Latest Practicable Date. The below sets forth additional information as to the Group's business and economic sanctions laws and regulations in the United States, the European Union and the United Nations.

United States Economic Sanctions

We have obtained legal advice to the effect that we are very unlikely to be subject to any liability under United States economic sanctions as to our business activities and operations during the Track Record Period on the basis that:

- none of our employees, officers, Directors, agents or other representatives is a citizen, national or permanent resident of the United States;
- neither we nor any of our Subsidiaries, existing Shareholders, Associates or Joint Ventures is organized, incorporated, constituted or located within the United States, or is a branch of any entity organized, incorporated or constituted within the United States;
- none of our business, dealings or activities relating to Sanctioned Targets (or relating to Myanmar (Burma) prior to December 31, 2012) is or was conducted with any involvement of or facilitation by any citizen, national or permanent resident of the United States, any person while physically present within the United States or any entity organized, incorporated or formed in the United States;
- our activities with or relating to Sanctions Targets have not and do not in any way involve U.S.-origin goods, technology, or services, and we have no dealings in or relating to Sanctions Targets in the United States or within the control of U.S. persons;
- our activities with or relating to Sanctions Targets have and do not in any way involve U.S. persons or entities;
- we have not knowingly engaged in dealings that could allow for the imposition of secondary sanctions and in the future will not engage in any dealings with or relating to Iran, the Iranian government, the Iranian Revolutionary Guard, any Iranian entity, Syria, Sanctioned Persons, or any entity owned or controlled by any of the foregoing; and
- we do not participate in or facilitate deceptive transactions for or on behalf of any person subject to U.S. sanctions.

Pursuant to the foregoing, and moreover in light of, among other factors, the small volume (both in terms of dollar volume and as a percentage of the Company's total sales) of our past dealings with Sanctioned Targets and Myanmar (Burma) and our agreement not to engage in future dealings with Sanctioned Targets and certain other undertakings made to the Stock Exchange (see "— Our Undertakings"), and after consulting with our legal advisers, we are of the view that our business activities and operations are very unlikely to subject any of our Shareholders and investors, the Stock Exchange, the Listing Committee of the Stock Exchange, HKSCC and HKSCC Nominees (collectively, the "**Relevant Persons**") to any facilitation or other liability under United States economic sanctions.

European Union Economic Sanctions

Furthermore, we have obtained legal advice to the effect that we are very unlikely to be subject to any liability under European Union economic sanctions as to our business activities and operations during the Track Record Period on the basis that:

- we are not organized, incorporated or constituted under the law of any member state of the European Union;
- we are not within the European Union or otherwise subject to the jurisdiction of a European Union member state; and
- our business activities and transactions with or relating to Sanctions Targets do not in any way involve either (a) European Union member state nationals or persons otherwise within the jurisdiction of the European Union or (b) business or dealings conducted in whole or in part within the European Union.

Pursuant to the foregoing, and moreover in light of, among other factors, the small volume (both in terms of dollar volume and as a percentage of the Company's total sales) of our past dealings with Sanctioned Targets and Myanmar (Burma) and our agreement not to engage in future dealings with Sanctioned Targets and certain other undertakings made to the Stock Exchange (see "— Our Undertakings"), and after consulting with our legal advisers, we are of the view that our business activities and operations are very unlikely to subject any of the Relevant Persons to any liability under European Union economic sanctions.

United Nations Economic Sanctions

We have also obtained legal advice to the effect that we are very unlikely to be subject to any liability under United Nations economic sanctions as implemented in the European Union and the United States for reasons set forth above. Similarly, after consulting with our legal advisers, we are of the view that our business activities and operations are very unlikely to subject any of the Relevant Persons to any liability under United Nations economic sanctions.

Our Undertakings

We will not engage in any future business dealings with or relating to Sanctions Targets, in each case except to the extent that economic sanctions are lifted against such Sanctions Targets.

We also undertake to the Stock Exchange that we will not use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctions Targets, and will provide timely update as to our exposure to risks related to Sanction Targets in our annual and interim reports.

If we breach these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our H Shares.

Internal Control Procedures

We will continuously monitor and evaluate our business and take measures to monitor our exposure to risks related to transactions with Sanctions Targets, to protect the interests of our Group and our Shareholders and to comply with our undertakings to the Stock Exchange. We undertake to implement the following internal control policies and procedures before listing:

- our legal and marketing department will continuously monitor new sanctions law or any change to the existing sanctions laws and seek advice from external legal counsel as necessary, to confirm that our business activities do not subject us to risks relating to Sanctions Targets;

- our senior management, including our general manager, first deputy manager, deputy general managers and chief financial officer will review and approve our future business opportunities and determine whether such business involves any Sanctions Targets;

- our strategic center will check and ensure that our relevant employees who are involved in overseas businesses understand and comply with our internal control policies and procedures as to economic sanctions and our undertakings and regular training or update will be provided to such employees;

- our legal and marketing department will prepare regular overseas sales status reports and other information related to our overseas customers and economic sanctions and Sanctions Targets for review by our Board; and

- if the sales personnel believe that any potential transaction would put us or the Relevant Persons to risks of being subject to transactions with Sanctions Targets, such transaction will need to be submitted to our Board for approval.

Taking into account of the foregoing, we believe that these measures will provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risks relating to transactions with Sanctions Targets to protect the interest of our Group and our Shareholders. After undertaking relevant due diligence, taking into consideration the size of the Company's historical business activities in the Sanctioned Countries, the undertakings committed by the Company as described above, the legal consultation obtained by the Company, and subject to the full implementation and enforcement of these measures, the Joint Sponsors are of the view that these measures will provide a reasonably adequate and effective framework to assist the Company in identifying and monitoring any material risk relating to transactions with Sanctions Targets in light of the current legal and regulatory requirements.

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto as of and for the years ended December 31, 2011, 2012 and 2013 and as of June 30, 2014 and for the six months ended June 30, 2013 and 2014 included in the Accountants' Report set out in Appendix I to this prospectus. The consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

Information presented in this section, in particular, in respect of the sections headed "— Net Current Assets" and "— Indebtedness," that are not extracted or derived from the Accountants' Report have been extracted or derived from management accounts as of and for the nine months ended September 30, 2014 (which are not included in this prospectus) or from other records.

The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2011, 2012 and 2013 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are one of the leading optical fibre preform, optical fibre and optical fibre cable suppliers in the world. According to the Freedonia Report, we were:

- the No. 1 optical fibre preform, optical fibre and optical fibre cable supplier in China based on volume in 2013, with 37%, 25% and 16% of the market share, respectively;

- the No. 1 optical fibre preform supplier in the world based on volume in 2013, with 19% of the global market share; and

- the No. 2 optical fibre and optical fibre cable supplier in the world based on volume in 2013, with 13% and 8% of the global market share, respectively.

Since our inception in 1988, we have established a vertically integrated business model, offering a wide variety of products and services across the optical fibre cable production value chain. We believe we are one of few companies in the PRC that can develop and manufacture optical fibre preforms, optical fibres and optical fibre cables at a commercially successful, mass production level. Our integrated business model enables us to drive the demand for our upstream products, such as optical fibre preforms and fibres, through our leading position in the optical fibre cable market. It also allows us to enforce our quality and cost controls over each step of our production of such products, strengthening the competitiveness of all our products across the value chain. Our leading position in the optical fibre preform market in China enhances our bargaining power and enables us to better capture market opportunities arising from optical fibre and cable manufacturers in China that lack sufficient capability and capacity to produce optical fibre preforms.

We have been consistently selected as one of the major suppliers to the three state-owned telecommunications network operators in China through their centralized procurement biddings since 2004 due to our outstanding product quality, recognized brand name and competitive prices. Our strong and long-term business relationship with the three state-owned telecommunications network operators in China help to strengthen our leading market position in China, as such three operators account for a large majority of demand for optical fibre cables in China. We have also actively expanded our customer base by acquiring additional local and overseas customers. During the Track Record Period, in addition to the three major state-owned telecommunications network operators and their respective affiliates, we have 656, 691, 807 and 561 end customers for 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively, among which 641, 679, 793 and 549 were independent third parties.

We have experienced significant growth during the Track Record Period. Our total turnover increased from RMB4,175.0 million for 2011 to RMB4,777.8 million for 2012 and further to RMB4,825.9 million for 2013. Our total turnover increased from RMB1,995.5 million for the six months ended June 30, 2013 to RMB2,634.9 million for the same period in 2014. Our profit increased from RMB344.1 million in 2011 to RMB364.8 million in 2012 and further to RMB415.0 million in 2013. Our profit increased from RMB207.7 million for the six months ended June 30, 2013 to RMB209.2 million for the same period in 2014.

BASIS OF PRESENTATION

Our Company was established as a sino-foreign equity joint venture in the PRC on May 31, 1988 and was converted into a joint stock limited liability company on December 27, 2013. The financial information in the Accountants' Report included in Appendix I to this prospectus has been prepared under historical cost in accordance with all applicable IFRS. The financial information of our Group is presented in Renminbi.

For the purpose of financial statements prepared under the IFRS, Subsidiaries are entities controlled by the Group. Despite of our majority equity holding, YOFC Shanghai, YOFC Jiangsu and YOFC Sichuan are accounted for in our financial statements as Joint Ventures under the IFRS because unanimous consent from all parties to the Joint Ventures are required for substantial financing and operating decisions and no single joint venture partner may exercise dominant control over these Joint Ventures. For further details of the accounting treatment of these three Joint Ventures, please see Note 19 to the financial information in the Accountants' Report as set out in Appendix I to this prospectus. YOFC Shanghai, YOFC Jiangsu and YOFC Sichuan are considered as subsidiaries of our Company under the Listing Rules.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

- government and industry policies and customer demand;
- availability and cost of raw and feed materials;
- production capacity and operating efficiency; and
- product mix.

Government and Industry Policies and Customer Demand

Our business and operating results have been, and will continue to be, affected by the government and industry policies on telecommunications and related industries in China. State-owned enterprises dominate China's telecommunications industry. As such, government initiatives and investments are a key factor of demand for optic fibre products. For example, as part of the "Broadband China" initiative that was initially announced in September 2012 and supplemented in August 2013 by the PRC State Council and the Twelfth Five-Year Plan of the Communication Industry covering 2011 to 2015, the PRC government plans to invest RMB2 trillion to improve its broadband infrastructure by 2020. These three state-owned telecommunications network operators, together with other local operators, have been, and will continue to be, our major customers and contribute a significant portion of our turnover.

Customer demand for optical fibre preforms, optical fibres and optical fibre cables in China is expected to continue to grow in general, driven by continued government initiatives and investments. Volume demand for optical fibre preforms, optical fibres and optical fibre cables in China increased from 3,105 metric tons to 4,700 metric tons, 105 million fkm to 132 million fkm and 87 million fkm to 111 million fkm, respectively, from 2011 to 2013, according to the Freedonia Report. Partially driven by these increasing customer demand, our total turnover increased from RMB4,175.0 million in 2011 to RMB4,777.8 million in 2012 and further to RMB4,825.9 million in 2013. As the market leader with approximately 37%, 25% and 16% market share in terms of volume in China for optical fibre preforms, optical fibres and optical fibre cables, respectively, according to the Freedonia Report, we believe we are well positioned to further benefit from the increasing customer demand in China. Furthermore, we have been actively seeking market opportunities in overseas markets in recent years, such as the South Asia, Southeast Asia and Africa. These overseas markets present strong potential demand for optical fibre and cable products given their early stage of development of the telecommunications network.

Availability and Cost of Raw and Feed Materials

We purchase various raw and feed materials for our production, primarily including high quality glass substrate tubes and silica jacket cylinders, various chemical gases and polymers sheathing materials. We also directly purchase optical fibre preforms and optical fibres as feed materials for the production of optical fibres and optical fibre cables, respectively. Cost of raw materials represents the largest component of our cost of sales during the Track Record Period and have a substantial impact on our results of operations. Any significant increase in raw material costs from current levels will have an adverse effect on our gross profit margins if we fail to increase the selling prices of our products or otherwise pass on the increases in raw material costs to our customers.

Furthermore, the availability of key raw and feed materials also has a significant impact on our business and results of operations. Cost of glass substrate tubes and silica jacket cylinders represents the largest component of our cost of raw materials. We purchase glass substrate tubes and silica jacket cylinders for our optical fibre preform production from Heraeus, a leading manufacturer of high purity quartz glass in the world. For more details please see "Business — Raw and Feed Materials, Inventories and Suppliers — Purchases from Heraeus." Our actual production volume of optical fibre preforms in a given period depends on the availability and amount of glass substrate tubes and silica jacket cylinders that Heraeus is able to supply. Moreover, we also purchase finished optical fibre preforms to support our production. Any shortage or delay in the supply will have an adverse impact on our ability to timely meet our customers' orders and in turn, our results of operations.

Raw materials from overseas suppliers usually have longer lead-time and require additional inventory management. If we purchase more raw materials in a given period than the amounts requisite for our production, our inventory and cash flow may be affected.

Production Capacity and Operating Efficiency

The continuous growth of our turnover and market share depends to a large extent on our ability to expand our production capacity. In December 2012 and March 2013, we completed the production capacity expansion for optical fibres and optical fibre preforms, respectively, by establishing additional production lines. Prior to such expansion, we were operating at near-full capacity. In the event that demand exceeds our production capacity, we may need to increase the purchase of products from third parties and on-sell such products to our customers. Such products has significantly lower gross profit margin as compared to our self-produced products, and any such increase in purchase of products from third parties for on-sell will affect our results of operations. For the six months ended June 30, 2014, our weighted average designed production capacity of optical fibre preforms and optical fibres reached 28.5 million fkm (based on one ton of optical fibre preforms being used to draw 30,000 fkm of optical fibres) and 17.5 million fkm, respectively. We expect to continue to strategically expand our facilities and install more production lines to meet the customer demand and increase the sales volume of our self-produced products. For more details about our production capacity and utilization rate, see "Business — Production — Production Facilities and Capacities."

Our financial performance is also related to our operating efficiency. We are one of few companies in the industry in China that is able to provide a comprehensive portfolio of optical fibre preforms, optical fibres and optical fibre cables. Operating efficiency therefore is critical to our streamlined production process and to the profitability for each product segment. We have taken initiatives in recent years to improve our production efficiency, such as improving our production technology and equipment and increasing the level of automation used in the production process. We are also in the process of developing alternative production processes for optical fibre preforms as a complement to our existing PCVD process, allowing us to increase overall production flexibility, further enhance our cost of production, increase production efficiency to expand our capacity and reduce the need to procure glass substrate tubes and silica jacket cylinders from Heraeus for our self-produced optical fibre preforms as well as reduce our current reliance on certain core PCVD technologies licensed from Draka.

Product Mix

Our results of operations have been and will continue to be affected by our product mix, and by fluctuations in the cost as well as the selling prices of our products. The profitability of our products varies across our product categories due to a variety of reasons. During the Track Record Period, our optical fibre preforms and fibres generally had higher gross profit margins than optical fibre cables and other products and services. Changes in product mix have in the past affected, and are expected to continue to affect, our results of operations. During the Track Record Period, we dynamically adjusted our resources across product segments to capitalize on the prevailing market demand to increase our overall profit.

In addition to selling our self-produced products, we also on-sell certain products that we purchase from third parties. The profitability of each of our product segments is a mixed result of the gross profit margins of our self-produced products and products that we purchase from third parties for on-sell. Our self-produced products are significantly more profitable than on-sold products. As our production capacity continues to expand, we expect the self-produced products will account for a larger portion of total products sold, which we expect will in turn improve our overall profitability.

Moreover, our capability to successfully develop and launch new products and services has been and is expected to be an important driver to increase our turnover and profitability. For example, during the Track Record Period, products and services we provided other than the two major segments, which primarily include optical distribution and connection products, data center cabling products and production equipment, generally had higher gross profit margins than our overall gross profit margin in the same period. Similarly, specialty optical fibres and specialty optical fibre cables that we produce also generally have higher selling price and profit margin as compared to products with standard specifications. We expect our efforts to continue to introduce new products and services will benefit our overall results of operations by offering incremental turnover with better profitability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial information. Some of our critical accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in detail in the Accountants' Report included in Appendix I to this prospectus.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgments based on information and financial data that may change in the future periods, and as a result, actual results could differ from those estimates.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to us and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of goods

Revenue is recognized when goods are delivered at the customers' premises or collected by the customer which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(iii) Dividends

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognized as it accrues using the effective interest method.

(v) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognized initially as deferred income and consequently are effectively recognized in profit or loss on a systematic basis over the useful life of the asset by way of reduced depreciation expense.

Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When making estimates of net realizable value of inventories, we take into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and our historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and relevant taxes may vary based on the changes in market conditions and product saleability, manufacturing technology and the actual use of the inventories, resulting in the changes in provision for diminution in value of inventories. The net profit or loss may then be affected in the period when the provision for diminution in value of inventories is adjusted.

Trade and Other Receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

We estimate impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. We base the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

Interest-bearing Borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings and structures	20 years
Machinery and equipment	8-16 years
Office equipment	5-8 years
Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. We review the estimated useful lives of the assets regularly. The useful lives are based on our historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

In considering the impairment losses that may be intangible assets, required for certain of our assets which include property, plant and equipment, intangible assets, lease prepayments, investments in joint ventures and associates and unquoted equity investments, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sale volume, selling price and amount of operating costs. We use all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth the consolidated statements of comprehensive income of our Group with line items in absolute amounts and as percentages of total turnover for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for per share data and percentages)									
Turnover	4,175,044	100.0	4,777,823	100.0	4,825,895	100.0	1,995,491	100.0	2,634,868	100.0
Cost of sales	(3,433,810)	(82.2)	(3,895,577)	(81.5)	(3,808,113)	(78.9)	(1,552,133)	(77.8)	(2,109,691)	(80.1)
Gross profit	741,234	17.8	882,246	18.5	1,017,782	21.1	443,358	22.2	525,177	19.9
Other revenue and net income	42,593	1.0	32,376	0.7	21,280	0.4	11,745	0.6	20,348	0.8
Selling expenses	(90,865)	(2.2)	(96,593)	(2.0)	(109,758)	(2.3)	(46,782)	(2.3)	(50,160)	(1.9)
Administrative expenses	(376,963)	(9.0)	(431,495)	(9.0)	(438,857)	(9.1)	(180,979)	(9.1)	(209,667)	(8.0)
Profit from operations	315,999	7.6	386,534	8.1	490,447	10.2	227,342	11.4	285,698	10.8
Finance income	46,953	1.1	15,775	0.3	42,526	0.9	22,747	1.1	1,357	0.1
Finance costs	(67,971)	(1.6)	(78,039)	(1.6)	(81,300)	(1.7)	(24,862)	(1.2)	(50,838)	(1.9)
Net finance costs	(21,018)	(0.5)	(62,264)	(1.3)	(38,774)	(0.8)	(2,115)	(0.1)	(49,481)	(1.9)
Share of results of associates	(969)	(0.0)	(1,873)	(0.0)	(2,750)	(0.1)	(1,008)	(0.1)	(332)	(0.0)
Share of results of joint ventures	82,474	2.0	78,477	1.6	21,360	0.4	13,637	0.7	8,867	0.3
Profit before taxation	376,486	9.0	400,874	8.4	470,283	9.7	237,856	11.9	244,752	9.3
Income tax	(32,347)	(0.8)	(36,084)	(0.8)	(55,242)	(1.1)	(30,206)	(1.5)	(35,531)	(1.3)
Profit for the year/period	344,139	8.2	364,790	7.6	415,041	8.6	207,650	10.4	209,221	7.9
Attributable to:										
Equity holders of the Company	344,139	8.2	364,790	7.6	415,041	8.6	207,650	10.4	210,599	8.0
Non-controlling interests	-	-	-	-	-	-	-	-	(1,378)	(0.1)
Other comprehensive income:										
Available-for-sale securities	(4,314)	(0.1)	(5,770)	(0.1)	7,171	0.1	809	0.0	10,677	0.4
Income tax relating to available-for-sale securities	647	0.0	866	0.0	(1,075)	(0.0)	(121)	(0.0)	(1,602)	(0.1)
Total comprehensive income for the year/period	340,472	8.2	359,886	7.5	421,137	8.7	208,338	10.4	218,296	8.3
Attributable to:										
Equity holders of the Company	340,472	8.2	359,886	7.5	421,137	8.7	208,338	10.4	219,674	8.3
Non-controlling interests	-	-	-	-	-	-	-	-	(1,378)	(0.1)
Total comprehensive income for the year/period	340,472	8.2	359,886	7.5	421,137	8.7	208,338	10.4	218,296	8.3
Earnings per share										
Basic and diluted	0.72		0.76		0.87		0.43		0.44	

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Turnover

Turnover by Products

We manage our businesses by products and we review our results of operations according to two reportable segments when making decisions on resource allocation and performance assessment, namely:

- optical fibre preforms and fibres — representing turnover generated from the sale of optical fibre preforms and optical fibres; and

- optical fibre cables — representing turnover generated from the sale of optical fibre cables.

We also produce and sell other products and provide product related services. Other products include primarily peripheral products related to optical fibres and cables, such as optical distribution and connection products and data centre cabling products, and production equipment, such as fibre drawing towers. Product related services include installation and other services.

Turnover represents the sales amount less value-added tax. Our total turnover increased from RMB4,175.0 million for 2011 to RMB4,777.8 million for 2012 and further to RMB4,825.9 million for 2013. Our total turnover increased from RMB1,995.5 million for the six months ended June 30, 2013 to RMB2,634.9 million for the same period in 2014.

In addition to the sale of products that we produce, we also purchase optical fibre preforms, optical fibres and optical fibre cables from third parties, including independent third parties, our Joint Ventures, and then on-sell such products to customers. Historically we purchased and on-sold products as demand for such products exceeded our production capacity. In particular, the purchase of products from our Joint Ventures for on-sale to customers also enables us to focus our resources, including production capacity, on higher value-added and more technically sophisticated products such as optical fibre preforms, optical fibres and specialty products. For additional information as to transactions with our Joint Ventures, see "Business — Transactions with Joint Ventures." As our production capacity expanded gradually, turnover derived from on-sold products has decreased as a percentage of our total turnover. We expect this trend to continue as our production capacity further increases.

The following table sets forth a breakdown of our turnover by each of our two reportable segments and turnover derived from other products and services. In addition, the following table also sets forth a breakdown of our turnover by whether such products are produced by us or purchased from third parties, including from Joint Ventures, that are then on-sold to third parties:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Optical fibre preforms and fibres:										
Self-produced	1,357,615	32.5	1,359,150	28.4	1,507,964	31.2	645,643	32.4	759,427	28.8
Purchased from third parties (1)	985,449	23.6	1,190,916	25.0	1,214,731	25.2	543,351	27.2	643,500	24.4
Total	2,343,064	56.1	2,550,066	53.4	2,722,695	56.4	1,188,994	59.6	1,402,927	53.2
Optical fibre cables:										
Self-produced	631,435	15.1	688,212	14.4	699,630	14.5	252,175	12.6	359,085	13.6
Purchased from third parties (2)	1,156,645	27.7	1,382,115	28.9	1,117,995	23.2	442,943	22.2	619,163	23.5
Total	1,788,080	42.8	2,070,327	43.3	1,817,625	37.7	695,118	34.8	978,248	37.1
Other products and services	43,900	1.1	157,430	3.3	285,575	5.9	111,379	5.6	253,693	9.6
Total Turnover	4,175,044	100.0	4,777,823	100.0	4,825,895	100.0	1,995,491	100.0	2,634,868	100.0

Notes:

(1) Turnover derived from optical fibre preforms and fibres that were purchased from Joint Ventures was RMB391.3 million, RMB556.4 million, RMB490.1 million, RMB237.9 million and RMB315.7 million in 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively.

(2) Turnover derived from optical fibre cables that were purchased from Joint Ventures was RMB1,063.7 million, RMB1,196.6 million, RMB1,081.5 million, RMB442.0 million and RMB533.0 million in 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively.

Optical fibre preforms and fibres

Turnover derived from the sale of optical fibre preforms and fibres increased by 8.8% from RMB2,343.1 million in 2011 to RMB2,550.1 million in 2012 and further by 6.8% to RMB2,722.7 million in 2013. The increase from 2011 to 2012 was primarily due to the increase in demand for optical fibre cables in China during the period, which in turn led to an increase in demand for their feed materials such as optical fibre preforms and fibres. Supply constraint in the market in 2012 due to a shortage in optical fibre preforms imported from manufacturers in Japan to China caused by the Japan earthquake and tsunami in March 2011 also contributed to the increase in demand for our products in 2012. The increase in demand also led to our efforts to expand our production capacity by adding production lines for optical fibres, which was completed in December 2012, and for optical fibre preforms, which was completed in March 2013. Prior to such production capacity expansion, we were operating at near-full capacity. The increase in production capacity enabled us to satisfy the increasing market demand in 2013 for optical fibre preforms. The capacity increase also allows us to better satisfy demand for our optical fibres despite a decrease in overall optical fibre demand in 2013 due to delays in optical fibre cable purchasing orders from the three state-owned telecommunications network operators in 2013 as the telecommunications network operators were in the progress of developing plans for infrastructure upgrade from 3G to 4G. Such factors led to the increase in turnover derived from optical fibre preforms and fibres from 2012 to 2013. The increase in demand of our optical fibre preforms and fibres during the Track Record Period was partially offset by a decrease in the selling price of optical fibres preforms and fibres, especially in 2013, as a result of the increased production capacity for optical fibres in the PRC as a whole.

Turnover derived from the sale of self-produced optical fibre preforms and fibres remained relatively stable in 2011 and 2012 at RMB1,357.6 million and RMB1,359.2 million, respectively. As the addition of new production lines at our facility was not completed at the end of 2012, the increasing demand for our products was met by the on-sale of optical fibre preforms and fibres purchased from third parties, which increased in turnover by 20.9% from RMB985.4 million in 2011 to RMB1,190.9 million in 2012.

Turnover derived from the sale of self-produced optical fibre preforms and fibres increased by 10.9% from RMB1,359.2 million in 2012 to RMB1,508.0 million in 2013 as we have completed our production capacity expansion in the beginning of 2013, which enabled us to meet the increased demand for our products. On the other hand, our expanded capacity reduced our need to purchase optical fibre preforms and fibres from third parties for on-sales to our customers, and turnover derived from the on-sale of optical fibre preforms and fibres increased moderately by 2.0% from RMB1,190.9 million in 2012 to RMB1,214.7 million in 2013.

Turnover derived from the sales of optical fibre preforms and fibres increased from RMB1,189.0 million in the six months ended June 30, 2013 to RMB1,402.9 million in the same period in 2014, primarily due to the increased demand from new optical fibre manufacturer customers in the six months ended June 30, 2014. The increase was also stimulated by the increased customer demand for optical fibre cables in the six months ended June 30, 2014. Due to the expansion of our optical fibre production capacity, turnover derived from the sale of self-produced optical fibre preforms and fibres increased by 17.6% from the six months ended June 30, 2013 to the six months ended June 30, 2014. Turnover from the sale of optical fibre preforms and fibres purchased from third parties also increased by 18.4%, primarily due to the increase in customer demand.

Optical fibre cables

Turnover derived from the sale of optical fibre cables increased by 15.8% from RMB1,788.1 million in 2011 to RMB2,070.3 million in 2012 but then decreased by 12.2% to RMB1,817.6 million in 2013. The increase in turnover from 2011 to 2012 was primarily due to increase in demand for optical fibre cables in China, which was partially offset by a decrease in selling price of optical fibre cables. The decrease in turnover from 2012 to 2013 for optical fibre cables was primarily due to delays in the timing of purchase order placement by the three major state-owned telecommunications network operators in China in 2013 as compared to 2012, as the telecommunications network operators were in the process of developing plans for infrastructure upgrade from 3G to 4G. The sale of our optical fibre cables increased from 13.4 million fkm in 2011 to 17.3 million fkm in 2012 but decreased to 16.0 million fkm in 2013.

Turnover derived from the sale of self-produced optical fibre cables increased by 9.0% from RMB631.4 million in 2011 to RMB688.2 million in 2012. Our production capacity for optical fibre cables increased in 2012 as a result of increased production efficiency, which enabled us to meet the increased demand for optical fibre cables. Turnover derived from the sale of optical fibre cables purchased from third parties and on-sold to our customers increased by 19.5% from RMB1,156.6 million in 2011 to RMB1,382.1 million in 2012, which was also primarily due to strong demand for optical fibre cables in 2012.

Turnover derived from the sale of self-produced optical fibre cables increased by 1.7% from RMB688.2 million in 2012 to RMB699.6 million in 2013. Such increase was primarily due to adjustment in our production and sales plan to increase the amount of our self-produced optical fibre cables sold in 2013. On the other hand, turnover derived from the sale of optical fibre cables purchased from third parties and on-sold to our customers decreased by 19.1% from RMB1,382.1 million in 2012 to RMB1,118.0 million in 2013. Such decrease was primarily due to the decrease in purchases made by the three major state-owned telecommunications network operators in China and our focus on providing priority to the sale of our self-produced cables before the sale of products purchased from third parties.

Turnover derived from the sale of optical fibre cables increased by 40.7% from RMB695.1 million in the six months ended June 30, 2013 to RMB978.2 million in the same period in 2014, primarily due to more purchase orders we obtained from network operators in addition to those obtained through the centralized procurement processes. The increase was also partially due to the delays in purchase order placement in 2013 and the increasing customer demand in the six months ended June 30, 2014.

Other Products and Services

Turnover derived from the sale of other products and services increased significantly from RMB43.9 million in 2011 to RMB157.4 million in 2012 and further by 81.4% to RMB285.6 million in 2013, which was primarily due to our efforts to expand our customer base for such other products and services. In particular, the sales of production machinery and equipment increased significantly during the Track Record Period.

Turnover derived from the sale of other products and services increased by 127.7% from RMB111.4 million in the six months ended June 30, 2013 to RMB253.7 million in the same period in 2014, primarily due to the increase in recognition of sales of production machinery transactions and the contributions from EverPro.

Turnover by Geography

We sell a substantial majority of our products to customers in China. During the Track Record Period, we also sold products to customers located in certain overseas markets, including Asia, Africa and Israel. The below table sets forth our turnover by customers' geographical locations and as percentage of total turnover for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
China	3,889,554	93.2	4,495,269	94.1	4,483,388	92.9	1,865,409	93.5	2,471,985	93.8
Others	285,490	6.8	282,554	5.9	342,507	7.1	130,082	6.5	162,883	6.2
Total	4,175,044	100.0	4,777,823	100.0	4,825,895	100.0	1,995,491	100.0	2,634,868	100.0

Cost of Sales

Cost by Products

Cost of sales primarily includes (i) raw and feed material costs, (ii) cost of products purchased from third parties that are on-sold to our customers and (iii) other costs such as direct and indirect labor costs, depreciation of production equipment and facilities, utilities and other expenses associated with the production of our products.

Raw and feed material costs for our products primarily include (i) cost of high purity glass substrate tubes and silica jacket cylinders in various sizes for the production of optical fibre preforms, (ii) various chemical gases used in the production of optical fibre preforms, such as silicon tetrachloride, germanium tetrachloride as well as hexafluoroethane, (iii) optical fibre preforms purchased from third parties for the production of our optical fibres, (iv) optical fibres purchased from third parties for the production of our optical fibre cables and (v) coating and strength members used in the production of our optical fibre cables such as polymers, steel and aluminum.

The following table sets forth a breakdown of our cost of sales by each of our two reportable segments and turnover derived from other products and services in absolute amounts for the periods indicated. In addition, the following table also sets forth a breakdown of our cost of sales in absolute amounts by whether such products are produced by us or purchased from third parties that were then on-sold for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	(in RMB thousands)				
Optical fibre preforms and fibres					
Self-produced	846,214	741,587	820,953	349,808	456,524
Purchased from third parties	963,961	1,156,681	1,157,546	510,545	560,740
Total	1,810,175	1,898,268	1,978,499	860,353	1,017,264
Optical fibre cables					
Self-produced	473,971	529,280	514,177	181,053	261,191
Purchased from third parties	1,110,550	1,345,625	1,091,045	430,392	616,787
Total	1,584,521	1,874,905	1,605,222	611,445	877,978
Other products and services	39,114	122,404	224,392	80,335	214,449
Total	3,433,810	3,895,577	3,808,113	1,552,133	2,109,691

The following table sets forth a breakdown of our cost of sales by each of our reportable segments and cost of sales of other products and services as a percentage of its respective segment turnover for the periods indicated. In addition, the following table also sets forth a breakdown of our cost of sales by whether such products are produced by us or purchased from third parties that were then on-sold as a percentage of turnover of the respective product source for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	(as % of its respective turnover)				
Optical fibre preforms and fibres					
Self-produced	62.3	54.6	54.4	54.2	60.1
Purchased from third parties	97.8	97.1	95.3	94.0	87.1
Total	77.3	74.4	72.7	72.4	72.5
Optical fibre cables					
Self-produced	75.1	76.9	73.5	71.8	72.7
Purchased from third parties	96.0	97.4	97.6	97.2	99.6
Total	88.6	90.6	88.3	88.0	89.8
Other products and services	89.1	77.8	78.6	72.1	84.5
Total	82.2	81.5	78.9	77.8	80.1

Optical fibre preforms and fibres

Cost of sales for self-produced optical fibre preforms and fibres as a percentage of its turnover decreased from 62.3% in 2011 to 54.6% in 2012 and further to 54.4% in 2013. The decrease was primarily due to the increase in our production capacity in optical fibre preforms, which enabled us to increase the portion of self-produced optical fibre preforms used for our optical fibre production, and the implementation of production cost control measures. Such decrease was also due to increasing economies of scale and increased bargaining power with our suppliers as we continue to increase the purchase of raw materials to support our production.

Cost of sales for self-produced optical fibre preforms and fibres as a percentage of its turnover increased from 54.2% in the six months ended June 30, 2013 to 60.1% in the same period in 2014.

The increase was primarily due to the decrease in selling price of optical fibre preforms and optical fibres.

Cost of sales for optical fibre preforms and fibres purchased from third parties and on-sold to our customers as a percentage of turnover remained relatively stable at 97.8% and 97.1% in 2011 and 2012, respectively, but decreased to 95.3% in 2013 primarily affected by the sourcing prices of the optical fibre preforms and fibres we purchased from third parties.

Cost of sales for optical fibre preforms and fibres purchased from third parties and on-sold to our customers as a percentage of its turnover decreased from 94.0% in the six months ended June 30, 2013 to 87.1% in the same period in 2014. The decrease was primarily due to the recognition of purchase rebates from our suppliers in the six months ended June 30, 2014.

Optical fibre cables

Cost of sales for self-produced optical fibre cables as a percentage of its turnover increased from 75.1% in 2011 to 76.9% in 2012 but decreased to 73.5% in 2013. The increase from 2011 to 2012 was primarily due to the decrease in the selling price of optical fibre cables from 2011 to 2012. The decrease from 2012 to 2013 was primarily due to expansion of our production capacity for optical fibres, which enabled us to use a greater portion of our own optical fibres to produce optical fibre cables as compared to purchasing such feed materials from third parties, reducing our material costs as a result.

Cost of sales for self-produced optical fibre cables as a percentage of its turnover increased from 71.8% in the six months ended June 30, 2013 to 72.7% in the same period in 2014. The increase was primarily due to the overall decreasing market price of optical fibre cables in China.

Cost of sales for optical fibre cables purchased from third parties and on-sold to our customers as a percentage of its turnover increased from 96.0% in 2011 to 97.4% in 2012 primarily due to the decreasing market price of optical fibre cables in China, but remained relatively stable in 2013 at 97.6%.

Cost of sales for optical fibre cables purchased from third parties and on-sold to our customers as a percentage of its turnover increased from 97.2% in the six months ended June 30, 2013 to 99.6% in the same period in 2014. The increase was primarily due to the continuous decrease in overall market price of optical fibre cables in China.

Other Products and Services

Cost of sales for other products and services as a percentage of its turnover decreased from 89.1% in 2011 to 77.8% in 2012 but increased to 78.6% in 2013. The decrease from 2011 to 2012 was primarily due to the increase in sales of production machinery and equipment which generally have a higher profit margin in 2012. The increase from 2012 to 2013 was primarily due to the introduction of data centre cabling products which generally have a lower profit margin.

Cost of sales for other products and services as a percentage of its turnover increased from 72.1% in the six months ended June 30, 2013 to 84.5% in the same period in 2014. The increase was primarily due to the lower proportion of turnover for other products and services that was derived from the sale of production machinery and equipment while the proportion of turnover for other products and services that was derived from data center cabling products increased in the six months June 30, 2014 as compared to the same period in 2013.

Cost by Nature of Expenses

Our cost of sales primarily consists of (i) raw material cost, (ii) manufacturing overhead, which includes depreciation of manufacturing equipment and facilities, consumables, rent, utilities and other expenses related to the manufacturing of our products, and (iii) direct labor cost.

The following table sets forth a breakdown of our cost of sales by nature of expenses in absolute amounts and as a percentage of total turnover for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except as percentages)									
Raw material cost	3,154,385	75.6	3,609,059	75.5	3,517,953	72.9	1,493,147	74.8	1,843,986	70.0
Manufacturing overhead	275,525	6.6	292,459	6.1	332,149	6.9	160,350	8.0	155,655	5.9
Direct labor cost	79,162	1.9	101,800	2.1	123,749	2.6	64,489	3.2	62,036	2.4
Changes in inventories of finished goods and work in progress	(75,262)	(1.8)	(107,741)	(2.3)	(165,738)	(3.4)	(165,853)	(8.3)	48,014	1.8
Total	3,433,810	82.2	3,895,577	81.5	3,808,113	78.9	1,552,133	77.8	2,109,691	80.1

In addition, during the Track Record Period, we purchased glass substrate tubes and silica jacket cylinders, two key raw materials for our production of optical fibre preforms, from Heraeus in the amount of RMB488.1 million, RMB521.3 million, RMB739.2 million and RMB377.7 million in 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively.

Our manufacturing overhead and direct labor cost constantly increased during the Track Record Period primarily due to the increasing manufacturing activities resulting from the growth of our business operation. Raw material cost fluctuated and decreased from 2012 to 2013 primarily due to adjustment in our production and sales plan to increase the sale of our self-produced products, which led to the decrease in total amount of raw and feed materials purchased from third parties through using more of our own self-produced feed materials.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit by each of our two reportable segments and gross profit of other products and services for the periods indicated. In addition, the following table also sets forth a breakdown of our gross profit by whether such products are produced by us or purchased from third parties that were then on-sold for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	(in RMB thousands)				
Optical fibre preforms and fibres					
Self-produced	511,401	617,563	687,011	295,835	302,903
Purchased from third parties	21,488	34,235	57,185	32,806	82,760
Total	532,889	651,798	744,196	328,641	385,663
Optical fibre cables					
Self-produced	157,464	158,932	185,453	71,122	97,894
Purchased from third parties	46,095	36,490	26,950	12,551	2,376
Total	203,559	195,422	212,403	83,673	100,270
Other products and services	4,786	35,026	61,183	31,044	39,244
Total	741,234	882,246	1,017,782	443,358	525,177

The following table sets forth our gross profit margin for each of our reportable segments and gross profit margin of other products and services for the periods indicated. In addition, the following table also sets forth our gross profit margin in each reportable segments for products produced by us or purchased from third parties that were then on-sold for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	(as % of its respective turnover)				
Optical fibre preforms and fibres					
Self-produced	37.7	45.4	45.6	45.8	39.9
Purchased from third parties	2.2	2.9	4.7	6.0	12.9
Total	22.7	25.6	27.3	27.6	27.5
Optical fibre cables					
Self-produced	24.9	23.1	26.5	28.2	27.3
Purchased from third parties	4.0	2.6	2.4	2.8	0.4
Total	11.4	9.4	11.7	12.0	10.2
Other products and services	10.9	22.2	21.4	27.9	15.5
Total	17.8	18.5	21.1	22.2	19.9

Our gross profit margin fluctuates due to various factors, including but not limited to, the selling prices of our products, product mix during the relevant period and the cost of goods sold of each product segment. The gross profit margin of our self-produced products is significantly higher than products purchased from third parties that are further on-sold to our customers. Hence, the relative mix of sales between self-produced products and products purchased from third parties has material impact on our overall gross profit margin in any given period.

Other Revenue and Net Income

The following table sets forth a breakdown of the components of other revenue and net income in absolute amounts and as percentages of turnover for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Other revenue										
Dividend income from unlisted equity securities	9,084	0.2	7,405	0.2	4,049	0.1	4,049	0.2	3,655	0.1
Royalty fees	7,386	0.2	6,567	0.1	6,300	0.1	3,150	0.2	3,150	0.1
Government grants	25,206	0.6	8,569	0.2	15,594	0.3	3,794	0.2	13,062	0.5
Rental income from operating leases	890	0.0	890	0.0	1,267	0.0	684	0.0	422	0.0
Others	-	-	-	-	-	-	-	-	118	0.0
	42,566	1.0	23,431	0.5	27,210	0.6	11,677	0.6	20,407	0.8
Other net income										
Net gain/(loss) on disposal of property, plant and equipment	27	0.0	(55)	(0.0)	(6,160)	(0.1)	(162)	(0.0)	(59)	(0.0)
Gain on disposal of a joint venture	-	-	-	-	230	0.0	230	(0.0)	-	-
Others	-	-	9,000	0.2	-	-	-	-	-	-
Total	42,593	1.0	32,376	0.7	21,280	0.4	11,745	0.6	20,348	0.8

Dividend income from unlisted equity securities represents the dividend income in connection with our minority investment in Zhongtian Optical Fibre Co., Ltd. (中天科技光纖有限公司) and Wuhan Steel Industry Terminal Power Plant Co., Ltd. (武漢鋼電股份有限公司).

We licensed certain technologies, patents and trademarks in connection with optical fibre production to three Joint Ventures, namely YOFC Sichuan, Tianjin YOFC XM Cable and Tianjin YOFC XM Fibre, and received royalty fees during the Track Record Period. The royalty fees payable by YOFC Sichuan were amortized in ten years with RMB0.4 million each year and will be fully paid up by the end of 2014. The royalty fees payable by Tianjin YOFC XM Cable and Tianjin YOFC XM Fibre amounted to RMB59.0 million and were amortized in a period of ten years until the end of 2019.

Government grants mainly represented various subsidies from local and central governments, such as research and development subsidies and export subsidies. Our State Key Laboratory also received research fund subsidies during the Track Record Period in connection with its leading national research projects. The fluctuation of government grants recognized in other revenue during the Track Record Period was primarily due to timing difference of the completion of certain research and development projects and the required technical and financial verification procedures. The income recognized for research and development subsidies in 2011, 2012, 2013 and the six months ended June 30, 2013 and 2014 amounted to RMB21.7 million, RMB2.5 million, RMB5.6 million, RMB0.9 million and RMB11.0 million, respectively. In addition, income of RMB1.0 million, RMB0.5 million and RMB0.5 million were recognized in 2013 and the six months ended June 30, 2013 and 2014, respectively, from the amortization of deferred income in connection with an asset related government grant entitled in early 2013. We also received export subsidies of RMB1.8 million, RMB2.5 million, RMB1.9 million and RMB1.3 million in 2011, 2012 and 2013 and the six months ended June 30, 2013, respectively. No export subsidies were received during the six months ended June 30, 2014.

The entitlement of research and development subsidies and research fund subsidies is generally subject to the fulfillment of conditions, including completion of the relevant research and development projects, financial and technical verifications to be carried out by independent organizations. We may be required to return the subsidies to the government authorities if we fail to fulfill such conditions. During the Track Record Period, we had not breached any condition attaching to the government grants and we are usually not required to fulfill additional obligations after recognizing such government grants.

Rental income from operating leases was primarily in connection with the leases of certain of our production sites in Wuhan to Yangtze (Wuhan) Optical System Corp., Ltd. (長飛（武漢）光系統股份有限公司) and Wuhan Yunjingfei, respectively. In February 2013, we leased certain production sites with an aggregate floor area of 2,788 square meters to Wuhan Yunjingfei, one of our associates engaging in the manufacturing of germanium tetrachloride and other industry gases that are then sold to us for the production of our products, for a lease term of 15 years. The rental fees were paid up in full in 2013. Wuhan Yangtze Optical Technology Co., Ltd. (武漢長光科技有限公司) terminated the lease and relocated outside of our facilities in November 2013. After that, we leased the sites with an aggregate floor area of 21,438 square meters to EverPro for a lease term of one year.

Gain on disposal of a joint venture primarily represented the disposal of our investment in a wood cable drum manufacturer in 2013.

Selling Expenses

Selling expenses primarily consist of salary and welfare for our selling and marketing staff, freight charges, traveling and entertainment expenses and other selling expenses.

We incurred selling expenses of RMB90.9 million, RMB96.6 million, RMB109.8 million, RMB46.8 million and RMB50.2 million for 2011, 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively, accounting for 2.2%, 2.0%, 2.3%, 2.3% and 1.9%, respectively, of total turnover for the corresponding periods. The following table sets forth a breakdown of the key components of our selling expenses in absolute amounts and as percentages of turnover for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Salary and welfare	39,092	0.9	44,569	0.9	55,451	1.1	24,823	1.2	25,250	1.0
Freight charges	25,544	0.6	23,119	0.5	21,194	0.4	9,509	0.5	8,876	0.3
Traveling and entertainment	17,471	0.4	20,013	0.4	23,046	0.5	7,951	0.4	10,980	0.4
Others	8,758	0.2	8,892	0.2	10,067	0.2	4,499	0.2	5,054	0.2
Total	90,865	2.2	96,593	2.0	109,758	2.3	46,782	2.3	50,160	1.9

Salary and welfare expenses increased during the Track Record Period primarily due to the increase in the number of our selling and marketing personnel as well as the increase in the average salaries paid to these personnel, reflecting our strengthened marketing efforts. Similarly, the traveling and entertainment expenses increased during the Track Record Period also due to the increase in marketing efforts.

Freight charges decreased during the Track Record Period primarily due to our effort to explore cooperative opportunities with more logistics suppliers, and to a lesser extent, more products were shipped by sea or land instead of by air, which have a lower transportation cost.

Administrative Expenses

Administrative expenses primarily consist of salary and welfare for our general and administrative personnel, depreciation and amortization expenses that are attributable to our administrative functions, research and development expenses, technical royalty fees paid to Draka, professional fees in connection with this Global Offering and taxes and surcharges.

We incurred administrative expenses of RMB377.0 million, RMB431.5 million, RMB438.9 million, RMB181.0 million and RMB209.7 million for 2011, 2012, 2013 and for the six months ended June 30, 2013 and 2014, respectively, accounting for 9.0%, 9.0%, 9.1%, 9.1% and 8.0%, respectively, of total turnover for the corresponding periods.

The following table sets forth a breakdown of the components of our administrative expenses for the periods indicated, in absolute amounts and as percentages of total turnover:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Salary and welfare	64,759	1.6	70,721	1.5	86,745	1.8	43,522	2.2	47,790	1.8
Depreciation and amortization	25,047	0.6	19,757	0.4	20,589	0.4	9,635	0.5	9,728	0.4
Other taxes	15,363	0.4	14,960	0.3	33,988	0.7	8,568	0.4	12,915	0.5
Professional fee	8,771	0.2	12,739	0.3	20,857	0.4	1,376	0.1	17,578	0.7
Research and development	198,097	4.7	244,520	5.1	171,330	3.6	78,454	3.9	69,682	2.6
Technical royalty fees	22,377	0.5	23,115	0.5	25,801	0.5	15,600	0.8	11,351	0.4
Traveling and entertainment	12,777	0.3	11,585	0.2	11,810	0.2	5,778	0.3	5,023	0.2
Impairment loss	(1,650)	(0.0)	16,127	0.3	19,717	0.4	548	0.0	11,558	0.4
Others	31,422	0.8	17,971	0.4	48,020	1.0	17,498	0.9	24,042	0.9
Total	376,963	9.0	431,495	9.0	438,857	9.1	180,979	9.1	209,667	8.0

Administrative expenses increased from 2011 to 2013 which was generally in line with the growth of our business. Administrative expenses increased from the six months ended June 30, 2013 to the six months ended June 30, 2014, primarily due to impairment losses against trade receivables and inventories and the professional fee incurred in connection with this Global Offering in the six months ended June 30, 2014.

Salary and welfare increased during the Track Record Period primarily because of the hire of more administrative personnel in line with the growth of our business as well as the increase in the average salaries paid to these personnel.

Research and development expense increased from 2011 to 2012 and decreased in 2013 and the six months ended June 30, 2014. As a significant portion of our research and development expense was related to the increase in our production capacity and efficiency for optical fibres and optical fibre preforms, the completion of our production capacity expansion in December 2012 and March 2013, respectively, resulted in a decrease in research and development expenses in 2013 and the six months ended June 30, 2014. We did not capitalize the research and development expense incurred during the Track Record Period because most of the expense was related to research activities towards the original and planned investigations undertaken with the prospect of gaining new technical knowledge on improvement and enhancement of our production of optical performs and optical fibers. The expenditures on development activities are very limited since the period of application of research findings or other knowledge to a plan or design for the production before the start of its commercial use is always short. Accordingly, the Directors believe that our research and development expenditures are not qualified for capitalization and were recognized as expenses when they were incurred during the Track Record Period.

Professional fee was related to the expenses incurred in connection with this Global Offering, including legal fee, and audit fee, and other professional fees and expenses.

Technical royalty fees primarily represent the royalty fees paid to Draka under the Optical Fibre Technology Cooperation Agreement.

Impairment loss in 2012 was primarily related to the impairment against trade and bills receivables of RMB6.9 million and inventories of RMB9.2 million and impairment loss in 2013 was primarily related to our investment in a joint venture, Tianjin YOFC XM Cable, of RMB4.1 million and inventories of RMB19.2 million, which was offset by a reversal of impairment provision against trade receivables of RMB3.6 million.

Net Finance Costs

The following table sets forth a breakdown of the components of net finance costs for the periods indicated, in absolute amounts and as percentages of total turnover:

	Year ended December 31,						Six months ended June 30,			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Finance income										
Interest income	306	0.0	885	0.0	1,001	0.0	346	0.0	1,357	0.1
Net foreign exchange gains	46,647	1.1	14,890	0.3	41,525	0.9	22,401	1.1	-	-
Total finance income	46,953	1.1	15,775	0.3	42,526	0.9	22,747	1.1	1,357	0.1
Finance costs										
Interest on bank loans	(59,958)	(1.4)	(61,985)	(1.3)	(39,865)	(0.8)	(15,342)	(0.8)	(29,019)	(1.1)
Other finance costs	(4,072)	(0.1)	(11,567)	(0.2)	(35,740)	(0.7)	(8,372)	(0.4)	(4,583)	(0.2)
Bank charges	(3,941)	(0.1)	(4,487)	(0.1)	(5,695)	(0.1)	(1,148)	(0.1)	(2,953)	(0.1)
Net foreign exchange losses	-	-	-	-	-	-	-	-	(14,283)	(0.5)
Total finance costs	(67,971)	(1.6)	(78,039)	(1.6)	(81,300)	(1.7)	(24,862)	(1.2)	(50,838)	(1.9)
Net finance cost	(21,018)	(0.5)	(62,264)	(1.3)	(38,774)	(0.8)	(2,115)	(0.1)	(49,481)	(1.9)

Finance income during the Track Record Period consists of interest income and foreign exchange gains. Interest income were primarily derived from bank deposits from 2011 to 2013. The increase in interest income in the six months ended June 30, 2014 was also attributable to the relatively higher average cash and bank balances in the six months ended June 30, 2014 as well as the interest received in connection with the available-for-sale debt securities purchased by EverPro in May 2014, further details of which are set forth in "— Other Financial Assets" below. Foreign exchange gains were primarily resulted from our bank loans denominated in U.S. dollars due to the appreciation of Renminbi against U.S. dollars. Lower foreign exchange gain recorded in 2012 was attributable to the fact that the appreciation of Renminbi against U.S. dollars was slower in 2012 as compared to 2011 and 2013. Foreign exchange gain increased from 2012 to 2013 also because we increased the amount of bank loans that were denominated in U.S. dollars as Renminbi appreciated. We increased our bank loans denominated in U.S. dollars as a large portion of our purchase of raw materials is sourced from overseas and denominated in currencies other than the Renminbi. During the Track Record Period, most of our outstanding borrowings were U.S. dollar denominated.

Finance costs during the Track Record Period primarily consist of interest on bank loans, other finance expenses and bank charges. Change in interest on bank loans was primarily due to change in effective interest rate on our bank loans, which increased from 2011 to 2012 but decreased from 2012 to 2013. Other finance costs increased from 2011 to 2013 primarily due to the increase in the use of factoring arrangements and bills discounting. Primarily due to the depreciation of Renminbi against U.S. dollars, we also incurred net foreign exchange losses of RMB14.3 million in the six months ended June 30, 2014.

Bank charges were primarily related to administrative fees charged by banks in connection with factoring arrangements and other banking related services.

Share of Results of Associates

We currently have two Associates, namely NK Wuhan and Wuhan Yunjingfei, in each of which we hold 20% equity interest. From 2011 to 2013, we incurred losses on share of results of Associates due to the increasing losses incurred by NK Wuhan. Wuhan Yunjingfei was established in April 2011 and has made a profit since 2012. We incurred a loss of RMB1.0 million, RMB1.9 million, RMB2.8 million, RMB1.0 million and RMB0.3 million, respectively, in 2011, 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively, in connection with the operation of these Associates.

Share of Results of Joint Ventures

We currently have nine Joint Ventures, most of which are manufacturers of optical fibres and optical fibre cables. A profit of RMB82.5 million, RMB78.5 million and RMB21.4 million, respectively, was attributable to the Joint Ventures in 2011, 2012 and 2013, primarily in connection with the operation of YOFC Shanghai, Shantou Aoxing and YOFC Jiangsu. A profit of RMB13.6 million and RMB8.9 million, respectively, was attributable to the Joint Ventures for the six months ended June 30, 2013 and 2014, respectively. The decrease was primarily due to the lower utilization rate of the production capacity of our two Joint Ventures that are engaged in optical fibre manufacturing in the six months ended June 30, 2014 after their production capacity expansion which was completed in 2013, partially offset by the improvement in operations of four of our Joint Ventures that are engaged in optical fibre cable manufacturing.

Income Tax Expenses

Income tax expenses primarily represent the income tax charged on our PRC entities and Hong Kong subsidiary.

Our Hong Kong subsidiary is subject to a statutory tax rate of 16.5%. No provision was made to Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the Track Record Period.

Entities located in the PRC are subject to a statutory income tax rate of 25.0%. We were recognized as a High and New Technology Enterprise in December 2008 for three consecutive years and successfully renewed the qualification for another three years in October 2011. As a result, we are subject to a 15.0% income tax rate during the period from October 13, 2011 to October 12, 2014. For more details as to the criteria of qualifying as a High and New Technology Enterprise, see "Regulatory Review — Regulations on Taxation — Enterprise Income Tax." In addition, during the period from the expiration of each tax year to the time when the annual tax return is submitted, companies that have gone through the formalities of deduction or exemption of tax shall file certain requisite materials with the relevant tax authorities for record. The tax authorities examine these materials and determine whether the companies are eligible to enjoy the preferential tax treatment in that tax year. Based on our assessment, we believe we will be able to satisfy the tax authorities' standards in each tax year.

We are currently renewing our High and New Technology Enterprise qualification for another three years and expect that the renewal of such qualification will be approved in the fourth quarter of 2014.

Our income tax expenses are also affected by adjustments related to deferred tax expenses or credit arising from the timing differences between accounting and taxable profits, and effect of share of results of associates, share of results of joint ventures and certain qualified tax deduction relating to our research and development activities.

The effective tax rate for the Group was 8.6%, 9.0%, 11.7%, 12.7% and 14.5% for 2011, 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively.

As of the date of this prospectus, we had not received any notice of administrative investigation or penalties from the relevant tax authorities.

Other comprehensive income

Other comprehensive income primarily includes available-for-sale securities which relate to (i) our investment in listed securities of Sichuan Huiyuan Optical Communications Co., Ltd. (四川匯源光通信股份有限公司) (Shenzhen: 000586), an optical fibre and cable manufacturer listed on the Shenzhen Stock Exchange and (ii) other unlisted investments in which we hold less than 10% equity interest. In 2011 and 2012, we experienced a loss (included in other comprehensive income) on available-for-sale securities in the amount of RMB4.3 million and RMB5.8 million, respectively, primarily due to the unfavorable change in the fair value of our listed investment. In 2013, we recorded a gain (included in other comprehensive income) of RMB7.2 million due to the favorable change in fair value of our listed investment. In the six months ended June 30, 2013 and 2014, we experienced an increase in fair value of available-for-sale securities and recorded other comprehensive income in the amount RMB0.8 million and RMB10.7 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Turnover

Our turnover increased by 32.0% from RMB1,995.5 million in the six months ended June 30, 2013 to RMB2,634.9 million in the six months ended June 30, 2014, which was primarily due to more purchase orders for optical fibres and optical fibre cables which led to an increase in sales volumes and particularly from more purchase orders from network operators in addition to those obtained through the centralized procurement processes, partially offset by a decrease in the average selling prices for our products in the PRC in the six months ended June 30, 2014 as compared to the same period in 2013.

Cost of sales

Cost of sales increased by 35.9% from RMB1,552.1 million in the six months ended June 30, 2013 to RMB2,109.7 million in the six months ended June 30, 2014, primarily due to the increases in both self-produced and on-sold products as a result of our business growth. Cost of sales as a percentage of our turnover increased from 77.8% in the six months ended June 30, 2013 to 80.1% in the six months ended June 30, 2014, which was primarily due to the overall decrease in market prices for our products.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 18.5% from RMB443.4 million in the six months ended June 30, 2013 to RMB525.2 million in the six months ended June 30, 2014 and our gross profit margin decreased from 22.2% in the six months ended June 30, 2013 to 19.9% in the six months ended June 30, 2014.

Other revenue and net income

Other revenue and net income increased from RMB11.7 million in the six months ended June 30, 2013 to RMB20.3 million in the six months ended June 30, 2014, primarily due to a RMB9.3 million increase in government grants, which primarily relates to research and development subsidies granted to our State Key Laboratory.

Selling expenses

Selling expenses increased by 7.2% from RMB46.8 million in the six months ended June 30, 2013 to RMB50.2 million in the six months ended June 30, 2014, primarily due to our increased selling and marketing activities in the six months ended June 30, 2014. Selling expenses as a percentage of our turnover decreased from 2.3% in the six months ended June 30, 2013 to 1.9% in the six months ended June 30, 2014, primarily due to the increase in total turnover.

Administrative expenses

Administrative expenses increased by 15.9% from RMB181.0 million in the six months ended June 30, 2013 to RMB209.7 million in the six months ended June 30, 2014, primarily due to the impairment losses against trade receivables of RMB5.4 million and inventories of RMB6.1 million during the six months ended June 30, 2014. The increase was also attributable to an increase in taxation and an increase in the professional fees in connection with this Global Offering. Administrative expenses as a percentage of our turnover decreased from 9.1% in the six months ended June 30, 2013 to 8.0% in the six months ended June 30, 2014, primarily because the increase in total turnover outweighed the increase in administrative expenses in the relevant periods.

Profit from operations

As a result of the foregoing, profit from operations increased by 25.7% from RMB227.3 million in the six months ended June 30, 2013 to RMB285.7 million in the six months ended June 30, 2014. Profit from operations as a percentage of our turnover decreased from 11.4% in the six months ended June 30, 2013 to 10.8% in the six months ended June 30, 2014.

Net finance costs

Finance income decreased from RMB22.7 million in the six months ended June 30, 2013 to RMB1.4 million in the six months ended June 30, 2014, primarily due to the net foreign exchange gains of RMB22.4 million recognized in the six months ended June 30, 2013, which was partially offset by an increase of RMB1.0 million in interest income.

Finance costs increased from RMB24.9 million in the six months ended June 30, 2013 to RMB50.8 million in the six months ended June 30, 2014. This was due to (i) an increase of RMB13.7 million in interest on bank loans due to the increase in the total balance of our bank loans, (ii) a net foreign exchange loss of RMB14.3 million incurred in the six months ended June 30, 2014 due to the depreciation of Renminbi against U.S. dollars and (iii) an increase of RMB1.8 million in bank charges in connection with the collection of payments with our overseas customers, partially offset by a RMB3.8 million decrease in other finance costs.

Share of results of associates

Our loss from share of results of associates decreased by 67.1% from RMB1.0 million in the six months ended June 30, 2013 to RMB0.3 million in the six months ended June 30, 2014. This is due to the decrease in losses incurred by NK Wuhan and the improvement in operation of Wuhan Yunjingfei in the six months ended June 30, 2014.

Share of results of joint ventures

Profit from share of results of joint ventures decreased from RMB13.6 million in the six months ended June 30, 2013 to RMB8.9 million in the six months ended June 30, 2014. This was primarily due to the lower utilization rate of the production capacity of our two Joint Ventures that are engaged in optical fibre manufacturing after their production capacity expansion which was completed in 2013, partially offset by the improvement in operation of four of our Joint Ventures that are engaged in optical fibre cable manufacturing.

Profit before tax

As a result of the foregoing, profit before tax increased by 2.9% from RMB237.9 million in the six months ended June 30, 2013 to RMB244.8 million in the six months ended June 30, 2014. Profit before tax as a percentage of our turnover decreased from 11.9% in the six months ended June 30, 2013 to 9.3% in the six months ended June 30, 2014.

Income tax

Our actual tax expenses increased by 17.6% from RMB30.2 million in the six months ended June 30, 2013 to RMB35.5 million in the six months ended June 30, 2014, primarily due to an increase in profit before tax and an increase in non-deductible expenses. Our effective tax rate was 12.7% and 14.5%, respectively, for the six months ended June 30, 2013 and 2014.

Profit attributable to equity holders of our Company

As a result of the foregoing, profit attributable to equity holders of our Company increased by 1.4% from RMB207.7 million in the six months ended June 30, 2013 to RMB210.6 million in the six months ended June 30, 2014. Profit attributable to equity holders of our Company as a percentage of our turnover decreased from 10.4% in the six months ended June 30, 2013 to 8.0% in the six months ended June 30, 2014.

Other comprehensive income

We recognized a gain (included in other comprehensive income) of available-for-sale securities of RMB0.8 million and RMB10.7 million in the six months ended June 30, 2013 and 2014, respectively, primarily in connection with the change in fair value of our investment in Sichuan Huiyuan Optical Communications Co., Ltd. (四川匯源光通信股份有限公司).

As a result of the foregoing, we recognized deferred tax expense of RMB0.1 million and RMB1.6 million in the six months ended June 30, 2013 and 2014, respectively, relating to our gain from available-for-sale securities.

Total comprehensive income attributable to equity holders of our Company

As a result of the foregoing, total comprehensive income attributable to equity holders of our Company increased by 5.4% from RMB208.3 million in the six months ended June 30, 2013 to RMB219.7 million in the six months ended June 30, 2014. Total comprehensive income attributable to equity holders of our Company as a percentage of our turnover decreased from 10.4% in the six months ended June 30, 2013 to 8.3% in the six months ended June 30, 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Turnover

Our turnover increased by 1.0% from RMB4,777.8 million in 2012 to RMB4,825.9 million in 2013, which was primarily due to the increases in the sales volume of our optical fibre preforms and fibres and other products and services in 2013, resulting from the increasing customer demand for these products and our expansion of production capacity to fulfill such demand. Such increase was partially offset by a decrease in sales of optical fibre cables in 2013, which were primarily due to lower sales volume for optical fibre cables resulting from the slowdown in capital investments in infrastructure telecommunications networks by the three major state-owned telecommunications network operators in China in 2013 as compared to 2012, and a decrease in the average selling prices for optical fibre products in China in 2013 as a result of increased production capacity in China as a whole.

Cost of sales

Cost of sales decreased by 2.2% from RMB3,895.6 million in 2012 to RMB3,808.1 million in 2013, primarily due to the moderate increasing portion of self-produced products sold during the period which had lower cost of sales as compared to on-sold products. Such increase in self-produced products was primarily due to the expansion of our production capacity. Cost of sales as a percentage of our turnover decreased from 81.5% in 2012 to 78.9% in 2013, which was primarily due to increasing portion of self-produced products sold which generally incur lower cost of sales as compared to on-sold products, and increased economies of scale.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 15.4% from RMB882.2 million in 2012 to RMB1,017.8 million in 2013 and our gross profit margin increased from 18.5% in 2012 to 21.1% in 2013.

Other revenue and net income

Other revenue and net income decreased by 34.3% from RMB32.4 million in 2012 to RMB21.3 million in 2013, primarily due to (i) a RMB6.2 million net loss on disposal of property, plant and equipment in connection with the sale of certain production equipment that no longer meet our production needs and (ii) a RMB3.4 million decrease in dividend income from unlisted equity securities received in connection with our minority equity investment in Zhongtian Optical Fibre Co., Ltd. (中天科技光纖有限公司), partially offset by a RMB7.0 million increase in government grants in 2013, primarily relating to research and development subsidies granted to our State Key Laboratory.

Selling expenses

Selling expenses increased by 13.6% from RMB96.6 million in 2012 to RMB109.8 million in 2013, primarily due to the increase in salary and welfare for our selling and marketing staff, partially offset by a decrease in freight charges from RMB23.1 million in 2012 to RMB21.2 million in 2013 as more products were shipped by sea or land which has a lower transportation cost as compared to air. Selling expenses as a percentage of our turnover increased from 2.0% in 2012 to 2.3% in 2013 primarily due to increase in the average salaries paid to our selling and marketing personnel.

Administrative expenses

Administrative expenses increased by 1.7% from RMB431.5 million in 2012 to RMB438.9 million in 2013, primarily due to a RMB19.0 million increase in taxation, a RMB16.0 million in salary and welfare for administrative staff and a RMB14.1 million increase in impairment loss relating to inventories and investment in a Joint Venture, partially offset by a RMB73.2 million decrease in research and development expenses due to the completion of the expansion and upgrade of our production capacity for optical fibre preforms in 2012 to which a portion of the research and development expenses in 2012 related. Administrative expenses as a percentage of our turnover increased from 9.0% in 2012 to 9.1% in 2013.

Profit from operations

As a result of the foregoing, profit from operations increased by 26.9% from RMB386.5 million in 2012 to RMB490.4 million in 2013. Profit from operations as a percentage of our turnover increased from 8.1% in 2012 to 10.2% in 2013.

Net finance costs

Finance income increased significantly from RMB15.8 million in 2012 to RMB42.5 million in 2013, primarily due to a RMB26.6 million increase in net foreign exchange gains in connection with the appreciation of the Renminbi against the U.S. dollars and the increase in outstanding bank loans that were denominated in U.S. dollars in 2013 as compared to 2012. We increased our bank loans denominated in U.S. dollars as a large portion of our purchase of raw materials are made overseas and denominated in currencies other than the Renminbi.

Finance costs increased by 4.2% from RMB78.0 million in 2012 to RMB81.3 million in 2013. This is due to (i) a RMB22.1 million decrease in interest on bank loans due to the decline in effective interest rate and (ii) a RMB24.2 million increase in other finance costs due to our increasing use of factoring of trade receivables and discounted bills in 2013.

Share of results of associates

Our loss from share of results of associates increased by 46.8% from RMB1.9 million in 2012 to RMB2.8 million in 2013. This is due to the increasing loss experienced by NK Wuhan.

Share of results of joint ventures

Income from share of results of joint ventures decreased by 72.8% from RMB78.5 million in 2012 to RMB21.4 million in 2013. This was primarily due to losses reported by Tianjin YOFC XM Fibre and Shenzhen SDGI in 2013. We reduced our purchase of optical fibres from Tianjin YOFC XM Fibre in 2013 after we had completed our production capacity expansion for optical fibres in December 2012, which has contributed to the loss incurred by Tianjin YOFC XM Fibre in 2013. Shenzhen SDGI incurred loss in 2013 primarily due to the decrease in selling price of optical fibres it sold to its end customers in 2013.

Profit before tax

As a result of the foregoing, profit before tax increased by 17.3% from RMB400.9 million in 2012 to RMB470.3 million in 2013. Profit before tax as a percentage of our turnover increased from 8.4% in 2012 to 9.7% in 2013.

Income tax

Our actual tax expenses increased by 53.1% from RMB36.1 million in 2012 to RMB55.2 million in 2013, primarily due to the decrease in reversal of temporary differences. Our effective tax rate was 9.0% and 11.7%, respectively, for 2012 and 2013.

Profit attributable to equity holders of our Company

As a result of the foregoing, profit attributable to equity holders of our Company increased by 13.8% from RMB364.8 million in 2012 to RMB415.0 million in 2013. Profit attributable to equity holders of our Company as a percentage of our turnover increased from 7.6% in 2012 to 8.6% in 2013.

Other comprehensive income

We experienced a loss (included in other comprehensive income) on available-for-sale securities of RMB5.8 million in 2012 and a gain (included in other comprehensive income) of RMB7.2 million in 2013, primarily in connection with the change in fair value of our investment in Sichuan Huiyuan Optical Communications Co., Ltd. (四川匯源光通信股份有限公司).

As a result of the foregoing, we recognized deferred tax credit of RMB0.9 million in 2012 relating to our loss from available-for-sale securities, and recognized deferred tax expense of RMB1.1 million in 2013 relating to our gain from available-for-sale securities.

Total comprehensive income attributable to equity holders of our Company

As a result of the foregoing, total comprehensive income attributable to equity holders of our Company increased by 17.0% from RMB359.9 million in 2012 to RMB421.1 million in 2013. Total comprehensive income attributable to equity holders of our Company as a percentage of our turnover increased from 7.5% in 2012 to 8.7% in 2013.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Turnover

Our turnover increased by 14.4% from RMB4,175.0 million in 2011 to RMB4,777.8 million in 2012, which was primarily due to increased demand for optical fibre cables in 2012 in China that led to an increase in the total volume of our products sold. In addition, the increases in sales of optical fibres and optical fibre cables in 2012 were also attributable to the production constraint experienced by many of the other optical fibre manufacturers in China, which enabled us to increase the sale of our products to existing and new customers. Such supply constraint was due to the limited number of optical fibre preform suppliers in China and also the result of a shortage in optical fibre preforms imported from manufacturers in Japan to China caused by the Japan earthquake and tsunami in March 2011, resulting in a shortage of the key feed material for many optical fibre manufacturers in China to produce their products.

Cost of sales

Cost of sales increased by 13.4% from RMB3,433.8 million in 2011 to RMB3,895.6 million in 2012 primarily due to the increase in the volume of our products sold and the increase in the portion of our products that we purchase and on-sold to our customers, which has higher cost of sales as compared to our self-produced products, during the period to satisfy the increase in demand. However, cost of sales as a percentage of our turnover decreased from 82.2% in 2011 to 81.5% in 2012, which was primarily due to improved production efficiency, the implementation of production cost control measures, increased bargaining power with our suppliers as we continue to increase the scale of purchase of raw materials to support our production and increasing economies of scale.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 19.0% from RMB741.2 million in 2011 to RMB882.2 million in 2012 and our gross profit margin increased from 17.8% in 2011 to 18.5% in 2012.

Other revenue and net income

Other revenue and net income decreased by 24.0% from RMB42.6 million in 2011 to RMB32.4 million in 2012 primarily due to a RMB16.6 million decrease in government grants as a smaller number of research and development projects that were qualified for application for the relevant grants in 2012 as compared with 2011, and to a lesser extent, a decrease in dividend income from our unlisted equity securities in connection with our investment in Wuhan Steel Industry Terminal Power Plant Co., Ltd. (武漢鋼電股份有限公司).

Selling expenses

Selling expenses increased by 6.3% from RMB90.9 million in 2011 to RMB96.6 million in 2012 primarily due to the increases in salary and welfare for our selling and marketing personnel as well as in traveling and entertainment expenses, which were generally in line with the growth of our business and our strengthened marketing efforts. Such increase was partially offset by a decrease in freight charges as more products were shipped by sea or land which has a lower transportation cost as compared to air. Selling expenses as a percentage of our turnover decreased from 2.2% in 2011 to 2.0% in 2012 primarily due to decreasing freight charges.

Administrative expenses

Administrative expenses increased by 14.5% from RMB377.0 million in 2011 to RMB431.5 million in 2012 primarily due to a RMB46.4 million increase in research and development expenses relating to the increase in the number of our research and development projects, the increase in impairment loss of RMB17.8 million primarily against trade receivables and inventories incurred in 2012, and a RMB6.0 million increase in salary and welfare for our administrative staff. Administrative expenses as a percentage of our turnover remained stable at 9.0% in 2011 and 2012.

Profit from operations

As a result of the foregoing, profit from operations increased by 22.3% from RMB316.0 million in 2011 to RMB386.5 million in 2012. Profit from operations as a percentage of our turnover increased from 7.6% in 2011 to 8.1% in 2012.

Net finance costs

Finance income decreased by 66.4% from RMB47.0 million in 2011 to RMB15.8 million in 2012. This was due to a RMB31.8 million decrease in net foreign exchange gains in connection with lower rate of appreciation of Renminbi against U.S. dollars in 2012 as compared to 2011, which was partially offset by a RMB0.6 million increase in interest income.

Finance costs increased by 14.8% from RMB68.0 million in 2011 to RMB78.0 million in 2012. This is due to (i) a RMB2.0 million increase in interest on bank loans as a result of an increase in interest rate and (ii) a RMB0.5 million increase in bank charges and other finance cost due to increased factoring arrangements entered into in 2012 as compared to 2011.

Share of results of associates

Our loss from share of results of associates increased by 93.3% from RMB1.0 million in 2011 to RMB1.9 million in 2012. This is due to the increasing loss experienced by NK Wuhan.

Share of results of joint ventures

Income from share of results of joint ventures decreased by 4.8% from RMB82.5 million in 2011 to RMB78.5 million in 2012, primarily due to the decrease in profit generated by the optical fibre cable related Joint Ventures due to the decrease in the selling prices of optical fibre cables in 2012.

Profit before tax

As a result of the foregoing, profit before tax increased by 6.5% from RMB376.5 million in 2011 to RMB400.9 million in 2012. Profit before tax as a percentage of our turnover decreased from 9.0% in 2011 to 8.4% in 2012.

Income tax

Our income tax expenses increased by 11.6% from RMB32.3 million in 2011 to RMB36.1 million in 2012, primarily due to the increase in taxable profits generated in 2012. Our effective tax rate was 8.6% and 9.0%, respectively, for 2011 and 2012.

Profit attributable to equity holders of our Company

As a result of the foregoing, profit attributable to equity holders of our Company increased by 6.0% from RMB344.1 million in 2011 to RMB364.8 million in 2012. Profit attributable to equity holders of our Company as a percentage of our turnover decreased from 8.2% in 2011 to 7.6% in 2012.

Other comprehensive income

Our loss from available-for-sale securities recognized in other comprehensive income increased by 33.8% from RMB4.3 million in 2011 to RMB5.8 million in 2012, which was primarily in connection with the unfavorable change in fair value of our investment in Sichuan Huiyuan Optical Communications Co., Ltd. (四川匯源光通信股份有限公司).

As a result of the foregoing, deferred tax credit recognized relating to our loss from available-for-sale securities increased by 50.0% from RMB0.6 million in 2011 to RMB0.9 million in 2012.

Total comprehensive income attributable to equity holders of our Company

As a result of the foregoing, total comprehensive income attributable to equity holders of our Company increased by 5.7% from RMB340.5 million in 2011 to RMB359.9 million in 2012. Total comprehensive income attributable to equity holders of our Company as a percentage of our total turnover decreased from 8.2% in 2011 to 7.5% in 2012.

LIQUIDITY AND CAPITAL RESOURCES

Source of Liquidity and Working Capital

We have financed our operations primarily through cash generated from our operating activities and bank loans. As of December 31, 2011, 2012 and 2013 and June 30, 2014, we had cash and cash equivalents of RMB431.9 million, RMB299.2 million, RMB906.4 million and RMB431.4 million, respectively, which consisted of cash at bank and on hand. As of June 30, 2014, we had unutilized banking facilities of approximately RMB4,527.3 million (including RMB4,483.4 million loan related facilities and RMB43.9 million trade finance facilities).

Taking into account our cash generated from operating activities, the net proceeds we expect to receive from this Global Offering and our credit facilities maintained with banks, our Directors are of the opinion that we will have available sufficient working capital for our operations at least for the 12 months following the date of this prospectus. We currently do not expect any significant changes in the mix and the relative costs of our capital resources. As of the date of this prospectus, we do not have any definitive external financing plan.

Cash Flows Analysis

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
	(in RMB thousands)				
Net cash generated from / (used in) operating activities	594,461	496,196	431,146	(453,920)	(791,538)
Net cash used in investing activities	(40,625)	(226,360)	(191,146)	(65,413)	(244,043)
Net cash (used in) / generated from financing activities	(343,114)	(402,521)	369,196	239,704	560,303
Net increase / (decrease) in cash and cash equivalents	210,722	(132,685)	609,196	(279,629)	(475,278)
Cash and cash equivalents at the beginning of the year/period	228,376	431,939	299,186	299,186	906,378
Effect of foreign exchange rate changes	(7,159)	(68)	(2,004)	(1,724)	298
Cash and cash equivalents at the end of the year/period	431,939	299,186	906,378	17,833	431,398

Net Cash Generated from/Used in Operating Activities

In the six months ended June 30, 2014, net cash used in operating activities was RMB791.5 million, which primarily consisted of an increase in trade and other receivables of RMB969.6 million, a decrease in trade and other payables and non-current liabilities of RMB131.7 million and unrealized profits on downstream transactions with our Joint Ventures of RMB12.8 million, partially offset by profit before taxation of RMB244.8 million and reconciliation of certain non-cash items, including depreciation of RMB57.2 million and finance costs of RMB49.1 million.

In 2013, net cash generated from operating activities was RMB431.1 million, which primarily consisted of profit for the year of RMB470.3 million, adjusted by reconciliation of certain non-cash items, which mainly included depreciation of RMB110.2 million and finance costs of RMB75.6 million and a loss of share of results of joint ventures of RMB21.4 million. Additional factor that contributed to our cash generated from operating activities included RMB195.9 million increase in trade and other payables due to the continued growth of our business, offset by RMB282.1 million increase in inventories that were the result of increased purchase of raw materials to meet our increased production activities in 2013 and planned production activities in 2014 as well as the increase in production machinery for sale, RMB62.0 million increase in trade and other receivables that were the result of the continued growth of our business and RMB59.9 million in income tax paid.

In 2012, net cash generated from operating activities was RMB496.2 million, which primarily consisted of profit for the year of RMB400.9 million, adjusted by reconciliation of certain non-cash items, which mainly included depreciation of RMB103.6 million and finance costs of RMB73.6 million, which was offset by gain from the share of results of joint ventures of RMB78.5 million. Additional factor that contributed to our cash generated from operating activities included RMB476.1 million increase in trade and other payables due to the continued growth of our business, partially offset by RMB308.6 million increase in trade and other receivables, RMB139.9 million increase in inventories and RMB40.6 million in income tax paid, which were also the result of the continued growth of our business and the expansion of our production capacity.

In 2011, net cash generated from operating activities was RMB594.5 million, which primarily consisted of profit for the year of RMB376.5 million, adjusted by reconciliation of certain non-cash items, which mainly included depreciation of RMB110.9 million and finance costs of RMB64.0 million, partially offset by gain from the share of results of joint ventures of RMB82.5 million and financial income of RMB40.9 million. Additional factors that contributed to our cash generated from operating activities included RMB223.7 million decrease in trade and other receivables primarily due to the increased collection of receivables from our customers at the end of 2011 and decrease in RMB21.8 million in inventories primarily due to increased production activities, which was offset by RMB39.5 million in income tax paid and RMB44.6 million decrease in trade and other payables resulting from increase in payments to suppliers.

Net Cash Used In Investing Activities

In the six months ended June 30, 2014, net cash used in investing activities was RMB244.0 million, which primarily consisted of (i) payment for available-for-sale debt securities of RMB90.0 million in connection with the wealth management products purchased by EverPro in May 2014, (ii) payment of purchase of intangible assets of RMB83.5 million in connection with EverPro, (iii) payment for purchase of property, plant and equipment of RMB64.4 million, primarily to enhance our production efficiency, and (iv) payment for lease prepayments of RMB31.4 million, which was partially offset by (i) dividends received from Joint Ventures of RMB17.9 million, (ii) dividends received from available-for-sale equity securities of RMB3.7 million and (iii) dividends received from associates of RMB2.4 million.

In 2013, net cash used in investing activities was RMB191.1 million, which primarily consisted of (i) payment for property, plant and equipment of RMB121.7 million, primarily for the purchase of production equipment of RMB95.1 million, (ii) deposits paid for the purchase of land use rights of RMB21.0 million and (iii) prepayment for intangible assets of RMB67.5 million in connection with our investment in EverPro in November 2013, partially offset by dividends received in the amount of RMB15.4 million.

In 2012, net cash used in investing activities was RMB226.4 million, which primarily consisted of capital expenditure of RMB260.4 million, primarily for the purchase of production equipment in connection with production capacity expansion, partially offset by dividends received in the amount of RMB32.9 million.

In 2011, net cash used in investing activities was RMB40.6 million, which primarily consisted of (i) capital expenditure of RMB58.0 million, primarily for the purchase of production equipment in connection with production capacity expansion and (ii) additional capital contribution to Yangtze (Wuhan) Optical System Co., Ltd. in the amount of RMB30.4 million, partially offset by dividends received in the amount of RMB47.4 million.

Net Cash Generated from/Used In Financing Activities

In the six months ended June 30, 2014, net cash generated from financing activities was RMB560.3 million, which primarily consisted of (i) proceeds from new bank loans of RMB1,539.8 million and (ii) contribution from non-controlling interests in EverPro of RMB100.0 million, partially offset by (i) repayments of bank loans of RMB1,026.2 million, (ii) interest on bank loans and other finance costs paid of RMB34.8 million and (iii) dividends paid to equity holders of our Company of RMB18.5 million.

In 2013, net cash generated from financing activities was RMB369.2 million, which consisted of proceeds from bank loans of RMB2,512.6 million, partially offset by (i) repayments of bank loans of RMB1,898.3 million, (ii) dividends paid to our equity holders in the amount of RMB162.7 million and (iii) interest paid on bank loans of RMB82.4 million.

In 2012, net cash used in financing activities was RMB402.5 million, which consisted of (i) repayments of bank loans of RMB3,587.9 million, (ii) dividends paid to our equity holders in the amount of RMB152.9 million and (iii) interest paid on bank loans of RMB78.5 million, partially offset by proceeds from bank loans of RMB3,416.9 million.

In 2011, net cash used in financing activities was RMB343.1 million, which consisted of (i) repayments of bank loans of RMB2,229.3 million, (ii) dividends paid to our equity holders in the amount of RMB253.0 million and (iii) interest paid on bank loans of RMB50.0 million, partially offset by proceeds from bank loans of RMB2,189.1 million.

NET CURRENT ASSETS

As of December 31, 2011, 2012 and 2013 and June 30, 2014, we had net current assets of RMB497.3 million, RMB251.3 million, RMB694.1 million and RMB929.7 million, respectively. As of September 30, 2014, our net current assets increased to RMB1,058.5 million, primarily due to an increase in trade and bills receivables as well as a decrease in accrued expenses and other payables. The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2011	2012	2013	2014	
	(in RMB thousands)				
Current assets					
Inventories	299,286	439,157	721,303	721,521	725,841
Trade and bills receivables	1,186,069	1,420,340	1,508,587	2,497,680	2,625,904
Deposits, prepayments and other receivables	76,341	148,909	156,867	126,513	141,664
Other financial assets	-	-	-	90,000	73,600
Income tax recoverable	7,490	16,070	1,135	-	-
Cash and cash equivalents	431,939	299,186	906,378	431,398	441,401
Total current assets	**2,001,125**	**2,323,662**	**3,294,270**	**3,867,112**	**4,008,410**
Current liabilities					
Bank loans	854,397	939,124	808,188	1,155,359	1,294,571
Trade and bills payables	345,039	662,899	713,540	703,277	716,378
Accrued expenses and other payables	304,408	470,375	1,078,492	1,060,649	917,618
Income tax payable	-	-	-	18,082	21,306
Total current liabilities	**1,503,844**	**2,072,398**	**2,600,220**	**2,937,367**	**2,949,873**
Net current assets	**497,281**	**251,264**	**694,050**	**929,745**	**1,058,537**

Inventories

Our inventories primarily consist of raw materials, work in progress and finished goods. Finished goods comprise products that we produce and products that we purchase from third parties and on-sell to our customers. To minimize the risk of excessive inventories, we review our inventory levels on a monthly basis. We believe maintaining appropriate levels of inventories can help us produce and deliver our products on a timely basis without adversely affecting our liquidity. We periodically review our inventories for slow-movement, obsolescence or potential problems for decline in market value. We maintain our inventory of raw materials at a level that would typically support two-month of production needs. We plan the production of our optical fibre cables based on the purchase orders we receive and therefore we generally do not retain inventories for such finished optical fibre cables.

The following table sets forth a summary of our inventory balance at the dates indicated.

	As of December 31,			As of June 30, 2014
	2011	2012	2013	
	(in RMB thousands)			
Raw materials and spare parts	119,225	190,844	371,025	349,935
Work in progress	46,621	44,268	72,261	88,593
Finished goods	133,440	204,045	278,017	282,993
Total	**299,286**	**439,157**	**721,303**	**721,521**

Our inventories increased from RMB299.3 million as of December 31, 2011 to RMB439.2 million as of December 31, 2012 and to RMB721.3 million as of December 31, 2013. As of June 30, 2014, inventories amounted to RMB721.5 million. The increase in inventories was due to increased business activities and the expansion of our production capacity during the period which increased the amount of self-produced products sold. Such increase in self-produced products also increased our raw materials inventory as we purchased more raw materials for production preparation. In addition, the increase in sales of production equipment to third parties in 2013 also led to the increase in raw materials and spare parts.

The following table sets forth average inventory turnover days for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,
	2011	2012	2013	2014
Average inventory turnover days (1)	32.9	34.6	55.6	61.6

(1) Average inventory turnover days are based on the average balance of inventory divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 is 365 days, and the number of days for the six months ended June 30 is 180 days.

Average inventory turnover days increased from 2011 to 2012 primarily due to the increase in raw material purchases in 2012 compared with the prior year due to the expansion of our production capacity for optical fibre preforms and optical fibres. Average inventory turnover days further increased from 2012 to 2013 primarily due to the increase in our inventory level resulting primarily from (i) the increase in raw materials and spare parts in connection with our sales of production machinery and equipment, (ii) the increase in inventory level kept after the expansion of production capacity for optical fibre preforms and optical fibres and (iii) delays in timing of purchase order placement by the three state-owned telecommunications network operators in 2013 affected by the pending network upgrade from 3G to 4G. The higher average inventory turnover days in the six months ended June 30, 2014 was primarily due to the seasonality of the first quarter of a fiscal year caused by the Chinese New Year, the higher balance of total inventories as of December 31, 2013 due to the expansion of our production capacity in 2013 and the increase in raw materials and spare parts in connection with our sales of production machinery and equipment.

As of August 31, 2014, approximately RMB448.5 million of inventories subsequent to June 30, 2014 was consumed or sold.

Trade and Bills Receivables

The following table sets forth our trade and bills receivables as of the end of each reporting period:

	As of December 31,			As of June 30,
	2011	2012	2013	2014
	(in RMB thousands)			
Trade receivables:				
Related parties	65,400	167,545	166,338	383,170
Third parties	1,092,982	1,242,730	1,224,919	1,946,717
Bills receivables	73,147	32,830	136,324	192,208
Less: allowance for doubtful debts	(45,460)	(22,765)	(18,994)	(24,415)
Total	1,186,069	1,420,340	1,508,587	2,497,680

Our trade and bills receivables primarily consist of receivables from our customers for sales of our products. We generally require state-owned telecommunications network operators to make 70% to

80% payment upon delivery of goods and pay the remaining balance within one year. In addition, we grant a credit term ranging from 30 to 90 days to other long standing third party customers with good payment history, including our Joint Ventures. The credit term of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. Normally, we do not obtain collateral from our customers.

Our trade and bills receivables increased from RMB1,186.1 million as of December 31, 2011 to RMB1,420.3 million as of December 31, 2012 to RMB1,508.6 million as of December 31, 2013. Trade and bills receivables amounted to RMB2,497.7 million as of June 30, 2014. This increase was primarily the result of the continued increase in the sales of our products and our turnovers.

The following table sets forth an aging analysis of our trade and bills receivables net of allowance for doubtful debts as of the dates indicated, based on the invoice date:

	As of December 31,			As of June 30, 2014
	2011	2012	2013	
		(in RMB thousands)		
Within 1 year	1,158,464	1,385,789	1,395,852	2,369,418
1 to 2 years	26,630	33,757	112,555	122,547
2 to 3 years	975	794	180	5,715
Total trade and bills receivables	1,186,069	1,420,340	1,508,587	2,497,680

The substantial majority of our trade and bills receivables as of December 31, 2011, 2012 and 2013 and June 30, 2014 had ages of less than a year. As of December 31, 2011, 2012 and 2013 and June 30, 2014, we have assessed the recoverability of the receivables past due and established a provision for impairment based on experience. The provision for impairment is recorded using an allowance account unless we prove that the recovery becomes remote, in which case the corresponding trade and bills receivables are written off.

The table below sets forth the movement in the allowance for doubtful debts, including both specific and collective loss components:

	As of December 31,			As of June 30, 2014
	2011	2012	2013	
		(in RMB thousands)		
January 1	50,855	45,460	22,765	18,994
Impairment loss recognized	10,012	15,226	9,269	8,878
Reversal	(11,661)	(8,304)	(12,886)	(3,457)
Uncollectible amounts written off	(3,746)	(29,617)	(154)	-
December 31 / June 30	45,460	22,765	18,994	24,415

Impairment of our trade and bills receivables was either individually or collectively assessed. Consequently, specific allowances for doubtful debts of RMB5.5 million, RMB12.7 million, RMB0.8 million and RMB8.9 million were recognized in 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. Other than the individually assessed impairment, we also made general impairment provision in accordance with the doubtful debt policy adopted by us by reference to the aging analysis of the receivables, which amounted to RMB4.5 million, RMB2.5 million, RMB8.5 million and nil as of December 31, 2011, 2012 and 2013 and June 30, 2014, respectively.

The table below sets forth an aging analysis of our trade and bills receivables that were neither individually nor collectively considered to be impaired as of the dates indicated:

	As of December 31,			As of June 30,
	2011	2012	2013	2014
	(in RMB thousands)			
Neither past due nor impaired	907,250	995,772	923,897	1,610,959
Less than 1 year past due	253,463	416,687	521,187	788,177
1 to 2 years past due	18,230	142	60,525	82,609
	271,693	416,829	581,712	870,786
	1,178,943	1,412,601	1,505,609	2,481,745

Receivables that were neither past due nor impaired are related to a wide range of customers for which there was no recent history of default. Receivables that were past due but not impaired related to a number of independent customers that have good track record with us. Based on past collection experience, we believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The increase in balance of trade and bills receivables that were past due but not impaired during the Track Record Period was mainly due to an increase in the outstanding receivable balances from the three major state-owned telecommunications network operators. Due to the delay in the issuance of 4G licenses by the relevant authorities until near the end of December 2013, some of the telecommunications infrastructure network construction projects have been deferred accordingly and the delay also negatively affected the subscription income of the three state-owned telecommunications network operators. As such, these three major state-owned telecommunications network operators delayed their payment or settlement to their suppliers, including us. Their dominance in the telecommunications market in China also led them to possess strong bargaining power as compared to their suppliers. In addition, the value-added tax pilot reforms in China further slowed down the payment settlement process by the three state-owned telecommunications network operators as they are subject to the new value-added tax regime starting from June 1, 2014. In anticipation of this tax rule change, in early 2014, the three state-owned telecommunications network operators started their procedures and also asked their suppliers, including us, to replace the general value-added tax invoices previously issued with the special value-added tax invoices, which further prolonged the payment collection cycles. The balance of trade and bills receivables have been past due but are not impaired because we consider such outstanding balances free from any dispute with these three major state-owned telecommunications network operators, and the fact that corresponding infrastructure network construction projects are still ongoing and the credit standing of these customers are strong. After individual assessment over the recoverability of these outstanding balances, we do not consider it to be necessary to set aside any impairment provision against them.

We grant a credit term ranging from 30 days to 90 days to related parties, including our Joint Ventures and subsidiaries of Draka, which did not change materially during the Track Record Period.

As of the Latest Practicable Date, approximately RMB1,328.5 million, accounting for 53.2% of our trade and bills receivables that were outstanding as of June 30, 2014 was settled.

The following table sets forth our trade and bills receivables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30, 2014
	2011	2012	2013	
Average trade and bills receivables turnover days (1)	111.8	99.6	110.8	136.8

(1) Average trade and bills receivables turnover days are based on the average balance of trade and bills receivables divided by turnover for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 is 365 days, and the number of days for the six months ended June 30 is 180 days.

Average trade and bills receivables turnover days were lower in 2012 as compared to 2011 primarily due to the increase in the use of factoring arrangements as well as more active settlement by our customers in 2012. Average trade and bills receivables turnover days increased from 99.6 days in 2012 to 110.8 days in 2013 and further to 136.8 days in the six months ended June 30, 2014 primarily due to the delay in payment or settlement by the three major state-owned telecommunications network operators as described above. The higher average trade and bills receivables turnover days in the six months ended June 30, 2014 were due to the fact that we did not enter into any new trade receivables factoring arrangement during the period and also to the seasonality of the first quarter of a fiscal year caused by the Chinese New Year.

Deposits, Prepayments and Other Receivables

The following table sets forth a breakdown of our deposits, prepayments and other receivables as of the dates indicated:

	As of December 31,			As of June 30, 2014
	2011	2012	2013	
	(in RMB thousands)			
Prepayments for raw materials:				
Related parties	14,148	-	-	-
Third parties	8,800	49,697	14,711	35,964
Amounts due from related parties	16,819	18,203	18,034	6,506
Value-added tax recoverable	10,495	20,104	16,320	14,751
Dividends receivables:				
Associate	-	-	2,400	-
Joint ventures	10,932	9,203	41,052	32,575
Net receivables under factoring arrangement	-	31,658	50,917	19,724
Deposits	6,412	6,801	5,942	6,423
Others	8,735	13,243	7,491	10,570
Total	76,341	148,909	156,867	126,513

Our deposits, prepayments and other receivables during the Track Record Period comprised of (i) prepayments for raw materials from third parties, (ii) amounts due from related parties, including our Joint Ventures, which relates to an amount due from one of our Joint Ventures in relation to the purchase of certain production equipment from us, (iii) value added tax recoverable, (iv) dividends receivables from Joint Ventures, (v) net receivables under factoring arrangements, which relates to the balance retained by banks prior to receiving payments from our customers, and (vi) other deposits, prepayments and receivables.

Our deposits, prepayments and other receivables increased from RMB76.3 million as of December 31, 2011 to RMB148.9 million as of December 31, 2012. Such increase was primarily the result of (i) RMB31.7 million net receivables under factoring arrangement recorded as of December 31, 2012, representing the 10% of total trade receivables under the factoring arrangements retained by the banks that will be repayable to us upon the collection of the receivables by the banks, (ii) increased prepayments for raw materials from RMB22.9 million as of December 31, 2011 to RMB49.7 million as of December 31, 2012 related to our increased production activity and increased purchase of raw materials and (iii) value added tax recoverable, which represented the input value added tax that was yet to be offset against output value added tax, increased from RMB10.5 million as of December 31, 2011 to RMB20.1 million as of December 31, 2012. Such increase was partially offset by decrease in other deposits, prepayments and receivables.

Our deposits, prepayments and other receivables increased from RMB148.9 million as of December 31, 2012 to RMB156.9 million as of December 31, 2013. Such increase was primarily the result of (i) an increase of dividends receivables from Joint Ventures from RMB9.2 million as of December 31, 2012 to RMB41.1 million as of December 31, 2013 and (ii) an increase of net receivables under factoring arrangements from RMB31.7 million as of December 31, 2012 to RMB50.9 million as of December 31, 2013 due to the increased use of factoring arrangements. Such increase was partially offset by a decrease in prepayments for raw materials because we reserved sufficient inventories by the end of 2013 to satisfy the expected customer demands in the first quarter of 2014.

Our deposits, prepayments and other receivables decreased from RMB156.9 million as of December 31, 2013 to RMB126.5 million as of June 30, 2014. The decrease was primarily due to (i) a decrease of net receivables under factoring arrangements from RMB50.9 million as of December 31, 2013 to RMB19.7 million as of June 30, 2014 due to receipts of the balance retained by banks under factoring arrangements, (ii) a decrease of amounts due from related parties from RMB18.0 million as of December 31, 2013 to RMB6.5 million as of June 30, 2014 and (iii) a decrease of dividends receivables from Joint Ventures from RMB41.1 million as of December 31, 2013 to RMB32.6 million as of June 30, 2014, partially offset by an increase of RMB21.3 million in prepayments for raw materials from third parties.

Other Financial Assets

Other financial assets primarily include available-for-sale debt securities which are wealth management products purchased by EverPro from high-credit-quality state-owned and commercial banks in China, of which the unguaranteed annual return rates are in the range of 2.8% to 5.9% per annum. These wealth management products are not principal-protected and are not covered by any insurance policies. However, the underlying investments primarily include low-risk treasury bonds, central bank bills, borrowings or other investments of state-owned commercial banks in inter-bank market in the PRC. The total amount of RMB90.0 million outstanding as of June 30, 2014 had reached maturity and was redeemed by the end of October 2014. Majority of the wealth management products are not subject to early redemption according to the relevant contracts.

Further details of these available-for-sale debt securities are set out in Notes 1(h), 24 and 33(e) to the financial information in the Accountants' Report as set out in Appendix I to this prospectus.

Trade and Bills Payables

The following table sets forth our trade and bills payables as of the end of each reporting period:

	As of December 31,			As of June 30,
	2011	2012	2013	2014
		(in RMB thousands)		
Trade payables:				
Related parties	103,890	169,745	98,894	101,803
Third parties	241,149	290,862	496,760	557,862
Bills payables	-	202,292	117,886	43,612
Total	345,039	662,899	713,540	703,277

During the Track Record Period, our trade and bills payables primarily relate to purchase of raw materials, feed materials and finished products that were then on-sell to our customers. We purchase such raw materials, feed materials and finished products from related parties, which include our Joint Ventures and affiliates, and independent third parties. Our trade and bills payable increased from RMB662.9 million in 2012 to RMB713.5 million in 2013 primarily due to continued growth of our business that resulted in the increase in purchase of raw materials and feed materials. Our trade and bills payable increased from RMB345.0 million in 2011 to RMB662.9 million in 2012 primarily due to continued growth of our business and capacity which resulted in an increase in the purchase of raw materials, feed materials and finished goods as well as the goods-in-transit. Our trade and bills payables with related parties decreased from RMB169.7 million in 2012 to RMB98.9 million in 2013 as we increased our own production capacity and reduced the amount of feed materials and products purchased from our Joint Ventures in 2013. We generally have credit period of 90 days from our Joint Ventures, a credit period of 60 days from overseas suppliers and 150 days from domestic suppliers. During the Track Record Period, we generally made payments to suppliers within the credit periods granted to us.

The following table sets forth an aging analysis of our trade and bills payables as of the dates indicated, based on the invoice date:

	As of December 31,			As of June 30,
	2011	2012	2013	2014
		(in RMB thousands)		
Within 1 year	334,148	640,281	700,878	693,645
Over 1 year but within to 2 years	5,258	14,020	4,503	5,612
Over 2 years but within to 3 years	568	3,055	939	625
Over 3 years	5,065	5,543	7,220	3,395
Total	345,039	662,899	713,540	703,277

	Year ended December 31,			Six months ended June 30,
	2011	2012	2013	2014
Average trade and bills payable turnover days (1)	40.1	47.2	66.0	60.4

(1) Average trade and bills payable turnover days are based on the average balance of trade and bills payable divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 is 365 days, and the number of days for the six months ended June 30 is 180 days.

Average trade and bills payables turnover days increased from 40.1 days in 2011 to 47.2 days in 2012 to 66.0 days in 2013, primarily due to our proactive and enhanced management of working capital so as to achieve improved balance between our receivable collections and our payments. Average trade and bills payables turnover days decreased to 60.4 days in the six months ended June 30, 2014, primarily due to the increase in the purchases of raw materials from overseas suppliers which generally provide a relatively shorter credit term than domestic suppliers and the prepayments we made to purchase of new materials and spare parts in connection with the manufacturing of production machinery and equipment for our customers.

As of August 31, 2014, approximately RMB531.4 million, accounting for 75.6% of our trade and bills payables that were outstanding as of June 30, 2014 was settled.

Accrued Expenses and Other Payables

The following table sets forth a breakdown of accrued expenses and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2011	2012	2013	2014
	(in RMB thousands)			
Receipt in advance:				
Related parties	27,371	63,572	14,773	-
Third parties	99,075	182,633	275,476	166,231
Interest payable	23,039	18,056	11,234	9,996
Payables for staff related costs	17,502	40,522	76,725	87,543
Payables for acquisition of property, plant and equipment	22,754	45,770	35,104	75,875
Others tax payables	41,639	37,257	61,310	70,073
Payables for sales commission	15,199	15,702	16,901	17,616
Payables for royalty fees:				
Related parties	21,591	22,167	24,801	11,500
Third parties	741	723	1,188	189
Dividends payable to equity shareholders of the Company	-	-	500,000	555,392
Deferred income	6,300	6,300	7,732	7,532
Others	29,197	37,673	53,248	58,702
Total	304,408	470,375	1,078,492	1,060,649

During the Track Record Period, our accrued expenses and other payables is comprised of (i) receipt in advance, which represents prepayments from related parties and third parties in connection with their purchases of our production equipment, (ii) interest payable, which represents interest on bank loans accrued but not yet paid, (iii) payables for staff related costs, (iv) payables for acquisition of property, plant and equipment, (v) other tax payables, (vi) payables for royalty fees to related parties and third parties, (vii) the special dividend payable, (viii) deferred income and (ix) other accruals and payables.

Receipts in advance primarily related to the advances from our customers, including our Joint Ventures, for their purchases of our production equipment, mainly optical fibre drawing towers, which were recognized as revenue based on certain milestones and final inspection of the equipment. It typically takes one to two years from the initial installation set-up to the final inspection. Receipt in advance increased from RMB126.4 million as of December 31, 2011 to RMB246.2 million as of December 31, 2012 and further to RMB290.2 million as of December 31, 2013, which was primarily due to increase in production equipment sold from 2011 to 2013. Receipts in advance decreased to RMB166.2 million as of June 30, 2014.

Dividends payable of RMB500.0 million as of December 31, 2013 and June 30, 2014 relates to special dividend payable to our shareholders. For additional information, see "— Dividend Policy."

CAPITAL EXPENDITURE

Our capital expenditures were RMB58.0 million, RMB260.4 million, RMB210.2 million and RMB179.3 million in 2011, 2012, 2013 and the six months ended June 30, 2014, respectively.

The capital expenditure incurred for the six months ended June 30, 2014 primarily related to the purchase of property, plant and equipment primarily to enhance our production efficiency.

The capital expenditure incurred in 2013 primarily related to the purchase of production equipment in connection with our production capacity expansion for optical fibre performs, optical distribution and other products as well as payments for land use rights and intangible assets. The capital expenditures incurred in 2011 and 2012 primarily related to the purchase of production equipment in connection with our production capacity expansion for optical fibres.

As part of our continued growth strategy, for the fiscal year ending December 31, 2014, we expect our capital expenditure to be in line with the commitments we have made, primarily for the purchase of property, plant and equipment, such as the purchase of property, plant and equipment for the construction of Phase I of YOFC Science & Technology Park in Wuhan and the payment of the remaining balance of land use rights. In addition, we are in the process of negotiation with NK China Investments B.V. to acquire its equity interest in NK Wuhan. As of the date of this prospectus, no agreement had been entered into in connection with the potential acquisition. We plan to fund our planned capital expenditure by using our cash flow generated from our operations, the net proceeds received from this Global Offering and bank loans.

After due consideration, our Directors believe that there will not be any material changes in the composition and trend of our capital expenditure in the next 12 months and our current cash and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures for at least the next 12 months.

COMMITMENTS

Capital Commitments

Our capital commitments during the Track Record Period were primarily relating to the purchase of property, plant and equipment, intangible assets and lease prepayment related to our production facilities as well as strategic investments.

The table below sets forth capital commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2011	2012	2013	2014
		(in RMB thousands)		
Contracted for:				
Property, plant and equipment	143,762	146,962	58,104	71,615
Intangible assets	-	-	75,000	-
Authorized but not contracted:				
Property, plant and equipment	93,502	21,242	229,082	155,152
Lease prepayment	-	106,000	83,770	-
Investment in equity securities	-	-	18,000	45,134
Total	237,264	274,204	463,956	271,901

Operating Lease Commitments

Our operating lease commitment was mainly for the lease of our sales representative offices and warehouses in China.

	As of December 31,			As of June 30, 2014
	2011	2012	2013	
	(in RMB thousands)			
Within 1 year	284	2,195	2,126	444
After 1 year but within 5 years	-	1,732	-	-
Total	284	3,927	2,126	444

CONTINGENT LIABILITIES AND GUARANTEES

As of December 31, 2011, 2012 and 2013 and June 30, 2014, we did not recorded any significant contingent liability, guarantee or any litigation against us. We confirm as of the Latest Practicable Date that there have been no material changes to our contingent liabilities.

INDEBTEDNESS

Bank loans

During the Track Record Period, we borrowed short-term and long-term bank loans from time to time to manage our working capital requirements. All of our bank loans are unsecured.

The table below sets forth the breakdown of our bank loans as of the dates indicated:

	As of December 31,			As of June 30, 2014	As of September 30, 2014
	2011	2012	2013		
	(in RMB thousands)				
Within 1 year	854,397	939,124	808,188	1,155,359	1,294,571
After 1 year but within 2 years	198,478	15,714	25,607	510,067	820,128
After 2 years but within 5 years	138,620	97,425	788,329	486,071	159,965
After 5 years	37,806	-	-	-	-
Total	1,229,301	1,052,263	1,622,124	2,151,497	2,274,664

Starting from 2012, considering the lower interest rate for U.S. dollar and Euro denominated loans as well as the continuous increase in demand for foreign currency settlement in connection with our purchases of raw materials and production machinery from overseas, we began to increase the portion of our bank loans that are denominated in U.S. dollars and Euro to take advantage of the lower interest rate offered by such bank loans to further facilitate our overseas purchases of raw materials and production equipment.

Almost all of our outstanding bank borrowings are denominated in U.S. dollars and are all unsecured, which bear floating interest rates of LIBOR plus basis points ranging from 120 basis points to 550 basis points, subject to the relevant agreements. Under certain loan agreements, we are restricted from carrying out any merger, restructuring, spin-off, share transfer, or reduction in share capital, without the lender's prior written consent. In addition, we are subject to financial covenants according to the relevant loan agreements with the commercial banks, which may restrict our ability to incur additional indebtedness. For example, under the loan agreements with China Development Bank, we are required to maintain total liabilities to total assets ratio (calculated using total liabilities divided by total assets) that is not more than 75%. Furthermore, under the loan agreements with China Development Bank, without its prior written consent, we are prohibited from disposing material assets with asset value over RMB500 million (or its equivalent in any foreign currency) or disposing assets accounting for more than 20% of our total assets or 40% of total net assets. We are also not allowed, without prior written consent of China Development Bank, to make any investment or revise any investment plan with over RMB500 million (or its equivalent in any foreign currency) transaction value on a single transaction basis, or over RMB1,000 million (or its equivalent in any foreign currency) transaction value within one year on a multiple transactions basis. Our Directors confirm that we did not have any default in payment of trade payables, bank borrowings or any breach of financial covenants during the Track Record Period.

As of June 30, 2014, we had unutilized banking facilities of approximately RMB4,527.3 million (including RMB4,483.4 million loan related facilities and RMB43.9 million trade finance facilities). In addition, as of September 30, 2014, being the latest practicable date for purpose of indebtedness statement in this prospectus, we had total outstanding bank loans in the amount of RMB2,274.7 million, of which RMB1,294.6 million was repayable within one year. These bank loans are unsecured and had variable interest rates ranging from 1.53% to 4.52% per annum. As of September 30, 2014, we had approximately RMB4,835.4 million in unutilized banking facilities (including RMB4,749.0 million loan related facilities and RMB86.4 million trade finance facilities).

Save as disclosed above and apart from intra-group liabilities, as of September 30, 2014, being the latest practicable date for determining our indebtedness, we did not have any other outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness, commitments and contingent liabilities since September 30, 2014.

KEY FINANCIAL RATIOS

The following table sets forth certain of the key financial ratios of our Group for the period or as of the dates indicated:

	As of / for the year ended December 31,			As of / for the six months ended June 30,
	2011	2012	2013	2014
Rates of return:				
Return on total assets [(1)]	9.8%	9.7%	9.2%	7.8%
Return on equity [(2)]	22.9%	22.1%	25.5%	25.6%
Liquidity:				
Current ratio (times) [(3)]	1.33	1.12	1.27	1.32
Quick ratio (times) [(4)]	1.13	0.91	0.99	1.07
Capital adequacy:				
Gearing ratio (times) [(5)]	0.52	0.43	0.47	0.98
Interest coverage ratio (times) [(6)]	7.28	7.47	12.80	9.43

Notes:

(1) Calculated using profit for the period divided by average total assets on an annualized basis, multiplied by 100%.

(2) Calculated using profit for the period divided by average total equity on an annualized basis, multiplied by 100%.

(3) Calculated using current assets divided by current liabilities as of the end of period.

(4) Calculated using the result of current assets less inventory divided by current liabilities as of the end of period.

(5) Calculated using net debt (all bank loans net of cash and cash equivalents) divided by total equity as of the end of each period.

(6) Calculated using the sum of profit before taxation and interest on bank loans for the period divided by interest on bank loans for the period.

Return on Total Assets

Our return on total assets decreased from 9.8% in 2011 to 9.7% in 2012 and to 9.2% in 2013. The decrease in 2012 was due to the increase in total assets mainly due to the increase in inventories and trade and bills receivables, primarily as a result of continued growth of our business and production capacity, partially offset by the increase in profit for the year. The further decrease in 2013 was due to the increase in total assets, primarily due to the increase in cash and cash equivalents as well as inventories, partially offset by the increase in profit for the year. The increase in cash and cash equivalents in 2013 was mainly due to the increase in our working capital bank loans in 2013.

Our annualized return on total assets was 7.8% in the six months ended June 30, 2014. The decrease as compared with the 2013 full year level was primarily due to (i) the lower profit for the period on an annualized basis, mainly due to seasonality and (ii) the increase in trade and bills receivables.

Return on Equity

Our return on equity decreased from 22.9% in 2011 to 22.1% in 2012. The decrease was due to the growth in retained earnings, partially offset by the increase in profit for the year.

Our return on equity increased to 25.5% in 2013. This increase was due to the combined effect of (i) the increase in profit for the year, and (ii) the decrease in total equity primarily due to the declaration of the special dividends.

Our return on equity remained relatively stable at 25.6% in the six months ended June 30, 2014.

Current Ratio

Our current ratio decreased from 1.33 times as of December 31, 2011 to 1.12 times as of December 31, 2012. The decrease of current ratio from 2011 to 2012 was primarily due to (i) the combined effect of the increase in trade and bills payables primarily as a result of continued growth of our business and the increase in payable turnover days, as well as the decrease in cash and cash equivalents as of December 31, 2012 compared to December 31, 2011, which was primarily due to the repayment of bank loans by the end of 2012, partially offset by (ii) the increase in trade and bills receivables and inventories due to increase in business operation.

Our current ratio increased to 1.27 times as of December 31, 2013. The increase from 2012 to 2013 was primarily due to (i) the increase in cash and cash equivalents balance as of December 31, 2013 as compared to December 31, 2012 mainly due to net increase in total bank loans in 2013 as compared to a net decrease in total bank loans in 2012 and (ii) the increase in inventories primarily as a result of increased business activities and in the expansion of production capacity.

Our current ratio remained relatively stable at 1.32 times as of June 30, 2014.

Quick Ratio

Our quick ratio decreased from 1.13 times as of December 31, 2011 to 0.91 times as of December 31, 2012. The decrease of quick ratio from 2011 to 2012 was primarily due to (i) the combined effect of the increase in trade and bills payables and the decrease in cash and cash equivalents as of December 31, 2012, partially offset by (ii) the increase in trade and bills receivables.

Our quick ratio increased to 0.99 times as of December 31, 2013. The increase from 2012 to 2013 was primarily due to the increase in cash and cash equivalents.

Our quick ratio increased further to 1.07 times as of June 30, 2014. This increase was primarily due to the increase in trade and bills receivables.

Gearing Ratio

Our gearing ratio decreased from 0.52 times as of December 31, 2011 to 0.43 times as of December 31, 2012. The decrease in 2012 was due to (i) the decrease in net debts primarily due to the decrease in our total bank loans, partially offset by the decrease in cash and cash equivalents and (ii) the increase in shareholders' equity at the year end.

Our gearing ratio increased to 0.47 times as of December 31, 2013. The increase in 2013 was due to (i) the decrease in total equity as a result of the special dividend, partially offset by (ii) the decrease in net debts as the increase in cash and cash equivalents exceeds the increase in our total bank loans.

Our gearing ratio increased to 0.98 times as of June 30, 2014. This increase was primarily due to the increase in net debts, primarily as a result of increase in our total bank loans and a decrease in our cash and cash equivalents, partially offset by the increase in total equity.

Interest Coverage Ratio

Our interest coverage ratio increased from 7.28 times in 2011 to 7.47 times in 2012 to 12.80 times in 2013. The increase in 2012 was primarily due to the increase in profit before taxation during the period, partially offset by a small increase in interest on bank loans. The further increase in 2013 was due to the combined effect of (i) the decrease in interests on bank loans and (ii) the increase in profit before taxation during the period.

Our interest coverage ratio was 9.43 times in the six months ended June 30, 2014, mainly due to a lower profit before tax on an annualized basis, primarily because of seasonality, and the increase in interest on bank loans due to the increase in total bank loans in the six months ended June 30, 2014.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

In the ordinary course of our business, we are exposed to various market risks, including credit risk, liquidity risk, interest rate risk and currency risk. Our risk management strategy aims to minimize the potential adverse effects of such risks on our financial performances.

Credit Risk

Our credit risk is primarily attributable to our cash at bank, trade and bills receivables. In order to minimize the credit risk, our management continuously monitors the level of exposure to ensure that necessary follow-up actions are taken to recover overdue debts. We have a credit policy in place and the exposure to these credit risks are monitored on an on-going basis.

Substantially all of our cash at bank are deposited in state-owned or state-controlled PRC banks which our Directors assess the credit risk to be insignificant.

We perform individual credit evaluations on all customers with respect to their trade and other receivables. The evaluations focus on the customers' past history of making payments to us when due and their current ability to pay, and take into account information specific to this customer as well as pertaining to the economic environment in which the customer operates. Trade receivables for optical fibre preforms and optical fibres are due within 90 days from the billing date. Trade receivables for optical fibre cables are generally with credit term from 180 days to 360 days, which vary from up to 360 days for domestic telecommunications network operators with shorter credit term for other third party customers.

Our exposure to credit risk is influenced by the individual characteristics of each customer as well as the industry in which the customer operates. Approximately 36%, 45%, 35% and 40% of trade and bills receivables was due from our largest customer as of December 31, 2011, 2012 and 2013 and June 30, 2014, respectively. Approximately 77%, 80%, 76% and 70% of trade and bills receivables was due from our five largest customers as of December 31, 2011, 2012 and 2013 and June 30, 2014, respectively.

Liquidity Risk

Each of our Joint Ventures is responsible for their own cash management, including short-term investment of cash surpluses and obtaining loans to cover expected cash demands, subject to approval by our board of directors when the bank loans exceed certain predetermined levels. Our policy is to regularly monitor our liquidity requirements and compliance with covenants as to our bank loans, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and long term.

The following table details our remaining contractual maturity at the end of the reporting period of non-derivative financial liabilities, which has been drawn up based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date on which we can be required to pay.

	December 31, 2011				
	Contractual undiscounted cash flow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
			(in RMB thousands)		
Bank loans	866,287	219,536	192,242	1,278,065	1,229,301
Trade and bills payables	345,039	-	-	345,039	345,039
Accrued expenses and other payables	122,371	-	-	122,371	122,371
Total	1,333,697	219,536	192,242	1,745,475	1,696,711

	December 31, 2012				
	Contractual undiscounted cash flow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
			(in RMB thousands)		
Bank loans	971,505	17,791	100,523	1,089,819	1,052,263
Trade and bills payables	662,899	-	-	662,899	662,899
Accrued expenses and other payables	154,858	-	-	154,858	154,858
Total	1,789,262	17,791	100,523	1,907,576	1,870,020

	December 31, 2013				
	Contractual undiscounted cash flow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	(in RMB thousands)				
Bank loans	839,923	50,077	800,491	1,690,491	1,622,124
Trade and bills payables	713,540	-	-	713,540	713,540
Accrued expenses and other payables	692,898	-	-	692,898	692,898
Total	2,246,361	50,077	800,491	3,096,929	3,028,562

	June 30, 2014				
	Contractual undiscounted cash flow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	(in RMB thousands)				
Bank loans	1,210,770	536,973	490,414	2,238,157	2,151,497
Trade and bills payables	703,277	-	-	703,277	703,277
Accrued expenses and other payables	774,155	-	-	774,155	774,155
Total	2,688,202	536,973	490,414	3,715,589	3,628,929

Interest Rate Risk

We are exposed to interest rate risk arising primarily from our bank loans.

We regularly review and monitor the mix of fixed and variable rate bank loans in order to manage these interest rate risks.

It is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased our profit after tax and retained earnings in 2011, 2012, 2013 and the six months ended June 30, 2014 by RMB9.6 million, RMB8.9 million, RMB13.1 million and RMB17.5 million, respectively. Such sensitivity analysis indicates the instantaneous change in our profit after tax (and retained earnings) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the respective period. The impact is estimated as an annualized impact on interest expense or income of such a change in interest rates. The estimated 100 basis points increase or decrease represents our assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The sensitivity analysis is performed on the same basis for the entire Track Record Period.

Currency Risk

We are exposed to currency risks arising primarily from sales, purchases and bank loans which give rise to receivables, payables and bank loans that are denominated in foreign currencies. As a result, any adverse change in the value of the Renminbi against foreign currencies may affect our net profit margin and other financial condition and results of operations. Furthermore, we cannot predict if there will be any further reforms of China's exchange rate system or any change in foreign exchange policies in the future that may impact the value of the Renminbi against foreign currencies. See "Risk Factors — Risks Relating to the PRC — Changes in foreign exchange regulations and future movements in the exchange rate of the Renminbi may adversely affect our financial condition and results of operations and our ability to pay dividends." The currencies giving rise to currency risk are primarily U.S. dollars, Euros and Japanese Yen. We currently do not hedge our foreign currency exposure.

Since Renminbi is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent us from satisfying sufficient foreign currency demands and we may not be able to pay dividends in foreign currencies to our equity holders or shareholders.

The following table details our exposure at the end of the reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency in which the transactions relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the end of the respective reporting period. Differences resulting from the translation of the financial statements of foreign operations into our presentation currency are excluded.

	December 31, 2011		
	US$	EUR	Others
	(in RMB thousands)		
Trade and bills receivables	51,022	91	-
Cash and cash equivalents	94,619	4,300	-
Bank loans	(1,155,301)	-	-
Trade and bills payables	(55,333)	(7,125)	(260)
Net exposure	(1,064,993)	(2,734)	(260)

	December 31, 2012		
	US$	EUR	Others
	(in RMB thousands)		
Trade and bills receivables	20,337	-	-
Cash and cash equivalents	112,091	15,404	-
Bank loans	(1,052,263)	-	-
Trade and bills payables	(66,278)	(98,301)	(333)
Net exposure	(986,113)	(82,897)	(333)

	December 31, 2013		
	US$	EUR	Others
	(in RMB thousands)		
Trade and bills receivables	50,259	-	-
Cash and cash equivalents	26,933	104	-
Bank loans	(1,540,480)	(81,644)	-
Trade and bills payables	(87,610)	(76,881)	(185)
Net exposure	(1,550,898)	(158,421)	(185)

	June 30, 2014		
	US$	EUR	Others
	(in RMB thousands)		
Trade and bills receivables	42,171	-	-
Cash and cash equivalents	39,904	1,679	-
Bank loans	(1,988,458)	(163,039)	-
Trade and bills payables	(72,781)	(28,921)	(432)
Net exposure	(1,979,164)	(190,281)	(432)

The following table sets forth the foreign currency exchange rates applied during the Track Record Period:

	Average rate				Reporting date spot rate			
	Year ended December 31,			Six months ended June 30,	Year ended December 31,			Six months ended June 30,
	2011	2012	2013	2014	2011	2012	2013	2014
U.S. dollar	6.4445	6.3108	6.1896	6.1431	6.3009	6.2855	6.0969	6.1528
Euro	9.0168	8.1423	8.2396	8.4132	8.1625	8.3176	8.4189	8.3946
Japanese yen	0.0812	0.0789	0.0636	0.0602	0.0811	0.0730	0.0578	0.0608
GBP	10.3485	10.0336	9.6885	10.2896	9.7116	10.1611	10.0556	10.4978

A 5% strengthening of Renminbi against the following currencies as at respective reporting period end dates would have increased our profit after tax and retained earnings by the amounts shown below. Other components of equity would not be affected by the strengthening of Renminbi against foreign currencies. A 5% weakening of Renminbi against the below currencies as at respective reporting period end dates would have had the equal but opposite effect on the below currencies to the amounts shown below, on the basis that all variables remain constant.

	Year ended December 31,			Six months ended June 30,
	2011	2012	2013	2014
	(in RMB thousands)			
U.S. dollar	45,262	41,910	65,913	83,127
Euro	116	3,523	6,733	8,087
Others	11	14	8	18
	45,389	45,447	72,654	91,232

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by us which expose us to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into our presentation currency.

The 5% change represents our assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting period end date. The analysis is performed on the same basis for the entire Track Record Period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period, we entered into trade receivables factoring arrangements with commercial banks in China and transferred certain amount of trade receivables to such banks in order to improve our liquidity. Subject to the contractual terms, the commercial banks purchase our eligible trade receivables in full and assume the credit risks with respect to those accounts. Such eligible trade receivables under our current factoring arrangements are primarily receivables from the three major state-owned telecommunications network operators as banks consider default risks for these receivables to be generally low. The banks pay a consideration equivalent to 90% of the trade receivables factored, with the remaining 10% to be paid upon expiry of the relevant factoring arrangements. The arrangements usually have a term of one year. As we entered into non-recourse factoring arrangements, we do not retain the collection risk. However, subject to the arrangements, in cases where we retain the contractual rights to collect the factored trade receivables, we shall assist in the collection and transfer the collected amounts to the banks. We were usually charged an interest plus a commission fee by the banks, subject to the detailed written agreements. As of December 31, 2011, 2012 and 2013 and June 30, 2014, we transferred the trade receivables to banks under the non-recourse factoring arrangements with carrying amounts of RMB113.5 million, RMB194.0 million, RMB425.5 million and RMB179.9 million, respectively. In addition, during the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, we had recognized total losses of RMB2.0 million, RMB8.3 million, RMB25.3 million and nil. As of August 31, 2014, net receivables of RMB24.2 million under the factoring arrangements that were outstanding as of June 30, 2014 were collected.

In addition, as of December 31, 2011, 2012 and 2013 and June 30, 2014, we discounted or endorsed certain bank bills receivable with carrying amounts of RMB75.8 million, RMB188.3 million, RMB309.3 million and RMB129.1 million, respectively, to certain commercial banks in China or our suppliers. Such discounted or endorsed bills had a remaining maturity of one to six months as of December 31, 2011, 2012 and 2013 and June 30, 2014. In accordance with relevant laws and regulations, holders of such discounted or endorsed bills have a right of recourse against us if the banks default payment. Since the bills receivables we discounted or endorsed during the Track Record Period were issued by state-owned commercial banks or reputable foreign banks, we believe the relevant credit risks are low. Accordingly, although we have continuing involvement in the discounted or endorsed bills, we are of the view that we transferred substantially all risks and rewards relating to the discounted or endorsed bills. During the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, total losses recognized on the date of transfer of the discounted or endorsed bills amounted to RMB2.0 million, RMB3.3 million, RMB10.4 million and RMB2.6 million, respectively.

We considered that we have transferred substantially all risks and rewards relating to such discounted or endorsed bank bills, and accordingly, we have derecognized the full amounts of these bank bills. The discount and endorsement of bank bills by us are treated as transfers that qualify for derecognition under the IFRS. A gain or loss should be recognized based on the difference between (1) the carrying amount of the bank bills transferred, and (2) the sum of the proceeds received, including any new assets acquired or liabilities assumed.

In respect of discount of bank bills, loss is recognized based on the difference between the carrying amount of the bank bills transferred to the counter banks and the net proceeds received from the counter banks, being the face value of the bank bills after deduction of interest expenses. In respect of endorsement of bank bills to settle the accounts payable to suppliers, the carrying amount of the bank bills transferred equal to the carrying amount of the accounts payable settled. Accordingly, no loss is recognized in this regard.

Other than the foregoing we had not entered into other off-balance sheet transactions as of the Latest Practicable Date.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate, based on various factors such as our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future business plans and prospects and other factors that we may consider relevant.

A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits may not be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. Furthermore, if we or any of our subsidiaries incur debt on our or its own behalf in the future, the instruments governing the debt may restrict our ability to pay dividends. The past dividend distribution record may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

In 2011, 2012 and 2013, we declared dividends in the amount of RMB253.0 million, RMB152.9 million and RMB662.7 million, respectively. Dividends declared in 2013 included a special dividend of RMB500.0 million, which will be paid either (i) during the period between the date on which the application for the listing of H Shares has passed the hearing of the Listing Committee of the Hong Kong Stock Exchange and the date of the actual listing of the H Shares on the Main Board of the Hong Kong Stock Exchange, or, if earlier, (ii) when so required by any competent authority. As of the Latest Practicable Date, except for the special dividend of RMB500.0 million, we had paid out all the other dividends declared during the Track Record Period.

We currently intend to adopt, after our Listing, a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 30% of our distributable net profit attributable to our equity shareholders in the future but subject to, among other things, our operation needs, earnings, financial condition, working capital requirements and future business plans as our Board may deem relevant at such time.

DISTRIBUTABLE RESERVES

As of June 30, 2014, our Company's distributable reserves were RMB338.6 million under the IFRS.

LISTING EXPENSE INCURRED AND TO BE INCURRED

In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares will be deducted from equity upon the Listing. The remaining listing related fees are either fully charged to profit or loss or charged to profit or loss on an apportioned basis. During the Track Record Period, we have incurred listing expenses, including legal, professional and other fees, in connection with the Global Offering. We expect the total estimated amount of listing related fees, including underwriting commissions, would be approximately RMB94.4 million, of which approximately RMB10.6 million and RMB13.1 million were charged to our administrative expenses for the year ended December 31, 2013 and the six months ended June 30, 2014, respectively. We expect an additional amount of approximately RMB9.4 million to be further recognized as administrative expenses for the year ending December 31, 2014 and approximately RMB61.3 million to be deducted from equity upon the Listing. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2014.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the following unaudited pro forma statement adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is prepared to show the effect on the net tangible assets of our Group as of June 30, 2014 as if the Global Offering had occurred on June 30, 2014 and is based on the consolidated net assets derived from the financial information of our Group as of June 30, 2014, as set out in the Accountants' Report in Appendix I to this prospectus and adjusted as follows:

	Consolidated net tangible assets contributable to the equity shareholders of the Company as of June 30, 2014[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share[(3)]	
	RMB thousands	RMB thousands	RMB thousands	RMB[(4)]	HK$[(4)]
Based on an Offer Price of HK$7.39 per Share	1,550,919	875,481	2,426,400	3.79	4.77
Based on an Offer Price of HK$10.28 per Share	1,550,919	1,225,588	2,776,507	4.34	5.47

(1) The consolidated net tangible assets attributable to the equity shareholders of our Company as of June 30, 2014 is compiled based on the consolidated statement of financial position included in the Accountants' Report set out in Appendix I to this prospectus, which is based on the consolidated net assets attributable to the equity shareholders of our Company as of June 30, 2014 of RMB1,655.5 million after deducting intangible assets attributable to the equity shareholders of the Company of RMB104.6 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$7.39 and HK$10.28 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company, without taking into account the exercise of the Over-allotment Option and discretionary incentive fees. The estimated net proceeds of the Global Offering have been converted to Renminbi at the PBOC rate of HK$1.00 to RMB0.7938 prevailing on June 30, 2014.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 639,462,598 Shares, being the number of shares in issue immediately following the completion of the Global Offering without taking into account of the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted net tangible assets per Share amounts in Renminbi are converted to Hong Kong dollars with the PBOC rate of RMB0.7938 to HK$1.00 prevailing on June 30, 2014.

No adjustment has been made to reflect any trading result, dividends declared or other transactions of the Group entered into subsequent to June 30, 2014.

RELATED PARTY TRANSACTIONS

For a discussion of our related party transactions, see "Business — Transactions with Draka," "Business — Transactions with Joint Ventures" and note 34 to the financial information set out in the Accountants' Report in Appendix I. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms, and that all non-trade balances and guarantees with related parties will be settled and released before Listing. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results not reflective in the Track Record Period.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2014, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since June 30, 2014 which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

OVERVIEW

As at the Latest Practicable Date, our Company was owned as to 37.5% by China Huaxin and 37.5% by Draka, each a controlling shareholder as defined under the Listing Rules. There has been no equity holding changes to our Company since December 2005. According to the articles of association of YOFC or the Company (as the case may be) in force from time to time prior to Listing, each of China Huaxin and Draka has been able to independently exercise their voting rights as a Shareholder in relation to their respective 37.5% interest in our Company, including without limitation, right to dividends declared and right to appoint three directors to the Board which is in proportion to their equity holding, since December 2005. Draka and China Huaxin are independent from each other and there has been no understanding or arrangement (formal or otherwise) that their respective board representatives would vote in any coordinated manner. The right to appoint directors to the Board was terminated at the time when the Company was converted into a joint stock limited company. For more detailed information of China Huaxin and Draka, please refer to the section headed "History and Corporation Structure — Our Shareholders" of this prospectus. Each of China Huaxin and Draka is a controlling shareholder of our Company as defined under the Listing Rules prior to the completion of the Global Offering and each of them is referred to as a "Controlling Shareholder" in this prospectus.

Immediately following the completion of the Global Offering (but excluding any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), Draka and China Huaxin will be entitled to exercise voting rights of approximately 28.12% and 28.12% of the post offering enlarged issued share capital of our Company, respectively. Since each of Draka and China Huaxin will hold less than 30% of our post offering enlarged share capital, neither of them will be our controlling shareholder as defined under the Listing Rules upon Listing despite the fact that each of them is referred to as a "Controlling Shareholder" in this prospectus.

RELATIONSHIP WITH DRAKA

Draka is a direct wholly-owned subsidiary of Draka Holding B.V., which in turn is owned by Prysmian S.p.A., a company listed on the Milan Stock Exchange (Stock code: PRYMY), as to 52.165% and Prysmian Cavi e Sistemi S.r.l., a wholly-owned subsidiary of Prysmian S.p.A., as to 47.835%. Draka Holding B.V. was converted from Draka Holding N.V., a public company, into a private company with limited liability on February 13, 2014.

As part of our establishment as a sino-foreign joint venture in 1988, NV Philips, a leading international manufacturer of optical fibres and optical fibre cables in 1980s and our then 50% shareholder, became our strategic technology partner through the Philips Technology License Agreement, entered into between NV Philips and our Company on March 5, 1988. Pursuant to the Philips Technology License Agreement, our Company was licensed by NV Philips to use several technologies necessary for the manufacture of optical fibres. To streamline its business structure, NV Philips transferred 12.5% and 37.5% of its equity interest in our Company to Wuhan Optical Communication Technology Co., Ltd. and Draka Holding N.V., respectively in 1994. Draka Holding N.V. was a leading manufacturer of electrical cables for the telecommunications and energy industries and agreed to undertake all the obligations under the Philips Technology License Agreement upon becoming our Shareholder. In 2005, due to internal restructuring, Draka Holding N.V. transferred all its equity interest in our Company to Draka and Draka has become our Shareholder since then. In 2011, Prysmian S.p.A. completed the acquisition of Draka Holding N.V., the then holding company of Draka. Prysmian S.p.A., together with its group companies, is primarily engaged in the development, production and sale of energy and telecom cables and systems. Its business scope also covers the manufacturing of optical fibre preforms, optical fibres, optical fibre cables and connective products used in the telecommunications networks. For more detailed information, please refer to the section headed "History and Corporate Structure" in this prospectus.

To strengthen the technology cooperation between the parties, our Company entered into the Optical Fibre Technology Cooperation Agreement with Draka on October 13, 2008, which was subsequently revised on August 27, 2013 and May 30, 2014. The agreement first came into effect on June 1, 2008 and, pursuant to the subsequent revisions, shall expire on July 22, 2024. The Optical Fibre Technology Cooperation Agreement sets out the terms and conditions of the cooperation between our Company and Draka in relation to the joint development of optical fibre technology, the grant of a license over Draka's patents, the geographical delineation of sales markets between our Company and the Draka Group, and the provision of technical services. For more details of the Optical Fibre Technology Cooperation Agreement, please refer to the section headed "Connected Transaction — Non-Exempt Continuing Connected Transactions — I. Continuing connected transactions subject to the annual reporting and announcement requirements" in this prospectus.

Considering the similar business operated by Draka and our Company, both parties to the Optical Fibre Technology Cooperation Agreement believed that it is important to continue to service and maintain their respective existing customers irrespective of their geographical locations. Based on this mutual understanding, the parties agreed, among other things, on the following geographical delineation of sales markets for optical fibre preforms, optical fibres and optical fibre cables, for so long as Draka owns or has control over 20% or above of the total issued share capital of our Company (the "**Arrangement**"):

(a) the sales territories for our Company are Asia except Middle East but including Israel (the "**YOFC Territory**");

(b) the sales territories for the Draka Group are Europe, North America, South America and Middle East except Israel (the "**Draka Territory**");

(c) as for the countries in Africa and any other areas outside the YOFC Territory and the Draka Territory, the Draka Group and our Company will coordinate with each other and continue to provide services to their existing customers independently;

(d) the Draka Group may continue to service its existing customers in the YOFC Territory as it has been selling prior to the date of the Optical Fibre Technology Cooperation Agreement and in the event that the Draka Group sells optical fibre preforms, optical fibres and optical fibre cables in the YOFC Territory, it will be passive in approaching customers within this region, promote the brand of our Company in Asia and coordinate with us on new opportunities and threats in this region. The Draka Group undertakes that it will only service then existing customers located in China through our Company and Shenzhen SDGI. On the other hand, our Company may also sell preform, optical fibres and optical fibre cables to our then existing customers in the Draka Territory as we have been selling prior to the date of the Optical Fibre Technology Cooperation Agreement. At the effective date of the Optical Fibre Technology Cooperation Agreement (i.e. June 1, 2008), our Company had 40 customers located in the Draka Territory whereas the Draka Group had 95 customers located in the YOFC Territory, 19 of which were located in China; and

(e) each of the Draka Group and our Company further undertakes that it shall cause its customers, agents and resellers, as far as legally possible and permissible, to comply with the above agreement on the delineation of respective sales territories and shall be fully responsible in case any of its customers, agents or resellers breaches such agreement.

Considering the Arrangement under the Optical Fibre Technology Cooperation Agreement, our Directors are of the view that the extent of competition between the Draka Group and our Company, if any, has been and, for so long as Draka will own or have control over 20% or above of the total issued share capital of the Company, will continue to be limited.

Our Company has established our business, reputation and clientele for more than 20 years in the PRC. Our turnover generated from sales in the Mainland China market was approximately RMB3,889.6 million, RMB4,495.3 million, RMB4,483.4 million and RMB2,472.0 million, representing approximately 93.2%, 94.1%, 92.9% and 93.8% of our total turnover, for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively. Specifically, our products are primarily sold to optical fibre and cable manufacturers and telecommunications network operators in the PRC. The state-owned telecommunications network operators have been our major customers since our incorporation. The aggregate sales from our Company to the three state-owned telecommunications network operators in the PRC were approximately RMB1,511.3 million, RMB1,713.1 million, RMB1,569.7 million and RMB845.2 million, representing approximately 36.2%, 35.9%, 32.5% and 32.1% of our Company's total turnover, for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, respectively.

The Prysmian Group operates various businesses in the energy and telecom industries. The core markets of the Prysmian Group are Europe, Middle East and Africa. More than 60% of the Prysmian Group's total turnover during the last three financial years was derived from sales in these regions. Its turnover derived from sales of goods and services across all of its various businesses in the Asia Pacific market was insignificant, only representing approximately 14.9%, 14.6% and 14.8% of its total consolidated turnover, for the years ended December 31, 2011, 2012 and 2013. Further, although certain subsidiaries and joint ventures of Prysmian S.p.A. in the YOFC Territory are also engaged in the manufacture and sales of similar products as our Company, their turnover from the relevant products is growing slowly during the last three financial years, and is significantly lower than that of our Company for the latest financial year. These subsidiaries and joint ventures include Prysmian Wuxi Cable Co., Ltd., a company incorporated in the PRC which is engaged in the manufacture and sales of optical fibre cables, Precision Fiber Optics Ltd., a company incorporated in Japan which is engaged in the manufacture and sales of optical fibre preforms, MCI-Draka Cable Co., Ltd., a company incorporated in Thailand which is engaged in the manufacture and sales of optical fibre cables, Draka Comteq Singapore Pte. Ltd., a company incorporated in Singapore which is engaged in the manufacture and sales of optical fibre cables, and Singapore Cables Manufacturers Pte. Ltd., a company incorporated in Singapore which is engaged in the manufacture and sales of optical fibre cables. Among these five entities, Prysmian Wuxi Cable Co., Ltd. is incorporated and has started its business operations before Draka became a member of the Prysmian Group as a result of the acquisition of Draka Holding N.V., the then holding company of Draka, by Prysmian S.p.A. in 2011. The other four entities, all of which were members of the Draka Group before the acquisition of Draka Holding N.V. by Prysmian S.p.A. in 2011, have been continuing to serve their respective existing customers in the YOFC Territory. Among these five entities, only Prysmian Wuxi Cable Co., Ltd. had sales in the PRC market. The turnover of Prysmian Wuxi Cable Co., Ltd. derived from the domestic sales of optical fibre cables in the PRC in 2013 was only approximately RMB50.92 million, representing 14.6% of its total turnover for the same period. The remaining turnover was derived from export sales and sales to other members of the Prysmian Group. The total turnover of Precision Fiber Optics Ltd. from the sales of optical fibre preforms was only approximately RMB25.67 million in 2013, all of which was derived from domestic sales in Japan. The total turnover of MCI-Draka Cable Co., Ltd. from the sales of optical fibre cables was only approximately RMB40.86 million in 2013, all of which was derived from domestic sales in Thailand. The total turnover of Draka Comteq Singapore Pte. Ltd. from the sales of optical fibre cables was only approximately RMB1.99 million in 2013, all of which was derived from domestic sales in Singapore. The total turnover of Singapore Cables Manufacturers Pte. Ltd. from the sales of optical fibre cables was only approximately RMB13.94 million in 2013, with approximately 96.2% derived from domestic sales in Singapore and the remaining from sales to other members of the Prysmian Group.

In addition to the PRC market, we are strategically targeting overseas markets that have strong demand for optical fibre products or markets in which China-based telecommunications companies have already established a presence. We are also targeting expansion into overseas markets that are favorably supported by existing PRC government policies, such as Africa. We currently have no plan to expand our businesses to the European market, since there has been persistently weak demand for optical fibre cables and for building wires and power distribution cables since the end of 2012 in Europe. Our Directors consider that the competition between the Prysmian Group and our Company should be limited in the foreseeable future.

Save as disclosed above, as of the Latest Practicable Date, the Prysmian Group does not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

Apart from the geographical delineation of sales market, the Optical Fibre Technology Cooperation Agreement also provides for the terms and conditions of the cooperation between our Company and Draka in relation to the joint development of optical fibre technology, the grant of a license over Draka's patents and the provision of technical services. In the ordinary and usual course of business, our Company also engages in the sale of optical fibres and optical fibre cables to the Prysmian Group and the purchase of preforms, optical fibres and equipment parts from the Prysmian Group. For more details of our cooperation with Draka under the Optical Fibre Technology Cooperation Agreement and our sales and purchase transactions with Prysmian Group, please refer to the section headed "Connected Transactions" in this prospectus.

In order to increase our market share among non-telecom operators and facilitate our export sales, as having cable production facilities and warehouses in Shanghai will save both time and costs for deliveries to the customers in East China and overseas, we set up a joint venture, namely YOFC Shanghai, with Draka Holding N.V. (currently Draka Holding B.V. which holds 100% shareholding in Draka) in the PRC in October 2002. For more details of YOFC Shanghai, please refer to the section headed "History and Corporate Structure" in this prospectus.

RELATIONSHIP WITH CHINA HUAXIN

China Huaxin is wholly-owned by China Reform Holdings Corporation Ltd. (中國國新控股有限公司), which is an investment management and holding company authorized by the State Council of the People's Republic of China and is wholly-owned by the State-owned Assets Supervision & Administration Commission of China.

China Huaxin is an investment and operations platform for foreign cooperation and technological innovation in China's information industry. In addition to our Company, China Huaxin also invests in and holds (direct or indirect) equity interest in various companies. Its major portfolio companies include Alcatel-Lucent Shanghai Bell Co., Ltd. (上海貝爾股份有限公司), Shanghai Fortune Telecommunication Technology Development Co., Ltd. (上海富欣通信技術發展有限公司), Unihub China Information Technology Co., Ltd. (中盈優創資訊科技有限公司) and Alcatel-Lucent Enterprise Holding.

Alcatel-Lucent Shanghai Bell Co., Ltd. is mainly engaged in the research, development, design, manufacturing, system integration and domestic and overseas sales of various information network and exchange network, mobile communication network, access network, rail traffic signal network, all kinds of information communication terminal, light and electricity transmission network, network management and applications, business and community information commutation network system, very-large-scale integration and other internet products.

Shanghai Fortune Telecommunication Technology Development Co., Ltd. is mainly engaged in the research and development of communications equipment and system, provision of technical advisory services in relation to communications equipment and system, and installation and sales of communications equipment.

Unihub China Information Technology Co., Ltd. is mainly engaged in the research, development, manufacturing and sales of information technologies, system and products, provision of consulting, management and services in relation to information-based system level solutions, and provision of relevant technical support and training services; development, manufacturing and sales of computer hardware and software; wholesales, agency service, import and export of electronic products, and design, consulting, integration and installment of computer systems.

Alcatel-Lucent Enterprise Holding is mainly engaged in the research and development, manufacture and sales of hardware, software and system solutions related to telecommunications, office automation and telematics.

None of these entities or their respective close associates is engaged in the research, development, manufacture and sales of optical fibre preforms, optical fibres and optical fibre cables.

In light of the above, our Directors are of the view that there is a clear delineation between the business operated by China Huaxin and its close associates and our Company. Each of China Huaxin and its close associates does not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS' COMPETING INTERESTS

Other than the overlapping directorship of Mr. Philippe Claude Vanhille (菲利普•范希爾) in several members of the Prysmian Group and our Company as disclosed in the section headed "Directors, Supervisors, Senior Management and Employees — Directors," our Directors have confirmed that, as of the Latest Practicable Date, they do not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

In addition, our Company will adopt certain corporate governance measures to manage the conflict of interests arising from the competing interests of Mr. Philippe Claude Vanhille and to safeguard the interests of our Company. For more details, please refer to the section headed "Directors, Supervisors, Senior Management and Employees — Directors' and Supervisors' Interest" in this prospectus.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders upon completion of the Global Offering.

Management Independence

During the Track Record Period and up to the Latest Practicable Date, the day-to-day management and operation of our Company have been carried out by our experienced full-time senior management team comprising eight officers, most of whom have served our Company for a long period of time. None of the members of our senior management team holds any position at our Controlling Shareholders or their respective close associates. This management structure ensures the independence of the daily management and operation of our Company from that of our Controlling Shareholders.

The Board comprises two executive Directors, six non-executive Directors and four independent non-executive Directors. For more information about the Directors' positions at our Controlling Shareholders and our other existing Shareholder, namely Yangtze Communications, please see the section headed "Directors, Supervisors, Senior Management and Employees" in this prospectus. In particular, the following sets out the details of the Directors' positions at our Controlling Shareholders and their respective close associates, and our Company immediately upon the Global Offering:

Name	Position with the Company	Position with the Controlling Shareholders
Wen Huiguo (文會國)	Chairman of the Board and executive Director	• a member of the management committee of China Huaxin
Ma Jie (馬杰)	Non-executive Director	• vice chairman of the management committee and executive deputy general manager of China Huaxin • non-executive director of Alcatel-Lucent Shanghai Bell Co., Ltd., a subsidiary of China Huaxin • non-executive director of Unihub China Information Technology Co., Ltd., a subsidiary of China Huaxin • non-executive director of Alcatel-Lucent Enterprise Holding, a subsidiary of China Huaxin
Sun Jiming (孫姬明)	Non-executive Director	• a member and the general secretary of the management committee and deputy general manager of China Huaxin • supervisor of Shanghai Fortune Communications Technology Development Co., Ltd., a subsidiary of China Huaxin • non-executive director of Unihub China Information Technology Co., Ltd., a subsidiary of China Huaxin • chairman of the board of directors of Shanghai Yingfeng Investment Co., Ltd. (上海盈風投資有限公司), a subsidiary of China Huaxin

Name	Position with the Company	Position with the Controlling Shareholders
Philippe Claude Vanhille (菲利普 • 范希爾)	Non-executive Director	• senior vice-president of Telecom Business of the Prysmian Group • executive director of Draka • non-executive director of Draka Comteq Fibre B.V., a subsidiary of Prysmian S.p.A. • member of the Comitê de Controle of Draka Comteq France S.A.S., a subsidiary of Prysmian S.p.A. • non-executive director of Draka Comteq Iberica S.L.U., a subsidiary of Prysmian S.p.A. • chairman of the board of directors of Fibre Ottiche Sud S.r.l., a subsidiary of Prysmian S.p.A. • non-executive director of NK Wuhan Cable Co., Ltd., a subsidiary of Prysmian S.p.A. • non-executive director of Precision Fibre Optics Ltd., a joint venture of Draka Comteq Fibre B.V. which is a subsidiary of Prysmian S.p.A. • non-executive director of Prysmian Cables and Systems USA LLC, a subsidiary of Prysmian S.p.A.

As set out above, one of our two executive Directors and three of our six non-executive Directors hold certain positions at our Controlling Shareholders and their respective close associates. Our Company has been a joint venture owned by the Controlling Shareholders and Yangtze Communications since December 2005. The Controlling Shareholders, being the shareholders of the Company, have always been entitled to appoint members to the board, but in fact the Company has been managed by a professional management team. Accordingly, our Directors are of the view that such overlapping of directorships will not affect our ability to operate independently from our Controlling Shareholders on the following grounds:

(a) the executive Director, Mr. Wen, is in charge of the overall management of the investment strategies and business development of the Company but not daily operation. In addition, the company in which Mr. Wen serves as a member of the management committee is China Huaxin, which is an investment management and holding company and does not engage in any business which competes or is likely to compete with our business;

(b) none of our non-executive Directors is involved in the daily management and operation of our Company;

(c) each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;

(d) our Board will operate in accordance with our Articles of Association which require that none of our Directors shall vote on (nor be counted in the quorum in relation to) any resolution of the Board in respect of any contract, transaction or arrangement in which he/she or any of his/her associates is materially interested; and

(e) our independent non-executive Directors constitute one-third of our Board and they will bring independent judgment to the decision-making process of our Board.

In view of the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Company independently from our Controlling Shareholders.

Operational Independence

On the basis of the following reasons, our Directors consider that we are independent of our Controlling Shareholders in terms of our business operations:

1. Independent Access to Suppliers

We have access to our suppliers who are third parties independent from and not connected with our Controlling Shareholders or their respective close associates and we enjoy stable relationship with our suppliers.

In terms of raw materials, we procure almost all of the silica jacket cylinders and glass substrate tubes, the principal raw materials for our production of optical fibre preforms, from Heraeus Quarzglas GmbH & Co., KG and Heraeus Tenevo LLC, subsidiaries of an independent leading German manufacturer, respectively. For each of our raw materials other than glass substrate tubes and silica jacket cylinders, we typically have multiple suppliers, most of whom are also independent third-parties. In terms of feed materials, we produce majority of the optical fibre preforms used for our production of optical fibres while we also make small amount of purchases from the Prysmian Group and independent third-party suppliers. For more information, please see the section headed "Business — Raw and Feed Materials, Inventories and Suppliers" in this prospectus.

The aggregate purchases attributable to our top five suppliers accounted for 44.2%, 49.4%, 50.7% and 53.8%, respectively, of our total purchases including raw and feed materials and equipment for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014. However, the percentage of purchases attributable to the Prysmian Group is only approximately 5.39%, 6.17%, 3.97% and 0.95%, respectively, for the corresponding periods. Please also see the section headed "Connected Transactions" for more information on our purchase transactions with the Prysmian Group.

2. Independent Access to Customers

We have a diversified customer base which includes telecommunications network operators in the PRC and overseas, as well as optical fibre and cable manufacturers. During the Track Record Period, in addition to the three state-owned telecommunications network operators and their respective affiliates, the number of our end customers were 656, 691 and 807, respectively as of December 31, 2011, 2012 and 2013, among which 641, 679 and 793 were independent third parties.

Our sales volume under the sales contracts with Controlling Shareholders is insignificant. In particular, our aggregate turnover attributable to the Prysmian Group only accounted for 0.52%, 0.61%, 0.86% and 0.66%, respectively, of our total turnover for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014. Please refer to the section headed "Connected Transactions" for more information on our sales transactions with the Prysmian Group.

In addition, we have our own sales and marketing teams which are led by our senior management, and have our own marketing, distribution and customer relationship operations which are operated independently from our Controlling Shareholders.

3. Independent Research and Development Capabilities

We have established a strong research and development platform with a dedicated research and development center and the State Key Laboratory of Optical Fibre and Cable Manufacture Technology with a team of professional and experienced in-house research and development personnel, focusing on developing production technologies, process platforms and product testing technologies. Our research and development efforts have resulted in many proprietary intellectual properties, including 75 patents for invention, four patents for design and 95 patents for utility models in the PRC, four patents in the United States, three patents in Taiwan, one patent in Australia, one patent in New Zealand, 76 trademarks in the PRC and 10 trademarks registered overseas, in addition to a number of patent applications and trademark applications in and outside the PRC, as of June 30, 2014. We have also continuously upgraded our production facilities and have started to design and assemble our own custom made machinery and equipment for the production of our products, during the Track Record Period, by leveraging our leading research and development capability.

Optical fibres are made by first constructing a cylindrical high purity glass rod with a carefully controlled refractive index profile, known as an optical fibre preform. The optical fibre preform production process requires careful control over complex chemical processes with expensive equipment and many producers employing proprietary technologies in their production processes. Within the industry, OVD, VAD and PCVD are the three commonly used processes for the production of optical fibre performs. When compared to the OVD process or the VAD process, the PCVD process is capable of producing optical fibre preforms with more accurate refractive index profiles. This means that the PCVD process is able to produce a wide variety of optical fibre performs for a wide variety of optical fibres, including technologically advanced optical fibres for wider and specialty applications. Draka owns core patents of the PCVD production process and since Draka Holding N.V. became the holder of the equity interest of our Company in 1994, we have been furnished with the key technologies in connection with the PCVD production process. We have further purchased from Draka certain equipment parts for construction of eight lathes and have been licensed by Draka to use certain software and source codes under the PCVD Agreement. Our existing PCVD process is primarily based on PCVD Core Technology and associated patents or patent applications licensed from Draka. Since these two agreements will only expire on July 22, 2024, our Directors are of the view that we will be able to continuously use the licensed technologies for our manufacture of optical fibre preforms in the foreseeable future after the Global Offering. For the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, we paid royalty fees to Draka amounted to 0.5%, 0.5%, 0.5% and 0.4% of our total sales. For more details of the Optical Fibre Technology Cooperation Agreement and the PCVD Agreement, please refer to the section headed "Connected Transactions" in this prospectus.

Although the PCVD process is the most flexible optical fibre preform production technology according to the Freedonia Report, the PCVD process requires higher purity glass substrate tubes as compared to VAD or OVD processes. Accordingly, on one hand, our in-house research and development team has been independently and continuously developing and improving our proprietary PCVD technologies to meet our production needs without relying on the PCVD Core Technology and associated patents or patent applications licensed by Draka, and on the other hand, we are also independently developing other production processes, which are suitable for mass production of optical fibre preforms with standard specifications, to complement our PCVD process and to enhance our production efficiency and flexibility in a cost effective manner.

4. Independent Operational Facilities

As of the Latest Practicable Date, we own all the properties and facilities necessary to our business operations independently from our Controlling Shareholders and their respective close associates, including 16 proprietary buildings with an aggregate gross floor area of approximately 103,182 square meters used for operation facilities located on six proprietary parcels of land with an aggregate site area of approximately 141,599 square meters, and two buildings with a total floor area of approximately 7,149 square meters leased from independent third parties used for operation facilities.

5. Independent Employees

Save for Mr. Jan Bongaerts who is appointed by Draka, one of our Controlling Shareholders, as of June 30, 2014, all of our full-time employees were recruited independently and primarily through on-campus recruiting programs and posting advertisements on recruitment websites.

6. All the Licenses Required for Operation

We hold or enjoy the benefit of all relevant licenses and permits necessary to carry on our business, including without limitation, the organization code certificate (組織機構代碼證), the customs registration certificate for import and export cargo consignors (進出口貨物發貨人報關註冊登記證書) and the filing/registration certificate for automatic customs inspection enterprises (自理報檢單位備案登記證明書).

7. Connected Transactions with the our Controlling Shareholders

Save for the continuing connected transactions set out in the section headed "Connected Transactions" in this prospectus, our Directors do not expect that there will be any other transactions between our Company and our Controlling Shareholders or their respective close associates upon completion of the Global Offering.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Company has our own internal control, accounting and financial management system, accounting and finance department, and we make financial decision according to our own business needs.

In addition, our Company does not rely on our Controlling Shareholders by virtue of their provision of financial assistance. During the Track Record Period and up to the Latest Practicable Date, our Company does not have any loan or other type of financing from or to our Controlling Shareholders.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders from a financial perspective and are able to maintain financial independence from our Controlling Shareholders.

OVERVIEW

We have entered into a number of continuing agreements with our connected persons in our ordinary and usual course of business. Upon the listing of our H Shares on the Stock Exchange, the transactions disclosed under this section will constitute continuing connected transactions under the Listing Rules.

The historical amounts disclosed for the financial years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014 in respect of the continuing connected transactions in this section constitute only a portion of the amounts disclosed in respect of transactions with related parties for the financial years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014 in Note 34 to the financial information in the Accountants' Report set forth in Appendix I to this prospectus. The remaining portion of the amounts disclosed in Note 34 to the financial information in the Accountants' Report is attributable to: (i) transactions between our Company and the respective associates of Draka and Yangtze Communications that will not continue following the Listing Date and therefore do not constitute continuing connected transactions requiring disclosure in this section; and (ii) transactions between our Company and our joint ventures or related parties which are not our connected persons as defined under the Listing Rules.

Set out below is a brief summary of our continuing connected transactions and the relevant waivers sought:

Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31, (RMB'000)		
			2014	2015	2016
Exempt continuing connected transactions					
(1) YOFC Shanghai Patent License Agreement	14A.76(1)	N/A	-	-	-
(2) PCVD Agreement	14A.76(1)	N/A	-	-	-
Non-exempt continuing connected transactions					
(1) Optical Fibre Technology Cooperation Agreement	14A.52 and 14A.76(2)	Waiver from the limitation of the term of the agreement to three years or less and announcement requirements	28,000	31,000	34,000
(2) Sale of optical fibres and optical fibre cables to the Huaxin Group	14A.76(2)	Waiver from the announcement requirement	17,000	25,000	32,000
(3) Sale of optical fibres, optical fibre cables, raw materials, equipment and components to the Prysmian Group and YOFC Shanghai	14A.35, 14A.36 and 14A.46	Waiver from announcement, circular and independent shareholders' approval requirements	331,000	318,000	342,000
(4) Purchase of optical fibre preforms, optical fibres, optical fibre cables, equipment parts and spare parts from the Prysmian Group and YOFC Shanghai	14A.35, 14A.36 and 14A.46	Waiver from announcement, circular and independent shareholders' approval requirements	307,000	320,000	334,000

CONNECTED PERSONS

Pursuant to Chapter 14A of the Listing Rules, our Directors, Supervisors, substantial shareholders and chief executive officer or those of our subsidiaries, any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their respective associates are connected persons of our Company. We have entered into agreements or transactions with entities which will become connected persons of our Company upon Listing. These entities include:

1. YOFC Shanghai

YOFC Shanghai is our non-wholly owned subsidiary, which is owned as to 75% by our Company and 25% by our substantial shareholder, Draka, and is therefore our connected person pursuant to Rule 14A.16(1) of the Listing Rules.

2. Prysmian and its associates (collectively, the "Prysmian Group")

Draka is our substantial shareholder and is therefore our connected person. Draka is wholly-owned by Draka Holding B.V., which is in turn owned by Prysmian S.p.A. as to 52.165% and Prysmian Cavi e Sistemi S.r.l. (a wholly-owned subsidiary of Prysmian S.p.A.) as to 47.835%. The following members of the Prysmian Group will continue to enter into transactions with our Company following the Listing Date:

*(a) Draka Comteq Frances S.A.S. ("**Draka France**")*

Draka France is an indirect subsidiary of Draka Holding B.V., thus a fellow subsidiary of Draka, and is therefore an associate of Draka and our connected person.

*(b) Draka Comteq Fibre B.V. ("**Draka Fibre**")*

Draka Fibre is an indirect subsidiary of Draka Holding B.V., thus a fellow subsidiary of Draka, and is therefore an associate of Draka and our connected person.

*(c) Singapore Cables Manufacturers Pte Ltd. ("**Draka Singapore**")*

Draka Singapore is an indirect subsidiary of Draka Holding B.V., thus a fellow subsidiary of Draka, and is therefore an associate of Draka and our connected person.

(d) Prysmian Wuxi Cable Co. Ltd. ("***Prysmian Wuxi***")

Prysmian Wuxi is an indirect subsidiary of Prysmian S.p.A., thus a fellow subsidiary of Draka, and is therefore an associate of Draka and our connected person.

*(e) Prysmian Draka Brasil S.A. ("**Prysmian Brazil**")*

Prysmian Brazil is an indirect subsidiary of Prysmian S.p.A., thus a fellow subsidiary of Draka, and is therefore an associate of Draka and our connected person.

3. China Huaxin and its associates (collectively, the "Huaxin Group")

China Huaxin is our substantial shareholder and is therefore our connected person. As at the Latest Practicable Date, China Huaxin held 50% equity interest in Alcatel-Lucent Shanghai Bell Co., Ltd. ("**Shanghai Bell**"). Shanghai Bell is therefore an associate of China Huaxin and our connected person.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

We set out below details of the continuing connected transactions which are all exempt from the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

YOFC Shanghai Patent License Agreement

Our Company entered into the YOFC Shanghai Patent License Agreement with YOFC Shanghai on March 17, 2014 pursuant to which our Company has agreed to grant licenses to YOFC Shanghai for the exclusive use by YOFC Shanghai of certain of our patents registered in the PRC for a term of 6 years commencing from March 17, 2014 on a royalty-free basis. During the licensed period, other parties including our Company shall not be allowed to use those licensed patents. YOFC Shanghai may use the licensed patents in the manufacturing, sales and import of its contracted products. During the Track Record Period, no consideration was paid to our Company in relation to the use of the licensed patents. Details of the patents licensed to YOFC Shanghai are set forth below:

Patent No.	Name
ZL201120302428.3	Tensile stranded loose tube optical cable (一種抗拉松套層絞式光纜)
ZL201120475833.5	Composite tied ribbon fibre (一種並列複合光纖帶)
ZL201220444840.3	Flexible spiral optical cable (一種柔性螺旋光纜)
ZL201320160147.8	Indoor and outdoor commonly used self-supporting composite optical cable (一種室內外兩用自承式複合光纜)
ZL201320160148.2	Indoor and outdoor commonly used round butterfly shaped cable (一種室內外共用圓蝶形光纜)

YOFC Shanghai was set up as a joint venture between our Company and Draka Holding N.V. (currently Draka Holding B.V. which holds 100% shareholding in Draka) for engaging in the production of indoor cables, outdoor cables, special cables, cable sets and air-blown cables. Since YOFC Shanghai is a subsidiary of our Company, and the licensed patents will allow YOFC Shanghai to apply for the designation of the High and New Technology Enterprise by the Science and Technology Commission of Shanghai Municipal (上海市科學技術委員會) so that YOFC Shanghai will be entitled to certain tax preferential treatments, the Directors are of the view that the license under the YOFC Shanghai Patent License Agreement is granted on normal commercial terms and that the terms of the YOFC Shanghai Patent License Agreement are fair, reasonable and in the interests of our Shareholders as a whole.

Since each of the relevant percentage ratios under the Listing Rules in respect of the license fee payable under the YOFC Shanghai Patent License Agreement is expected to be less than 0.1%, the transactions under the YOFC Shanghai Patent License Agreement constitute de minimis transactions which will be exempt from the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

PCVD Agreement

Our Company entered into the PCVD Agreement with Draka on November 3, 2011, which was further revised on December 10, 2013 and May 30, 2014. Pursuant to the PCVD Agreement, Draka has agreed to sell to our Company certain equipment parts for construction of eight PCVD lathes and grant licenses to our Company for use of certain software and source codes until July 22, 2024 at a consideration of Euro5,854,600 in total. Our Company may install and use the licensed software and source codes on the eight PCVD lathes constructed with equipment parts purchased from Draka for the manufacturing of optical fibre preforms.

For the years ending December 31, 2014, 2015 and 2016, no consideration is expected to be paid by our Company in relation to the use of PCVD Core Technology as all the consideration under the PCVD Agreement has been paid in full.

The terms of the PCVD Agreement, including the amount of the purchase price of the equipment parts and the license fees, were determined after arms' length negotiation between the parties based on a number of factors, including the valuation of PCVD Core Technology, as well as the costs of the equipment parts, the costs of application and protection of the licensed software and source codes. The Directors are of the view that the transaction under the PCVD Agreement is conducted on normal commercial terms and that the terms of the PCVD Agreement are fair, reasonable and in the interests of our Shareholders as a whole.

Since each of the relevant percentage ratios under the Listing Rules in respect of the consideration under the PCVD Agreement is less than 0.1%, the transaction under the PCVD Agreement constitutes a de minimis transaction which will be exempt from the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

I. Continuing connected transactions subject to the annual reporting and announcement requirements

We set out below details of the continuing connected transactions which are exempt from circular (including independent financial advice) and independent shareholders' approval requirements but subject to the annual reporting and announcement requirements under Rule 14A.76(2) of the Listing Rules.

Optical Fibre Technology Cooperation Agreement

Our Company entered into the Optical Fibre Technology Cooperation Agreement with Draka on October 13, 2008, which was further revised on August 27, 2013 and May 30, 2014. The Optical Fibre Technology Cooperation Agreement came into effect on June 1, 2008 and shall expire on July 22, 2024 unless terminated earlier by one party by written notice in the case of breach of contract by the other party, provided that in the case of any breach capable of being made good, the agreement shall not be terminated unless and until such breaching party has failed to make good the breach within sixty days after it has been served with a written notice specifying the breach and requiring it to make the breach good. The Optical Fibre Technology Cooperation Agreement sets out the terms and conditions of the cooperation between our Company and Draka in relation to the joint development of optical fibre technology, the grant of a license over Draka's patents, the geographical delineation of sales markets and the provision of technical services.

- *Joint Development of Optical Fibre Technology*: our Company and Draka agree to seek and conduct joint development project in the area of optical fibre technology. A joint development project shall become effective after a separate written agreement on a project plan shall be entered into between the parties to set out, among other things, the scope, goal, schedule and budget of the project and the nomination of project leaders for the purpose of such joint development project. Each party shall bear its own internal costs to conduct the joint development project and shall exclusively own the intellectual property rights of the inventions made solely by its own inventors. Both our Company and Draka have the right to use the inventions solely developed by the other party free of charge on a non-exclusive basis for the production and sales of optical fibres and semi-finished products that are used for the manufacture of optical fibres. In case the inventions are not independently developed by either party, the rights shall be jointly owned by our Company and Draka on a 50:50 basis. Either party shall have the right of first refusal to acquire such jointly developed inventions in the event of liquidation or termination of the other party. During the Track Record Period, our Company and Draka did not conduct any joint development project. Our Company currently do not have any plan to conduct any joint development project with Draka.

- *License Grant*: Draka has granted a non-exclusive and non-transferrable license to our Company to use certain patent or patent applications owned by Draka to manufacture at our production facility in Wuhan, the PRC and sell optical fibres and semi-finished products that are used for the manufacture of optical fibres in and outside China. For the license grant for the period from June 1, 2008 to May 31, 2009, our Company paid a total of US$2.4 million as royalty fee to Draka. In addition, our Company has also agreed to pay to Draka semi-annual royalty fee to Draka equivalent to 1.3% of the net selling price of each optical fibre product manufactured under the licensed patents that we sell or dispose of. We are not required to pay any royalty fees if products are sold to Draka or its affiliates. If either party wishes to use any improvements, upgrades, modifications made in the working methods, manufacturing processes and manufacturing equipment that the other party applies or uses in its mass production of optical fibre products, then it may file a request with the other party and, if the other party accepts such request, additional royalties shall be payable as agreed upon the parties.

- *Geographical Delineation of Sales Markets*: our Company and Draka have agreed to have a geographical delineation of sales markets, provided that such geographical delineation will no longer be effective when Draka's shareholding in our Company reduces below 20%. For details of such geographical delineation, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus.

- *Provision of Technical Services*: our Company and Draka have agreed to provide to each other the training, support, assistance to operate the optical fibre production equipment and assessment of possibilities for procurement of raw materials and components. The remuneration to be paid by each party for such technical services shall be determined under a separate agreement. Since no technical services have been provided by Draka during the Track Record Period, no technical service fee was payable by us to Draka during the same period. We currently do not have any plan for sourcing any technical services from Draka, thus no technical service fee is expected to be paid by us to Draka for each of the three years ending December 31, 2016.

(i) Historical Transaction Amounts and Annual Caps on Future Transaction Amounts

The following table sets out the total amount of semi-annual royalty fees paid by our Company to Draka under the Optical Fibre Technology Cooperation Agreement during the Track Record Period and the estimated total royalty fees payable under the Optical Fibre Technology Cooperation Agreement for each of the three years ending December 31, 2016:

Historical Transaction Amount (RMB'000)				Annual Cap (RMB'000)		
Year ended December 31,			Six months ended June 30,	Year ending December 31,		
2011	2012	2013	2014	2014	2015	2016
21,591	22,167	24,801	11,500	28,000	31,000	34,000

Notes:

(1) The increase in historical transactions amounts during the Track Record Period is due to the increase in the sales volume of the optical fibre preforms and optical fibres for which licensed patents and patent applications from Draka have been used in the production.

In arriving at the above caps, we have taken into account (i) the historical amounts paid to Draka; and (ii) the expected sales volume of optical fibre preforms and optical fibres manufactured with the licensed patents and patent applications from Draka based on a projected annual growth rate of approximately 10% in consideration of our strategy to increase the portion of our self-produced products.

(ii) Listing Rules Implications

Since the highest relevant percentage ratio under the Listing Rules in respect of the transactions contemplated under the Optical Fibre Technology Cooperation Agreement is expected to be, on an annual basis, more than 0.1% but less than 5%, the transactions will be exempt pursuant to Rule 14A.76(2) of the Listing Rules from the circular (including independent financial advice) and independent shareholders' approval requirement but will be subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

The term of the Optical Fibre Technology Cooperation Agreement exceeds the period of three years referred to in Rule 14A.52 of the Listing Rules. Set forth below are the major reasons as to why the Optical Fibre Technology Cooperation Agreement has a duration of close to 10 years from the Listing Date:

- At the time of our establishment as a sino-foreign joint venture, our Company entered into an optical fibre technology transfer contract with NV Philips, the then shareholder of our Company, for a term of 10 years. Such contract was assigned to Draka Holding N.V. when NV Philips transferred its equity interest in our Company to Draka Holding N.V. in January 1994. Since then, we have been made available these patents and proprietary technologies through the arrangement under the optical fibre technology transfer contract. Our Company has gradually grown into an optical fibre manufacturer with substantial capacities of manufacturing and technological development benefiting from the mutual cooperation between the parties. Given our Company's development, the parties renegotiated the terms of the technology cooperation and entered into the Optical Fibre Technology Cooperation Agreement in 2008. The parties, when entering into the Optical Fibre Technology Cooperation Agreement in 2008 for an initial period of 10 years and revising the agreement in 2014 to extend the term of the agreement to 2024, were of the opinion that the agreement would strengthen their commercial and technological partnership, which has allowed our

Company to build and maintain our technology platform, and to achieve our position as one of the world's leading optical fibre manufacturers.

- Although our Company has been continuously developing our proprietary technologies, Draka continues to be one of our sources of technology. The license granted under the Optical Fibre Technology Cooperation Agreement would allow our Company to continue to use Draka's patents and technology to manufacture our products on a long term basis.

- We and the Joint Sponsors are of the view that it is normal business practice for agreements of this type to have a duration of 10 years or more.

Sale of optical fibres and optical fibre cables to the Huaxin Group

Our Company sells optical fibres and optical fibre cables to China Huaxin and Shanghai Bell in the ordinary and usual course of business. Our Company has entered into a framework agreement with China Huaxin on November 13, 2014 (the "**Huaxin Sales Framework Agreement**") to regulate our sales transactions with the Huaxin Group. Pursuant to the Huaxin Sales Framework Agreement, the pricing terms of each sales transaction shall be determined with reference to the prevailing tender price announced by the state-owned telecommunications operators in the PRC and where such tender price is not available or inapplicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of our Company for similar products.

To implement the sales transactions contemplated under the Huaxin Sales Framework Agreement, a member of the Huaxin Group will place specific purchase orders with us each time they source from us optical fibres and optical fibre cables. A purchase order typically contains terms on product specifications, quantity, payment date and method, delivery arrangements, liabilities and warranties.

The Huaxin Sales Framework Agreement will become effective on the Listing Date and is valid until either (i) the expiry of a period of three years or (ii) the date on which China Huaxin ceases to be our connected person, whichever comes earlier. The parties to the agreement may negotiate to extend the agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated earlier due to China Huaxin ceasing to be our connected person.

(i) Historical Transaction Amounts and Annual Caps on Future Transaction Amounts

The table below sets out, in relation to each relevant purchaser that is a member of the Huaxin Group and our connected person, the historical transaction amounts received by us during the Track Record Period and the estimated maximum aggregate sales amount for each of the three years ending December 31, 2016:

			Historical Transaction Amount (RMB'000)				Annual Cap (RMB'000)		
			For the year ended December 31,			Six months ended June 30,	For the year ending December 31,		
Seller	Purchaser (Member of the Huaxin Group and connected person of the Company)	Goods	2011	2012	2013	2014	2014	2015	2016
The Company	China Huaxin	Optical fibres and optical fibre cables	Nil	Nil	Nil	Nil	7,000	10,000	12,000
	Shanghai Bell	Optical fibres and optical fibre cables	Nil	Nil	Nil	Nil	10,000	15,000	20,000
		Sub-Total	**Nil**	**Nil**	**Nil**	**Nil**	**17,000**	**25,000**	**32,000**

Notes:

(1) During the Track Record Period, we did not have any transactions with the Huaxin Group.

(2) The Huaxin Group started to have demand for a special type of optical fibres and optical fibre cables, for which we are a top global supplier, for one of its recent new projects. Commencing from September 2014, we became a qualified supplier of such type of optical fibres and optical fibre cables of the Huaxin Group through the public bidding process.

In arriving at the above caps, we have taken into account (i) the actual amount of orders received from the Huaxin Group in 2014; and (ii) the potential subsequent increase in demand for optical fibres and optical fibre cables by the Huaxin Group as a result of the increase in the number of new projects being undertaken by the Huaxin Group.

Since Shanghai Bell becomes a connected person of our Company by virtue of its relationship with China Huaxin and our transactions with China Huaxin and Shanghai Bell, being sales of goods, are of similar nature, the sales transactions with China Huaxin and Shanghai Bell will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the sales transactions with China Huaxin and Shanghai Bell are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

(ii) Listing Rules Implications

Since the highest relevant percentage ratio under the Listing Rules in respect of the sales transactions with China Huaxin and Shanghai Bell, as aggregated, is expected to be, on an annual basis, more than 0.1% but less than 5%, the transactions will be exempt pursuant to Rule 14A.76(2) of the Listing Rules from the circular (including independent financial advice) and independent shareholders' approval requirement but will be subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

II. Continuing connected transactions subject to the annual reporting, announcement, circular and independent shareholders' approval requirements

We set out below details of the continuing connected transactions which are subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Sale of optical fibres, optical fibre cables, raw materials, equipment and components to the Prysmian Group and YOFC Shanghai

Our Company sells optical fibres, optical fibre cables, raw materials, equipment and components to certain members of the Prysmian Group and YOFC Shanghai in the ordinary and usual course of business. Our Company has entered into a framework agreement with Prysmian S.p.A. on November 13, 2014 and a framework agreement with YOFC Shanghai on November 13, 2014 (together, the "**Sales Framework Agreements**") to regulate our sales transactions respectively with the Prysmian Group and YOFC Shanghai. Pursuant to the Sales Framework Agreements, the pricing terms of each sales transaction shall be consistent with the following guidelines:

(i) the prevailing tender price announced by the local telecommunications operators at the place where the relevant purchaser is located (the "**Local Tender Price**"); or

(ii) the latest average export (from China) price made available to public by the General Administration of Customs of the PRC (中華人民共和國海關總署), at the time of the relevant transaction (the "**Export Price**");

where neither Local Tender Price nor the Export Price is available, the pricing terms shall be consistent with the prevailing tender price announced by the state-owned telecommunications operators in the PRC (the "**PRC Tender Price**") and where none of the Local Tender Price, the Export Price or the PRC Tender Price is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of our Company for similar products.

To implement the sales transactions contemplated under the Sales Framework Agreements, a member of the Prysmian Group or YOFC Shanghai will place specific purchase orders with us each time they source from us respectively optical fibres and optical fibre cables in case of the Prysmian Group, and optical fibres, optical fibre cables, raw materials, equipment and components in case of YOFC Shanghai. A purchase order typically contains terms on product specifications, quantity, payment date and method, delivery arrangements, liabilities and warranties. Our marketing team will keep abreast of the pricing information made available to public by the General Administration of Customs of the PRC from time to time. Such pricing information is usually updated on a monthly basis.

Each of the Sales Framework Agreements will become effective on the Listing Date and is valid until either (i) the expiry of a period of three years or (ii) the date on which Draka ceases to be our connected person, whichever comes earlier. The parties to the agreement may negotiate to extend the agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated earlier due to Draka ceasing to be our connected person.

The sale of optical fibres and optical fibre cables to the Prysmian Group amounted to 0.51%, 0.61%, 0.86% and 0.66% of our total turnover for the three years ended December 31, 2011, 2012 and 2013 and for the six months ended June 30, 2014, respectively.

The sale of optical fibres, optical fibre cables, raw materials, equipment and components to YOFC Shanghai amounted to 4.4%, 4.3%, 4.9% and 4.3% of our total turnover for the three years ended December 31, 2011, 2012 and 2013 and for the six months ended June 30, 2014, respectively.

(i) Historical Transaction Amounts and Annual Caps on Future Transaction Amounts

The table below sets out, in relation to each relevant purchaser that is a member of the Prysmian Group and our connected person, and YOFC Shanghai, which is a connected subsidiary by virtue of Draka's 25% equity holding in it, the historical transaction amounts received by us during the Track Record Period, the estimated maximum aggregate sales amount for each of the three years ending December 31, 2016:

Seller	Purchaser (Member of the Prysmian Group/our subsidiary connected with Draka and our connected person)	Goods	Historical Transaction Amount (RMB'000) For the year ended December 31, 2011	2012	2013	Six months ended June 30, 2014	Annual Cap (RMB'000) For the year ending December 31, 2014	2015	2016
Our Company	Draka Fibre	Optical fibres	568	-	533	-	2,000	2,000	2,000
	Draka Singapore	Optical fibre cables	2,173	2,501	13,230	1,361	20,000	20,000	20,000
	Prysmian Wuxi	Optical fibres and optical fibre cables	18,598	26,590	27,874	15,995	70,000	40,000	44,000
	Prysmian Brazil	Optical fibres and optical fibre cables	Nil	Nil	Nil	Nil	8,000	13,000	20,000
	YOFC Shanghai	Optical fibres, optical fibre cables, raw materials, equipment and components	184,766	207,307	234,544	112,831	231,000	243,000	256,000
		Sub-Total	**206,105**	**236,398**	**276,181**	**130,187**	**331,000**	**318,000**	**342,000**

Notes:

(1) During the Track Record Period, Draka Fibre occasionally purchased from us to fulfill those adhoc demands on special types of optical fibres.

(2) The substantial increase in the amount of transactions with Draka Singapore from 2012 to 2013 is due to the increasing demand of optical fibre cables in the Southeast Asia region where most of Draka Singapore's customers were located, which in turn resulted in its increasing demand for cables they purchased from us.

(3) The increase in the historical amounts of our transactions with Prysmian Wuxi is driven by the growth of the business operations of Prysmian Wuxi. The growth from 2011 to 2012 was primarily due to the increasing demand of Prysmian Wuxi in optical fibre cables due to its normal business growth. The growth from 2012 to 2013 has been minimal given the production capacity of Prysmian Wuxi has filled up.

(4) Commencing from July 2014, we started to sell a special type of optical fibres and optical fibre cables, for which we are a top global supplier, to Prysmian Brazil as a result of the increase in the demand of Prysmian Brazil for such type of optical fibres and optical fibre cables for its new projects.

(5) The increase in the historical amounts of our transactions with YOFC Shanghai is due to the increasing sales of YOFC Shanghai to overseas customers and customers other than the telecommunications network operators.

(6) Historically, we from time to time sold raw materials, equipment and components to YOFC Shanghai but the transaction amounts were very insignificant. We may sell raw materials, equipment and components in the future to YOFC Shanghai on an ad hoc basis. However we expect the transaction amounts will continue to be insignificant.

In arriving at the above caps, we have taken into account (i) the historical transaction amounts with the Prysmian Group and YOFC Shanghai; (ii) the subsequent increase in demand for optical fibres by Draka Fibre as a result of its expected growth in business; (iii) the natural increase in demand for optical fibre cables by Draka Singapore as a result of market growth in the Southeast Asia region where most of Draka Singapore's customers are located; (iv) despite its limited production capacity, Prysmian Wuxi will purchase more optical fibres from us and optical fibre cables for resale to its fellow subsidiaries within the Prysmian Group in the next few years and we have received a large amount of orders from Prysmian Wuxi for 2014 due to its temporarily increasing demand for optical fibres and optical fibre cables; (v) the increase in demand for optical fibres and optical fibre cables by Prysmian Brazil in response to its expected growth in business; and (vi) the natural increase in demand for optical fibres by YOFC Shanghai in response to its sales expansion.

Since Draka Fibre, Draka Singapore, Prysmian Wuxi, Prysmian Brazil and YOFC Shanghai become connected persons of our Company by virtue of their relationship with Draka and our transactions with these entities, being sale of goods, are of a similar nature, the sales transactions with these entities will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the sales transactions with each of these entities are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14 of the Listing Rules.

(ii) Listing Rules Implications

Since at least one of the relevant percentage ratios under the Listing Rules in respect of the sales transactions with Prysmian Group and YOFC Shanghai, as aggregated, is expected to be, on an annual basis, more than 5%, the transactions will be subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Purchase of optical fibre preforms, optical fibres, optical fibre cables, equipment parts and spare parts from the Prysmian Group and YOFC Shanghai

Our Company purchases optical fibre preforms, optical fibres, optical fibre cables, equipment parts and spare parts from the Prysmian Group and YOFC Shanghai in the ordinary and usual course of business. Our Company has entered into a framework agreement with Prysmian S.p.A. on November 13, 2014 and a framework agreement with YOFC Shanghai on November 13, 2014 (together, the "**Purchase Framework Agreements**") to regulate our purchase transactions respectively with the Prysmian Group and YOFC Shanghai. Pursuant to the Purchase Framework Agreements, the pricing terms of each purchase transaction shall be consistent with the following guidelines:

(i) the latest average import (into China) price made available to public by the General Administration of Customs of the PRC (中華人民共和國海關總署) at the time of the relevant transaction; or

(ii) the prevailing tender price announced by the state-owned telecommunications operators in the PRC;

where none of the above is available or applicable, the price shall be determined on a fair and reasonable basis which is equivalent or comparable to those offered to or quoted by third parties independent of our Company for similar products. Our Company shall solicit at least two other contemporaneous transactions with unrelated third parties for products in similar quantities and quality to determine if the price and terms offered by the Prysmian Group or YOFC Shanghai are fair and reasonable and comparable to those offered by unrelated third parties.

To implement the purchase transactions contemplated under the Purchase Framework Agreements, we will place specific purchase orders with the Prysmian Group or YOFC Shanghai each time we purchase optical fibre preforms, optical fibres, optical fibre cables and equipment parts from the Prysmian Group and optical fibres, optical fibre cables and spare parts from YOFC Shanghai. A purchase order typically contains terms on product specifications, quantity, payment date and method, delivery arrangements, liabilities and warranties. Our marketing team will keep abreast of the pricing information made available to public by the General Administration of Customs of the PRC from time to time. Such pricing information is usually updated on a monthly basis.

Each of the Purchase Framework Agreements will become effective on the Listing Date and is valid either (i) until the expiry of a period of three years or (ii) the date on which Draka ceased to be our connected person, whichever comes earlier. The parties to the agreement may negotiate to extend the agreement for a further term of three years within two months before the expiry of the three-year term of the agreement unless the agreement is terminated earlier due to Draka ceasing to be our connected person.

The purchase of optical fibre preforms, optical fibres, optical fibre cables and equipment parts from the Prysmian Group amounted to 5.39%, 6.17%, 3.97% and 0.95% of our total purchase amount for the three years ended December 31, 2011, 2012 and 2013 and for the six months ended June 30, 2014, respectively.

The purchase of optical fibres, optical fibre cables and spare parts from YOFC Shanghai amounted to 6.06%, 5.26%, 5.06% and 4.67% of our total purchase amount for the three years ended December 31, 2011, 2012 and 2013 and for the six months ended June 30, 2014, respectively.

(i) Historical Transaction Amounts and Annual Caps on Future Transaction Amounts

The table below sets out, in relation to each relevant seller that is a member of the Prysmian Group and our connected person, and YOFC Shanghai, which is a connected subsidiary of our Company by virtue of Draka's 25% equity holding in it, the historical transaction amounts paid by us during the Track Record Period, the estimated maximum aggregate purchase amount for each of the three years ending December 31, 2016:

			Historical Transaction Amount (RMB'000)				**Annual Cap (RMB'000)**		
			Year ended December 31,			**Six months ended June 30,**	**Year ending December 31,**		
Purchaser	**Seller (Member of the Prysmian Group/our subsidiary connected with Draka and our connected person)**	**Goods**	**2011**	**2012**	**2013**	**2014**	**2014**	**2015**	**2016**
Our Company	Draka Fibre	Equipment parts for optical fibre production, optical fibres and optical fibre cables	3,482	51,200	3,369	4,802	12,000	12,000	12,000
	Draka France	Optical fibre preforms and optical fibres	119,564	84,443	130,531	14,205	36,000	36,000	36,000
	YOFC Shanghai	Optical fibres, optical fibre cables and spare parts	222,624	214,958	210,017	93,480	259,000	272,000	286,000
		Sub-Total	**345,670**	**350,601**	**343,917**	**112,487**	**307,000**	**320,000**	**334,000**

Notes:

(1) The reason for the fluctuations of the historical amounts of our transactions with Draka Fibre is that some optical fibre production equipment were purchased by us in 2012 for our phase 9.2 fibre production capacity expansion.

(2) The fluctuations of the historical amounts of our transactions with Draka France are due to (i) the decrease in our demand for Draka-made preforms in 2012 as we used more of our self-produced preforms in our production; and (ii) the increase in demand for Draka-made preforms in 2013 as a result of expansion of production capacity by Shenzhen SDGI, a Joint Venture of our Company, which uses Draka-made preforms.

(3) The decrease in the historical amounts of our transactions with YOFC Shanghai from 2011 to 2012 is due to the combined effects of the decrease in the selling price and the decrease in the sales volume resulting from the temporarily decreasing regional demand. The increase from 2012 to 2013 is primarily due to the increase in the sales volume, partially offset by the decrease in the selling price.

In arriving at the above caps, we have taken into account (i) the historical amounts paid to the Prysmian Group and YOFC Shanghai; (ii) our demand to purchase OM4 fibres from Draka Fibre and our limited demand for parts and components from Draka Fibre which are purchased only for replacement resulting from the normal wear and tear of equipment; (iii) the business plan of Shenzhen SDGI to purchase a certain amount of preforms from Draka France; and (iv) the projected increase in demand for optical fibre cables from YOFC Shanghai in response to the normal market growth in consideration of the limited production capacity of our Company for optical fibre cables.

Since Draka Fibre, Draka France and YOFC Shanghai become connected persons of our Company by virtue of their relationship with Draka and our transactions with these entities, being purchase of goods, are of a similar nature, the purchase transactions with these entities will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the purchase transactions with each of these entities are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14 of the Listing Rules.

(ii) Listing Rules Implications

Since at least one of the relevant percentage ratios under the Listing Rules in respect of the purchase transactions with Prysmian Group and YOFC Shanghai, as aggregated, is expected to be, on an annual basis, more than 5%, the transactions will be subject to the annual reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE DIRECTORS' VIEWS

The Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions described in this section, which have been and shall be entered into in the ordinary and usual course of business of the Company, are on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Directors (including our independent non-executive Directors) are of the view that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The conflicted Directors shall be required to be absent from participation and abstain from voting in the Board meetings at which resolutions in relation to any connected transactions involving the companies which appoint such conflicted Directors to the Board are discussed.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the non-exempt continuing connected transactions as described in this section have been and shall be entered into in the ordinary and usual course of business of the Company, are on normal commercial terms, are fair and reasonable and in the interests of the shareholders of the Company as a whole, and that the proposed annual caps for these transactions referred to in this section are fair and reasonable and in the interests of the shareholders of the Company as a whole. With respect to the term of the Optical Fibre Technology Cooperation Agreement which is of a duration longer than three years, the Joint Sponsors are of the view that it is a justifiable and normal business practice for the agreement to have a duration longer than three years to ensure that our Company can continue to use the patents and proprietary technologies of Draka on a long term basis.

APPLICATION FOR WAIVER

In respect of the transactions described under the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — I. Continuing connected transactions subject to the annual reporting and announcement requirements", as the highest relevant percentage ratio under the Listing Rules is, on an annual basis, expected to be more than 0.1% but less than 5%, such transactions are exempt from the circular and independent shareholders' approval requirements but subject to the annual reporting and announcement requirements as set out in Rules 14A.49 and 14A.35 of the Listing Rules and the annual review requirements as set out in Rules 14A.55 to 14A.59 and 14A.71(6) of the Listing Rules.

In respect of the transactions described under the section headed "Connected Transactions — Non-Exempt Continuing Connected Transactions — II. Continuing connected transactions subject to the annual reporting, announcement, circular and independent shareholders' approval requirements", as at least one of the relevant percentage ratios under the Listing Rules is, on an annual basis, in each case expected to be more than 5%, these transactions are subject to the annual reporting and announcement requirements as set out in Rules 14A.49 and 14A.35 of the Listing Rules, the annual review requirements as set out in Rules 14A.55 to 14A.59 and 14A.71(6) of the Listing Rules and the circular and independent shareholders' approval and related requirements as set out in Rules 14A.36, 14A.46 and 14A.53(3) of the Listing Rules.

As described above, we expect these non-exempt continuing connected transactions to be carried out on a continuing basis and to extend over a period of time. Our Directors therefore consider that strict compliance with the announcement, circular and independent shareholders' approval requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon us.

Accordingly, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement relating to continuing connected transactions under Rule 14A.35 of the Listing Rules in respect of the transactions described under the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions — I. Continuing connected transactions subject to the annual reporting and announcement requirements", and a waiver from strict compliance with the announcement, circular and independent shareholders' approval requirements relating to continuing connected transactions under Rules 14A.35, 14A.36, 14A.46 and 14A.53(3) of the Listing Rules in respect of the transactions described under the section headed "Connected Transactions — Non-Exempt Continuing Connected Transactions — II. Continuing connected transactions subject to the annual reporting, announcement, circular and independent shareholders' approval requirements".

We will, however, comply at all times with the applicable provisions under Rules 14A.34, 14A.49, 14A.51 to 14A.59 and 14A.71 of the Listing Rules in respect of these non-exempt continuing connected transactions (except for the compliance with Rule 14A.52 of the Listing Rules in the case of Optical Fibre Technology Cooperation Agreement).

As described above, our Directors consider that it is reasonable and in the interests of the Company for the Optical Fibre Technology Cooperation Agreement to have a duration of close to 10 years from the Listing Date. Accordingly, we have applied, pursuant to Rule 14A.102 of the Listing Rules, for a waiver from strict compliance with the requirement of limiting the term of the Optical Fibre Technology Cooperation Agreement to three years or less.

As at December 31, 2016, the Optical Fibre Technology Cooperation Agreement for which we are applying for waivers will remain in effect. In order to ensure the smooth continuation of the Optical Fibre Technology Cooperation Agreement, and to maintain the long-term cooperation between our Company and Draka as contemplated by the agreement, we undertake to comply with the requirements set out under Chapter 14A of the Listing Rules. We shall review the terms of the Optical Fibre Technology Cooperation Agreement, and we will set proposed new caps on the agreement for each year after 2016, which will be determined with reference to the performance of the obligations, and the conduct of the transactions by our Company and Draka, under the agreement during the relevant year. With regard to the approval of the proposed caps on these agreements for each of the three years ending December 31, 2017, 2018 and 2019, we undertake to comply fully with the requirements of the Listing Rules. We consider that the shareholders' approval requirement, if applicable, provides our independent shareholders with an opportunity to review and reconsider the renewal of the proposed caps of the agreements upon expiry of the initial three-year term, and hence is fair and reasonable insofar as our shareholders are concerned. In the event we are unable to obtain our independent shareholders' approval on the proposed caps, we shall review the terms of the agreement and re-negotiate such terms with Draka if Draka so agrees, so as to ensure our Company's operations will be in good order.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this prospectus on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with two investors (the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their designated entities that are qualified domestic institutional investors to subscribe, at the Offer Price for such number of Offer Shares as may be purchased with an aggregate amount of US$30 million (rounded down to the nearest whole board lot of 500 H Shares).

Assuming an Offer Price of HK$7.39 (being the low-end of the Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 31,477,000 Shares, representing (i) approximately 4.92% of the Shares in issue upon the completion of the Global Offering assuming that the Over-allotment Option is not exercised; and (ii) approximately 4.74% of the Shares in issue upon the completion of the Global Offering assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$8.84 (being the mid-point of the Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 26,329,000, representing (i) approximately 4.12% of the Shares in issue upon the completion of the Global Offering assuming that the Over-allotment Option is not exercised; and (ii) approximately 3.97% of the Shares in issue upon the completion of the Global Offering assuming that the Over-allotment Option is exercised in full.

Assuming an Offer Price of HK$10.28 (being the high-end of the Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 22,628,000, representing (i) approximately 3.54% of the Shares in issue upon the completion of the Global Offering assuming that the Over-allotment Option is not exercised; and (ii) approximately 3.41% of the Shares in issue upon the completion of the Global Offering assuming that the Over-allotment Option is exercised in full.

To the best knowledge of our Company, each of the Cornerstone Investors is independent from our Company. The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules).

The Offer Shares to be subscribed for by the Cornerstone Investors may be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation and clawback". Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around December 9, 2014.

CORNERSTONE INVESTOR

Our Cornerstone Investors are set out below:

Dongfeng Asset Management Co. Ltd.

Dongfeng Asset Management Co. Ltd. ("**Dongfeng Asset Management**") is a company incorporated in the PRC whose businesses include asset management, industrial investment, venture capital investment, investment management and consultancy, land and real estate development, international economic and technological cooperation, and related technical consulting, technical services, information services, and after-sales services. Dongfeng Asset Management is a wholly-owned subsidiary of Dongfeng Motor Corporation, a large state-owned enterprise engaged in the manufacturing of commercial vehicles, passenger vehicles, auto parts, components and equipment as well as other auto-related businesses.

Dongfeng Asset Management has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with the Hong Kong dollars equivalent of US$15 million (calculated at the exchange rate published by The Hongkong and Shanghai Banking Corporation Limited at 9:00 a.m. Hong Kong time on the Price Determination Date) at the Offer Price. In case where there is any reallocation of H Shares from the International Offering to the Hong Kong Public Offering, the Company and the Joint Global Coordinators have the sole discretion to reduce the number of Offer Shares which may be subscribed for by Dongfeng Asset Management to enable the Company to comply with the relevant requirements under the Listing Rules including without limitation the public float requirements under Rule 8.08 of the Listing Rules and the placing guidelines set out in Appendix 6 to the Listing Rules, provided that the number of Offer Shares to be subscribed for by Dongfeng Asset Management and the number of Offer Shares to be subscribed for by the other cornerstone investors in the International Offering shall be reduced on a pro rata basis. Assuming an Offer Price of HK$8.84 being the mid-point of the Offer Price range set forth in this prospectus, Dongfeng Asset Management will subscribe for approximately 13,164,500 Offer Shares, representing (i) approximately 2.06% of the Shares in issue upon the completion of the Global Offering assuming that the Over-allotment Option is not exercised; and (ii) approximately 1.98% of the Shares in issue upon the completion of the Global Offering assuming that the Over-allotment Option is exercised in full.

CSR (Hong Kong) Co Limited

CSR (Hong Kong) Co Limited ("**CSR HK**") is a company incorporated in Hong Kong, which is wholly owned and controlled by CSR Corporation Limited, a joint stock limited company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601766) and the Stock Exchange (stock code: 1766). CSR HK's principal activities include marketing, sales of products, trading, after-sales services and capital management. CSR Corporation Limited is one of the largest rolling stock suppliers in the world. It supplies rolling stock products in series including high speed multiple units, high-powered electric locomotives, transit vehicles, heavy haul freight trains and high-end passenger carriages, and is also engaged in systematic and comprehensive research, development and manufacturing and other extended businesses.

CSR HK has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with the Hong Kong dollars equivalent of US$15 million (calculated at the exchange rate published by The Hongkong and Shanghai Banking Corporation Limited at 9:00 a.m. Hong Kong time on the Price Determination Date) at the Offer Price. In case where there is any reallocation of H Shares from the International Offering to the Hong Kong Public Offering, the Company and the Joint Global Coordinators have the sole discretion to reduce the number of Offer Shares which may be subscribed for by CSR HK to enable the Company to comply with the relevant requirements under the Listing Rules including without limitation the public float requirements under Rule 8.08 of the Listing Rules and the placing guidelines set out in Appendix 6 to the Listing Rules, provided that the number of Offer Shares to be subscribed for by CSR HK and the number of Offer Shares to be subscribed for by the other cornerstone investors in the International Offering shall be reduced on a pro rata basis. Assuming an Offer Price of HK$8.84 being the mid-point of the Offer Price range set forth in this prospectus, CSR HK will subscribe for approximately 13,164,500 Offer Shares, representing (i) approximately 2.06% of the Shares in issue upon the completion of the Global Offering assuming that the Over-allotment Option is not exercised; and (ii) approximately 1.98% of the Shares in issue upon the completion of the Global Offering assuming that the Over-allotment Option is exercised in full.

Conditions Precedent and Termination

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in those underwriting agreements or as subsequently waived or varied by agreement of the parties thereto;

(b) neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(c) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the H Shares and such approval or permission not having been revoked prior to the commencement of dealings in the H Shares on the Main Board; and

(d) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

Pursuant to the cornerstone investment agreement with Dongfeng Asset Management, Dongfeng Asset Management has the right at its sole discretion to unilaterally terminate the agreement if the final Offer Price is higher than HK$10.28, being the high end of the Offer Price range stated in this prospectus.

Restrictions on the Cornerstone Investors' Investment

Each of the Cornerstone Investors has agreed that, without the prior written consent of each of our Company and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six (6) months following the Listing Date, dispose of (as defined in the respective cornerstone investment agreements) any of the H Shares subscribed for by it pursuant to the relevant cornerstone investment agreements, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that such wholly-owned subsidiary undertakes in writing to, and such Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will, abide by the terms and restrictions imposed on such Cornerstone Investor under the relevant cornerstone investment agreement.

As of the date of this prospectus, the registered share capital of our Company is RMB479,592,598 divided into 299,764,804 Domestic Shares and 179,827,794 Unlisted Foreign Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of the Company immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
299,764,804	Domestic Shares in issue [(1)]	46.88%
179,827,794	H Shares to be converted from Unlisted Foreign Shares and held by Draka [(2)]	28.12%
159,870,000	H Shares to be issued under the Global Offering	25.00%
639,462,598		100.00%

Notes:

(1) The Domestic Shares are held by China Huaxin and Yangtze Communications.

(2) Pursuant to the approval issued by the CSRC on October 23, 2014, the CSRC has approved the conversion of the 179,827,794 Unlisted Foreign Shares held by Draka into H Shares upon the completion of the Global Offering, and they may be freely transferred upon expiry of the Existing Shareholders Lock Up Period.

Assuming the Over-allotment Option is exercised in full, the share capital of the Company immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
299,764,804	Domestic Shares in issue [(1)]	45.18%
179,827,794	H Shares to be converted from Unlisted Foreign Shares and held by Draka [(2)]	27.11%
183,850,000	H Shares to be issued under the Global Offering	27.71%
663,442,598		100.00%

Notes:

(1) The Domestic Shares are held by China Huaxin and Yangtze Communications.

(2) Pursuant to the approval issued by the CSRC on October 23, 2014, the CSRC has approved the conversion of the 179,827,794 Unlisted Foreign Shares held by Draka into H Shares upon the completion of the Global Offering, and they may be freely transferred upon expiry of the Existing Shareholders Lock Up Period.

OUR SHARES

Domestic Shares, Unlisted Foreign Shares and H Shares are all ordinary shares in the share capital of our Company. All dividends in respect of H Shares are to be paid by us in Hong Kong dollars (other than dividends in respect of the H Shares to be converted from Unlisted Foreign Shares held by Draka, which are to be paid by us in Euro) whereas all dividends in respect of Domestic Shares are to be paid by us in Renminbi. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and traded in Renminbi. Apart from certain qualified domestic institutional investors in the PRC, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors.

Our Promoters hold all existing Domestic Shares and Unlisted Foreign Shares as promoter shares (as defined in the PRC Company Law). Under the PRC Company Law, promoter shares may not be sold within a period of one year from December 27, 2013, on which we were organized as a joint stock limited company. This lock-up period will expire on December 26, 2014. The PRC Company Law further provides that the shares issued prior to any public offering of our Shares should not be transferred within a period of one year from the date on which our shares are publicly offered and listed on the relevant stock exchange. Accordingly, promoter shares may not be sold within a period of one year from the Listing Date. This lock-up period is expected to expire on December 9, 2015 (the "**Existing Shareholders Lock Up Period**").

Upon the approval of the State Council or its authorized regulatory departments and with the consent of the Stock Exchange, the Domestic Shares may be converted into H Shares.

Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in our Articles of Association and summarized in Appendix V to this prospectus, our Domestic Shares, Unlisted Foreign Shares and H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time. Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months. We have not approved any share issue plan other than the Global Offering.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

According to the approval of the State Council's securities regulatory authority, our Domestic Shares may be converted into H Shares, and such converted shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. If any of our Domestic Shares are to be converted into H Shares, such conversion will need to obtain the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Stock Exchange is required for the listing of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong. No class shareholder voting is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform shareholders and the public of any proposed conversion.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the

Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange complying with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Promoters currently proposes to convert any of the Domestic Shares held by it into H Shares.

REDUCTION OF STATE-OWNED SHARES

In accordance with relevant PRC rules regarding the reduction of state-owned shares and the reduction approval of the relevant PRC regulatory authorities, China Huaxin is required to transfer to NSSF such number of Domestic Shares that are equivalent to 10% of the number of the Offer Shares (15,987,000 H Shares before the exercise of the Over-allotment Option, and 18,385,000 H Shares after the exercise in full of the Over-allotment Option), or pay the equivalent cash at the Offer Price under the Global Offering to NSSF, or a combination of both. Pursuant to the approval issued by SASAC on June 29, 2014 and a letter issued by NSSF on August 7, 2014, China Huaxin is required to pay such amount in cash to NSSF that is equivalent to the Offer Price multiplied by the number of Domestic Shares that China Huaxin shall relinquish under the Global Offering pursuant to the relevant PRC laws.

We have been advised by our PRC Legal Advisor that the reduction and payment described above have been approved by the relevant PRC regulatory authorities and are legal under the PRC laws.

REGISTRATION OF SHARES NOT LISTED ON OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 Business Days upon Listing.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

According to our Articles of Association, general meetings or class meetings are required under the following circumstances: (i) increase or reduction of the share capital, repurchase of the Company's shares and issue of shares of any class, stock warrants or other similar securities; (ii) the division, merger, dissolution, liquidation or change of corporate forms of the Company; (iii) issuance of bonds or other securities; and (iv) amendments to the Articles of Association.

For further information, see "Appendix V Summary of the Articles of Association — Notice of Meetings and Business to be Conducted" and "Appendix V Summary of the Articles of Association — Special Resolutions — Majority Required" in this prospectus.

So far as our Directors are aware, as at the Latest Practicable Date and immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		As at the Latest Practicable Date				Immediately after the Global Offering (assuming the Over-allotment Option is not exercised) (1)			
Name	Nature of interest	Class	Number of Shares(2)	Approximate percentage of interest in our Company	Approximate percentage of the relevant class of Shares of our Company	Class	Number of Shares(2)	Approximate percentage of interest in our Company	Approximate percentage of the relevant class of Shares of our Company
Draka	Beneficial Interest	Unlisted Foreign Shares	179,827,794	37.50%	100.00%	H Shares	179,827,794	28.12%	52.94%
Draka Holding B.V.	Interest of a controlled corporation	Unlisted Foreign Shares	179,827,794	37.50%	100.00%	H Shares	179,827,794(3)	28.12%	52.94%
China Huaxin	Beneficial Interest	Domestic Shares	179,827,794	37.50%	59.99%	Domestic Shares	179,827,794	28.12%	59.99%
China Reform Holdings Corporation Ltd.	Interest of a controlled corporation	Domestic Shares	179,827,794	37.50%	59.99%	Domestic Shares	179,827,794(4)	28.12%	59.99%
Yangtze Communications	Beneficial Interest	Domestic Shares	119,937,010	25.00%	40.01%	Domestic Shares	119,937,010	18.76%	40.01%
Prysmian S.p.A.	Interest of a controlled corporation	Unlisted Foreign Shares	179,827,794	37.50%	100.00%	H Shares	179,827,794(5)	28.12%	52.94%
Prysmian Cavi e Sistemi S.r.L.	Interest of a controlled corporation	Unlisted Foreign Shares	179,827,794	37.50%	100.00%	H Shares	179,827,794(5)	28.12%	52.94%

Notes:

(1) The calculation is based on the total number of 639,462,598 Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

(2) All interests stated are long positions.

(3) Draka is a wholly-owned subsidiary of Draka Holding B.V. Draka Holding B.V. is therefore deemed to be interested in 179,827,794 H Shares held by Draka.

(4) China Huaxin is a wholly-owned subsidiary of China Reform Holdings Corporation Ltd. China Reform Holdings Corporation Ltd. is therefore deemed to be interested in 179,827,794 Domestic Shares held by China Huaxin.

(5) Draka Holding B.V. is held as to 52.165% by Prysmian S.p.A. and 47.835% by Prysmian Cavi e Sistemi S.r.L, a wholly-owned subsidiary of Prysmian S.p.A. Pursuant to Note (3), each of Prysmian S.p.A. and Prysmian Cavi e Sistemi S.r.L is therefore deemed to be interested in 179,827,794 H Shares held by Draka.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our Directors, Supervisors and senior management.

Directors

Name	Age	Position	Date of Joining Our Group	Date of Appointment [(1)]	Roles and Responsibilities
Wen Huiguo (文會國)	61	Chairman of the Board and Executive Director	October 2008	December 19, 2013	Overall management of our Company's investment strategies and business development
Frank Franciscus Dorjee (范 • 德意)	54	Vice-Chairman of the Board and Executive Director	January 2011[(2)]	December 19, 2013	Overall management of our Company's investment strategies and business development
Ma Jie (馬杰)	43	Non-executive Director	August 2011[(2)]	December 19, 2013	Providing strategic advice and making recommendations on the operations and management of our Company
Sun Jiming (孫姬明)	41	Non-executive Director	August 2011[(2)]	December 19, 2013	Providing strategic advice and making recommendations on the operations and management of our Company
Philippe Claude Vanhille (菲利普 • 范希爾)	50	Non-executive Director	May 2013[(2)]	December 19, 2013	Providing strategic advice and making recommendations on the operations and management of our Company
Yeung Kwok Ki Anthony (楊國琦)	69	Non-executive Director	January 1992	December 19, 2013	Providing strategic advice and making recommendations on the operations and management of our Company
Xiong Xiangfeng (熊向峰)	50	Non-executive Director	August 2013[(2)]	December 19, 2013	Providing strategic advice and making recommendations on the operations and management of our Company

Name	Age	Position	Date of Joining Our Group	Date of Appointment [(1)]	Roles and Responsibilities
Zheng Huili (鄭慧麗)	55	Non-executive Director	April 2006	December 19, 2013	Providing strategic advice and making recommendations on the operations and management of our Company
Ngai Wai Fung (魏偉峰)	52	Independent Non-executive Director	September 2014	September 24, 2014	Providing independent advice on the operations and management of our Company
Ip Sik On Simon (葉錫安)	66	Independent Non-executive Director	September 2014	September 24, 2014	Providing independent advice on the operations and management of our Company
Li Ping (李平)	60	Independent Non-executive Director	September 2014	September 24, 2014	Providing independent advice on the operations and management of our Company
Li Zhuo (李卓)	45	Independent Non-executive Director	September 2014	September 24, 2014	Providing independent advice on the operations and management of our Company

Supervisors

Name	Age	Position	Date of Joining Our Group	Date of Appointment[(1)]	Roles and Responsibilities
Jiang Zhikang (江志康)	52	Chairman of the board of Supervisors, employee representative Supervisor	May 1990	December 19, 2013	Supervising the performance of duties by the Directors and senior management
Yao Jingming (姚井明)	50	Supervisor	December 2013	December 19, 2013	Supervising the performance of duties by the Directors and senior management
Yu Jiaxuan (虞嘉萱)	43	Supervisor	December 2013	December 19, 2013	Supervising the performance of duties by the Directors and senior management

Senior Management

Name	Age	Position	Date of Joining Our Group	Date of Appointment (1)	Roles and Responsibilities
Zhuang Dan (莊丹)	44	General Manager	March 1998	December 19, 2013	Strategic development and planning, and day-to-day management of our Company
Jan Bongaerts (揚幫卡)	49	First Deputy General Manager	January 2014	December 19, 2013	Strategic development, business development, sourcing and day-to-day management of our Company
Zhang Mu (張穆)	59	Deputy General Manager and the general manager of the strategic center	October 1988	December 19, 2013	Strategic development of our Company and overseeing the human resources and performance improvement matters of our Company
Yan Changkun (閆長鶤)	51	Deputy General Manager and the general manager of the manufacturing center	October 1991	December 19, 2013	Management of the manufacturing processes and production facilities of our Company and participating in the Company's critical business negotiations
Yu Jianwu (喻建武)	57	Chief Marketing and Strategic Officer	August 1990	December 19, 2013	Management of the operational related matters of our Company and overseeing the operation of YOFC Shanghai
Zhang Yanxiang (張雁翔)	50	Chief Sales Officer and the general manager of the sales center	April 1992	December 19, 2013	Overseeing the overall sales strategies and bidding processes of our Company

Name	Age	Position	Date of Joining Our Group	Date of Appointment [(1)]	Roles and Responsibilities
Luo Jie (羅杰)	48	Chief Technology Officer	November 2000	December 19, 2013	Overseeing the overall research and development related matters and projects of our Company
Leung King Yu (梁擎宇)	42	Chief Financial Officer and the general manager of the financial center	September 2012	December 19, 2013	Overseeing the overall financial and accounting related matters of our Company
Han Qingrong (韓慶榮)	38	Secretary of the Board and the deputy general manager of the sales center	December 2000	December 19, 2013	Assisting the Chief Sales Officer on sales related matters; handling our Board related matters

Notes:

(1) The appointments refer to the relevant appointments at our Company which were approved at the inaugural meeting of our Company held on December 19, 2013. Save for the appointment of Mr. Jan Bongaerts, which became effective on January 1, 2014, all other appointments became effective since December 27, 2013 when our Company was established as a foreign-invested joint stock limited liability company upon conversion from our predecessor, YOFC.

(2) Our Company was a joint venture owned by China Huaxin, Draka and Yangtze Communications. Pursuant to the articles of associations in force from time to time, each of China Huaxin, Draka and Yangtze Communications was entitled to appoint directors to the Board. Such right to appoint directors was terminated at the time when the Company was converted into a joint stock limited company.

Due to the changes in the internal management structure of China Huaxin, Mr. Ma Jie and Mr. Sun Jiming were appointed by China Huaxin to replace Mr. Sun Dawei (孫大為) and Ms. Tian Hong (田竑) to serve as Directors on August 12, 2011.

Due to the changes in the internal management structure of Draka, Mr. Frank Franciscus Dorjee was appointed by Draka to replace Mr. Van Kesteren (范 • 卡斯特倫) to serve as a Director on January 24, 2011, and Mr. Philippe Claude Vanhille was appointed by Draka to replace Mr. Phil Edwards (菲爾 • 愛德華) to serve as a Director on May 23, 2013.

Due to the changes in the internal management structure of Yangtze Communications, Mr. Xiong Xiangfeng was appointed by Yangtze Communications to replace Mr. Xiong Ruizhong (熊瑞忠) to serve as a Director on August 5, 2013.

The Company has confirmed that each of the above resigned directors had no disagreement with the Board in relation to his/her resignation and there were no matters relating to all such changes of directors that need to be brought to the attention of the Shareholders or potential investors.

DIRECTORS

Our Board currently consists of 12 Directors, comprising two executive Directors, six non-executive Directors and four independent non-executive Directors. Pursuant to our Articles of Association, our Directors are elected and appointed by our shareholders at a shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment.

Pursuant to our Articles of Associations, the functions and powers of the Board include, among other things:

- convening shareholders' meetings and reporting the Board's work at the shareholders' meetings;
- implementing the resolutions passed at shareholders' meetings;
- determining our business plans and investment plans;
- formulating our annual financial budget and final accounts;
- formulating our profit distributions plans and plans on making up losses;
- formulating our proposals for the increase or reduction of registered capital and issue and listing of bonds or other securities of our Company;
- exercising other powers, functions and duties as conferred by our Articles of Association.

We have entered into service contracts with each of our executive Directors, non-executive Directors and independent non-executive Directors. Pursuant to our Articles of Association, the term of office of the Directors shall be 3 years. Each of the service contracts with our Directors is for a term commencing from the relevant effective date of appointment until the day on which the next general meeting of the Shareholders for re-election of Directors is held. A description of the business experience of each Director is set out below.

Executive Directors

Mr. Wen Huiguo (文會國), age 61, is our Chairman, and is primarily responsible for overall management of our Company's investment strategies and business development. He was appointed as an executive Director on December 19, 2013. He joined the board of directors of YOFC, our predecessor, as a director on October 15, 2008. Mr. Wen has also been a member of the management committee of China Huaxin, the shareholder of our Company which held 37.5% equity interest in our Company as of the date of this prospectus, since June 2011. Prior to joining our Company, from June 2000 to October 2008, he served as the general manager of Hunan Branch of China Telecom (中國電信股份有限公司湖南分公司), a state-owned telecommunications company, where he was primarily responsible for the daily management of the company. Mr. Wen graduated from Beijing University of Posts and Telecommunications (北京郵電大學) in August 1978 with a major in signal carrier (載波通信) and obtained an executive master of business administration from Peking University (北京大學) in July 2006. Mr. Wen is a senior engineer of professor level who is entitled to receive special allowance from the State Council and the winner of National Labor Medal (全國五一勞動獎章) issued by All China Federation of Trade Unions (中華全國總工會) in April 1993. He is also a representative of the Tenth and Eleventh National People's Congress (第十、第十一屆全國人大代表).

Mr. Frank Franciscus Dorjee (范 • 德意), age 54, is the Vice-Chairman of our Company, and is primarily responsible for overall management of our Company's investment strategies and business development. He was appointed as an executive Director on December 19, 2013. He joined the board of directors of YOFC, our predecessor, as a director on January 24, 2011. Mr. Dorjee joined the board of directors of Oman Cables Industry (SAOG), a company listed on the Muscat Securities Market (Stock Code: OCAI) in March 2012 and has been the vice-chairman of the board of directors since July 2012. He has also been a member of the supervisory board and chairman of the audit committee of Randstad Holding NV, a company listed on the Euronext Amsterdam (Stock Code: RAND), since April 2014. Prior to these positions, Mr. Dorjee joined KPMG Accountant N.V. in 1986, an international accounting firm, and was appointed partner in January 1995. He joined Van der Moolen Holding N.V., which was a Dutch equity trading firm and one of the specialists on the New York Stock Exchange, in October 2000 and served as the chief financial officer and a member of the executive board primarily responsible for overall financial affairs until February 2005. From March 2005 to December 2009, he acted as the chief financial officer and a member of the board of management of Draka Holding N.V., a company then holding 100% equity interest in Draka, the shareholder of our Company which held 37.5% equity interest in our Company as of the date of this prospectus, where he was primarily responsible for overall financial affairs. He further served as the chief executive officer and chairman of the board of management of Draka Holding N.V. from January 2010 to February 2011, where he was primarily responsible for overall financial affairs. Mr. Dorjee also served as the chief strategic officer primarily responsible for corporate development affairs and a member of the board of directors of Prysmian S.p.A. from March 2011 to February 2014. Prysmian S.p.A. indirectly holds 100% equity interest in Draka, our 37.5% shareholder as of the date of this prospectus, and is a company listed on the Borsa Italiana S.p.A., Italy's main stock exchange (Stock Code: PRY). Mr. Dorjee studied at the University of Amsterdam from September 1979 until March 1986 and obtained a bachelor's degree in economics and law in July 1984, a master's degree in business economics in July 1984, a master's degree in tax law in March 1986 and a master's degree in tax economics in March 1986. He has been a certified public accountant registered at the Nederlands Instituut van Registeraccountants since March 1987.

Non-executive Directors

Mr. Ma Jie (馬杰), age 43, joined the Board as a non-executive Director on December 19, 2013. He is responsible for providing strategic advice and making recommendations on the operations and management of our Company. He joined the board of directors of YOFC, our predecessor, as a director on August 12, 2011. Mr. Ma has been serving as the vice chairman of the management committee and the executive deputy general manager primarily responsible for overall business operation and management of China Huaxin, the 37.5% shareholder of our Company as of the date of this prospectus, since June 2011 and since January 2013, respectively. He has also held positions in several subsidiaries of China Huaxin, including serving as a director of Alcatel-Lucent Shanghai Bell Co., Ltd. (上海貝爾股份有限公司) since November 2012, a director of Unihub China Information Technology Co., Ltd. (中盈優創資訊科技有限公司) since November 2012, and a director of Alcatel-Lucent Enterprise Holding since October 2014. Prior to these positions, Mr. Ma held several positions in Alcatel-Lucent Shanghai Bell Co., Ltd. from July 1998 to June 2011, including serving as the consultant of strategic consulting and investment development primarily responsible for providing strategic and investment advices to the chairman from July 1998 to December 1999, the director of human resources primarily responsible for overseeing the human resources related matters from January 2000 to June 2002, the vice-president primarily responsible for overall management of human resources from July 2002 to August 2006, and the executive vice-president primarily responsible for overall management of human resources from September 2006 to June 2011. Mr. Ma also held positions in several other subsidiaries of China Huaxin, including serving as a director of China Credit Information Technology Company Limited (中信國檢信息技術有限公司) from August 2011 to September 2014, and a director of Shanghai Fortune Communications Technology Development Co., Ltd. (上海富欣通信技術發展有限公司) from March 2003 to September 2014. Mr. Ma graduated from Nankai University (南開大學) with a bachelor's degree in economics and a doctorate in economics in July 1993 and July 1998, respectively. He also obtained an executive master of business administration from a joint program of Washington University in Saint Louis and Fudan University (復旦大學) in March 2005.

Mr. Sun Jiming (孫姬明), age 41, joined the Board as a non-executive Director on December 19, 2013. He is responsible for providing strategic advice and making recommendations on the operations and management of our Company. He joined the board of directors of YOFC, our predecessor, as a director on August 12, 2011. Mr. Sun has over 16 years of experience in finance management, corporate governance and capital investment. He has served as the member and the general secretary of the management committee, and the deputy general manager primarily responsible for management of financial, auditing and legal matters of China Huaxin, our 37.5% shareholder, since June 2011 and January 2013, respectively. He has also held positions in several subsidiaries of China Huaxin, including serving as a supervisor of Shanghai Fortune Communications Technology Development Co., Ltd. (上海富欣通信技術發展有限公司) since March 2003, a director of Unihub China Information Technology Co., Ltd. (中盈優創資訊科技有限公司) since August 2011, and the chairman of the board of directors of Shanghai Yingfeng Investment Co., Ltd. (上海盈風投資有限公司) since September 2014. Prior to these positions, from July 1995 to May 2011, he held several positions at Alcatel-Lucent Shanghai Bell Co., Ltd. (上海貝爾股份有限公司), a subsidiary of China Huaxin, including serving as the financial controller primarily responsible for preparation of budget plans, execution reports and financial analysis of the subsidiaries from July 1995 to June 2002, the deputy chief finance officer and the member of the executive management committee primarily responsible for assisting the chief financial officer in the overall financial operation and management from July 2002 to December 2003, the vice president of investment analysis team primarily responsible for overseeing the financial management and strategic advices of the company's major projects and assisting the board of directors to make relevant decisions from January 2004 to December 2004, the global director of the Paris headquarters of the Alcatel Group primarily responsible for providing advices for the Alcatel Group's strategic mergers and acquisitions and overseeing the market research of the developing countries from January 2005 to September 2006, the vice president of investment analysis team primarily responsible for overseeing the financial management and strategic advices of the company's major projects and assisting the board of directors to make relevant decisions from October 2006 to May 2011. Mr. Sun also held positions in several other subsidiaries of China Huaxin from January 2012 to September 2014, including serving as a director of China Credit Information Technology Company Limited (中信國檢信息技術有限公司) and a director of Shanghai Fortune Intelligent Traffic Control Co., Ltd. (上海富欣智能交通控制有限公司). Mr. Sun received his bachelor's degree in economics from Central College of Finance and Economics, which later became Central University of Finance and Economics (中央財經大學), in June 1995 and graduated from China Europe International Business School (中歐國際工商學院) with an executive master of business administration in September 2010.

Mr. Philippe Claude Vanhille (菲利普•范希爾), age 50, joined the Board as a non-executive Director on December 19, 2013. He is responsible for providing strategic advice and making recommendations on the operations and management of our Company. He joined the board of directors of YOFC, our predecessor, as a director on May 23, 2013. Mr. Vanhille has over 23 years of experience in optical fibre and cable industry. He has been serving as the senior vice-president of Telecom Business of the Prysmian Group since May 2013, where he was primarily responsible for the global telecom business of the Prysmian Group, and an executive director of Draka, the 37.5% shareholder of our Company as of the date of this prospectus, since June 2013. Mr. Vanhille concurrently also holds several positions in certain subsidiaries of Prysmian S.p.A., a company listed on the Borsa Italiana S.p.A., Italy's main stock exchange (Stock Code: PRY), as described below.

Prior to the current positions, Mr. Vanhille acted as a R&D engineer for Renault S.A. from October 1989 to February 1991, where he was primarily responsible for improving Formula 1 engine parts. He moved to the cable industry in 1991 with Alcatel Cable France S.A.. Over the past 20 years he held a number of senior operations and general management positions within the cable industry for Alcatel Cable France S.A. and Draka Holding N.V., a company then listed on the Euronext Amsterdam (Stock Code: DRAK), and subsequently in the energy, copper telecom and optical fibre sectors. He was head of Optical Fibre Business Unit of Draka Holding N.V. at the time of the acquisition of Draka Holding N.V. by Prysmian S.p.A. in 2011. He also concurrently served as a non-executive director of Shenzhen SDG Information Draka Optical Fibre Co., Ltd. (深圳特發信息德拉克光纖有限公司, currently known as Shenzhen SDGI) from January 2008 to June 2009. From July 2011 to May 2013, he further served as a vice president of Optical Fibre Business Unit of the Prysmian S.p.A., where he was primarily responsible for the global optical fibre business of the Prysmian S.p.A., and a director of Draka Comteq France S.A.S.. He has been serving as an executive chairman of the board of directors of Fibre Ottiche Sud — F.O.S. srl since October 2011 and a non-executive director of Draka Comteq Fibre B.V. since January 2013. Mr. Vanhille obtained a master's degree in mechanical engineering from I.N.S.A. Lyon, France in June 1989 and graduated from Institut Francais de Gestion, Aix-en-Provence, France in June 1997 with a master's degree in management.

The Prysmian Group produces a complete range of optical fibres, optical and copper cables, and accessories for connectivity systems. The Prysmian Group has similar business serving the telecom sector as our Company and therefore competes with our Company. Mr. Vanhille currently holds several positions in certain members of the Prysmian Group, including serving as a non-executive director of Draka Comteq Fibre B.V. since January 2013, a member of the *Comitê de Controle* of Draka Comteq France S.A.S. since June 2013, a non-executive director of Draka Comteq Iberica S.L.U. since June 2013, the chairman of the board of directors of Fibre Ottiche Sud S.r.l. since April 2012, a non-executive director of NK Wuhan since May 2013, and a non-executive director of Prysmian Cables and Systems USA LLC since June 2013. He has also served as a non-executive director of Precision Fibre Optics Ltd., a joint venture of Draka Comteq Fibre B.V. which is a subsidiary of Prysmian S.p.A., since June 2013. Accordingly, Mr. Vanhille is interested in businesses which directly compete with our business.

Mr. Yeung Kwok Ki Anthony (楊國琦), age 69, joined the Board as a non-executive Director on December 19, 2013. He is responsible for providing strategic advice and making recommendations on the operations and management of our Company. He joined the board of directors of YOFC, our predecessor, as a director on January 1, 1997 and served as the secretary of the board of directors of YOFC from January 1992 to December 1996. Mr. Yeung has over 30 years of experience in financial management. Mr. Yeung is a practicing certified public accountant recognized by the Hong Kong Institute of Certified Public Accountants and also a senior member of the major global accountancy institutions, including the Chartered Institute of Management Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and The Taxation Institute of Hong Kong. Mr. Yeung is a member of the election committee of the Hong Kong government. He was appointed as a Justice of the Peace in July 2004, conferred “Grade of Knight of the Crown” by King Albert II of Belgians in July 2004 and also appointed as the Foremost Ambassador of the Noord-Holland Province of the Netherlands in 2007. Mr. Yeung has served as the founder and chairman of K K Yeung Management Consultants Ltd., a management consulting firm since May 1983, and the founder and senior partner of K K Yeung Partnership, CPA (Practising), a certified public accountants firm, since November 1985. Mr. Yeung has also served as the founder and chairman of Wall Street Resources Ltd. since February 1977. Mr. Yeung has served as a director of Royal Ten Cate China Holding Ltd., an investment holding company, since June 2003, and an independent non-executive director of Oman Cables Industry (SAOG), a company listed on the Muscat Securities Market (Stock Code: OCAI), since April 2013. Mr. Yeung has also served as a director of Bond Dragon Limited, a property holding company, since May 1999 and a director of Golden Ball Limited, a property holding company, since May 1999. Mr. Yeung has been a director and management consultant of Pro Musicis Hong Kong Foundation Limited, a charity association, since July 1994, the officer of Riding for the Disabled Association, a charity association, since August 1996, a director of The Hong Kong General Chamber of Commerce, a trade association, since April 1999, a director of the Management Consultancies Association of Hong Kong, a trade association, since July 1999, a director of The Philippine Chamber of Commerce in Hong Kong, a trade association, since February 2001, a director of Hong Kong Chinese Investors Association Limited, a trade association, since April 2009, the president of Bosco Charity Association Limited, a charity association, since May 2009, and a director of RDA Academy Limited, a charity association, since April 2014. He also once served as an independent non-executive director of TeleEye Holdings Limited, a company listed on the Stock Exchange (Stock Code: 8051) from September 2004 to December 2006, and an independent non-executive director of i-Cable Communications Limited, a company listed on the Stock Exchange (Stock Code: 1097) from September 2004 to June 2012.

Mr. Xiong Xiangfeng (熊向峰), age 50, joined the Board as a non-executive Director on December 19, 2013. He is responsible for providing strategic advice and making recommendations on the operations and management of our Company. He joined the board of directors of YOFC, our predecessor, as a director on August 5, 2013. Mr. Xiong has over 28 years of experience in optical fibre and cable industry. Mr. Xiong has served as the president of Yangtze Communications, the shareholder of our Company which held 25% equity interest in our Company as of the date of this prospectus, since April 2013, where he was primarily responsible for the overall management of the company. Mr. Xiong also holds several positions in certain subsidiaries of Yangtze Communications since April 2013, including serving as the chairman of the board of directors of NK Wuhan, which is one of our Associates, the chairman of the board of directors of Wuhan NEC Communication Industry Co., Ltd. (武漢日電光通信工業有限公司), the chairman of the board of directors of Wuhan Changying Science and Technology Investments Development Co., Ltd. (武漢長盈科技投資發展有限公司), the chairman of the board of directors of Shenzhen Lianheng Technology Co., Ltd. (深圳聯亨技術有限公司), a director of Yangtze Semiconductor Lighting Joint Stock Limited Company (長江半導體照明科技股份有限公司), and a director of Shenzhen Yangtze Liwei Joint Stock Limited Company (深圳市長江力偉股份有限公司).

Prior to joining our Company, from July 1986 to April 2013, Mr. Xiong held several positions in Wuhan Research Institute of Posts and Telecommunications (武漢郵電科學研究院). Wuhan Research Institute of Posts and Telecommunications is the ultimate controller of FiberHome Telecommunication, a company listed on the Shanghai Stock Exchange (Stock Code: 600498), and Yangtze Communications. FiberHome Telecommunication is owned as to 50.30% by Wuhan FiberHome Technologies Group Co., Ltd. (武漢烽火科技集團有限公司, formerly known as Wuhan FiberHome Technologies Co., Ltd. (武漢烽火科技有限公司)), which is the largest shareholder of Yangtze Communications holding approximately 28.63% equity interest as of the Latest Practicable Date. At Wuhan Research Institute of Posts and Telecommunications, Mr. Xiong consecutively served as the secretary of Youth League committee primarily responsible for handling matters in relation to the Youth League from January 1989 to December 1992, the principal staff of office primarily responsible for administration management from December 1992 to February 1995, the deputy director of office primarily responsible for administration management from February 1995 to March 1997, the deputy director of the optical fibre and cable department primarily responsible for production and operation of the optical fibre and cable and the general manager of the communication cable plant primarily responsible for management and operation of the plant from March 1997 to December 1999, the vice president primarily responsible for production and operation from April 2002 to April 2013, and the deputy Party secretary and chairman of labor union primarily responsible for Party building and activities of the labor union from May 2005 to April 2013. From December 1999 to April 2010, Mr. Xiong concurrently served as the secretary of the board of directors of FiberHome Telecommunication primarily responsible for information disclosure and coordination with investors. Mr. Xiong also had held several positions in certain subsidiaries of FiberHome Telecommunication, including serving as the chairman of the board of directors of Chengdu Datang Cable Co., Ltd. (成都大唐線纜有限公司) until April 2013, the vice-chairman of the board of directors of Tengcang FiberHome Optoelectronic Materials Technologies Co., Ltd. (藤倉烽火光電材料科技有限公司) until April 2013, the vice-chairman of the board of directors of Xi'an North Optical Communication Co., Ltd. (西安北方光通信有限責任公司) until April 2013, a director of Wuhan FiberHome Network Co., Ltd. (武漢烽火網絡有限責任公司) until April 2013, a director of Nanjing FiberHome Tengcang Optical Communication Co., Ltd. (南京烽火藤倉光通信有限公司) until April 2013, a director of FiberHome Tengcang Optical Fiber Technologies Co., Ltd. (烽火藤倉光纖科技有限公司) until April 2013, a director of Changchun FiberHome Technologies Co, Ltd. (長春烽火技術有限公司) until April 2013, a director of FiberHome Feihong Telecommunication Equipment Co., Ltd. (烽火飛虹通信器材有限責任公司) until April 2013, a director of Nanjing Tengcang FiberHome Optical Cable Technologies Co., Ltd. (南京藤倉烽火光纜科技有限公司) until April 2013, and a supervisor of Wuhan FiberHome Information Integrating Technology Co., Ltd. (武漢烽火信息集成技術有限公司) until April 2013. Mr. Xiong obtained his bachelor's degree in photoelectric imaging technology from East China Institute of Engineering (華東工學院, currently known as Nanjing University of Science and Technology (南京理工大學)) in July 1986 and a master's degree in business administration from Wuhan University (武漢大學) in June 2009.

Ms. Zheng Huili (鄭慧麗), age 55, joined the Board as a non-executive Director on December 19, 2013. She is responsible for providing strategic advice and making recommendations on the operations and management of our Company. She joined the board of directors of YOFC, our predecessor, as a director on April 12, 2006. Ms. Zheng has over 26 years of experience in company operation and management. Currently she also serves as the deputy secretary of the Party committee of our Company. Ms. Zheng has also served as the deputy secretary of the Party committee and the general secretary of the discipline committee of Yangtze Communications, the 25% shareholder of our Company as of the date of this prospectus, where she was primarily responsible for disciplinary inspection, since December 2005 and June 2006, respectively. Prior to joining our Company, Ms. Zheng worked at Huazhong Information and Technology Group Co., Ltd. (華中信息技術集團有限公司) (formerly, Huazhong Information and Technology Principal Company Limited (華中信息技術總公司)), a company mainly engaged in the operation and management of state-owned assets, from April 1988 to October 2005, consecutively serving as the deputy director of human resources primarily responsible for overall human resources management from April 1988 to February 1993, the director of human resources primarily responsible for overall human resources management from March 1993 to October 2005, the minister of organization department of the Party Committee primarily responsible for training, selection and appointment of senior management personnels from June 1997 to October 2005, a member of the Party committee from July 1997 to October 2005, where she was primarily responsible for Party related matters and also participated in the operation, management and decision-making of development strategies of the Company, the general secretary of the discipline committee from December 1999 to October 2005, where she was primarily responsible for disciplinary inspection and also participated in the operation, management and decision-making of development strategies of the Company, and the deputy secretary of the Party committee primarily responsible for assisting the secretary of the Party committee with the Party related matters and participating in the decision-making of operation, management and development strategies of the company from March 2003 to October 2005. Ms. Zheng graduated from the Party School of the Chinese Communist Party Wuhan Municipal Committee (中共武漢市委黨校) with a bachelor's degree in June 1998 and obtained a master's degree in business administration from Asia International Open University (Macau) (currently, the City University of Macau) in October 2000. Ms. Zheng is a senior economist (高級經濟師) and senior political analyst (高級政工師). She was the winner of the Wuhan Labor Medal (武漢市五一勞動獎章) issued by All Wuhan Federation of Trade Unions (武漢市總工會) in April 1997. She has been a member of Wuhan Economic Professional Qualification Assessment Committee (武漢市經濟專業高級職務任職資格評審委員會) since December 1998. She has also been a member of the tenth, eleventh and twelfth of the executive committee of the Women's Federation of Wuhan (武漢市婦聯) and the eleventh and twelfth Party representative of Wuhan (武漢市第十一、十二屆黨代表) since July 2006.

Ms. Zheng was designated by Huazhong Information and Technology Group Co., Ltd. (華中信息技術集團有限公司) to serve as a director of Shenzhen Benelux Enterprise Co., Ltd. (深圳本魯克斯實業股份有限公司, "**Shenzhen Benelux**"), a company previously listed on the Shenzhen Stock Exchange until December 4, 2009, from June 15, 2001 to September 29, 2003, during which time, Ms. Zheng signed two written resolutions of the board of directors of Shenzhen Benelux, approving a guarantee by Shenzhen Benelux in March 2003 involving an amount of RMB35 million (the "**RMB35 million Guarantee**") and approving the 2003 interim report of Shenzhen Benelux. Ms. Zheng tendered her written resignation on April 25, 2003, shortly after she signed the written resolutions approving the RMB35 million Guarantee because Ms. Zheng considered that she was not provided with sufficient information and access to Shenzhen Benelux' management to properly carry out her directors' duties. Shenzhen Benelux was held by the CSRC to be in breach of the PRC Securities Law due to its failure to disclose various incidents requiring disclosure including guarantees by Shenzhen Benelux, certain of its legal proceedings and financings during the years from 1996 to 2004. Ms. Zheng proved to the CSRC and the CSRC accepted that other than the two written resolutions of the board of directors of Shenzhen Benelux mentioned above, the other written resolutions passed by Shenzhen Benelux which required disclosure during the period Ms. Zheng served as its director were passed without Ms. Zheng's approval. On August 12, 2008, the CSRC ruled that given the breach of the PRC Securities Law relating to the failure to disclose the RMB35 million Guarantee is relatively minor, a warning penalty was given to Ms. Zheng and no monetary fine or other penalty was imposed. There has not been any occurrence of similar events in any other companies in which Ms. Zheng served as an officer. Since the above event did not involve dishonesty or raise concern on Ms. Zheng's integrity, the Directors (other than Ms. Zheng) and the Joint Sponsors are of the view that Ms. Zheng is suitable to act as a Director under Rules 3.08 and 3.09 of the Listing Rules.

Independent Non-executive Directors

Mr. Ngai Wai Fung (魏偉峰), age 52, joined the Board as an independent non-executive Director on September 24, 2014. He is responsible for providing independent advice on the operations and management of our Company. Mr. Ngai has been the managing director of MNCOR Consulting Limited (formerly known as MN Consulting Limited), a Hong Kong-based consulting firm, and the chief executive officer of SW Corporate Services Limited, a company focusing on provision of a wide range of corporate services, since September 2010 and January 2011, respectively.

In addition, Mr. Ngai currently holds directorships in the following companies listed on the Stock Exchange and other securities markets:

Company Name (English)	Company Name (Chinese)	Securities Market	Stock Code	Position Held	Appointment Date
Bosideng international Holdings Limited	波司登國際控股有限公司	Stock Exchange	3998	independent non-executive director and the chairman of the audit committee	September 2007
Powerlong Real Estate International Holdings Company Limited	寶龍地產控股有限公司	Stock Exchange	1238	independent non-executive director and the chairman of the audit committee	June 2008
BaWang International (Group) Holding Limited	霸王國際（集團）控股有限公司	Stock Exchange	1338	independent non-executive director and the chairman of the audit committee	December 2008
Biostime International Holdings Limited	合生元國際控股有限公司	Stock Exchange	1112	independent non-executive director, the chairman of the audit committee and a member of the nomination committee and the remuneration committee	July 2010

Company Name (English)	Company Name (Chinese)	Securities Market	Stock Code	Position Held	Appointment Date
Sany Heavy Equipment International Holdings Company Limited	三一重裝國際控股有限公司	Stock Exchange	631	independent non-executive director and the chairman of the audit committee and a member of the remuneration committee and the nomination committee	November 2009
SITC International Holdings Company Limited	海豐國際控股有限公司	Stock Exchange	1308	independent non-executive director and a member of the audit committee, the remuneration committee and the nomination committee	September 2010
China Coal Energy Company Limited	中國中煤能源股份有限公司	Stock Exchange	1898	independent non-executive director and a member of the audit committee and the remuneration committee	December 2010
LDK Solar Co., Ltd.*	—	New York Stock Exchange	LDK	independent non-executive director and a member of the audit committee, the compensations committee and the corporate governance and nominating committee	July 2011

Company Name (English)	Company Name (Chinese)	Securities Market	Stock Code	Position Held	Appointment Date
Juda International Holdings Limited	鉅大國際控股有限公司	Stock Exchange	1329	independent non-executive director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee	December 2013
China Railway Group Limited	中國中鐵股份有限公司	Stock Exchange Shanghai Stock Exchange	0390 601390	independent non-executive director, a member of the audit committee, a member of the safety, health and environmental protection committee	June 2014

* *LDK Solar Co., Ltd. has made a filing on February 21, 2014 with the Grand Court of the Cayman Islands for the appointment of joint provisional liquidators in connection with its plans to resolve its offshore liquidity issues as announced on February 24, 2014. The amount involved therein includes (i) RMB1,700,000,000 in notes and (ii) US$240,000,000 redeemable and convertible preferred shares in investment in its subsidiary. As at the Latest Practicable Date, the proceeding was still in progress.*

Mr. Ngai has over 20 years of experience in accounting and financing as well as in corporate governance. He had led or participated in a number of significant corporate finance projects, including listings, mergers and acquisitions as well as issuance of debt securities, and the provision of professional services and support to many state-owned enterprises and red-chip companies in relation to regulatory compliance, corporate governance and secretarial services. Mr. Ngai served as the assistant managing director in COSCO International Holdings Limited (中遠國際控股有限公司), a company listed on the Stock Exchange (Stock Code: 0517), from June 1997 to December 1998, where he was primarily responsible for corporate finance, legal, compliance and company secretarial matters. He had also held various senior management positions in a number of listed companies, including serving as the company secretary and the chief financial officer of the then Oriental Union Holdings Limited (東聯控股有限公司, now known as CY Foundation Group Limited (中青基業集團有限公司)), a company listed on the Stock Exchange (Stock Code: 1182) from January 1999 to August 2001, the company secretary of China Unicom (Hong Kong) Limited (中國聯合網絡通信（香港）股份有限公司), a company listed on the Stock Exchange (Stock Code: 762) and the New York Stock Exchange (Stock Code: CHU) from August 2001 to May 2003 and the company secretary of Industrial and Commercial Bank of China (Asia) Limited (中國工商銀行（亞洲）股份有限公司), a company previously listed on the Stock Exchange (Stock Code: 349), from April 2005 to June 2005. Mr. Ngai also served as an independent non-executive director of the then China Chief Cable TV Group Limited (中國3C集團有限公司, now known as Code Agriculture (Holdings) Limited, 科地農業控股有限公司), a company listed on the Stock Exchange (Stock Code: 8153) from October 2004 to October 2007, an independent non-executive director of China Life Insurance Company Limited (中國人壽保險股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 601628), the Stock Exchange (Stock Code: 2628) and the New York Stock Exchange (Stock Code: LFC), from December 2006 to May 2009, an independent non-executive director of Franshion Properties (China) Limited (方興地產（中國）有限公司), a company listed on the Stock Exchange (Stock Code: 817), from May 2007 to June 2011, and an independent non-executive director of China Railway Construction Corporation Limited (中國鐵建股份有限公司), a company listed on the Stock Exchange (Stock Code: 1186) and the Shanghai Stock Exchange (Stock Code: 601186), from November 2007 to October 2014. From June 2005 to September 2010, Mr. Ngai served as an associate director and subsequently a director and head of listing services of KCS Hong Kong Limited (formerly the corporate and commercial divisions of KPMG and Grant Thornton), an independent integrated corporate services provider.

Mr. Ngai graduated from University of Wolverhampton with a bachelor's degree in law in October 1994. He received a master's degree in business administration from Andrews University of Michigan in August 1992, a master's degree in corporate finance from Hong Kong Polytechnic University in November 2002, and a doctorate in economics (finance) from Shanghai University of Finance and Economics (上海財經大學) in June 2011. Mr. Ngai has been a fellow of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries since 2000 and had been a vice president of The Hong Kong Institute of Chartered Secretaries between 2002 and 2014. Mr. Ngai has been a member of Hong Kong Securities Institute since July 1999, a member of the Hong Kong Institute of Certified Public Accountants since July 2007, a fellow of Hong Kong Institute of Directors since February 2010, and a fellow of the Association of Chartered Certified Accountants in the United Kingdom since March 2012. He has been the Adjunct Professor of Law of Hong Kong Shue Yan University since September 2012. He has also been a member of work group on professional service under the Economic Development Commission appointed by the Chief Executive of The Hong Kong Special Administrative Region since January 2013, a member of qualification and examination board of the Hong Kong Institute of the Certified Public Accountants since January 2013 and a member of the general committee of The Chamber of Hong Kong Listed Companies since June 2014.

Mr. Ip Sik On Simon (葉錫安), age 66, joined the Board as an independent non-executive Director on September 24, 2014. He is responsible for providing independent advice on the operations and management of our Company. Mr. Ip is a solicitor and Notary Public. He is currently the chairman of The Hong Kong Jockey Club and the president of Hong Kong Equestrian Federation. He has been an independent non-executive director of Hang Lung Group Limited (Stock Code: 0010) since July 1998. Mr. Ip practiced with Johnson Stokes & Master (a Hong Kong-based law firm, now known as Mayer Brown JSM) since March 1972 and was subsequently admitted as a partner in April 1977 and continued in this capacity until his retirement from legal practice in September 2004. He had been the Chairman and Senior Partner of Johnson Stokes & Master for eight years. Mr. Ip was the president of the Law Society of Hong Kong from May 1987 to May 1989, a Legislative Councillor from 1991 to 1995 representing the Legal Functional Constituency, and the founding chairman of the Council of the Hong Kong Institute of Education from April 1994 to April 2003. Mr. Ip received an honorary Doctor of Education from Hong Kong Institute of Education in 2003, an honorary Doctor of Laws from the City University of Hong Kong in November 2009 and an honorary Doctor of Laws from the Hong Kong University of Science & Technology in 2011. Mr. Ip has been admitted as a solicitor in England & Wales since December 1971 and in Hong Kong since April 1972. He is an honorary court member of the Hong Kong University of Science and Technology, an honorary lecturer in the Department of Professional Legal Education of the University of Hong Kong since September 2012, an honorary research fellow of the Faculty of Law of Tsinghua University (清華大學), the co-chairman of the international advisory board of the School of Law of the City University of Hong Kong and a member of the advisory board of the Hong Kong AIDS Foundation. He was also an honorary fellow of the Management Society for Healthcare Professionals from 1984 to 2004.

Mr. Li Ping (李平), age 60, joined the Board as an independent non-executive Director on September 24, 2014. He is responsible for providing independent advice on the operations and management of our Company. Mr. Li has extensive administrative experience in the management of listed companies and has over 38 years of experience in operation and management in China's telecommunications industry. Mr. Li has been serving as the chairman and executive director of China Communication Service Co., Ltd. (中國通信服務股份有限公司), a company listed on the Stock Exchange (Stock Code: 552), since August 2006. Prior to these positions, he once served as the chairman and president of China Telecom (Hong Kong) International Company Limited (中國電信（香港）國際有限公司), a subsidiary of China Telecom which is primarily engaged in telecommunications services, from August 2000 to July 2002 and the executive vice president of China Telecom Corporation Limited (中國電信股份有限公司), a company listed on the Stock Exchange (Stock Code: 728), from September 2002 to June 2013. Prior to joining China Telecom, he served as the Directorate General of Telecommunications of then the Ministry of Posts and Telecommunications of China (中國郵電部, the predecessor of the Ministry of Industry and Information Technology of China (中國工業和信息化部)) and the vice chairman and chief operating officer of China Mobile Limited (中國移動有限公司), a company listed on the New York Stock Exchange (Stock Code: CHL) and the Stock Exchange (Stock Code: 941), from September 1997 to August 2000. Mr. Li graduated from Beijing University of Posts and Telecommunications (北京郵電大學) with a bachelor's degree in radio communication in October 1975 and graduated from New York State University at Buffalo with a master in business administration in December 1988.

Mr. Li Zhuo (李卓), age 45, joined the Board as an independent non-executive Director on September 24, 2014. He is responsible for providing independent advice on the operations and management of our Company. Mr. Li is currently a professor of economics, the dean of the Department of International Economics, and the director of the Center of International Business Studies of Wuhan University (武漢大學). From July 1989 to August 1992, Mr. Li worked at Xiangfan Branch of China National Real Estate Development Group Corporation (中國房地產開發集團公司襄樊分公司), a company engaged in real estate development and property assets management. He later worked at Guangzhou Branch of the People's Bank of China (中國人民銀行廣州分行). Mr. Li has been working at Wuhan University since 1998 and consecutively held the positions of lecturer and assistant professor until 2001 and until 2006, respectively. Since 2006, he has been a professor of Wuhan University. He also served as a visiting scholar of University of Illinois at Urbana-Champaign from July 2002 to July 2003 and University of Paris III in 2007. Mr. Li graduated from Hubei University of Technology (湖北工業大學) with a bachelor's degree in industrial and civil construction in 1989. He also obtained a master's degree in international economics and a doctorate in international economics from Wuhan University in June 1995 and June 1998, respectively. Mr. Li is the Prominent Researcher in the New Century recognized by the Ministry of Education in October 2010.

SUPERVISORS

The PRC Company Law requires a joint stock company with limited liability to establish a board of supervisors. Our board of Supervisors currently consists of three members. Pursuant to our Articles of Association, at least one-third of our Supervisors must be employee representatives elected by our employees. Except for the employee representative Supervisor, the other Supervisors are elected and appointed by our shareholders at a shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment. As confirmed by our PRC Legal Advisor, as at the Latest Practicable Date, the composition of the board of Supervisors of our Company was in compliance with the PRC Company Law and the articles of association of the Company. However, as required under the Opinions on Further Promotion of Standardizing Operations and Intensifying Reform of Overseas Listed Companies (Guojingmaogai No. [1999]230) (《關於進一步促進境外上市公司規範運作和深化改革的意見》(國經貿企改[1999]230號)), when the next term of office of the board of Supervisors of the Company commences, in addition to the three existing Supervisors, the Company shall have a number of external Supervisors comprising one half or more of the board of Supervisors, among whom, two or more shall be independent Supervisors. The Company will select qualified candidates and submit to the Shareholders' meeting for appointment and approval within six months after Listing.

Pursuant to our Articles of Associations, the functions and powers of the board of Supervisors include, among other things:

- examining the financial affairs of our Company;
- supervising the performance of Directors and other senior management members, and monitoring as to whether they had acted in violation of the law, administrative stipulations, Articles of Association and the resolutions passed at shareholders' meetings in the performance of their duties;
- requesting Directors and senior management members to rectify actions which are detrimental to the Company's interests;
- exercising other powers, functions and duties as conferred by the law, administrative stipulations and our Articles of Association.

A description of the business experience of each Supervisor is set out below.

Mr. Jiang Zhikang (江志康), age 52, was appointed as a Supervisor of our Company on December 19, 2013. He is responsible for supervising the performance of duties by the Directors and senior management at our Company. Mr. Jiang has worked at our Company since May 1990 consecutively serving as an engineer from May 1990 to May 1992, a chief engineer from June 1992 to October 1999, the manager assistant of the fibre department primarily responsible for overseeing fibre equipment maintenance and modification from November 1999 to April 2001, and the manager of the industrialization department primarily responsible for overseeing fibre equipment development, IT and plant engineering from May 2001 to March 2004. He was assigned by our Company to serve as the vice general manager and the general manager of NK Wuhan, one of our Associates, from April 2004 to March 2006 and April 2006 to April 2012, respectively. Since May 2012, Mr. Jiang has been serving as the general manager of the operation management center of our Company. Prior to joining our Company, Mr. Jiang started to work at Wuhan Research Institute of Posts & Telecommunication (武漢郵電科學研究院) since March 1988 and served as an assistant engineer from December 1988 to April 1990. Mr. Jiang graduated from Sichuan Radio & TV University (四川廣播電視大學) in electronics in July 1983 and graduated from Wuhan University (武漢大學) with a master's degree in business administration in December 2004.

Mr. Yao Jingming (姚井明), age 50, was appointed as a Supervisor of our Company on December 19, 2013. He is responsible for supervising the performance of duties by the Directors and senior management at our Company. Mr. Yao has nearly 30 years of management experience in the communications industry. Mr. Yao has been concurrently serving as the deputy general manager of China Huaxin, the 37.5% shareholder of our Company as at the date of this prospectus since February 2013, where he was in charge of technology, strategy and international mergers and acquisitions. He also holds positions in two subsidiaries of China Huaxin, including serving as a director of Shanghai Fortune Communications Technology Development Co., Ltd. (上海富欣通信技術發展有限公司) since December 2012 and the general manager and a director of Shanghai Sincere Technology Co., Ltd. (上海信輝科技有限公司) since July 2013. Prior to these positions, from July 1986 to January 2013, Mr. Yao held various positions in Alcatel-Lucent Shanghai Bell Co., Ltd., a subsidiary of China Huaxin, including consecutively serving as a software engineer, the software development manager, the manager of technology development department and the manager of customer service department from July 1986 to September 2000, the general manager of the switching network division primarily responsible for marketing, products management and research and development from October 2000 to June 2002, the vice president of the company primarily responsible for operation and daily management of the voice network division from July 2002 to December 2003, the executive vice president of the company from January 2004 to January 2013, during which period, he was in charge of the management and operation of the fixed communication network group, the cable network group and the communications network group from January 2004 to January 2009, in charge of solutions and market from January 2009 to March 2010, in charge of quality and reform from April 2010 to February 2011, and in charge of international business from February 2011 to January 2013. Mr. Yao obtained his bachelor's degree in computer science from Shanghai Jiaotong University (上海交通大學) in June 1986, an executive master of business administration from China Europe International Business School (中歐國際工商學院) in April 2001, and a doctorate in business administration from the Hong Kong Polytechnic University in October 2008.

Ms. Yu Jiaxuan (虞嘉萱), age 43, was appointed as a Supervisor of our Company on December 19, 2013. She is responsible for supervising the performance of duties by the Directors and senior management at our Company. Ms. Yu has been the chief financial officer of Prysmian China Investment Co., Ltd. (普睿司曼中國投資有限公司), an indirect wholly-owned subsidiary of Prysmian S.p.A. since March 2008. She was a financial controller primarily responsible for financial analysis in the HNI Corporation International Division, a leading office furniture manufacturer, from August 2005 to February 2008. Prior to that, Ms. Yu also worked for Actron, a manufacturing company, Texaco, a company mainly engaged in the exploration and production of nature gas, and GE Advanced Ceramics, a semiconductors manufacturer. Ms. Yu obtained her bachelor's degree in economics from Tianjin College of Finance and Economics (天津財經學院, currently known as Tianjin University of Finance and Economics (天津財經大學)) in July 1994 and a master's degree in business administration from Cleveland State University of the United States in August 2003. She is the Chartered Global Management Accountant of the Chartered Institute of Management Accountant in the United Kingdom.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. A description of the business experience of each senior management member is set out below.

Mr. Zhuang Dan (莊丹), age 44, is the General Manager of our Company. He is primarily responsible for strategic development and planning, and day-to-day management of our Company. Mr. Zhuang has more than 16 years of experience in the optical fibre and cable industry. He joined our Company in March 1998 and served as the manager assistant of the finance department primarily responsible for financial management from March 1998 to April 2000, the manager of the finance department primarily responsible for financial management and providing comprehensive management and strategic decisions to our Company from April 2000 to November 2001, and the chief financial officer primarily responsible for overseeing the overall financial and accounting related matters from November 2001 to September 2011, consecutively. Since September 2011, Mr. Zhuang has been the General Manager of our Company. Mr. Zhuang obtained a bachelor's degree in auditing from Wuhan University (武漢大學) in July 1992, a master's degree in accounting from Wuhan University in June 1995, a doctorate in accounting from Zhongnan University of Finance and Economics (中南財經大學) in June 1998, and a postdoctor certificate in business administration from Shanghai University of Finance and Economics (上海財經大學) in April 2001. Currently, he is a deputy to the People's Congress of Hubei Province and a member of the Financial and Economic Committee of the People's Congress of Hubei Province.

Mr. Jan Bongaerts (揚幫卡), age 49, is the First Deputy General Manager of our Company. He is primarily responsible for strategic development, business development, sourcing and day-to-day management of our Company. He has more than 16 years of experience in the optical fibre and cable industry. Prior to joining our Company, from July 1998, Mr. Bongaerts worked at Draka Holding N.V., consecutively serving as the manager of the optical fibre market and sales department from July 1998 to September 2003, the deputy manager of the optical fibre procurement department from September 2003 to March 2009, the director of the optical fibre business department, a member of management committee and a member of enterprise procurement team from March 2009 to January 2011. He served as the director of the optical fibre sales and marketing department and a member of management committee of the business department of Prysmian S.p.A. from January 2011 to December 2013, where he was responsible for global sales and marketing. Since January 2014, Mr. Bongaerts has been the First Deputy General Manager of our Company. Mr. Bongaerts obtained a master's degree in business administration from Open University of the Netherlands in March 2003 and an executive master of business administration from Maastricht University the Netherlands in September 1999.

Mr. Zhang Mu (張穆), age 59, is the Deputy General Manager and the general manager of the strategic center of our Company. He is primarily responsible for strategic development of our Company and overseeing the human resources and performance improvement of our Company. Mr. Zhang has more than 30 years of experience in the optical fibre and cable industry. He has worked at our Company since October 1988, consecutively serving as a processing engineer of the optical fibre department from January 1991 to December 1994, the assistant manager of the optical fibre department primarily responsible for overseeing technical issues from December 1994 to April 1995, the manager of the optical fibre department primarily responsible for fibre manufacturing and daily management from April 1995 to April 1997, the assistant general manager of our Company primarily responsible for assisting the general manager in overseeing technical issues from April 1997 to April 1998 and the Deputy General Manager of our Company primarily responsible for overseeing technology, production, specialty management since April 1998. Prior to joining our Company, he started to work at Wuhan Research Institute of Posts and Telecommunications (武漢郵電科學研究院) since 1980 and served as an assistant engineer from June 1982 to September 1988. Mr. Zhang graduated from Wuhan University of Technology (武漢工業大學, currently known as Wuhan University of Technology (武漢理工大學)) in January 1980, obtained a master's degree in economics from Huazhong University of Technology (華中理工大學, currently known as Huazhong University of Science and Technology (華中科技大學)) in June 1999 and a master degree in business administration from China Europe International Business School (中歐國際工商學院) in August 2002.

Mr. Yan Changkun (閆長鶤), age 51, is the Deputy General Manager and the general manager of the manufacturing center of our Company. He is primarily responsible for management of the manufacturing processes and production facilities of our Company and participating in the Company's critical business negotiations. Mr. Yan has more than 24 years of experience in the optical fibre and cable industry. He has worked at our Company since October 1991, consecutively serving as a sales representative from October 1991 to September 1995, a technology manager primarily responsible for production promotion and purchases and sales agreements negotiation from October 1995 to September 1999, the manager of the business department primarily responsible for domestic and overseas sales of optical fibres from October 1999 to December 2005, the sales director primarily responsible for sales operation and strategy from January 2006 to December 2010, and the general manager of the optical fibre business department primarily responsible for overall management and operation of the department from January 2011 to December 2012. Mr. Yan has been the Deputy General Manager of our Company since November 2012. Mr. Yan obtained a bachelor's degree in telecommunications in July 1983 and a master's degree in digital communications in June 1988 from Nanjing Institute of Communication Engineering (南京郵電學院).

Mr. Yu Jianwu (喻建武), age 57, is the Chief Marketing and Strategic Officer of our Company and the general manager of YOFC Shanghai, one of our Joint Ventures. He is primarily responsible for management of operational related matters of our Company and overseeing the operation and management of YOFC Shanghai. Mr. Yu has over 25 years of experience in the optical fibre and cable industry. He has been with our Company since August 1990. He consecutively served as an engineer, a master engineer, the manager of the engineering department primarily responsible for maintenance and improvement of plant utilities, from August 1990 to December 1991, from January 1992 to December 1993 and from January 1994 to December 2001, respectively, and the manager of the material department primarily responsible for supply chain management from January 2000 to December 2001. From December 2001 to May 2006, he served as the general manager of Shantou Aoxing, one of our Joint Ventures. He also served as the operation director of our Company primarily responsible for marketing and investment operation from May 2006 to September 2012 and the general manager of the optical fibre cable department of our Company primarily responsible for production and sales of optical fibre cables from January 2011 to September 2012. Mr. Yu has been the general manager of YOFC Shanghai since October 2012 and the Chief Marketing and Strategic Officer of our Company since December 2013. Prior to joining our Company, from February 1982 to August 1990, Mr. Yu worked at Wuhan Marine Machinery Plant (武漢船用機械廠, currently known as Wuhan Marine Machinery Co., Ltd. (武漢船用機械有限責任公司)), consecutively serving as a technician from February 1982 to February 1983, a team leader from February 1983 to September 1985, a designer of the designing department from September 1985 to April 1989, and the deputy director of the technology department from May 1989 to October 1990. Mr. Yu obtained his bachelor's degree in mechanical engineering from Shanghai Jiaotong University (上海交通大學) in January 1982.

Mr. Zhang Yanxiang (張雁翔), age 50, is the Chief Sales Officer and the general manager of the sales center of our Company. He is primarily responsible for overseeing the overall sales strategies and bidding processes of our Company. Mr. Zhang has over 22 years of experience in the optical fibre and cable industry. He has been with our Company since April 1992. He had consecutively served as a regional manager primarily responsible for sales of optical fibre cables, the manager of the business department primarily responsible for commercial management and sales, the general manager of the Beijing branch of our Company from 1995 to May 2001, and a member of the management committee from October 1999 to May 2001. He served as the general manager of YOFC Shanghai, one of the our Joint Ventures, from June 2001 to September 2012. He also served as the general manager of the optical fibre cable business department of our Company primarily responsible for production and sales of optical fibre cables and optical distribution network products from October 2012 to December 2013. Since then, Mr. Zhang has been the Chief Sales Officer and the general manager of the sales center of our Company. Mr. Zhang obtained a bachelor's degree in telecommunications from Lanzhou Jiaotong University (蘭州交通大學) in July 1985 and a master's degree in business administration from Fordham University in May 2002.

Mr. Luo Jie (羅杰), age 48, is the Chief Technology Officer of our Company. He is primarily responsible for overseeing the overall research and development related matters and projects of our Company. Mr. Luo has over 25 years of experience in the optical fibre and cable industry. He has worked at our Company since November 2000, consecutively serving as the manager primarily responsible for research and development projects and department management and the general manager of the research and development department primarily responsible for overseeing the overall research and development related matters from November 2000 to January 2011 and from January 2011 to January 2014, respectively. Mr. Luo has been the Chief Technology Officer of our Company since December 2013. Prior to joining our Company, Mr. Luo started to work at Wuhan Research Institute of Posts and Telecommunications since January 1989 and served as an engineer and a senior engineer from January 1992 to December 1996 and from December 1996 to September 2000, respectively. Mr. Luo obtained his bachelor's degree in material engineering from Wuhan University of Technology (武漢工業大學, currently known as Wuhan University of Technology (武漢理工大學)) in July 1986, a master's degree in material engineering from Wuhan University of Technology in March 1989, and a doctorate in electromagnetics and microwave from Beijing University of Posts and Telecommunications (北京郵電大學) in August 2000.

Mr. Leung King Yu (梁擎宇), age 42, is the Chief Financial Officer and the general manager of the financial center of our Company. He is primarily responsible for overseeing the overall financial and accounting related matters of our Company. Mr. Leung has over 18 years of financial and accounting related experience. Prior to joining our Company, he had worked at the audit and assurance department of Ernst & Young, an international accounting firm, for more than 17 years. He retired from the partnership at Ernst & Young and joined our Company in September 2012. Since then, Mr. Leung has been the Chief Financial Officer and the general manager of the financial center of our Company. Mr. Leung obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic University in October 1995. He has been a fellow member of the Chartered Association of Certified Accountants since December 2003 and an associate member of the Hong Kong Institute of Certified Public Accountants since July 1999.

Mr. Han Qingrong (韓慶榮), age 38, the Secretary of the Board and the deputy general manager of the sales center of our Company. He is primarily responsible for assisting the Chief Sales Officer on sales related matters and handling our Board related matters. Mr. Han has more than 13 years of experience in optical fibre and cable industry. He has been with our Company since December 2000. He had consecutively served as the PCVD craft engineer of the optical fibre production department from December 2000 to March 2003, the fibre R&D engineer of R&D center from April 2003 to May 2006, the fibre R&D manager of R&D center primarily responsible for process improvement and R&D of new products from June 2006 to December 2009, the manager of the strategy and marketing department primarily responsible for strategic planning and promotion of new products from January 2010 to March 2011, the deputy general manager of the specialty product business unit primarily responsible for new business development from April 2011 to December 2011, the deputy general manager of cable business unit primarily responsible for the R&D and production of cabling systems products from January 2012 to December 2012, and the Secretary of the Board of Directors since December 2011. Mr. Han obtained a bachelor's degree in silicate engineering in June 1998 and a master's degree in biomedical engineering from Wuhan University of Technology (武漢工業大學, currently known as Wuhan University of Technology (武漢理工大學)) in June 2001, and a doctorate in materials physics and chemistry from Wuhan University of Technology (武漢理工大學) in December 2006. Mr. Han also successfully completed the course of Designing and Executing Strategy (戰略設計與戰略執行) jointly offered by Harvard Business School and Guanghua School of Management at Peking University (北京大學) in May 2010. Mr. Han was awarded the second prize for National Science and Technology Progress Award (國家科技進步二等獎) by the State Council in November 2005, the first batch of Outstanding Scientific and Technological Workers of Wuhan (武漢市首屆優秀科技工作者) by the Government of Wuhan Municipal (武漢市政府) in July 2007, the eighth batch of Youth Science and Technology Award of Hubei Province (第八屆湖北省青年科技獎) by Hubei Association for Science and Technology (湖北省科學技術協會) in December 2007, and the fourth batch of Outstanding Scientific and Technological Workers of Hubei Province (第四屆湖北省優秀科技工作者) by Hubei Association for Science and Technology (湖北省科學技術協會) in December 2008.

DIRECTORS' AND SUPERVISORS' INTEREST

Save as disclosed herein, each of the Directors and Supervisors (i) did not hold other positions in our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, Supervisors, senior management, substantial shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any other directorship in listed companies in the three years prior to the Latest Practicable Date. Please refer to the section headed "Appendix VI — Statutory and General Information" in this prospectus for further information about the Directors and the Supervisors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors and Supervisors in the Shares (within the meaning of Part XV of the SFO).

In relation to the competing interests of Mr. Philippe Claude Vanhille, although he, as our non-executive Director, is involved in our high level decision-making of important strategic and policy matters, he is not involved in the daily management and business operation of our Company. Further, our Company will adopt the following corporate governance measures to manage the conflict of interests arising from the competing interests of Mr. Vanhille and to safeguard the interests of our Company:

(a) Mr. Vanhille has attended training sessions to strengthen his awareness of his fiduciary duties as a Director of our Company which require, among others, that he acts for the benefit and in the best interests of our Company when a potential conflict of interest arises;

(b) our Board will operate in accordance with our Articles of Association which require Mr. Vanhille not to be entitled to vote on (nor be counted in the quorum in relation to) any resolution of the Board in respect of any contract, transaction or arrangement in which Mr. Vanhille or any of his associates is materially interested;

(c) our independent non-executive Directors will review the competing interests held by Mr. Vanhille, on an annual basis, and Mr. Vanhille will provide all the information necessary for the review to our independent non-executive Directors; and

(d) the decisions on matters reviewed by our independent non-executive Directors will be disclosed in our annual reports.

Save as disclosed herein, there are no other matters in respect of each of our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there are no other material matters relating to our Directors and Supervisors that need to be brought to the attention of our Shareholders.

COMPANY SECRETARY

Ms. Cheng Pik Yuk (鄭碧玉), age 56, was appointed as our company secretary on June 3, 2014. Ms. Cheng is a director of corporate services division of Tricor Services Limited, providing corporate secretarial services to client companies. Ms. Cheng has over 30 years of experience in the corporate secretarial field. Ms. Cheng currently serves as the assistant company secretary of Livzon Pharmaceutical Group Inc. (Stock Code: 1513), the joint company secretary of Hilong Holding Limited (Stock Code: 1623), the company secretary of Samson Holding Ltd. (Stock Code: 0531) and the company secretary of Colour Life Services Group Co., Limited (Stock Code: 1778). Ms. Cheng is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the Practitioner's Endorsement from The Hong Kong Institute of Company Secretaries. Prior to joining Tricor Services Limited, Ms. Cheng was a senior manager as well as the departmental manager of company secretarial services with Deloitte Touche Tohmatsu in Hong Kong and Secretaries Limited (now known as Tricor Secretaries Limited), a professional service company then wholly-owned by Deloitte Touche Tohmatsu.

BOARD OF DIRECTORS COMMITTEES

Audit Committee

The Company established an audit committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, namely Mr. Ngai Wai Fung, Mr. Ip Sik On Simon and Mr. Li Zhuo, our independent non-executive Directors. Mr. Ngai Wai Fung has been appointed as the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the Audit Committee are to review the accounting policies, financial positions and reporting process of the Company, review and supervise the internal audit functions and internal control structure of the Company, review and oversee all the existing or potential risks of the Company.

Nomination and Remuneration Committee

The Company established a nomination and remuneration committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Nomination and Remuneration Committee consists of two independent non-executive Directors, being Mr. Ip Sik On Simon and Mr. Ngai Wai Fung and one executive Director, being Mr. Frank Franciscus Dorjee. Mr. Ngai Wai Fung has been appointed as the chairman of the Nomination and Remuneration Committee. The primary duties of the Nomination and Remuneration Committee are to review and make recommendations on the standards and procedures for the selection of the senior management, the appointment and removal of senior management, the evaluation standards for senior management and employees, and remuneration policy and scheme for senior management and employees.

Strategy Committee

The Company established a strategy committee with written terms of reference in compliance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The Strategy Committee consists of two independent non-executive Directors, being Mr. Ngai Wai Fung and Mr. Li Ping and one executive Director, being Mr. Wen Huiguo. Mr. Wen Huiguo has been appointed as the chairman of the Strategy Committee. The primary duties of the Strategy Committee are to review and provide advices on the Company's long-term development strategies and major investment decisions.

WAIVERS GRANTED BY THE STOCK EXCHANGE

Management presence

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rule 8.12 and Rule 19A.15 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the section headed "Waivers from Strict Compliance with the Listing Rules — Waiver in relation to Management Presence in Hong Kong".

COMPLIANCE ADVISOR

We have appointed Messis Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and members of our senior management receive compensation from our Company in the form of salaries, bonuses, allowances and other benefits in kind such as contributions to pension plans.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) we paid to our Directors and Supervisors for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014 was approximately RMB1.66 million, RMB1.77 million, RMB1.87 million and RMB0.43 million, respectively, which included the aggregate contributions we paid to pension schemes for our Directors and Supervisors in respect of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014 of approximately RMB21,000, RMB21,000, RMB21,000 and RMB11,000, respectively. Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors and Supervisors for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014. During the Track Record Period, we did not pay any remuneration to our Directors who were nominated by our Shareholders to take up the directors' position in our Company because these Directors had been remunerated by our Shareholders directly for their services as our Directors, being part of their job duties whilst working with our Shareholders, except for Mr. Wen Huiguo who performed work for our Company in addition to those functions performed by a nominee director.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind we paid to our five highest paid individuals in respect of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014 was approximately RMB7.58 million, RMB8.30 million, RMB8.93 million and RMB2.19 million, respectively, which included the aggregate contributions we paid to pension schemes in respect of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014 of approximately RMB0.24 million, RMB0.26 million, RMB0.25 million and RMB0.13 million, respectively.

No remuneration was paid by us to our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014. Further, none of our Directors nor Supervisors had waived or agreed to waive any remuneration during the same period.

Pursuant to the existing arrangements that are currently in force as of the date of this prospectus, the amount of remuneration (including benefits in kind and discretionary bonuses) payable to our Directors and Supervisors by our Company for the year ending December 31, 2014 is estimated to be approximately RMB2.46 million in aggregate.

Our Board will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

FUTURE PLANS

See the section headed "Business – Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

The table below sets forth the estimate of the net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering:

	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Assuming an Offer Price of HK$8.84 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	Approximately HK$1,323 million	Approximately HK$1,535 million
Assuming an Offer Price of HK$10.28 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	Approximately HK$1,544 million	Approximately HK$1,790 million
Assuming an Offer Price of HK$7.39 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	Approximately HK$1,103 million	Approximately HK$1,280 million

We intend to use the net proceeds of the Global Offering for the following purposes (assuming an Offer Price of HK$8.84 per Share, being the mid-point of the Offer Price range stated in the prospectus, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Global Offering, and the Over-allotment Option is not exercised):

- approximately 20%, or HK$265 million, will be used for global purchase of raw materials, primarily including certain chemical gases which are to be used for the optical fibre preform production processes that are under development and expected to complement our current PCVD process, such as silicon tetrachloride, germanium tetrachloride and hexafluoroethane, and equipment and in particular, we expect to use approximately 75% of this portion of proceeds to purchase new production equipment in connection with such complementary optical fibre preform production processes that are currently under development;

- approximately 27%, or HK$357 million, will be used for constructing the phase I project of YOFC Science & Technology Park in Wuhan to expand our production capacity and increase our production efficiency, primarily by relocating and expanding the existing production lines for optical fibre cables and the active optical cables, as well as by further streamlining the production lines for all data center cabling related products; we are in the process of obtaining the requisite approvals and permits for this project and we do not foresee any legal impediment in obtaining such permits or licenses; see "Risk Factors — Risks relating to the Global Offering — The proper use of certain proceeds of the Global Offering is subject to future governmental approvals or permits and any delay or failure in obtaining such requisite approvals or permits may have a material and adverse impact on our business, financial condition and results of operations;"

- approximately 13%, or HK$172 million, will be used for research and development projects on alternative optical fibre preform production processes;

- approximately 10%, or HK$132 million, will be used for establishment of overseas production bases, such as optical fibre and/or optical fibre cable production bases in Southeast Asia and Africa with potential local partners; while we currently do not have any concrete expansion plan in this regard, we do not foresee any legal impediment in obtaining requisite permits or licenses, if required, given our leading market position in China and globally in our industry, and the fact that we will conduct detailed due diligence and obtain appropriate legal advice before establishing such production bases;

- approximately 20%, or HK$265 million, will be used for repayment of bank loans, including all or part of two one-year loans of US$15.0 million each from Bank of Communications, each of which carries a floating interest rate of LIBOR plus 390 basis points and expires in May 2015, of which they were used for our working capital purposes; and

- approximately 10%, or HK$132 million, will be used for replenishment of working capital in order to improve the liquidity and gearing ratio of the Company.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
CCB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 15,987,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee granting listing of, and permission to deal in, our H Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

One of the conditions is that the Offer Price must be agreed between us and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, the Global Offering will not proceed.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the day that trading in our H Shares commences on the Hong Kong Stock Exchange, any of the events set out below shall develop, occur, exist or come into effect:

(a) any event, or series of events, in the nature of *force majeure*, including, without limitation, any acts of government, declaration of a national or international emergency or war, labor disputes strikes, calamity, crisis, pandemic, outbreak of diseases or epidemics (including, but not limited to, SARS, H7N9, H5N1 and such related/mutated forms), economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism in the Relevant Jurisdictions; or

(b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), in or affecting the Relevant Jurisdictions; or

(c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union (or any member thereof) or Japan, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or

(e) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting the Relevant Jurisdictions; or

(f) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on the Relevant Jurisdictions; or

(g) a change or development involving a prospective change in Taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in the Relevant Jurisdictions; or

(h) any adverse change or prospective adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of the Company or any member of the Group (including any litigation or claim of any third party being threatened or instigated against the Company or any member of the Group); or

(i) any litigation, claim or legal action of any third party being threatened or instigated against any member of the Group; or

(j) a Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(k) the chairman of the Company vacating his office; or

(l) an authority or a political body or organization in any Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director or any other officer of the Company; or

(m) a contravention by any member of the Group of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or applicable laws; or

(n) a prohibition on the Company for whatever reason from allotting or selling the Shares (including the Shares subject to the Over-allotment Option) pursuant to the terms of the Global Offering; or

(o) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws or regulations; or

(p) a material change in, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(q) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(1) has or will or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(2) has or will or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for any material part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(4) has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

there has come to the notice of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners or any of the Hong Kong Underwriters:

(a) that any statement contained in any of the Hong Kong Public Offering Documents and/or in any notices, announcements, advertisements or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any respect, or that any forecast, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of the Hong Kong Public Offering Documents and/or in any notices, announcements, advertisements or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(c) any breach of any of the material obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(d) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties under the Hong Kong Underwriting Agreement; or

(e) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any respect, any of the representations, warranties and undertakings given by the Company in the Hong Kong Underwriting Agreement; or

(f) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(g) any of the experts named in the paragraph headed "D. Other Information — 6. Qualification of Experts" in Appendix VI to this prospectus (other than the Joint Sponsors) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(h) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

We have undertaken to the Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules, the Global Offering and the Over-allotment Option, no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except:

(a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or

(b) pursuant to the Global Offering (including the Over-allotment Option).

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules and as required by the Hong Kong Stock Exchange, each of our Controlling Shareholders, Draka and China Huaxin, has undertaken to the

Hong Kong Stock Exchange and us that it will not, save as permitted under the Listing Rules, in the period commencing on the date of this prospectus and ending on the date which is twelve months from the date on which dealings in our H Shares commence on the Hong Kong Stock Exchange (the "**Lock-up Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities directly or indirectly beneficially owned by it.

In addition, in accordance to Note 3 to Rule 10.07(1) of the Listing Rules and as required by the Hong Kong Stock Exchange, each of our Controlling Shareholders has further undertaken to the Hong Kong Stock Exchange and us that, within the Lock-up Period, it will:

(a) when it pledges or charges any Shares or other securities of our Company in respect of which it is the beneficial owner in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of any such pledge or charge and the number of Shares or other securities of our Company so pledged or charged; and

(b) when it receives any indication, either verbal or written, from any such pledgee or charge of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform us of any such indication.

We will also, as soon as we have been informed of the above matters (if any) by Draka and China Huaxin, inform the Hong Kong Stock Exchange and disclose such matters as soon as possible by way of an announcement to be published as required under the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

We have also undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters (and are expected to undertake to the International Underwriters) that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option or pursuant to any transfer of H shares to NSSF), at any time from the date of the Hong Kong Underwriting Agreement until the expiry of First Six-month Period, we will not without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other securities of the Company, as applicable), or deposit any share capital or other securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of H Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any shares of such other member of the Group, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction specified above; or

(iv) offer to or agree to do or announce any intention to do any transaction specified above,

in each case, whether any of the transactions specified above is to be settled by delivery of share capital or such other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such share capital or other securities will be completed within the First Six-month Period).

The Company has further agreed that, during the Second Six-month Period, in the event the Company enters into any of the transactions specified above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any H Shares or other securities of the Company.

Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of the Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that as an inducement for the Hong Kong Underwriters to execute the Hong Kong Underwriting Agreement, during the Lock-up Period, each Controlling Shareholder will not, and will procure that none of its affiliates will (save as pursuant to the Global Offering):

(a) offer, sell, contract to sell, charge, pledge or otherwise dispose of, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, create any encumbrances to, lend or otherwise transfer or dispose of, or cause our Company to repurchase, either directly or indirectly, conditionally or unconditionally, any H Shares or securities convertible into or exchangeable or exercisable for any H Shares;

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the H Shares;

(c) offer or agree to enter into any transaction with the same economic effect described in (i) or (ii) above, whether any such aforementioned transaction described in (i) or (ii) above is to be settled by delivery of such H Shares or such other securities, in cash or otherwise; or

(d) publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap or other arrangement described in (i), (ii) or (iii) above,

without, in each case, the prior written consent of the Joint Global Coordinators (the "**Lock-up Restrictions**").

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot an additional 23,980,000 Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total Commission and Expenses and Joint Sponsors' Fee

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 3.0% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, the Company may, in its sole discretion, pay certain Underwriters an incentive fee of up to 1.7% of the Offer Price per Offer Share.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$8.84 per H Share (being the mid-point of the indicative offer price range of HK$7.39 to HK$10.28 per H Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK$118.9 million in total.

The commission and expenses were determined after arm's length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

Indemnity

We have agreed to indemnify the Hong Kong Underwriters and International Underwriters for certain losses which they may suffer, including liabilities under the U.S. Securities Act, losses incurred arising from their performance of their obligations under the Underwriting Agreements and any breach by our Company of the Underwriting Agreements.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "Syndicate Members", may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- the Syndicate Members (except for Goldman Sachs, as the stabilizing manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the H Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their or part of their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in the sections headed “Structure of the Global Offering — The International Offering — Over-allotment Option” and “Structure of the Global Offering — Stabilization”. These activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters’ Interests in Our Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other Services to our Company

Certain of the Joint Global Coordinators, the Hong Kong Underwriters or their respective affiliates have, from time to time, provided and are expected to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Joint Global Coordinators, Hong Kong Underwriters or their respective affiliates have received or will receive customary fees and commissions.

H Share Over-Allotment and Stabilization

For details of the arrangements relating to the Over-allotment Option and stabilization, see "Structure of the Global Offering — The International Offering — Over-allotment Option" and "Structure of the Global Offering — Stabilization."

Sponsors' Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors are entitled to a total fee of US$1.4 million for acting as the Joint Sponsors in connection with the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 15,987,000 Offer Shares in Hong Kong as described below in the section entitled "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of initially 143,883,000 Offer Shares, to be offered (i) in the United States to qualified institutional buyers in reliance on Rule 144A or another exemption from, or in transaction not subject to, the registration requirements of the U.S. Securities Act, and (ii) outside the United States in reliance on Regulation S. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Joint Global Coordinators, as representatives of the International Underwriters, have an option to require our Company to issue and allot up to an aggregate of 23,980,000 additional Offer Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25.0% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the section headed "— Reallocation and clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 15,987,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 2.5% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed "Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 7,993,500 Offer Shares for pool A and 7,993,500 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 7,993,500 Offer Shares are liable to be rejected.

Reallocation and clawback

Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 47,961,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 63,948,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong

Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 79,935,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Offer Shares from such offering to the other, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$10.28 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "— Pricing of the Global Offering" below, is less than the maximum price of HK$10.28 per H Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled "How to Apply for Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 143,883,000 Offer Shares representing approximately 90% of the Offer Shares under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section entitled "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 23,980,000 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be sold under the Over-allotment Option, namely, 23,980,000 H Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;

(c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling the H Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Hong Kong Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on December 31, 2014. As a result, demand for the H Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, December 3, 2014, and in any event on or before Sunday, December 7, 2014, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$10.28 per H Share and is expected to be not less than HK$7.39 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.yofc.com) notices of the reduction. Upon the issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters, and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the offer price range is so reduced. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of H Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

The final Offer Price for H Shares under the Global Offering is expected to be announced on Tuesday, December 9, 2014. The indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Tuesday, December 9, 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.yofc.com).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section entitled "Underwriting".

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section entitled "How to Apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Tuesday, December 9, 2014 but will only become valid certificates of title at 8:00a.m. on Wednesday, December 10, 2014 provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section entitled "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, December 10, 2014, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, December 10, 2014. Our H Shares will be traded in board lots of 500 H Shares each and the stock code of our H Shares will be 6869.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf .

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate or a close associate (as respectively defined in the Listing Rules) of any of the above;
- a connected person or a core connected person (as respectively defined in the Listing Rules) of the Company or will become a connected person or a core connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Wednesday, November 26, 2014 until 12:00 noon on Monday, December 1, 2014 from:

(i) any of the following offices of the Hong Kong Underwriters:

China International Capital Corporation Hong Kong Securities Limited

29th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

Goldman Sachs (Asia) L.L.C.

68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong

CCB International Capital Limited

12/F., CCB Tower, 3 Connaught Road Central, Central, Hong Kong

(ii) any of the branches of the following receiving banks:

Bank of China (Hong Kong) Limited

District	Branch	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	Prince Edward Branch	774 Nathan Road, Kowloon
	Hung Hom (Eldex Industrial Building) Branch	21 Ma Tau Wai Road, Hung Hom
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
New Territories	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun
	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan

Bank of Communications Co., Ltd. Hong Kong Branch

District	Branch	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Quarry Bay Sub-Branch	G/F., 981C King's Road, Quarry Bay
Kowloon	Tsim Sha Tsui Sub-Branch	Shop 1-3, G/F., 22-28 Mody Road, Tsim Sha Tsui
	Kwun Tong Sub-Branch	Shop A, G/F., Hong Ning Court, 55 Hong Ning Road, Kwun Tong
New Territories	Shatin Sub-Branch	Shop No. 193, Level 3, Lucky Plaza, Shatin
	Market Street Sub-Branch	G/F., 53 Market Street, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, November 26, 2014 until 12:00 noon on Monday, December 1, 2014 from the Depository Counter of **HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited — Yangtze Optical Fibre Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Wednesday, November 26, 2014 — 9:00 a.m. to 5:00 p.m.
- Thursday, November 27, 2014 — 9:00 a.m. to 5:00 p.m.
- Friday, November 28, 2014 — 9:00 a.m. to 5:00 p.m.
- Saturday, November 29, 2014 — 9:00 a.m. to 1:00 p.m.
- Monday, December 1, 2014 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, December 1, 2014, the last application day or such later time as described in "- Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the H Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, November 26, 2014 until 11:30 a.m. on Monday, December 1, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, December 1, 2014 or such later time under the "—Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders;

- authorize the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Wednesday, November 26, 2014- 9:00 a.m. to 8:30 p.m. (1)
- Thursday, November 27, 2014- 8:00 a.m. to 8:30 p.m. (1)
- Friday, November 28, 2014- 8:00 a.m. to 8:30 p.m. (1)
- Saturday, November 29, 2014- 8:00 a.m. to 1:00 p.m. (1)
- Monday, December 1, 2014- 8:00 a.m.(1) to 12:00 noon

Note:

(1) *These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.*

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Wednesday, November 26, 2014 until 12:00 noon on Monday, December 1, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, December 1, 2014, the last application day or such later time as described in "— Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Monday, December 1, 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the Board of Directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering — Pricing of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, December 1, 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, December 1, 2014 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, December 9, 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the Company's website at **www.yofc.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.yofc.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, December 9, 2014;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result/** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, December 9, 2014 to 12:00 midnight on Monday, December 15, 2014;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, December 9, 2014 to Friday, December 12, 2014, excluding Saturday, Sunday and Public Holiday;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, December 9, 2014 to Thursday, December 11, 2014 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;

- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$10.28 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, December 9, 2014.

14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or around Tuesday, December 9, 2014. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Wednesday, December 10, 2014 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from our H Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, December 9, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, December 9, 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, December 9, 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, December 9, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- ***If you apply through a designated CCASS participant (other than a CCASS investor participant)***

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- ***If you are applying as a CCASS investor participant***

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. Tuesday, December 9, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from our H Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, December 9, 2014, or such other date as notified by the Company in the newspapers as the date of despatch/collection of H Share certificates/ e-Auto refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, December 9, 2014 by ordinary post at your own risk. If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto refund payment instructions.

If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, December 9, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, December 9, 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 9, 2014 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, December 9, 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, December 9, 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

26 November 2014

The Directors
Yangtze Optical Fibre and Cable Joint Stock Limited Company

China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Yangtze Optical Fibre and Cable Joint Stock Limited Company (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2011, 2012 and 2013 and 30 June 2014 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 26 November 2014 (the "Prospectus").

The Company was formerly known as Yangtze Optical Fibre and Cable Company Ltd. and was established in the People's Republic of China (the "PRC") on 31 May 1988 as a sino-foreign equity joint venture. The Company was converted into a foreign invested joint stock limited liability company in the PRC on 27 December 2013 (the "Conversion"). Details of the Conversion are set out in Note 1(a) of Section B.

As at the date of this report, no audited financial statements have been prepared for the Company's subsidiaries, Yangtze Optical Fibre and Cable Company (Hong Kong) Limited, EverPro Technologies Company Limited and EverProsper Technologies Company Limited as they were newly incorporated or established and not subject to statutory audit requirements during the Relevant Periods.

The Company and its subsidiaries have adopted 31 December as their financial year end date. The Company's statutory financial statements for each of the years ended 31 December 2011, 2012 and 2013 were prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and were audited by KPMG Huazhen (Special General Partnership).

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 were audited by KPMG Huazhen (Special General Partnership) under separate terms of engagement with the Company in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2014.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31 December 2011, 2012 and 2013 and 30 June 2014 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2013, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A FINANCIAL INFORMATION

1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Section B Note	Years ended 31 December			Six months ended 30 June	
		2011	**2012**	**2013**	**2013**	**2014**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Turnover	3	4,175,044	4,777,823	4,825,895	1,995,491	2,634,868
Cost of sales		(3,433,810)	(3,895,577)	(3,808,113)	(1,552,133)	(2,109,691)
Gross profit		741,234	882,246	1,017,782	443,358	525,177
Other revenue and net income	4	42,593	32,376	21,280	11,745	20,348
Selling expenses		(90,865)	(96,593)	(109,758)	(46,782)	(50,160)
Administrative expenses		(376,963)	(431,495)	(438,857)	(180,979)	(209,667)
Profit from operations		315,999	386,534	490,447	227,342	285,698
Finance income	5	46,953	15,775	42,526	22,747	1,357
Finance costs	5	(67,971)	(78,039)	(81,300)	(24,862)	(50,838)
Net finance costs		(21,018)	(62,264)	(38,774)	(2,115)	(49,481)
Share of results of associates		(969)	(1,873)	(2,750)	(1,008)	(332)
Share of results of joint ventures		82,474	78,477	21,360	13,637	8,867
Profit before taxation	6	376,486	400,874	470,283	237,856	244,752
Income tax	7	(32,347)	(36,084)	(55,242)	(30,206)	(35,531)
Profit for the year/period		344,139	364,790	415,041	207,650	209,221
Other comprehensive income (item that may be reclassified subsequently to profit or loss):						
Available-for-sale securities		(4,314)	(5,770)	7,171	809	10,677
Income tax relating to available-for-sale securities		647	866	(1,075)	(121)	(1,602)
Total comprehensive income for the year/period		340,472	359,886	421,137	208,338	218,296
Profit for the year/period attributable to:						
Equity shareholders of the Company		344,139	364,790	415,041	207,650	210,599
Non-controlling interests		-	-	-	-	(1,378)
Profit for the year/period		344,139	364,790	415,041	207,650	209,221
Total comprehensive income for the year/period attributable to:						
Equity shareholders of the Company		340,472	359,886	421,137	208,338	219,674
Non-controlling interests		-	-	-	-	(1,378)
Total comprehensive income for the year/period		340,472	359,886	421,137	208,338	218,296
Earnings per share (RMB)	11					
Basic and diluted		0.72	0.76	0.87	0.43	0.44

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section B Note	31 December 2011	31 December 2012	31 December 2013	30 June 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	13	688,681	713,389	819,923	805,075
Construction in progress	14	9,836	151,466	40,030	30,334
Intangible assets	15	-	-	-	151,019
Lease prepayments	16	15,886	14,327	12,838	117,443
Interest in associates	18	29,770	36,897	29,733	29,401
Interest in joint ventures	19	649,361	683,810	621,074	633,280
Other non-current assets	20	83,936	69,842	156,289	96,457
Deferred tax assets	29(b)	18,264	15,051	33,574	30,593
Total non-current assets		1,495,734	1,684,782	1,713,461	1,893,602
Current assets					
Inventories	21	299,286	439,157	721,303	721,521
Trade and bills receivables	22	1,186,069	1,420,340	1,508,587	2,497,680
Deposits, prepayments and other receivables	23	76,341	148,909	156,867	126,513
Other financial assets	24	-	-	-	90,000
Income tax recoverable	29(a)	7,490	16,070	1,135	-
Cash and cash equivalents	25	431,939	299,186	906,378	431,398
Total current assets		2,001,125	2,323,662	3,294,270	3,867,112
Current liabilities					
Bank loans	26	854,397	939,124	808,188	1,155,359
Trade and bills payables	27	345,039	662,899	713,540	703,277
Accrued expenses and other payables	28	304,408	470,375	1,078,492	1,060,649
Income tax payable	29(a)	-	-	-	18,082
Total current liabilities		1,503,844	2,072,398	2,600,220	2,937,367
Net current assets		497,281	251,264	694,050	929,745
Total assets less current liabilities		1,993,015	1,936,046	2,407,511	2,823,347
Non-current liabilities					
Bank loans	26	374,904	113,139	813,936	996,138
Deferred income	30	73,857	71,709	83,923	73,118
Total non-current liabilities		448,761	184,848	897,859	1,069,256
Net assets		1,544,254	1,751,198	1,509,652	1,754,091
Capital and reserves					
Paid-in capital/share capital	31	479,593	479,593	479,593	479,593
Reserves		1,064,661	1,271,605	1,030,059	1,175,876
Total equity attributable to equity shareholders of the Company		1,544,254	1,751,198	1,509,652	1,655,469
Non-controlling interests		-	-	-	98,622
Total equity		1,544,254	1,751,198	1,509,652	1,754,091

The accompanying notes form part of the Financial Information.

3 STATEMENTS OF FINANCIAL POSITION

	Section B Note	31 December 2011	31 December 2012	31 December 2013	30 June 2014
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	13	688,681	713,389	819,923	804,390
Construction in progress	14	9,836	151,466	40,030	30,334
Lease prepayments	16	15,886	14,327	12,838	117,443
Investment in subsidiaries	17	-	-	63	225,063
Interest in associates	18	19,866	28,866	28,866	28,866
Interest in joint ventures	19	475,479	475,479	470,165	470,165
Other non-current assets	20	83,936	69,842	88,789	96,126
Deferred tax assets	29(b)	18,264	15,051	33,574	30,593
Total non-current assets		1,311,948	1,468,420	1,494,248	1,802,980
Current assets					
Inventories	21	299,286	439,157	721,303	721,152
Trade and bills receivables	22	1,186,069	1,420,340	1,508,587	2,487,149
Deposits, prepayments and other receivables	23	76,341	148,909	225,920	116,895
Income tax recoverable	29(a)	7,490	16,070	1,135	-
Cash and cash equivalents	25	431,939	299,186	905,031	374,875
Total current assets		2,001,125	2,323,662	3,361,976	3,700,071
Current liabilities					
Bank loans	26	854,397	939,124	795,056	1,029,577
Trade and bills payables	27	345,039	662,899	726,672	844,149
Accrued expenses and other payables	28	304,408	470,375	1,078,491	1,059,437
Income tax payable	29(a)	-	-	-	14,923
Total current liabilities		1,503,844	2,072,398	2,600,219	2,948,086
Net current assets		497,281	251,264	761,757	751,985
Total assets less current liabilities		1,809,229	1,719,684	2,256,005	2,554,965
Non-current liabilities					
Bank loans	26	374,904	113,139	813,936	996,138
Deferred income	30	73,857	71,709	83,923	73,118
Total non-current liabilities		448,761	184,848	897,859	1,069,256
Net assets		1,360,468	1,534,836	1,358,146	1,485,709
Capital and reserves					
Paid-in capital/share capital	31	479,593	479,593	479,593	479,593
Reserves		880,875	1,055,243	878,553	1,006,116
Total equity		1,360,468	1,534,836	1,358,146	1,485,709

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company							
	Paid-in capital/ share capital	Capital reserve	Statutory surplus reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 (Note 31(c))	*RMB'000* (Note 31(d))	*RMB'000* (Note 31(d))	*RMB'000* (Note 31(d))	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	479,593	-	313,145	21,799	642,199	1,456,736	-	1,456,736
Changes in equity:								
Profit for the year	-	-	-	-	344,139	344,139	-	344,139
Other comprehensive income	-	-	-	(3,667)	-	(3,667)	-	(3,667)
Total comprehensive income for the year	-	-	-	(3,667)	344,139	340,472	-	340,472
Appropriation	-	-	31,448	-	(31,448)	-	-	-
Dividends declared	-	-	-	-	(252,954)	(252,954)	-	(252,954)
At 31 December 2011	479,593	-	344,593	18,132	701,936	1,544,254	-	1,544,254
At 1 January 2012	479,593	-	344,593	18,132	701,936	1,544,254	-	1,544,254
Changes in equity:								
Profit for the year	-	-	-	-	364,790	364,790	-	364,790
Other comprehensive income	-	-	-	(4,904)	-	(4,904)	-	(4,904)
Total comprehensive income for the year	-	-	-	(4,904)	364,790	359,886	-	359,886
Appropriation	-	-	35,986	-	(35,986)	-	-	-
Dividends declared	-	-	-	-	(152,942)	(152,942)	-	(152,942)
At 31 December 2012	479,593	-	380,579	13,228	877,798	1,751,198	-	1,751,198
At 1 January 2013	479,593	-	380,579	13,228	877,798	1,751,198	-	1,751,198
Changes in equity:								
Profit for the year	-	-	-	-	415,041	415,041	-	415,041
Other comprehensive income	-	-	-	6,096	-	6,096	-	6,096
Total comprehensive income for the year	-	-	-	6,096	415,041	421,137	-	421,137
Appropriation	-	-	38,278	-	(38,278)	-	-	-
Dividends declared	-	-	-	-	(662,683)	(662,683)	-	(662,683)
Conversion into a joint stock company (Note 31(c)(ii))	-	608,922	(418,857)	(13,228)	(176,837)	-	-	-
At 31 December 2013	479,593	608,922	-	6,096	415,041	1,509,652	-	1,509,652

4 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity shareholders of the Company							
	Paid-in capital/ share capital	Capital reserve	Statutory surplus reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 (Note 31(c))	*RMB'000* (Note 31(d))	*RMB'000* (Note 31(d))	*RMB'000* (Note 31(d))	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	479,593	608,922	-	6,096	415,041	1,509,652	-	1,509,652
Changes in equity:								
Profit for the period	-	-	-	-	210,599	210,599	(1,378)	209,221
Other comprehensive income	-	-	-	9,075	-	9,075	-	9,075
Total comprehensive income for the period	-	-	-	9,075	210,599	219,674	(1,378)	218,296
Appropriation	-	-	43,445	-	(43,445)	-	-	-
Dividends declared	-	-	-	-	(73,857)	(73,857)	-	(73,857)
Capital contribution from non-controlling interests	-	-	-	-	-	-	100,000	100,000
At 30 June 2014	479,593	608,922	43,445	15,171	508,338	1,655,469	98,622	1,754,091
At 1 January 2013	479,593	-	380,579	13,228	877,798	1,751,198	-	1,751,198
Changes in equity:								
Profit for the period (unaudited)	-	-	-	-	207,650	207,650	-	207,650
Other comprehensive income (unaudited)	-	-	-	688	-	688	-	688
Total comprehensive income for the period (unaudited)	-	-	-	688	207,650	208,338	-	208,338
Appropriation (unaudited)	-	-	38,278	-	(38,278)	-	-	-
Dividends declared (unaudited)	-	-	-	-	(162,683)	(162,683)	-	(162,683)
At 30 June 2013 (unaudited)	479,593	-	418,857	13,916	884,487	1,796,853	-	1,796,853

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED CASH FLOW STATEMENTS

	Section B Note	Years ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cash flows from operating activities						
Profit before taxation		376,486	400,874	470,283	237,856	244,752
Adjustments for:						
Depreciation		110,903	103,595	110,199	53,987	57,180
Amortisation		1,244	1,559	1,489	699	165
Finance income		(40,901)	(6,811)	(43,442)	(23,998)	(1,357)
Finance costs		64,030	73,552	75,605	23,714	49,069
Impairment loss on investment in a joint venture		-	-	4,130	-	-
Dividend income from available-for-sale equity securities		(9,084)	(7,405)	(4,049)	(4,049)	(3,655)
Share of results of associates		969	1,873	2,750	1,008	332
Share of results of joint ventures		(82,474)	(78,477)	(21,360)	(13,637)	(8,867)
Unrealised profits on downstream transactions with joint ventures		4,147	20,274	37,722	38,189	(12,754)
Net (gain)/loss on disposal of property, plant and equipment		(27)	55	6,160	162	59
Net gain on disposal of a joint venture		-	-	(230)	(230)	-
Changes in working capital:						
Decrease/(increase) in inventories		21,837	(139,871)	(282,146)	(172,245)	(218)
Decrease/(increase) in trade and other receivables		223,696	(308,568)	(61,956)	(466,512)	(969,616)
(Decrease)/increase in trade and other payables and non-current liabilities		(44,592)	476,131	195,896	(115,466)	(131,693)
Cash generated from/(used in) operations		626,234	536,781	491,051	(440,522)	(776,603)
Income tax paid		(39,452)	(40,585)	(59,905)	(13,398)	(14,935)
Income tax refund		7,679	-	-	-	-
Net cash generated from/(used in) operating activities		594,461	496,196	431,146	(453,920)	(791,538)

The accompanying notes form part of the Financial Information.

5 CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

	Section B Note	Years ended 31 December			Six months ended 30 June	
		2011	2012	2013	2013	2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cash flows from investing activities						
Payment for property, plant and equipment		(57,953)	(260,428)	(121,744)	(76,205)	(64,443)
Payment for intangible assets		-	-	(67,500)	-	(83,519)
Payment for lease prepayment		-	-	(21,000)	-	(31,385)
Payment for investment in joint ventures		(30,360)	-	-	-	-
Payment for available-for-sale debt securities		-	-	-	-	(150,160)
Proceeds from matured available-for-sale debt securities		-	-	-	-	60,160
Proceeds from disposal of property, plant and equipment		32	294	1,409	280	-
Proceeds from disposal of a joint venture		-	-	1,240	1,240	-
Interest received		306	885	1,001	346	1,357
Dividends received from associates		-	-	2,014	1,013	2,400
Dividends received from joint ventures		38,266	25,484	9,385	3,864	17,892
Dividends received from available-for-sale equity securities		9,084	7,405	4,049	4,049	3,655
Net cash used in investing activities		(40,625)	(226,360)	(191,146)	(65,413)	(244,043)
Cash flows from financing activities						
Proceeds from new bank loans		2,189,137	3,416,899	2,512,631	1,201,746	1,539,775
Repayments of bank loans		(2,229,286)	(3,587,943)	(1,898,325)	(760,559)	(1,026,167)
Dividends paid to equity shareholders of the Company		(252,954)	(152,942)	(162,683)	(162,683)	(18,465)
Interest and other finance costs paid		(50,011)	(78,535)	(82,427)	(38,800)	(34,840)
Contribution from non-controlling interests		-	-	-	-	100,000
Net cash (used in)/generated from financing activities		(343,114)	(402,521)	369,196	239,704	560,303
Net increase/(decrease) in cash and cash equivalents		210,722	(132,685)	609,196	(279,629)	(475,278)
Cash and cash equivalents at the beginning of the year/period		228,376	431,939	299,186	299,186	906,378
Effect of foreign exchange rate changes		(7,159)	(68)	(2,004)	(1,724)	298
Cash and cash equivalents at the end of the year/period	25	431,939	299,186	906,378	17,833	431,398

The accompanying notes form part of the Financial Information.

B NOTES TO THE FINANCIAL INFORMATION

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) Organisation

The Company was formerly known as Yangtze Optical Fibre and Cable Company Ltd. and was established in the People's Republic of China (the "PRC") on 31 May 1988 as a sino-foreign equity joint venture. The Company was converted to a joint stock limited liability company in the PRC on 27 December 2013 (the "Conversion") and was renamed as Yangtze Optical Fibre and Cable Joint Stock Limited Company. China Huaxin Post and Telecommunication Economy Development Center ("China Huaxin"), Wuhan Yangtze Communications Industry Group Co., Ltd. ("Yangtze Communications") and Draka Comteq B.V. ("Draka") held 37.5%, 25.0% and 37.5% equity interests in the Company respectively immediately before the Conversion. The Company converted its equity into 479,592,598 ordinary shares with a par value of RMB1.00 each on 27 December 2013. China Huaxin, Yangtze Communications and Draka assumed 179,827,794 ordinary shares (37.5%), 119,937,010 ordinary shares (25.0%) and 179,827,794 ordinary shares (37.5%), respectively.

(b) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2014. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2014 are set out in Note 36.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2013 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. It is prepared on the historical cost basis except for financial instruments classified as available-for-sale that are stated at their fair value.

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Use of estimates and judgements

The preparation of the Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Note 2.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 1(o) or (p) depending on the nature of the liability.

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Subsidiaries and non-controlling interests (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 1(f)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(h)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see Note 1(l)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Groups' previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 1(l)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Other investments in debt and equity securities (continued)

markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Notes 1(u)(iii) and (iv).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses.

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see Note 1(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Notes 1(u)(iii) and (iv). Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see Note 1(l)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 1(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Buildings and structures	20 years
- Machinery and equipment	8-16 years
- Office equipment	5-8 years
- Motor vehicles	8 years

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 1(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its useful life is as follows:

- Patents	8 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(l) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see Note 1(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 1(l)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— construction in progress;

— intangible assets;

— lease prepayments;

— goodwill; and

— investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (continued)

to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income tax levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises or collected by the customer which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Dividends

— dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and consequently are effectively recognised in profit or loss on a systematic basis over the useful life of the asset by way of reduced depreciation expense.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Translation of foreign currencies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

  (a) has control or joint control over the Group;

  (b) has significant influence over the Group; or

  (c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

  (a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (c) Both entities are joint ventures of the same third party.

  (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

1 ORGANISATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Related parties (continued)

(ii) An entity is related to the Group if any of the following conditions applies (continued):

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 33 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Provision for diminution in value of inventories

When making estimates of net realisable value of inventories, the Group takes into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and the Group's historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and relevant taxes may vary based on the changes in market conditions and

2 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(b) Provision for diminution in value of inventories (continued)

product saleability, manufacturing technology and the actual use of the inventories, resulting in the changes in provision for diminution in value of inventories. The net profit or loss may then be affected in the period when the provision for diminution in value of inventories is adjusted.

(c) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, intangible assets, lease prepayments, investments in joint ventures and associates and unquoted equity investments, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sales volume, selling price and amount of operating costs.

(d) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Income tax

The Company files income tax with local tax authority. Judgement is required in determining the provision for taxation in respect of certain calculations (such as the additional qualified tax deduction relating to research and development costs) for which the ultimate tax determinations are only certain when approval from the local tax authority is obtained. For the 15% preferential tax rate available for an approved high-tech enterprise (see Note 7), in determining the applicable tax rate for calculations of current income tax and deferred income tax, after receiving the substantive approvals, the Company uses the expected tax rate that would probably be approved by the tax authority according to the tax rules and regulations enacted at the reporting period end dates. If the final tax outcomes of these matters were different from the amounts originally recorded, the differences would have impact on the current income tax and deferred income tax provisions in the periods in which the final tax outcomes became available.

3 TURNOVER

The Group is principally engaged in the manufacturing and sale of optical fibre preforms, optical fibres, optical fibre cables and other related products and services. Turnover represents the sales value of goods supplied to customers, net of value added tax.

3 TURNOVER (CONTINUED)

During the Relevant Periods, the Group's customer base included one customer (including sales to entities which are known to the Group to be under common control with the customer) with whom transactions have exceeded 10% of the Group's annual turnover. Sales to that customer during the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 represented 21%, 24%, 24%, 20% (unaudited) and 24%, respectively, of the Group's annual turnover. Details of concentration of credit risk arising from the customers are set out in Note 33(a).

4 OTHER REVENUE AND NET INCOME

	Years ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Other revenue					
Dividend income from unlisted equity securities	9,084	7,405	4,049	4,049	3,655
Royalty fees	7,386	6,567	6,300	3,150	3,150
Government grants	25,206	8,569	15,594	3,794	13,062
Rental income from operating leases	890	890	1,267	684	422
Others	-	-	-	-	118
	42,566	23,431	27,210	11,677	20,407
Other net income					
Net gain/(loss) on disposal of property, plant and equipment	27	(55)	(6,160)	(162)	(59)
Gain on disposal of a joint venture (Note 19(vii))	-	-	230	230	-
Others	-	9,000	-	-	-
	42,593	32,376	21,280	11,745	20,348

5 NET FINANCE COSTS

	Years ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
(a) Finance income					
Interest income	306	885	1,001	346	1,357
Net foreign exchange gains	46,647	14,890	41,525	22,401	-
Finance income	46,953	15,775	42,526	22,747	1,357
(b) Finance costs					
Interest on bank loans	(59,958)	(61,985)	(39,865)	(15,342)	(29,019)
Other finance costs	(4,072)	(11,567)	(35,740)	(8,372)	(4,583)
Net foreign exchange losses	-	-	-	-	(14,283)
Bank charges	(3,941)	(4,487)	(5,695)	(1,148)	(2,953)
Finance costs	(67,971)	(78,039)	(81,300)	(24,862)	(50,838)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Staff costs#

	Years ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, wages and other benefits	231,230	281,872	355,531	165,252	168,066
Contributions to defined contribution retirement plan	20,366	25,406	31,098	14,296	16,832
	251,596	307,278	386,629	179,548	184,898

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiary in the PRC participated in defined contribution retirement scheme (the "Scheme") organised by the relevant local government authority for their employees. The Company and its subsidiary in the PRC are required to make contributions to the Scheme at 20% of basic salaries of the employees. The local government authority is responsible for the entire pension obligations payable to retired employees. The Group has no other material obligation to make payments in respect of pension benefits associated with this scheme other than the annual contribution described above.

(b) Other items

	Years ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Amortisation					
- lease prepayments	1,244	1,559	1,489	699	165
Depreciation#					
- property, plant and equipment held for use under operating leases	181	181	445	216	177
- other property, plant and equipment	110,722	103,414	109,754	53,771	57,003
Impairment losses					
- trade receivables	(1,649)	6,922	(3,617)	(2,813)	5,421
- investment in a joint venture	-	-	4,130	-	-
Auditors' remuneration					
- audit services	1,824	1,379	1,379	-	-
- review services	140	140	140	140	140
Research and development costs#	198,097	244,520	171,330	78,454	69,682
Cost of inventories# (Note 21(b))	3,433,810	3,904,781	3,827,316	1,555,494	2,115,828

\# Cost of inventories and research and development costs include RMB234,502,000, RMB280,166,000, RMB337,526,000, RMB158,374,000 (unaudited) and RMB160,735,000 relating to staff costs and depreciation expenses for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 respectively, of which the relevant amounts are also included in the respective total amounts disclosed separately above or in Note 6(a) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of comprehensive income represents:

	Years ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current tax					
Provision for the year/period	30,197	32,005	74,840	44,243	34,152
Deferred tax					
Origination and reversal of temporary differences	2,150	4,079	(19,598)	(14,037)	1,379
	32,347	36,084	55,242	30,206	35,531

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before taxation	376,486	400,874	470,283	237,856	244,752
Notional tax on profit before taxation at PRC corporate income tax rate	94,122	100,219	117,571	59,464	61,188
Tax rate differential	(21,565)	(24,056)	(36,828)	(20,137)	(21,581)
Effect of non-deductible expenses	4,175	6,230	4,999	4,798	6,384
Effect of non-taxable income	(2,271)	(1,851)	(1,069)	(1,069)	(914)
Effect attributable to the additional qualified tax deduction relating to research and development costs	(22,774)	(30,375)	(18,741)	(9,693)	(8,532)
Effect of share of results of associates and joint ventures	(20,377)	(19,151)	(4,653)	(3,157)	(2,134)
Effect of unrecognised tax loss	-	-	68	-	1,120
Others	1,037	5,068	(6,105)	-	-
Actual tax expense	32,347	36,084	55,242	30,206	35,531

The Company and its PRC subsidiary are subject to PRC corporate income tax at the statutory rate of 25%.

Pursuant to the corporate income tax law and the relevant approval documents, the Company obtained the "high-tech enterprise" status in December 2008 for 3 years and got it renewed for another 3 years in October 2011. According to the approval documents, the Company is an approved high-tech enterprise and is entitled to a preferential income tax rate of 15% during the Relevant Periods, subject to the fulfilment of the recognition criteria.

No provision was made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the Relevant Periods.

8 DIRECTORS' REMUNERATION

Details of remuneration of directors (including chief executive and supervisors) are as follows:

	Year ended 31 December 2011				
	Directors' fees	*Salaries, allowances and benefits in kind*	*Discretionary bonuses*	*Retirement scheme contributions*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Wen Huiguo	-	835	800	21	1,656
Phil Edwards	-	-	-	-	-
Xiong Ruizhong	-	-	-	-	-
Yeung Kwok Ki	-	-	-	-	-
Zheng Huili*	-	-	-	-	-
Frank Franciscus Dorjee (appointed on 24 January 2011)	-	-	-	-	-
Ma Jie (appointed on 12 August 2011)	-	-	-	-	-
Sun Jiming (appointed on 12 August 2011)	-	-	-	-	-
Van Kesteren (resigned on 24 January 2011)	-	-	-	-	-
Sun Dawei (resigned on 12 August 2011)	-	-	-	-	-
Tian Hong (resigned on 12 August 2011)	-	-	-	-	-
Chief executive					
Zhuang Dan	-	756	750	55	1,561
	-	1,591	1,550	76	3,217

	Year ended 31 December 2012				
	Directors' fees	*Salaries, allowances and benefits in kind*	*Discretionary bonuses*	*Retirement scheme contributions*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Wen Huiguo	-	894	850	21	1,765
Frank Franciscus Dorjee	-	-	-	-	-
Phil Edwards	-	-	-	-	-
Ma Jie	-	-	-	-	-
Sun Jiming	-	-	-	-	-
Xiong Ruizhong	-	-	-	-	-
Yeung Kwok Ki	-	-	-	-	-
Zheng Huili*	-	-	-	-	-
Chief executive					
Zhuang Dan	-	904	850	60	1,814
	-	1,798	1,700	81	3,579

8 DIRECTORS' REMUNERATION (CONTINUED)

	Year ended 31 December 2013				
	Directors' fees	*Salaries, allowances and benefits in kind*	*Discretionary bonuses*	*Retirement scheme contributions*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Wen Huiguo	-	894	950	21	1,865
Frank Franciscus Dorjee	-	-	-	-	-
Ma Jie	-	-	-	-	-
Sun Jiming	-	-	-	-	-
Yeung Kwok Ki	-	-	-	-	-
Zheng Huili*	-	-	-	-	-
Philippe Claude Vanhille (appointed on 23 May 2013)	-	-	-	-	-
Xiong Xiangfeng (appointed on 5 August 2013)	-	-	-	-	-
Phil Edwards (resigned on 23 May 2013)	-	-	-	-	-
Xiong Ruizhong (resigned on 5 August 2013)	-	-	-	-	-
Chief executive					
Zhuang Dan	-	905	950	63	1,918
Supervisors					
Jiang Zhikang (appointed on 19 December 2013)*	-	-	-	-	-
Yao Jingming (appointed on 19 December 2013)	-	-	-	-	-
Yu Jiaxuan (appointed on 19 December 2013)	-	-	-	-	-
	-	1,799	1,900	84	3,783

	Six months ended 30 June 2013 (unaudited)				
	Directors' fees	*Salaries, allowances and benefits in kind*	*Discretionary bonuses*	*Retirement scheme contributions*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Wen Huiguo	-	420	-	11	431
Frank Franciscus Dorjee	-	-	-	-	-
Ma Jie	-	-	-	-	-
Sun Jiming	-	-	-	-	-
Xiong Ruizhong	-	-	-	-	-
Yeung Kwok Ki	-	-	-	-	-
Zheng Huili*	-	-	-	-	-
Philippe Claude Vanhille (appointed on 23 May 2013)	-	-	-	-	-
Phil Edwards (resigned on 23 May 2013)	-	-	-	-	-
Chief executive					
Zhuang Dan	-	425	-	31	456
	-	845	-	42	887

8 DIRECTORS' REMUNERATION (CONTINUED)

	Six months ended 30 June 2014				
	Directors' fees	*Salaries, allowances and benefits in kind*	*Discretionary bonuses*	*Retirement scheme contributions*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Wen Huiguo	-	420	-	11	431
Frank Franciscus Dorjee	-	-	-	-	-
Ma Jie	-	-	-	-	-
Sun Jiming	-	-	-	-	-
Philippe Claude Vanhille	-	-	-	-	-
Xiong Xiangfeng	-	-	-	-	-
Yeung Kwok Ki	-	-	-	-	-
Zheng Huili*	-	-	-	-	-
Chief executive					
Zhuang Dan	-	425	-	32	457
Supervisors					
Jiang Zhikang*	-	-	-	-	-
Yao Jingming	-	-	-	-	-
Yu Jiaxuan	-	-	-	-	-
	-	845	-	43	888

* Zheng Huili and Jiang Zhikang were also served as deputy secretary of the party committee and general manager of the operation management center of the Company and other positions during the Relevant Periods. Remunerations to Zheng Huili and Jiang Zhikang in their positions other than as director or supervisor of the Company are as follows:

	Years ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Zheng Huili	1,103	1,226	1,280	368	370
Jiang Zhikang	995	1,067	1,155	357	358

During the Relevant Periods, no emoluments were paid by the Group to the directors (including chief executive and supervisors) as an inducement to join or upon joining the Group or as compensation for loss of office. No director, chief executive or supervisor has waived or agreed to waive any emoluments during the Relevant Periods.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors, chief executive, supervisors, non-directors and non-supervisors included in the five highest paid individuals for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 are set forth below:

	Years ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
				(unaudited)	
Directors, chief executive and supervisors	2	2	2	2	2
Non-directors and non-supervisors	3	3	3	3	3
	5	5	5	5	5

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The emoluments of the directors (including chief executive and supervisors) are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Years ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries and other emoluments	2,302	2,489	2,524	1,211	1,212
Discretionary bonuses	1,900	2,050	2,450	-	-
Retirement scheme contributions	165	180	169	83	86
	4,367	4,719	5,143	1,294	1,298

The emoluments of the non-directors and non-supervisors with the highest emoluments are within the following bands:

	Years ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
				(unaudited)	
Nil to HKD1,000,000 (Nil to RMB793,100)	-	-	-	3	3
HKD1,000,001 to HKD2,000,000 (RMB793,101 to RMB1,586,000)	3	1	-	-	-
HKD2,000,001 to HKD3,000,000 (RMB1,586,001 to RMB2,379,000)	-	2	3	-	-

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profits attributable to equity owners/shareholders of the Company which have been dealt with in the financial statements of the Company are as follows:

	Years ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Amount of consolidated profits attributable to equity owners/shareholders dealt with in the Company's financial statements	266,781	308,459	434,249	233,035	182,930
Dividends from associates and joint ventures attributable to the profits of the previous financial year, approved and paid and payable during the year/period	49,198	23,755	45,648	2,470	9,415
Company's profit for the year/period	315,979	332,214	479,897	235,505	192,345

Details of dividends paid and payable to equity owners/shareholders of the Company are set out in Note 31(b).

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity owners/ shareholders of the Company of RMB344,139,000, RMB364,790,000, RMB415,041,000, RMB207,650,000 (unaudited) and RMB210,599,000 for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 respectively and the 479,592,598 ordinary shares in issue as at the date of the Prospectus as if the shares were outstanding throughout the entire Relevant Periods.

The Company did not have any potential dilutive shares throughout the entire Relevant Periods. Accordingly, diluted earnings per share are the same as basic earnings per share.

12 SEGMENT REPORTING

The Group manages its businesses by products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014. No operating segments have been aggregated to form the following reportable segments.

- Optical fibres and optical fibre preform: this segment produces optical fibres and optical fibre preforms which are sold to external parties.
- Optical fibre cables: this segment produces optical fibre cables which are sold to external parties.

The Group combined other business activities that are not reportable in "Others". Revenue included in this category is mainly from sale of equipment and raw materials.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment results is gross profit.

The Group's assets, liabilities, other operating expenses, such as selling and administrative expenses, finance income and finance costs, and share of results of associates and joint ventures, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expense etc is presented.

12 SEGMENT REPORTING (CONTINUED)

(a) Segment results (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 is set out below:

	Year ended 31 December 2011			
	Optical fibres and preform	*Optical fibre cables*	*Others*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue				
Gross revenue from external customers	2,398,811	1,788,080	43,900	4,230,791
Elimination of revenue relating to downstream transactions with joint ventures	(55,747)	-	-	(55,747)
Revenue from external customers	2,343,064	1,788,080	43,900	4,175,044
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	537,036	203,559	4,786	745,381
Elimination of unrealised profits on downstream transactions with joint ventures	(4,147)	-	-	(4,147)
Reportable segment profit (gross profit)	532,889	203,559	4,786	741,234

	Year ended 31 December 2012			
	Optical fibres and preform	*Optical fibre cables*	*Others*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue				
Gross revenue from external customers	2,619,995	2,070,327	157,430	4,847,752
Elimination of revenue relating to downstream transactions with joint ventures	(69,929)	-	-	(69,929)
Revenue from external customers	2,550,066	2,070,327	157,430	4,777,823
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	672,072	195,422	35,026	902,520
Elimination of unrealised profits on downstream transactions with joint ventures	(20,274)	-	-	(20,274)
Reportable segment profit (gross profit)	651,798	195,422	35,026	882,246

12 SEGMENT REPORTING (CONTINUED)

(a) Segment results (continued)

	Year ended 31 December 2013			
	Optical fibres and preform	*Optical fibre cables*	*Others*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue				
Gross revenue from external customers	2,772,317	1,817,625	287,449	4,877,391
Elimination of revenue relating to downstream transactions with joint ventures	(49,622)	-	(1,874)	(51,496)
Revenue from external customers	2,722,695	1,817,625	285,575	4,825,895
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	781,918	212,403	61,183	1,055,504
Elimination of unrealised profits on downstream transactions with joint ventures	(37,722)	-	-	(37,722)
Reportable segment profit (gross profit)	744,196	212,403	61,183	1,017,782

	Six months ended 30 June 2013 (unaudited)			
	Optical fibres and preform	*Optical fibre cables*	*Others*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue				
Gross revenue from external customers	1,234,258	695,118	112,334	2,041,710
Elimination of revenue relating to downstream transactions with joint ventures	(45,264)	-	(955)	(46,219)
Revenue from external customers	1,188,994	695,118	111,379	1,995,491
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	366,830	83,673	31,044	481,547
Elimination of unrealised profits on downstream transactions with joint ventures	(38,189)	-	-	(38,189)
Reportable segment profit (gross profit)	328,641	83,673	31,044	443,358

12 SEGMENT REPORTING (CONTINUED)

(a) Segment results (continued)

	Six months ended 30 June 2014			
	Optical fibres and preform	*Optical fibre cables*	*Others*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue				
Gross revenue from external customers	1,386,550	978,248	252,852	2,617,650
Elimination of revenue relating to downstream transactions with joint ventures	16,377	-	841	17,218
Revenue from external customers	1,402,927	978,248	253,693	2,634,868
Reportable segment profit (gross profit)				
Segment profit before elimination of unrealised profits	372,909	100,270	39,244	512,423
Elimination of unrealised profits on downstream transactions with joint ventures	12,754	-	-	12,754
Reportable segment profit (gross profit)	385,663	100,270	39,244	525,177

(b) Reconciliations of reportable segment results to consolidated profit before taxation:

	Years ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Segment results	741,234	882,246	1,017,782	443,358	525,177
Other revenue and net income	42,593	32,376	21,280	11,745	20,348
Selling expenses	(90,865)	(96,593)	(109,758)	(46,782)	(50,160)
Administrative expenses	(376,963)	(431,495)	(438,857)	(180,979)	(209,667)
Net finance costs	(21,018)	(62,264)	(38,774)	(2,115)	(49,481)
Share of results of associates and joint ventures	81,505	76,604	18,610	12,629	8,535
Consolidated profit before taxation	376,486	400,874	470,283	237,856	244,752

(c) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	Years ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Mainland China (place of domicile)	3,889,554	4,495,269	4,483,388	1,865,409	2,471,985
Others	285,490	282,554	342,507	130,082	162,883
	4,175,044	4,777,823	4,825,895	1,995,491	2,634,868

The geographical location of the Group's non-current assets is in the PRC during the Relevant Periods.

13 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and structures	*Machinery and equipment*	*Office equipment*	*Motor vehicles*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2011	236,568	1,459,756	49,979	7,521	1,753,824
Additions	1,744	10,688	8,470	1,139	22,041
Transferred from construction in progress	454	7,558	2,011	-	10,023
Disposals	-	(528)	-	-	(528)
At 31 December 2011	238,766	1,477,474	60,460	8,660	1,785,360
At 1 January 2012	238,766	1,477,474	60,460	8,660	1,785,360
Additions	862	36,651	5,689	722	43,924
Transferred from construction in progress	874	82,991	863	-	84,728
Disposals	-	(4,389)	(1,420)	(650)	(6,459)
At 31 December 2012	240,502	1,592,727	65,592	8,732	1,907,553
At 1 January 2013	240,502	1,592,727	65,592	8,732	1,907,553
Additions	2,056	55,977	8,194	-	66,227
Transferred from construction in progress	15,286	132,215	10,574	-	158,075
Disposals	(17,489)	(24,629)	(149)	(54)	(42,321)
At 31 December 2013	240,355	1,756,290	84,211	8,678	2,089,534
At 1 January 2014	240,355	1,756,290	84,211	8,678	2,089,534
Additions	939	7,600	2,443	-	10,982
Transferred from construction in progress	2,898	28,461	50	-	31,409
Disposals	(1,411)	-	(31)	-	(1,442)
At 30 June 2014	242,781	1,792,351	86,673	8,678	2,130,483
Accumulated depreciation and impairment losses:					
At 1 January 2011	102,301	860,882	21,856	1,260	986,299
Depreciation charge for the year	9,986	92,971	7,049	897	110,903
Written back on disposals	-	(523)	-	-	(523)
At 31 December 2011	112,287	953,330	28,905	2,157	1,096,679
At 1 January 2012	112,287	953,330	28,905	2,157	1,096,679
Depreciation charge for the year	9,256	86,425	6,944	970	103,595
Written back on disposals	-	(4,385)	(1,246)	(479)	(6,110)
At 31 December 2012	121,543	1,035,370	34,603	2,648	1,194,164
At 1 January 2013	121,543	1,035,370	34,603	2,648	1,194,164
Depreciation charge for the year	10,144	90,774	8,305	976	110,199
Written back on disposals	(11,659)	(22,896)	(149)	(48)	(34,752)
At 31 December 2013	120,028	1,103,248	42,759	3,576	1,269,611
At 1 January 2014	120,028	1,103,248	42,759	3,576	1,269,611
Depreciation charge for the period	5,003	46,834	4,855	488	57,180
Written back on disposals	(1,352)	-	(31)	-	(1,383)
At 30 June 2014	123,679	1,150,082	47,583	4,064	1,325,408
Net book value:					
At 31 December 2011	126,479	524,144	31,555	6,503	688,681
At 31 December 2012	118,959	557,357	30,989	6,084	713,389
At 31 December 2013	120,327	653,042	41,452	5,102	819,923
At 30 June 2014	119,102	642,269	39,090	4,614	805,075

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company

	Buildings and structures	*Machinery and equipment*	*Office equipment*	*Motor vehicles*	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2011	236,568	1,459,756	49,979	7,521	1,753,824
Additions	1,744	10,688	8,470	1,139	22,041
Transferred from construction in progress	454	7,558	2,011	-	10,023
Disposals	-	(528)	-	-	(528)
At 31 December 2011	238,766	1,477,474	60,460	8,660	1,785,360
At 1 January 2012	238,766	1,477,474	60,460	8,660	1,785,360
Additions	862	36,651	5,689	722	43,924
Transferred from construction in progress	874	82,991	863	-	84,728
Disposals	-	(4,389)	(1,420)	(650)	(6,459)
At 31 December 2012	240,502	1,592,727	65,592	8,732	1,907,553
At 1 January 2013	240,502	1,592,727	65,592	8,732	1,907,553
Additions	2,056	55,977	8,194	-	66,227
Transferred from construction in progress	15,286	132,215	10,574	-	158,075
Disposals	(17,489)	(24,629)	(149)	(54)	(42,321)
At 31 December 2013	240,355	1,756,290	84,211	8,678	2,089,534
At 1 January 2014	240,355	1,756,290	84,211	8,678	2,089,534
Additions	939	7,600	1,749	-	10,288
Transferred from construction in progress	2,898	28,461	50	-	31,409
Disposals	(1,411)	-	(31)	-	(1,442)
At 30 June 2014	242,781	1,792,351	85,979	8,678	2,129,789
Accumulated depreciation and impairment losses:					
At 1 January 2011	102,301	860,882	21,856	1,260	986,299
Depreciation charge for the year	9,986	92,971	7,049	897	110,903
Written back on disposals	-	(523)	-	-	(523)
At 31 December 2011	112,287	953,330	28,905	2,157	1,096,679
At 1 January 2012	112,287	953,330	28,905	2,157	1,096,679
Depreciation charge for the year	9,256	86,425	6,944	970	103,595
Written back on disposals	-	(4,385)	(1,246)	(479)	(6,110)
At 31 December 2012	121,543	1,035,370	34,603	2,648	1,194,164
At 1 January 2013	121,543	1,035,370	34,603	2,648	1,194,164
Depreciation charge for the year	10,144	90,774	8,305	976	110,199
Written back on disposals	(11,659)	(22,896)	(149)	(48)	(34,752)
At 31 December 2013	120,028	1,103,248	42,759	3,576	1,269,611
At 1 January 2014	120,028	1,103,248	42,759	3,576	1,269,611
Depreciation charge for the period	5,003	46,834	4,846	488	57,171
Written back on disposals	(1,352)	-	(31)	-	(1,383)
At 30 June 2014	123,679	1,150,082	47,574	4,064	1,325,399
Net book value:					
At 31 December 2011	126,479	524,144	31,555	6,503	688,681
At 31 December 2012	118,959	557,357	30,989	6,084	713,389
At 31 December 2013	120,327	653,042	41,452	5,102	819,923
At 30 June 2014	119,102	642,269	38,405	4,614	804,390

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(i) The Group's and the Company's property, plant and equipment are all located in the PRC.

(ii) The Group and the Company lease out certain properties under operating leases. The aggregate net book value of these assets which leased out by the Group as at 31 December 2011, 2012 and 2013 and 30 June 2014 amounted to RMB1,891,000, RMB1,710,000, RMB6,853,000 and RMB5,976,000, respectively. The aggregate net book value of these assets which leased out by the Company as at 31 December 2011, 2012 and 2013 and 30 June 2014 amounted to RMB1,891,000, RMB1,710,000, RMB6,853,000 and RMB16,728,000, respectively.

14 CONSTRUCTION IN PROGRESS

The Group and the Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	8,886	9,836	151,466	40,030
Additions	10,973	226,358	46,639	21,713
Transferred to property, plant and equipment	(10,023)	(84,728)	(158,075)	(31,409)
At the end of the year/period	9,836	151,466	40,030	30,334

15 INTANGIBLE ASSETS

During the six months ended 30 June 2014, EverPro Technologies Company Limited, a subsidiary of the Group, acquired certain patents for RMB151,019,000 from one of its non-controlling equity owners, VIA Labs, Inc.

16 LEASE PREPAYMENTS

Lease prepayments comprise interests in leasehold land held for own use under operating leases located in the PRC as follows:

The Group and the Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land use rights held under medium-term leases	15,886	14,327	12,838	117,443

The Group was in the process of applying for the title certificate of a land use right with carrying amount of RMB104,770,000 as at 30 June 2014, which were newly acquired in the six months ended 30 June 2014. The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned land.

17 INVESTMENT IN SUBSIDIARIES

The Company

	31 December 2011	31 December 2012	31 December 2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	-	-	63	225,063

The particulars of the Company's subsidiaries at 30 June 2014 are set out below:

Name of company	*Place and date of incorporation/ establishment*	*Issued/registered and paid-up capital*	*Proportion of ownership interest*		*Principal activities*
			Group's effective interest	*Held by the Company*	
Yangtze Optical Fibre and Cable Company (Hong Kong) Limited	Hong Kong 17 July 2013	HKD80,000	100.00%	100.00%	Trading of raw materials
EverPro Technologies Company Limited (長芯盛(武漢)科技有限公司) (Note i)	PRC 9 December 2013	RMB325,000,000	69.23%	69.23%	Production and sales of optical fibres, optical fibre cables and related products
EverProsper Technologies Company Limited	Hong Kong 6 June 2014	RMB6,800,000	69.23%	-	Trading of raw materials

Notes:

(i) The English translation of the name is for identification only. The official name of this entity is in Chinese.

(ii) The Group does not have material non-controlling interest during the Relevant Periods.

18 INTEREST IN ASSOCIATES

The Group

	31 December 2011	31 December 2012	31 December 2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	29,770	36,897	29,733	29,401

The Company

	31 December 2011	31 December 2012	31 December 2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	19,866	28,866	28,866	28,866

18 INTEREST IN ASSOCIATES (CONTINUED)

The following list contains the particulars of associates, all of which are unlisted corporate entities, at 30 June 2014:

Name of company	*Place of establishment and business*	*Registered and paid-up capital*	*Proportion of ownership interest*		*Principal activities*
			Group's effective interest	*Held by the Company*	
NK Wuhan Cable Co., Ltd. (武漢安凱電纜有限公司)	PRC	USD12,000,000	20.00%	20.00%	Production and sales of cables and related products
Wuhan Yunjingfei Optical Fibre Material Co., Ltd. (武漢雲晶飛光纖材料有限公司)	PRC	RMB45,000,000	20.00%	20.00%	Production and sales of high purity germanium tetrachloride for the optical fibres

Notes:

(i) The English translation of the names is for identification only. The official names of these entities are in Chinese.

(ii) All of the above associates are accounted for using the equity method in the consolidated financial statements.

(iii) Wuhan Yunjingfei Optical Fibre Material Co., Ltd. ("Wuhan Yunjingfei") was established by the Company and certain third party investors in April 2011. During the year ended 31 December 2012, the Company contributed certain technology know-how into Wuhan Yunjingfei for the payment of capital amounting to RMB9,000,000.

(iv) None of the above associates is regarded as individually material. The following table sets out the aggregate financial information of these individually immaterial associates:

	Years ended 31 December			**Six months ended 30 June**	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Aggregate amounts of the Group's share of those associates:					
Loss from continuing operations	(969)	(1,873)	(2,750)	(1,008)	(332)
Total comprehensive income	(969)	(1,873)	(2,750)	(1,008)	(332)

19 INTEREST IN JOINT VENTURES

The Group

	31 December 2011	31 December 2012	31 December 2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	630,833	665,282	606,676	618,882
Goodwill	18,528	18,528	18,528	18,528
	649,361	683,810	625,204	637,410
Less: impairment loss	-	-	(4,130)	(4,130)
	649,361	683,810	621,074	633,280

The Company

	31 December 2011	31 December 2012	31 December 2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	475,479	475,479	474,295	474,295
Less: impairment loss	-	-	(4,130)	(4,130)
	475,479	475,479	470,165	470,165

19 INTEREST IN JOINT VENTURES (CONTINUED)

The following list contains the particulars of joint ventures, all of which are unlisted corporate entities, at 30 June 2014:

Name of company	*Place of establishment and business*	*Registered and paid-up capital*	*Proportion of ownership interest*		*Principal activities*
			Group's effective interest	*Held by the Company*	
Yangtze Optical Fibre and Cable (Shanghai) Co., Ltd. (長飛光纖光纜(上海)有限公司) (Note iii)	PRC	USD12,000,000	75.00%	75.00%	Production and sales of optical fibre cables
Yangtze Zhongli Optical Fibre and Cable (Jiangsu) Co., Ltd. (江蘇長飛中利光纖光纜有限公司) (Note iii)	PRC	RMB92,880,000	51.00%	51.00%	Production and sales of optical fibre cables
Yangtze Optical Fibre and Cable Sichuan Co., Ltd. (長飛光纖光纜四川有限公司) (Note iii)	PRC	RMB53,800,000	51.00%	51.00%	Production and sales of optical fibre cables
Tianjin YOFC XMKJ Optical Communications Co., Ltd. (天津長飛鑫茂光通信有限公司)	PRC	RMB220,000,000	49.00%	49.00%	Production and sales of optical fibres
Yangtze (Wuhan) Optical System Co., Ltd. (長飛(武漢)光系統股份有限公司)	PRC	RMB47,500,000	46.32%	46.32%	Production and sales of optical devices and related products
Shantou Hi-Tech Zone Ao Xing Optical Communication Equipment Co., Ltd. (汕頭高新區奧星光通信設備有限公司)	PRC	RMB170,558,817	42.42%	42.42%	Production and sales of optical fibre cables
Shenzhen SDGI Optical Fibre Co., Ltd. (深圳特發信息光纖有限公司)	PRC	RMB206,518,320	35.36%	35.36%	Production and sales of precise optical fibres
Tianjin YOFC XMKJ Optical Cable Co., Ltd. (天津長飛鑫茂光纜有限公司)	PRC	RMB100,000,000	20.00%	20.00%	Production and sales of optical fibre cables
Wuhan Guangyuan Electronic Technology Co., Ltd. (武漢光源電子科技有限公司)	PRC	RMB5,000,000	20.00%	20.00%	Products and sales of precise mould and electronic devices

Notes:

(i) The English translation of the names is for identification only. The official names of these entities are in Chinese.

(ii) All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

19 INTEREST IN JOINT VENTURES (CONTINUED)

(iii) Pursuant to the Articles of Association of Yangtze Optical Fibre and Cable (Shanghai) Co., Ltd. ("YOFC Shanghai"), Yangtze Zhongli Optical Fibre and Cable (Jiangsu) Co., Ltd. ("YOFC Jiangsu") and Yangtze Optical Fibre and Cable Sichuan Co., Ltd. ("YOFC Sichuan"), unanimous consent of all investors is required for decisions of the entities' financing and operating activities. Accordingly, the Company has joint control over these entities and investments in YOFC Shanghai, YOFC Jiangsu and YOFC Sichuan are accounted for in the consolidated financial statements under the equity method.

(iv) During the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014, the Group sold optical fibre preforms and optical fibres to certain joint ventures for the production of optical fibres and optical fibre cables. In addition, the Group also purchased optical fibres and optical fibre cables from certain joint ventures. Further details of transactions with joint ventures are disclosed in Note 35.

(v) Summarised financial information of the Group's material joint ventures and reconciliation to the carrying amounts in the consolidated financial statements are as follows:

(a) Yangtze Optical Fibre and Cable (Shanghai) Co., Ltd.

	Years ended 31 December			Six months ended
	2011	2012	2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross amounts				
Current assets	311,084	356,264	313,557	310,756
Non-current assets	96,329	91,339	85,499	82,451
Current liabilities	(169,647)	(235,680)	(171,280)	(154,031)
Non-current liabilities	(30,630)	(525)	(420)	(420)
Equity	207,136	211,398	227,356	238,756
Included in the above assets and liabilities:				
Cash and cash equivalents	27,715	29,030	36,082	16,739
Current financial liabilities (excluding trade and other payables and provisions)	(40,000)	(25,000)	(50,000)	-
Non-current financial liabilities (excluding trade and other payables and provisions)	(30,000)	-	-	-
Revenue	561,104	594,114	584,113	234,839
Profit from continuing operations	37,654	20,862	25,811	11,400
Total comprehensive income	37,654	20,862	25,811	11,400
Dividend received	10,782	12,374	-	7,466
Included in the above profit:				
Depreciation and amortisation	(10,428)	(10,604)	(10,462)	(5,024)
Interest income	105	130	182	127
Interest expense	(4,152)	(3,902)	(735)	(783)
Income tax expense	(6,645)	(4,130)	(4,655)	(1,757)
Reconciled to the Group's interest in joint venture				
Gross amounts of net assets	207,136	211,398	227,356	238,756
Group's effective interest	75.00%	75.00%	75.00%	75.00%
Group's share of net assets	155,352	158,549	170,517	179,067
Elimination of unrealised profits on downstream transactions	(166)	(5,258)	(10,711)	(9,885)
Carrying amount in the consolidated financial statements	155,186	153,291	159,806	169,182

19 INTEREST IN JOINT VENTURES (CONTINUED)

(v) Summarised financial information of the Group's material joint ventures and reconciliation to the carrying amounts in the consolidated financial statements are as follows (continued):

(b) Yangtze Zhongli Optical Fibre and Cable (Jiangsu) Co., Ltd.

	Years ended 31 December			Six months ended
	2011	2012	2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross amounts				
Current assets	364,706	394,476	404,072	444,054
Non-current assets	36,955	38,089	37,883	36,375
Current liabilities	(228,740)	(236,356)	(227,380)	(257,946)
Equity	172,921	196,209	214,575	222,483
Included in the above assets and liabilities:				
Cash and cash equivalents	68,666	57,837	62,665	53,054
Current financial liabilities (excluding trade and other payables and provisions)	-	(9,000)	(18,000)	(45,000)
Revenue	553,276	564,166	472,324	303,595
Profit from continuing operations	29,056	23,288	30,010	22,913
Total comprehensive income	29,056	23,288	30,010	22,913
Dividend received	-	-	-	5,938
Included in the above profit:				
Depreciation and amortisation	(3,753)	(4,226)	(4,606)	(2,279)
Interest income	837	1,079	964	484
Interest expense	-	(612)	(728)	(570)
Income tax expense	(5,529)	(4,064)	(5,806)	(4,003)
Reconciled to the Group's interest in joint venture				
Gross amounts of net assets	172,921	196,209	214,575	222,483
Group's effective interest	51.00%	51.00%	51.00%	51.00%
Group's share of net assets	88,190	100,067	109,433	113,466
Elimination of unrealised profits on downstream transactions	(748)	(3,691)	(9,363)	(5,956)
Carrying amount in the consolidated financial statements	87,442	96,376	100,070	107,510

19 INTEREST IN JOINT VENTURES (CONTINUED)

(v) Summarised financial information of the Group's material joint ventures and reconciliation to the carrying amounts in the consolidated financial statements are as follows (continued):

(c) Tianjin YOFC XMKJ Optical Communications Co., Ltd.

	Years ended 31 December			Six months ended
	2011	2012	2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross amounts				
Current assets	147,417	305,569	304,439	289,957
Non-current assets	259,023	478,563	536,318	515,780
Current liabilities	(80,616)	(216,471)	(330,488)	(395,575)
Non-current liabilities	(56,150)	(215,977)	(223,598)	(150,465)
Equity	269,674	351,684	286,671	259,697
Included in the above assets and liabilities:				
Cash and cash equivalents	24,940	21,303	52,424	64,978
Current financial liabilities (excluding trade and other payables and provisions)	(11,250)	(73,233)	(207,066)	(242,666)
Non-current financial liabilities (excluding trade and other payables and provisions)	(48,750)	(211,117)	(217,300)	(144,167)
Revenue	462,204	627,409	515,348	221,791
Profit/(loss) from continuing operations	30,960	82,010	(28,113)	(26,974)
Total comprehensive income	30,960	82,010	(28,113)	(26,974)
Dividend received	5,341	-	-	-
Included in the above profit/(loss):				
Depreciation and amortisation	(23,307)	(27,848)	(36,403)	(21,592)
Interest income	280	374	487	121
Interest expense	(29)	(5,826)	(12,214)	(9,796)
Income tax expense	(10,375)	(8,327)	6,197	(3,425)
Reconciled to the Group's interest in joint venture				
Gross amounts of net assets	269,674	351,684	286,671	259,697
Group's effective interest	49.00%	49.00%	49.00%	49.00%
Group's share of net assets	132,140	172,325	140,469	127,252
Elimination of unrealised profits on downstream transactions	(2,284)	(8,168)	(28,202)	(6,963)
Carrying amount in the consolidated financial statements	129,856	164,157	112,267	120,289

19 INTEREST IN JOINT VENTURES (CONTINUED)

(vi) The aggregate financial information, of other individually immaterial joint ventures, is as follows:

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	276,877	269,986	248,931	236,299

	Years ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Aggregate amounts of the Group's share of those joint ventures'					
Profit from continuing operations	20,709	10,684	478	2,627	1,848
Total comprehensive income	20,709	10,684	478	2,627	1,848

(vii) During the Relevant Periods, there were no change in the Group's ownership interests in the joint ventures, except for as disclosed below:

- In 2011, the Group acquired additional 0.59% equity interest in Shantou Hi-Tech Zone Ao Xing Optical Communication Equipment Co., Ltd. ("Shantou Ao Xing") from the other joint venture partner of Shantou Ao Xing for a cash consideration of RMB1,400,000. Accordingly, the Group's equity interest in Shantou Ao Xing was increased from 41.83% to 42.42%.

- In 2011, the Group acquired additional 14.00% equity interest in Yangtze (Wuhan) Optical System Co., Ltd. ("YOSC") from the other joint venture partner of YOSC for a cash consideration of RMB16,660,000. Accordingly, the Group's equity interest in YOSC was increased from 30.00% to 44.00%.

- In 2013, the other joint venture partner of Shenzhen SDGI Optical Fibre Co., Ltd ("Shenzhen SDGI") injected additional capital of RMB57,504,000 into Shenzhen SDGI. Accordingly, the Group's equity interest in Shenzhen SDGI was decreased from 49.00% to 35.36%.

- In 2013, the Group's equity interest in YOSC was increased from 44.00% to 46.32% as a result of share reduction by certain individual shareholders of YOSC.

- In 2013, the Group disposed of a joint venture, being 20.00% equity interest in Tianmen XinRun Woodwork Co., Ltd. ("Tianmen XinRun"), to the other joint venture partner of Tianmen XinRun, for a cash consideration of RMB1,240,000. As a result, the Group recognised a gain on disposal of a joint venture of RMB230,000 during the year ended 31 December 2013.

20 OTHER NON-CURRENT ASSETS

The Group

	31 December 2011	31 December 2012	31 December 2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale equity securities				
- Unlisted	28,805	28,805	28,805	28,805
- Listed outside Hong Kong (Note 33(e)(i))	31,060	25,290	32,461	43,138
	59,865	54,095	61,266	71,943
Prepayments for property, plant and equipment, intangible assets and lease prepayment	24,071	15,747	95,023	24,514
	83,936	69,842	156,289	96,457

The Company

	31 December 2011	31 December 2012	31 December 2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale equity securities				
- Unlisted	28,805	28,805	28,805	28,805
- Listed outside Hong Kong (Note 33(e)(i))	31,060	25,290	32,461	43,138
	59,865	54,095	61,266	71,943
Prepayments for property, plant and equipment and lease prepayment	24,071	15,747	27,523	24,183
	83,936	69,842	88,789	96,126

21 INVENTORIES

(a) Inventories in the statement of financial position comprise:

The Group

	31 December 2011	31 December 2012	31 December 2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and spare parts	119,225	190,844	371,025	349,935
Work in progress	46,621	44,268	72,261	88,593
Finished goods	133,440	204,045	278,017	282,993
	299,286	439,157	721,303	721,521

The Company

	31 December 2011	31 December 2012	31 December 2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and spare parts	119,225	190,844	371,025	349,584
Work in progress	46,621	44,268	72,261	88,593
Finished goods	133,440	204,045	278,017	282,975
	299,286	439,157	721,303	721,152

21 INVENTORIES (CONTINUED)

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Years ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Carrying amount of inventories sold	3,433,810	3,895,577	3,808,113	1,552,133	2,109,691
Write-down of inventories	-	9,204	19,203	3,361	6,137
	3,433,810	3,904,781	3,827,316	1,555,494	2,115,828

22 TRADE AND BILLS RECEIVABLES

The Group

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
- related parties	65,400	167,545	166,338	383,170
- third parties	1,092,982	1,242,730	1,224,919	1,946,717
Bills receivable	73,147	32,830	136,324	192,208
Less: allowance for doubtful debts	(45,460)	(22,765)	(18,994)	(24,415)
	1,186,069	1,420,340	1,508,587	2,497,680

The Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
- related parties	65,400	167,545	166,338	383,170
- third parties	1,092,982	1,242,730	1,224,919	1,936,186
Bills receivable	73,147	32,830	136,324	192,208
Less: allowance for doubtful debts	(45,460)	(22,765)	(18,994)	(24,415)
	1,186,069	1,420,340	1,508,587	2,487,149

All of the trade and bills receivables are expected to be recovered within one year.

22 TRADE AND BILLS RECEIVABLES (CONTINUED)

(a) Ageing analysis

The ageing analysis of trade and bills receivables, based on the invoice date and net of allowance for doubtful debts, of the Group and the Company is as follows:

The Group

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,158,464	1,385,789	1,395,852	2,369,418
1 to 2 years	26,630	33,757	112,555	122,547
2 to 3 years	975	794	180	5,715
	1,186,069	1,420,340	1,508,587	2,497,680

The Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,158,464	1,385,789	1,395,852	2,358,887
1 to 2 years	26,630	33,757	112,555	122,547
2 to 3 years	975	794	180	5,715
	1,186,069	1,420,340	1,508,587	2,487,149

During the Relevant Periods, the Group's customers included certain joint ventures, three state-owned telecommunication network operators ("state-owned telecommunication companies") and other third parties. The Group generally required state-owned telecommunication companies to make 70%-80% payment upon delivery of goods and pay the remaining balance in one year. In addition, the Group granted credit periods of 30 to 90 days to those long standing third party customers with good payment history and the joint ventures. The credit period of individual customers is considered on a case-by-case basis and set out in the sales contracts, as appropriate. Normally, the Group does not obtain collateral from customers.

(b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly (see Note 1(l)(i)).

22 TRADE AND BILLS RECEIVABLES (CONTINUED)

(b) Impairment of trade and bills receivables (continued)

The movement in the allowance for doubtful debts during the Relevant Periods, including both specific and collective loss components, is as follows:

The Group and the Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	50,855	45,460	22,765	18,994
Impairment loss recognised	10,012	15,226	9,269	8,878
Amounts written back	(11,661)	(8,304)	(12,886)	(3,457)
Uncollectible amounts written off	(3,746)	(29,617)	(154)	-
At the end of the year/period	45,460	22,765	18,994	24,415

The Group's and the Company's trade and bills receivables that were individually determined to be impaired amounted to RMB12,095,000, RMB21,101,000, RMB7,218,000 and RMB30,614,000 at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB4,969,000, RMB13,362,000, RMB4,240,000 and RMB14,679,000 at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively were recognised.

(c) Trade and bills receivables that are not impaired

The ageing analysis of the Group's and the Company's trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

The Group

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	907,250	995,772	923,897	1,610,959
Less than 1 year past due	253,463	416,687	521,187	788,177
1 to 2 years past due	18,230	142	60,525	82,609
	271,693	416,829	581,712	870,786
	1,178,943	1,412,601	1,505,609	2,481,745

22 TRADE AND BILLS RECEIVABLES (CONTINUED)

(c) Trade and bills receivables that are not impaired (continued)

The Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	907,250	995,772	923,897	1,610,959
Less than 1 year past due	253,463	416,687	521,187	777,646
1 to 2 years past due	18,230	142	60,525	82,609
	271,693	416,829	581,712	860,255
	1,178,943	1,412,601	1,505,609	2,471,214

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

23 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for raw materials				
- related parties	14,148	-	-	-
- third parties	8,800	49,697	14,711	35,964
Amounts due from related parties	16,819	18,203	18,034	6,506
Value-added tax recoverable	10,495	20,104	16,320	14,751
Dividends receivables				
- associate	-	-	2,400	-
- joint ventures	10,932	9,203	41,052	32,575
Net receivables under factoring arrangement (Note 32)	-	31,658	50,917	19,724
Deposits	6,412	6,801	5,942	6,423
Others	8,735	13,243	7,491	10,570
	76,341	148,909	156,867	126,513

23 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

The Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for raw materials				
- related parties	14,148	-	-	-
- third parties	8,800	49,697	14,711	32,127
Amounts due from related parties				
- subsidiaries	-	-	69,053	3,666
- other related parties	16,819	18,203	18,034	6,506
Value-added tax recoverable	10,495	20,104	16,320	5,674
Dividends receivables				
- associate	-	-	2,400	-
- joint ventures	10,932	9,203	41,052	32,575
Net receivables under factoring arrangement (Note 32)	-	31,658	50,917	19,724
Deposits	6,412	6,801	5,942	6,423
Others	8,735	13,243	7,491	10,200
	76,341	148,909	225,920	116,895

Amounts due from related parties are unsecured, interest free and have no fixed terms of repayment.

24 OTHER FINANCIAL ASSETS

The Group

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale debt securities				
– unlisted (Note 33(e)(i))	-	-	-	90,000

During the six months ended 30 June 2014, the Group purchased wealth management products amounting to RMB150,160,000 from certain stated-owned or listed commercial banks in the PRC, of which RMB60,160,000 were matured before 30 June 2014. As at 30 June 2014, the Group's available-for-sale debt securities were neither past due nor impaired.

25 CASH AND CASH EQUIVALENTS

The Group

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	431,939	299,186	906,378	431,398

The Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	431,939	299,186	905,031	374,875

26 BANK LOANS

The Group's and the Company's bank loans are unsecured and they are repayable as follows:

The Group

	31 December 2011	31 December 2012	31 December 2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	854,397	939,124	808,188	1,155,359
After 1 year but within 2 years	198,478	15,714	25,607	510,067
After 2 years but within 5 years	138,620	97,425	788,329	486,071
After 5 years	37,806	-	-	-
	374,904	113,139	813,936	996,138
	1,229,301	1,052,263	1,622,124	2,151,497

The Company

	31 December 2011	31 December 2012	31 December 2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	854,397	939,124	795,056	1,029,577
After 1 year but within 2 years	198,478	15,714	25,607	510,067
After 2 years but within 5 years	138,620	97,425	788,329	486,071
After 5 years	37,806	-	-	-
	374,904	113,139	813,936	996,138
	1,229,301	1,052,263	1,608,992	2,025,715

Certain of the Group's bank loans are subject to the fulfilment of covenants relating to the Group's assets/liabilities ratio, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 33(b). As at 31 December 2011, 2012 and 2013 and 30 June 2014, none of the covenants relating to bank loans had been breached.

27 TRADE AND BILLS PAYABLES

The Group

	31 December 2011	31 December 2012	31 December 2013	30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
- related parties	103,890	169,745	98,894	101,803
- third parties	241,149	290,862	496,760	557,862
Bills payable	-	202,292	117,886	43,612
	345,039	662,899	713,540	703,277

27 TRADE AND BILLS PAYABLES (CONTINUED)

The Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
- a subsidiary	-	-	88,219	211,924
- other related parties	103,890	169,745	98,894	101,803
- third parties	241,149	290,862	421,673	486,810
Bills payable	-	202,292	117,886	43,612
	345,039	662,899	726,672	844,149

All trade and bills payables are expected to be settled within one year or are repayable on demand.

The ageing analysis of the Group's and the Company's trade and bills payables, based on invoice date, is as follows:

The Group

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	334,148	640,281	700,878	693,645
Over 1 year but within 2 years	5,258	14,020	4,503	5,612
Over 2 years but within 3 years	568	3,055	939	625
Over 3 years	5,065	5,543	7,220	3,395
	345,039	662,899	713,540	703,277

The Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	334,148	640,281	714,010	834,517
Over 1 year but within 2 years	5,258	14,020	4,503	5,612
Over 2 years but within 3 years	568	3,055	939	625
Over 3 years	5,065	5,543	7,220	3,395
	345,039	662,899	726,672	844,149

28 ACCRUED EXPENSES AND OTHER PAYABLES

The Group

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receipt in advance				
- related parties	27,371	63,572	14,773	-
- third parties	99,075	182,633	275,476	166,231
Interest payable	23,039	18,056	11,234	9,996
Payables for staff related costs	17,502	40,522	76,725	87,543
Payables for acquisition of property, plant and equipment and lease prepayments	22,754	45,770	35,104	75,875
Other tax payables	41,639	37,257	61,310	70,073
Payables for sales commission	15,199	15,702	16,901	17,616
Payables for royalty fees				
- related parties	21,591	22,167	24,801	11,500
- third parties	741	723	1,188	189
Dividends payable to equity shareholders of the Company (Note 31(b))	-	-	500,000	555,392
Deferred income (Note 30)	6,300	6,300	7,732	7,532
Others	29,197	37,673	53,248	58,702
	304,408	470,375	1,078,492	1,060,649

The Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receipt in advance				
- a subsidiary	-	-	-	31
- other related parties	27,371	63,572	14,773	-
- third parties	99,075	182,633	275,476	166,092
Interest payable	23,039	18,056	11,233	9,627
Payables for staff related costs	17,502	40,522	76,725	86,879
Payables for acquisition of property, plant and equipment and lease prepayments	22,754	45,770	35,104	75,875
Other tax payables	41,639	37,257	61,310	70,002
Payables for sales commission	15,199	15,702	16,901	17,616
Payables for royalty fees				
- related parties	21,591	22,167	24,801	11,500
- third parties	741	723	1,188	189
Dividends payable to equity shareholders of the Company (Note 31(b))	-	-	500,000	555,392
Deferred income (Note 30)	6,300	6,300	7,732	7,532
Others	29,197	37,673	53,248	58,702
	304,408	470,375	1,078,491	1,059,437

29 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current tax recoverable/(payable) in the statement of financial position represents:

The Group

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	5,914	7,490	16,070	1,135
Provision for the year/period	(30,197)	(32,005)	(74,840)	(34,152)
Income tax paid	39,452	40,585	59,905	14,935
Income tax refund	(7,679)	-	-	-
At the end of the year/period	7,490	16,070	1,135	(18,082)

The Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	5,914	7,490	16,070	1,135
Provision for the year/period	(30,197)	(32,005)	(74,840)	(30,993)
Income tax paid	39,452	40,585	59,905	14,935
Income tax refund	(7,679)	-	-	-
At the end of the year/period	7,490	16,070	1,135	(14,923)

(b) Deferred tax assets and liabilities recognised

The Group and the Company

The components of deferred tax assets/(liabilities) are as follows:

	Provision for impairment of assets	Deferred income	Available-for-sale securities	Unrealised profits	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	13,674	7,690	(3,847)	-	2,250	19,767
Charged to profit or loss	(1,205)	(945)	-	-	-	(2,150)
Credited to reserve	-	-	647	-	-	647
At 31 December 2011	12,469	6,745	(3,200)	-	2,250	18,264
At 1 January 2012	12,469	6,745	(3,200)	-	2,250	18,264
Charged to profit or loss	(3,134)	(945)	-	-	-	(4,079)
Credited to reserve	-	-	866	-	-	866
At 31 December 2012	9,335	5,800	(2,334)	-	2,250	15,051
At 1 January 2013	9,335	5,800	(2,334)	-	2,250	15,051
(Charged)/credited to profit or loss	(1,358)	7,948	-	9,321	3,687	19,598
Charged to reserve	-	-	(1,075)	-	-	(1,075)
At 31 December 2013	7,977	13,748	(3,409)	9,321	5,937	33,574
At 1 January 2014	7,977	13,748	(3,409)	9,321	5,937	33,574
Credited/(charged) to profit or loss	147	(1,651)	-	(1,913)	2,038	(1,379)
Charged to reserve	-	-	(1,602)	-	-	(1,602)
At 30 June 2014	8,124	12,097	(5,011)	7,408	7,975	30,593

30 DEFERRED INCOME

The Group and the Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	35,190	39,342	53,240	45,601
Royalty fees	44,967	38,667	32,367	29,217
Rental income	-	-	6,048	5,832
Less: within one year (Note 28)	(6,300)	(6,300)	(7,732)	(7,532)
	73,857	71,709	83,923	73,118

31 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Paid-in capital/ share capital	Capital reserve	Statutory surplus reserve	Fair value reserve	Retained earnings	Total equity
	RMB'000 (Note 31(c))	*RMB'000* (Note 31(d))	*RMB'000* (Note 31(d))	*RMB'000* (Note 31(d))	*RMB'000*	*RMB'000*
At 1 January 2011	479,593	-	313,145	21,799	486,573	1,301,110
Changes in equity:						
Total comprehensive income for the year	-	-	-	(3,667)	315,979	312,312
Appropriation	-	-	31,448	-	(31,448)	-
Dividends declared	-	-	-	-	(252,954)	(252,954)
At 31 December 2011	479,593	-	344,593	18,132	518,150	1,360,468
At 1 January 2012	479,593	-	344,593	18,132	518,150	1,360,468
Changes in equity:						
Total comprehensive income for the year	-	-	-	(4,904)	332,214	327,310
Appropriation	-	-	35,986	-	(35,986)	-
Dividends declared	-	-	-	-	(152,942)	(152,942)
At 31 December 2012	479,593	-	380,579	13,228	661,436	1,534,836
At 1 January 2013	479,593	-	380,579	13,228	661,436	1,534,836
Changes in equity:						
Total comprehensive income for the year	-	-	-	6,096	479,897	485,993
Appropriation	-	-	38,278	-	(38,278)	-
Dividends declared	-	-	-	-	(662,683)	(662,683)
Conversion into a joint stock company (Note 31(c)(ii))	-	608,922	(418,857)	(13,228)	(176,837)	-
At 31 December 2013	479,593	608,922	-	6,096	263,535	1,358,146

31 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(a) Movements in components of equity (continued)

	Paid-in capital/ share capital	Capital reserve	Statutory surplus reserve	Fair value reserve	Retained earnings	Total equity
	RMB'000 (Note 31(c))	*RMB'000* (Note 31(d))	*RMB'000* (Note 31(d))	*RMB'000* (Note 31(d))	*RMB'000*	*RMB'000*
At 1 January 2014	479,593	608,922	-	6,096	263,535	1,358,146
Changes in equity:						
Total comprehensive income for the period	-	-	-	9,075	192,345	201,420
Appropriation	-	-	43,445	-	(43,445)	-
Dividends declared	-	-	-	-	(73,857)	(73,857)
At 30 June 2014	479,593	608,922	43,445	15,171	338,578	1,485,709
At 1 January 2013	479,593	-	380,579	13,228	661,436	1,534,836
Changes in equity:						
Total comprehensive income for the period (unaudited)	-	-	-	688	235,505	236,193
Appropriation (unaudited)	-	-	38,278	-	(38,278)	-
Dividends declared (unaudited)	-	-	-	-	(162,683)	(162,683)
At 30 June 2013 (unaudited)	479,593	-	418,857	13,916	695,980	1,608,346

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Final dividend proposed after the end of reporting period	152,942	162,683	73,857

The final dividends proposed after the end of the reporting period have not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year/period

	Years ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Final dividend declared in respect of the previous financial year	252,954	152,942	162,683	162,683	73,857

Dividends to equity shareholders of the Company attributable to the previous financial year paid during the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014 were RMB252,954,000, RMB152,942,000, RMB162,683,000, RMB162,683,000 (unaudited) and RMB18,465,000, respectively.

31 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends (continued)

(iii) Special dividends to equity shareholders of the Company

Pursuant to the resolution passed at the board of directors' meeting on 27 August 2013, an additional amount of RMB500,000,000 are declared and payable to the Company's equity owners according to their ratios of contributions to the registered capital. The special dividends to be distributed to China Huaxin, Yangtze Communications and Draka are RMB187,500,000, RMB125,000,000 and RMB187,500,000, respectively. The special dividends will be paid to the Company's equity owners either (i) during the period between the date on which the application for the listing of the Company's shares has passed the hearing of the Listing Committee of The Stock Exchange of Hong Kong Limited and the date of the actual listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, or, if earlier, (ii) when so required by any competent authority. The special dividends have not been paid as at 30 June 2014.

(c) Paid-in capital/share capital

(i) Registered and paid-up capital at 31 December 2011 and 2012

The paid-in capital at 31 December 2011 and 2012 represents the paid-in capital of the Company before it was converted into joint stock company with limited liability.

(ii) Conversion into a joint stock company with limited liability on 27 December 2013

The Company was a sino-foreign equity joint venture and converted into a joint stock company with limited liability on 27 December 2013. Pursuant to the approvals of Wuhan Municipal Bureau of Commerce and State-owned Assets Supervision and Administration Commission of the State Council, the equity interests held by the Company's equity owners in the Company were converted into 479,592,598 ordinary shares with par value of RMB1.00, based on adjusted net assets of the Company as at 31 December 2012 of RMB1,088,515,000 ("Adjusted Net Assets").

(iii) Issued share capital at 31 December 2013 and 30 June 2014

	31 December 2013		**30 June 2014**	
	No. of shares '000	*RMB'000*	*No. of shares '000*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 31 December/30 June	479,593	479,593	479,593	479,593

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

31 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purposes of reserves

(i) Capital reserve

Capital reserve at 31 December 2013 and 30 June 2014 represents the Company's share premium, being the difference between the total amount of the par value of shares issued and the Adjusted Net Assets (Note 31(c)(ii)).

(ii) Statutory surplus reserve

Statutory surplus reserve represents enterprise expansion fund and general reserve fund, collectively the "statutory surplus reserve". The appropriation to the statutory surplus reserve is subject to approval by the board of directors.

When distributing each year's after-tax profits, the Company is required to transfer 10% to 20% of its net profit as determined each year by the board of directors to its statutory surplus reserve until the reserve balance reaches the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

(iii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting policy in Note 1(h).

(e) Distributability of reserves

Under the Law of the PRC on Chinese-foreign Equity Joint Ventures and the Company's Articles of Association, net profit as reported in the statutory financial statements prepared in accordance with the accounting rules and regulations of the PRC can only be distributed as dividends after allowances have been made for the following:

(i) Making up prior years' cumulative losses, if any;

(ii) Allocations to the statutory surplus reserve as set out in Note 31(d)(ii) above; and

(iii) Allocations to the discretionary surplus fund if approved by the shareholders.

After the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, in accordance with the Articles of Association of the Company, the net profit of the Company for the purpose of dividends payment will be the lesser of (i) the net profit determined in accordance with the accounting rules and regulations of the PRC; and (ii) the net profit determined in accordance with IFRSs.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

31 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management (continued)

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of adjusted net debt-to-equity ratio. For this purpose, adjusted net debt is defined as total borrowings less cash and cash equivalents. The adjusted net debt-to-equity ratio at 31 December 2011, 2012 and 2013 and 30 June 2014 was as follows:

The Group

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings				
- current bank loans	854,397	939,124	808,188	1,155,359
- non-current bank loans	374,904	113,139	813,936	996,138
Less: cash and cash equivalents	(431,939)	(299,186)	(906,378)	(431,398)
Adjusted net debt	797,362	753,077	715,746	1,720,099
Equity	1,544,254	1,751,198	1,509,652	1,754,091
Adjusted net debt-to-equity ratio	52%	43%	47%	98%

The Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings				
- current bank loans	854,397	939,124	795,056	1,029,577
- non-current bank loans	374,904	113,139	813,936	996,138
Less: cash and cash equivalents	(431,939)	(299,186)	(905,031)	(374,875)
Adjusted net debt	797,362	753,077	703,961	1,650,840
Equity	1,360,468	1,534,836	1,358,146	1,485,709
Adjusted net debt-to-equity ratio	59%	49%	52%	111%

Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

32 TRANSFERRED FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY

(a) Factoring arrangement

As part of its normal business, the Group entered into trade receivables factoring arrangement (the "Factoring Arrangement"), mainly took place in the second half of the year, and transferred certain of its trade receivables to banks in the PRC. As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group transferred certain trade receivables to banks

32 TRANSFERRED FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY (CONTINUED)

(a) Factoring arrangement (continued)

under Factoring Arrangement ("Trade Receivables under Factoring") with carrying amounts of RMB113,500,000, RMB194,031,000, RMB425,495,000 and RMB179,932,000 respectively.

Pursuant to the terms of the Factoring Arrangement, 100% of the trade receivable shall be transferred to the bank. The bank shall pay a consideration equal to 90% of trade receivable factored immediately. By the end of the period of the Factoring Arrangement, normally 12 months, the bank shall pay the remaining 10% of the trade receivable. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Trade Receivables under Factoring, and accordingly, it has derecognised the full amounts of the Trade Receivables under Factoring.

Trade Receivables under Factoring had a remaining maturity from 6 to 12 months at 31 December 2011, 2012 and 2013 and 30 June 2014. The maximum exposure to loss from the Group's continuing involvement in the Trade Receivables under Factoring equal to the remaining 10% of the trade receivable which amounted to Nil, RMB31,658,000, RMB50,917,000 and RMB19,724,000 at 31 December 2011, 2012 and 2013 and 30 June 2014, respectively (Note 23). In the opinion of the directors, the fair values of the Group's continuing involvement in the Trade Receivables under Factoring are not materially different from their carrying amounts at 31 December 2011, 2012 and 2013 and 30 June 2014.

During the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, total losses recognised on the date of transfer of the Trade Receivables under Factoring amounted to RMB2,047,000, RMB8,266,000, RMB25,319,000, RMB6,883,000 (unaudited) and Nil respectively. The Group had not entered into Factoring Arrangement during the six months ended 30 June 2014. Income and expenses recognised from the continuing involvement, both during the year/period or cumulatively, are not significant.

(b) Derecognised bills

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group discounted or endorsed certain bank bills receivable to certain banks in the PRC or the Group's suppliers ("Derecognised Bills"). The carrying amounts of discounted bills ("Discounted Bills") at 31 December 2011, 2012 and 2013 and 30 June 2014 were RMB75,767,000, RMB188,348,000, RMB309,250,000 and RMB129,133,000 respectively. The carrying amounts of the endorsed bills ("Endorsed Bills") at 31 December 2011, 2012 and 2013 and 30 June 2014 were RMB106,163,000, RMB110,001,000, RMB62,817,000 and RMB85,976,000 respectively. The Derecognised Bills had a remaining maturity of 1 to 6 months at 31 December 2011, 2012 and 2013 and 30 June 2014. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the banks default payment. Accordingly, the Group has continuing involvement in the Derecognised Bills. In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills, and accordingly, it has derecognised the full amounts of the Derecognised Bills.

The maximum exposure to loss from the Group's continuing involvement in the Derecognised Bills equal to their full amounts. In the opinion of the directors, the fair value of the Group's continuing involvement in the Derecognised Bills is not significant.

32 TRANSFERRED FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY (CONTINUED)

(b) Derecognised bills (continued)

During the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, total losses recognised on the date of transfer of the Discounted Bills amounted to RMB2,025,000, RMB3,301,000, RMB10,421,000, RMB1,489,000 (unaudited) and RMB2,583,000 respectively. No gain or loss was recognised on the date of transfer of the Endorsed Bills during the Relevant Periods. No income or expenses were recognised from the continuing involvement, both during the year/period or cumulatively.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash at bank, available-for-sale debt securities, trade and other receivables. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Substantially all of the Group's cash at bank and available-for-sale debt securities are deposited in or purchased from the stated-owned/controlled or listed PRC banks which the directors assessed the credit risk to be insignificant.

The Group's major customers included the three major state-owned telecommunications network operators in the PRC. During the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2013 and 2014, sales to the three major state-owned telecommunications network operators accounted for approximately 36%, 36%, 33%, 29% (unaudited) and 32% of the Group's total turnover, respectively.

As at 31 December 2011, 2012 and 2013 and 30 June 2014, the Group has certain concentration of credit risk. Significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. 36%, 45%, 35% and 40% of trade receivables was due from the Group's largest customer at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively. 77%, 80%, 76% and 70% of trade receivables was due from the Group's five largest customers at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively. Entities which are known to the Group to be under common control with the customer are considered a single customer in the above analysis.

The Group does not provide any guarantee which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Notes 22 and 23.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

The Company is responsible for the Group's overall cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the board of directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants (if any), to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay.

The Group

	31 December 2011				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	866,287	219,536	192,242	1,278,065	1,229,301
Trade and bills payables	345,039	-	-	345,039	345,039
Accrued expenses and other payables	122,371	-	-	122,371	122,371
Total	1,333,697	219,536	192,242	1,745,475	1,696,711

	31 December 2012				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	971,505	17,791	100,523	1,089,819	1,052,263
Trade and bills payables	662,899	-	-	662,899	662,899
Accrued expenses and other payables	154,858	-	-	154,858	154,858
Total	1,789,262	17,791	100,523	1,907,576	1,870,020

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The Group (continued)

	31 December 2013				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	839,923	50,077	800,491	1,690,491	1,622,124
Trade and bills payables	713,540	-	-	713,540	713,540
Accrued expenses and other payables	692,898	-	-	692,898	692,898
Total	2,246,361	50,077	800,491	3,096,929	3,028,562

	30 June 2014				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	1,210,770	536,973	490,414	2,238,157	2,151,497
Trade and bills payables	703,277	-	-	703,277	703,277
Accrued expenses and other payables	774,155	-	-	774,155	774,155
Total	2,688,202	536,973	490,414	3,715,589	3,628,929

The Company

	31 December 2011				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	866,287	219,536	192,242	1,278,065	1,229,301
Trade and bills payables	345,039	-	-	345,039	345,039
Accrued expenses and other payables	122,371	-	-	122,371	122,371
Total	1,333,697	219,536	192,242	1,745,475	1,696,711

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk (continued)

The Company (continued)

	31 December 2012				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	971,505	17,791	100,523	1,089,819	1,052,263
Trade and bills payables	662,899	-	-	662,899	662,899
Accrued expenses and other payables	154,858	-	-	154,858	154,858
Total	1,789,262	17,791	100,523	1,907,576	1,870,020

	31 December 2013				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	826,734	50,077	800,491	1,677,302	1,608,992
Trade and bills payables	726,672	-	-	726,672	726,672
Accrued expenses and other payables	692,897	-	-	692,897	692,897
Total	2,246,303	50,077	800,491	3,096,871	3,028,561

	30 June 2014				
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	1,084,591	536,973	490,414	2,111,978	2,025,715
Trade and bills payables	844,149	-	-	844,149	844,149
Accrued expenses and other payables	773,786	-	-	773,786	773,786
Total	2,702,526	536,973	490,414	3,729,913	3,643,650

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Bank loans issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate bank loans in order to manage its interest rate risks.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

The following table details the interest rate profile of the Group's and the Company's bank loans at the end of the reporting period.

The Group

	31 December 2011		31 December 2012	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
	%	*RMB'000*	%	*RMB'000*
Fixed rate bank loans	4.98%	94,514		-
Floating rate bank loans	1.67%-6.56%	1,134,787	1.51%-3.24%	1,052,263
		1,229,301		1,052,263

	31 December 2013		30 June 2014	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
	%	*RMB'000*	%	*RMB'000*
Fixed rate bank loans	1.67%-1.74%	81,644	2.21%	79,164
Floating rate bank loans	1.64%-3.29%	1,540,480	1.58%-4.52%	2,072,333
		1,622,124		2,151,497

The Company

	31 December 2011		31 December 2012	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
	%	*RMB'000*	%	*RMB'000*
Fixed rate bank loans	4.98%	94,514		-
Floating rate bank loans	1.67%-6.56%	1,134,787	1.51%-3.24%	1,052,263
		1,229,301		1,052,263

	31 December 2013		30 June 2014	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
	%	*RMB'000*	%	*RMB'000*
Fixed rate bank loans	1.67%-1.74%	81,644	2.21%	79,164
Floating rate bank loans	1.64%-3.29%	1,527,348	1.58%-4.52%	1,946,551
		1,608,992		2,025,715

The Group does not account for any financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

At the end of the reporting period, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have (decreased)/increased the Group's profit after tax and retained earnings as follows:

The Group

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
100 basis points increase	(9,646)	(8,944)	(13,094)	(17,489)
100 basis points decrease	9,646	8,944	13,094	17,489

The Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
100 basis points increase	(9,646)	(8,944)	(12,982)	(16,546)
100 basis points decrease	9,646	8,944	12,982	16,546

Other components of consolidated equity would not be affected by the change in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period. The impact is estimated as an annualised impact on interest expense or income of such a change in interest rates. The sensitivity analysis is performed on the same basis for the entire Relevant Periods.

(d) Currency risk

The Group is exposed to currency risk primarily through sales, purchases and borrowings which give rise to receivables, payables and bank loans that are denominated in foreign currency, i.e. a currency other than the functional currency of the operations in which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("USD"), Euros ("EUR"), Japanese Yen ("JPY") and Great Britain pounds ("GBP").

(i) Recognised assets and liabilities

The Group did not hedge its foreign currency exposure.

RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its equity owners/shareholders.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity in which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the end of the reporting period.

The Group's exposures to foreign currencies (expressed in RMB'000)

	31 December 2011			31 December 2012		
	USD	EUR	Others	USD	EUR	Others
Trade and bills receivables	51,022	91	-	20,337	-	-
Cash and cash equivalents	94,619	4,300	-	112,091	15,404	-
Bank loans	(1,155,301)	-	-	(1,052,263)	-	-
Trade and bills payables	(55,333)	(7,125)	(260)	(66,278)	(98,301)	(333)
Net exposure	(1,064,993)	(2,734)	(260)	(986,113)	(82,897)	(333)

	31 December 2013			30 June 2014		
	USD	EUR	Others	USD	EUR	Others
Trade and bills receivables	50,259	-	-	42,171	-	-
Cash and cash equivalents	26,933	104	-	39,904	1,679	-
Bank loans	(1,540,480)	(81,644)	-	(1,988,458)	(163,039)	-
Trade and bills payables	(87,610)	(76,881)	(185)	(72,781)	(28,921)	(432)
Net exposure	(1,550,898)	(158,421)	(185)	(1,979,164)	(190,281)	(432)

The Company's exposures to foreign currencies (expressed in RMB'000)

	31 December 2011			31 December 2012		
	USD	EUR	Others	USD	EUR	Others
Trade and bills receivables	51,022	91	-	20,337	-	-
Cash and cash equivalents	94,619	4,300	-	112,091	15,404	-
Bank loans	(1,155,301)	-	-	(1,052,263)	-	-
Trade and bills payables	(55,333)	(7,125)	(260)	(66,278)	(98,301)	(333)
Net exposure	(1,064,993)	(2,734)	(260)	(986,113)	(82,897)	(333)

	31 December 2013			30 June 2014		
	USD	EUR	Others	USD	EUR	Others
Trade and bills receivables	50,259	-	-	42,171	-	-
Cash and cash equivalents	25,749	104	-	38,883	1,679	-
Bank loans	(1,527,348)	(81,644)	-	(1,862,676)	(163,039)	-
Trade and bills payables	(100,741)	(76,881)	(185)	(180,773)	(28,921)	(432)
Net exposure	(1,552,081)	(158,421)	(185)	(1,962,395)	(190,281)	(432)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The followings are the foreign currency exchange rates applied during the Relevant Periods:

	Average rate				*Reporting date spot rate*			
	Years ended 31 December			Six months ended 30 June	31 December			30 June
	2011	2012	2013	2014	2011	2012	2013	2014
USD	6.4445	6.3108	6.1896	6.1431	6.3009	6.2855	6.0969	6.1528
EUR	9.0168	8.1423	8.2396	8.4132	8.1625	8.3176	8.4189	8.3946
JPY	0.0812	0.0789	0.0636	0.0602	0.0811	0.0730	0.0578	0.0608
GBP	10.3485	10.0336	9.6885	10.2896	9.7116	10.1611	10.0556	10.4978

A 5% strengthening of RMB against the following currencies as at the respective reporting period end dates would have increased the Group's profit after tax and retained earnings by the amounts shown below. Other components of equity would not be affected by the strengthening of RMB against foreign currencies.

The Group

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	45,262	41,910	65,913	83,127
EUR	116	3,523	6,733	8,087
Others	11	14	8	18
	45,389	45,447	72,654	91,232

The Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	45,262	41,910	65,963	83,402
EUR	116	3,523	6,733	8,087
Others	11	14	8	18
	45,389	45,447	72,704	91,507

A 5% weakening of RMB against the above currencies as at the respective reporting period end dates would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

The 5% change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting period end date. The analysis is performed on the same basis for the entire Relevant Periods.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the respective reporting period end dates on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Level 1				
- listed available-for-sale-equity securities	31,060	25,290	32,461	43,138
Level 3				
- available-for-sale debt securities	-	-	-	90,000
	31,060	25,290	32,461	133,138

During the Relevant Periods, there were no transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The fair values of available-for-sale debt securities are determined using the discounted cash flow analysis . The significant unobservable input in the fair value measurement is the discount rate. As the maturities of the Group's available-for-sale debt securities are equal to or less than six months, the directors are of the opinion that the impact of discounting would be insignificant. Any increase/decrease in the discount rate would not have significant impact on the Group's other comprehensive income for the six months ended 30 June 2014. The Group did not have available-for-sale debt securities during the years ended 31 December 2011, 2012 and 2013.

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively.

34 COMMITMENTS

(a) Capital commitments outstanding at the respective reporting period end dates not provided for in the Financial Information were as follows:

The Group

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for				
- property, plant and equipment	143,762	146,962	58,104	71,615
- intangible asset	-	-	75,000	-
Authorised but not contracted				
- property, plant and equipment	93,502	21,242	229,082	155,152
- lease prepayment	-	106,000	83,770	-
- investment in equity securities	-	-	18,000	45,134
	237,264	274,204	463,956	271,901

The Company

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for				
- property, plant and equipment	143,762	146,962	58,104	71,615
- investment in subsidiary	-	-	225,000	-
Authorised but not contracted				
- property, plant and equipment	93,502	21,242	229,082	155,152
- lease prepayment	-	106,000	83,770	-
- investment in equity securities	-	-	18,000	45,134
	237,264	274,204	613,956	271,901

(b) At the respective reporting period end dates, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	284	2,195	2,126	444
After 1 year but within 5 years	-	1,732	-	-
	284	3,927	2,126	444

The Group leases certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

35 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group had the following material transactions with related parties during the Relevant Periods:

	Years ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Sales of goods to					
- subsidiary of Yangtze Communications	11,965	60,270	42,945	3,332	11
- subsidiaries and fellow subsidiary of Draka	21,545	29,123	41,700	8,949	17,450
- joint ventures	1,243,799	1,504,493	1,522,097	661,248	757,511
Purchase of goods from					
- subsidiary of Yangtze Communications	-	-	7	-	-
- subsidiaries of Draka	198,045	252,106	164,548	98,034	19,007
- associate	-	-	5,144	1,449	13,323
- joint ventures	1,530,530	1,855,642	1,564,976	655,862	770,549
Royalty fees income from					
- joint ventures	7,219	6,567	6,300	3,150	3,150
Rental income from					
- subsidiary of Yangtze Communications	522	522	444	261	-
- associate	-	-	432	216	216
- joint venture	368	368	368	184	184
Royalty fees to					
- subsidiary of Draka	21,591	22,167	24,801	15,600	11,500

35 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties

The Group's outstanding balances with related parties are as follows:

	31 December			30 June
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables				
- subsidiaries of Yangtze Communications	195	681	186	187
- subsidiaries and fellow subsidiary of Draka	5,273	2,260	15,805	14,723
- joint ventures	59,932	164,604	150,347	368,260
	65,400	167,545	166,338	383,170
Deposits, prepayments and other receivables				
- subsidiary of Yangtze Communications	1,650	2,172	2,617	2,617
- subsidiaries of Draka	15,673	1,568	2,589	3,729
- associate	-	-	2,400	-
- joint ventures	24,576	23,666	53,880	32,735
	41,899	27,406	61,486	39,081
Trade and bills payables				
- subsidiaries of Draka	4,623	10,718	11,911	3,297
- associate	-	-	2,308	12,476
- joint ventures	99,267	159,027	84,675	86,030
	103,890	169,745	98,894	101,803
Accrued expenses and other payables				
- China Huaxin	-	-	187,500	215,196
- subsidiary of Yangtze Communications	26,007	-	125,013	125,000
- subsidiaries of Draka	21,591	22,167	212,352	226,696
- associate	-	-	432	432
- joint ventures	7,664	69,872	21,009	6,100
	55,262	92,039	546,306	573,424
Deferred income				
- associate	-	-	5,616	5,400
- joint ventures	38,667	32,367	26,067	23,117
	38,667	32,367	31,683	28,517

(c) Contribution to defined contribution retirement plan

The Group participates in a defined contribution retirement plan organised by the relevant local government authority. As at 31 December 2011, 2012 and 2013 and 30 June 2014, there was no material outstanding contribution to post-employment benefit plan. Details of the Group's defined contribution retirement plan are set out in Note 6(a).

(d) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

35 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel remuneration (continued)

Remuneration for key management personnel, including amounts paid to the Company's directors (including chief executive and supervisors) as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Years ended 31 December			Six months ended 30 June	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Short-term employee benefits	11,407	13,262	15,986	3,791	4,128
Post-employment benefits	425	473	567	247	288
	11,832	13,735	16,553	4,038	4,416

Total remuneration is included in "staff costs" (see Note 6(a)).

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING 1 JANUARY 2014

As at the date of the approval of the Financial Information, the IASB has issued a few amendments and new standards which are not yet effective for the accounting period beginning on 1 January 2014 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

	Effective Date (for annual financial statements covering periods beginning on or after unless specified)
Amendments to IAS 19, *Employee benefits: Defined benefit plans: Employee contributions*	1 July 2014
IFRS 14, *Regulatory deferral accounts*	1 January 2016
Amendments to IFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to IAS 16 and IAS 41, *Agriculture: Bearer plants*	1 January 2016
Amendments to IAS 27, *Equity method in separate financial statements*	1 January 2016
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial Instruments*	1 January 2018

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING 1 JANUARY 2014 (CONTINUED)

The Group is in the process of making an assessment of what the impact of these amendments and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

C SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2014. Save as disclosed in the Financial Information, no dividend or distribution has been declared or made by the Company in respect of any period subsequent to 30 June 2014.

Yours faithfully

KPMG
Certified Public Accountants
Hong Kong

The following information does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to the equity shareholders of our Company as of June 30, 2014 as if the Global Offering had taken place on June 30, 2014.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at June 30, 2014 or at any future date.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of 30 June 2014 (1)	Estimated net proceeds from the Global Offering (2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share (3)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB (4)*	*HK$ (4)*
Based on an Offer Price of HK$7.39 per Share	1,550,919	875,481	2,426,400	3.79	4.77
Based on an Offer Price of HK$10.28 per Share	1,550,919	1,225,588	2,776,507	4.34	5.47

Notes:

(1) The consolidated net tangible assets attributable to the equity shareholders of the Company as of June 30, 2014 is compiled based on the consolidated statement of financial position included in the Accountants' Report set out in Appendix I to this Prospectus, which is based on the consolidated net assets attributable to the equity shareholders of the Company as of June 30, 2014 of RMB1,655,469,000 after deducting intangible assets attributable to the equity shareholders of the Company of RMB104,550,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$7.39 and HK$10.28 per Share, after deduction of the underwriting fees and other related expenses payable by the Company, without taking into account the exercise of the Over-allotment Option and discretionary incentive fees. The estimated net proceeds of the Global Offering have been converted to Renminbi at the PBOC rate of HK$1.0000 to RMB0.7938 prevailing on June 30, 2014.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 639,462,598 Shares, being the number of shares in issue immediately following the completion of the Global Offering without taking into account of the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted net tangible assets per Share amounts in RMB are converted to Hong Kong dollar with the PBOC rate of RMB0.7938 to HK$1.0000 prevailing on June 30, 2014.

(5) No adjustment has been made to reflect any trading result, dividends declared or other transactions of the Group entered into subsequent to June 30, 2014.

B. Report from the Reporting Accountants on Unaudited Pro Forma Financial Information

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose in this prospectus.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

26 November 2014

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF YANGTZE OPTICAL FIBRE AND CABLE JOINT STOCK LIMITED COMPANY

We have completed our assurance engagement to report on the compilation of pro forma financial information of Yangtze Optical Fibre and Cable Joint Stock Limited Company (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2014 and related notes as set out in Part A of Appendix II to the prospectus dated 26 November 2014 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 June 2014 as if the Global Offering had taken place at 30 June 2014. As part of this process, information about the Group's financial position as at 30 June 2014 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

TAXATION

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares. Accordingly, you should consult your tax adviser regarding the tax consequences of an investment in the H Shares. The following summary is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change.

The PRC

Taxes Applicable to the Company

Corporate Income Tax

The Law of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅法) and the Implementation of the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法實施條例) (collectively, the "**EIT Law**"), both of which came into force on January 1, 2008, provides that the rate of enterprise income tax is 25% while certain high and new technology enterprises are entitled to a reduced enterprise income tax rate of 15%, both domestic and with foreign investment. According to the Administrative Measures for the Determination of High and New Technology Enterprises (高新技術企業認定管理辦法) issued on April 14, 2008 and which became effective from January 1, 2008, a high and new technology enterprise may apply for the tax benefits under the EIT Law, the Law of the People's Republic of China on the Administration of Tax Collection which became effective on May 1, 2001 and was revised in 2013 (中華人民共和國稅收徵收管理法) and the Detailed Rules on the Implementation of the Law of the People's Republic of China on the Administration of Tax Collection (中華人民共和國稅收徵收管理法實施細則) which became effective on October 15, 2002 and were revised in 2013.

Business Tax

Pursuant to the Interim Regulations of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例), which became effective on January 1, 1994 and were subsequently amended on November 10, 2008 and became effective on January 1, 2009, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the Schedule of Items and Rates of Business Tax (營業稅稅目稅率表) attached to the regulation. And the business tax rates vary from 3 to 20 percent based on the taxable items.

Value-added Tax

The Interim Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例) were promulgated on December 13, 1993 and came into effect on January 1, 1994, which were subsequently amended on November 10, 2008 and came into effect on January 1, 2009. The Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-Added Tax (Revised in 2011) (中華人民共和國增值稅暫行條例實施細則(2011年修訂)) were promulgated on December 18, 2008 which were subsequently amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the "**VAT Law**"). According to the VAT Law, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. For general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Law, the value-added tax rate is 17%.

Pursuant to the Pilot Scheme for the Conversion of Business Tax to VAT (營業稅改徵增值稅試點方案) promulgated on November 16, 2011, since January 1, 2012 the State started to introduce taxation reform in certain service industries (namely transportation and certain modern service industries) which are subject to business tax in a gradual manner, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in certain regions including Shanghai, Beijing, Hubei province and Jiangsu province.

PRC Stamp Duty

Under the Provisional Regulations of the People's Republic of China Concerning Stamp Duty (中華人民共和國印花稅暫行條例) amended on January 8, 2011 and the Rules for Implementation of Provisional Regulations of the People's Republic of China Concerning Stamp Duty (中華人民共和國印花稅暫行條例施行細則), effective on October 1, 1988, all entities and individuals executing or receiving taxable documents within the PRC shall pay stamp duty. The list of taxable documents includes purchase and sale contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents in the nature of contracts, title transfer deeds, business account books, certificates of rights, licences and other documents confirmed to be taxable by the Ministry of Finance.

Taxes Applicable to Shareholders of the Company

Dividend-related Tax

Individual Investors

According to the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法) ("**IIT Law**"), as amended on June 30, 2011, and its implementation rules, dividends paid by PRC companies are generally subject to a PRC withholding tax levied at a flat rate of 20%.

Pursuant to the Notice on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No.045 (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) issued by the State Administration of Taxation (the "**SAT**") on June 28, 2011, for a foreign individual shareholder who is not a PRC resident, the receipt of dividends on the Company's H-Shares may be subject to a withholding tax ranging from 5% to 20% (usually 10%) depending on the applicable tax treaty between the PRC and the jurisdiction in which the foreign national resides. For foreign residents of jurisdiction that have not entered a tax treaty with the PRC, the tax rate on dividends is 20%.

Enterprises

In accordance with the EIT Law, a non-resident enterprise is generally subject to a 10% enterprise income tax on the PRC-sourced income, if such non-resident enterprise does not have an organization or premises in the PRC or has an organization or premises in the PRC but the PRC-sourced income is not connected with such organization or premises in the PRC, subject to any applicable treaties for the avoidance of double taxation. The aforesaid income tax payable by the non-resident enterprises shall be withheld at source, for which the payer thereof shall be the withholding agent. When making such payment or when such payment becomes due and payable, the withholding agent shall withhold the income tax from the payment or the payment becoming due and payable.

Notice on the Issues Concerning Withholding and Remittance of Enterprise Income Tax on the Dividends paid by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) issued by the SAT on November 6, 2008, further clarified that a PRC- resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to Non-PRC Resident Enterprise shareholders of H Shares which are derived out of profit generated since January 1, 2008. A Non-PRC Resident Enterprise shareholder who is entitled to a preferential tax rate under a tax agreement or an arrangement may, directly or through its entrusted agent or withholding agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld. The Reply of the State Administration of Taxation on Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆) issued by the SAT on July 24, 2009 further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends that it distributes to Non-PRC Resident Enterprise shareholders. Such tax rate may be modified pursuant to the tax treaty or agreement that the PRC has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Agreement of the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, the PRC Government may impose tax on dividends paid to a Hong Kong resident (including specified natural person and legal entity) by a PRC company, but such tax generally does not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax generally does not exceed 5% of the total amount of dividends payable by that PRC company.

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau may be entitled to a preferential treatment of such withholding tax in respect of dividends received from the PRC company. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, UK and US. A Non-PRC Resident Enterprise which is entitled to a preferential tax rate under a relevant income tax treaty or arrangement shall apply to the PRC tax authorities for a refund of the difference between the amount of tax withheld and the amount payable at an agreed rate, subject to the approval of the PRC tax authorities.

Taxes Related to Share Transfer

Individual investors

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interest in PRC resident enterprises. Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the Ministry of Finance and the SAT on March 30, 1998, from January 1, 1997, income of individuals from the transfer of shares of listed enterprises was exempted from individual income tax. After the latest amendment to the IIT Law on June 30, 2011 and its implementing rules amended on July 19, 2011 and implemented on September 1, 2011, the SAT has not explicitly stated whether it will continue to exempt individual income tax on income derived by individuals from the transfer of listed shares. However, on December 31, 2009, the Ministry of Finance, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知), which provides that individuals' income from transferring listed shares on certain domestic exchanges generally will continue to be exempted from the individual income tax, except for the shares of certain specified companies which are subject to sales limitations (as defined in the supplementary notice of such

Circular issued on November 10, 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not levied income tax on non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of our H Shares.

Enterprises

In accordance with the EIT Law and its implementation rules, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to the PRC-sourced income, including gains derived from the disposal of equity interest in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an organization or premises in the PRC but the PRC-sourced income is not connected with such organization or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties.

Hong Kong

Tax on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital gains and profit tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate on unincorporated businesses of 15%. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of H Shares effected on the Stock Exchange will be considered to be derived from or arising in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for, or the market value of, the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of H Shares. Where one of the parties to a transfer is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

There is no taxation in the nature of estate duty in Hong Kong.

FOREIGN EXCHANGE CONTROLS IN THE PRC

Renminbi is the lawful currency of the PRC, which is subject to foreign exchange controls. The SAFE, under the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In accordance with the Notice on Deepening the Reform of the Foreign Exchange Administration System (關於進一步改革外匯管理體制的通知) issued by the State Council on October 1, 1993, since January 1, 1994, current account items applied to the policy of conditional exchange of Renminbi . The official exchange rate and the market rate for Renminbi was unified. The unified Renminbi exchange rate applied to a single, controlled floating exchange rate system based on market demand and supply. The PBOC published the Renminbi to other main currencies exchange rate on daily basis by reference to the change of international foreign exchange market. Foreign exchange buying and selling between designated foreign exchange banks and their clients are allowed within the limit of floating exchange rates.

On January 29, 1996, the State Council promulgated the Regulations of the People's Republic of China on Foreign Exchange Control (中華人民共和國外匯管理條例) (the "**Foreign Exchange Control Regulations**") which became effective from January 14, 1997. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to the SAFE approval while capital account items are. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amended Foreign Exchange Control Regulations clarifies that the State does not impose restrictions on international payments and transfers under the current account items.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "**Settlement Regulations**") which became effective on July 1, 1996. The Settlement Regulations abolish all other restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On July 21, 2005, the PBOC announced that, effective on the same date, the PRC would implement a regulated and managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will publish the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each trading day, and will fix the central parity for Renminbi transaction on the following trading day.

On August 5, 2008, the State Council promulgated the revised Regulations of the People's Republic of China on Foreign Exchange Control (the "**Revised Foreign Exchange Control Regulations**"), which have made substantial changes to the foreign exchange regulatory system of the PRC. First, the Revised Foreign Exchange Control Regulations adopted an approach of balancing the inflow and outflow of foreign exchange fund. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administration authorities. Second, the Revised Foreign Exchange Control Regulations improved the mechanism for determining the Renminbi exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations enhanced the monitoring of cross-border foreign exchange fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations enhanced the supervision and administration of foreign exchange transactions and grant extensive authority to the SAFE to strengthen its supervisory and administrative ability.

Pursuant to relevant rules and regulations of the State, all foreign exchange income generated from current account transactions of the PRC enterprises may be either retained or sold to financial institutions engaging in the settlement or sale of foreign exchange. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example, foreign exchange income received by us from the sale of shares overseas) is not required to be sold to designated foreign exchange banks and can be deposited into foreign exchange accounts at the designated foreign exchange banks.

The PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of the SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign exchange, may on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

The SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知)on January 28, 2013, which became effective on the same day, pursuant to which a domestic company shall, within 15 working days after the completion of the initial offering of shares for its overseas listing, go through the registration of overseas listing with the Foreign Exchange Bureau at its place of registration. The funds raised by a domestic company from overseas listing may be repatriated to the corresponding special domestic account or be deposited in its special overseas account. The purposes of such funds shall be consistent with those listed in the prospectus documentation for shares or the prospectus documentation for corporate bonds, circulars to shareholders, resolutions of the general meeting and other public disclosure documents. After getting the approval from the Local Foreign Exchange Bureau, the foreign exchanges in the domestic company's special domestic account for overseas listing can be settled. A domestic shareholder of a domestic company shall, within 15 working days after material changes have happened to relevant arrangements of its holdings of the overseas stocks of the domestic company (such as changes in the percentage, price, period, schedule, etc. of shareholding increase or reduction), register such changes with the Local Foreign Exchange Bureau.

This Appendix contains a summary of PRC company and securities laws and regulations, certain material differences between the PRC Company Law and the Companies Ordinance and additional regulatory provisions introduced by the Stock Exchange in relation to PRC joint stock limited companies. The principal objective of this summary is to provide potential investors with an overview of the principal legal and regulatory provisions applicable to us. As the information contained below is in a summary form, it does not contain all the information that may be important to potential investors. For discussions of laws and regulations specifically governing our business activities, see the section headed "Regulatory Overview."

PRC Legal System

The PRC legal system is based on the Constitution of the People's Republic of China (中華人民共和國憲法) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (中華人民共和國立法法), the National People's Congress ("**NPC**") and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the National Audit Office of the PRC, and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC Judicial System

Under the Constitution and the Law of the People's Republic of China on the Organization of the People's Courts (中華人民共和國人民法院組織法), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organized into civil, criminal, administrative, economic and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the primary people's courts, and are entitled to organize other courts as needed such as the intellectual property division.

The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The people's courts apply a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the People's Republic of China (中華人民共和國民事訴訟法) (the "**PRC Civil Procedure Law**"), which was adopted in 1991 and amended in 2007 and 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or against social and public interest.

The PRC Company Law, Special Regulations and Mandatory Provisions

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

- the Company Law of the People's Republic of China (中華人民共和國公司法), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised as of December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on March 1, 2014;

- the Special Regulations of the State Council on the Overseas Offer and Listing of Shares by Joint Stock Limited Company (國務院關於股份有限公司境外募集股份及上市的特別規定) (the

"**Special Regulations**"), which were promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the PRC Company Law (1993), and were applicable, to the overseas share subscription and listing of joint stock limited companies; and

- the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款) ("**Mandatory Provisions**"), which were jointly promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on August 27, 1994, and stated the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in Appendix V of this prospectus.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to our Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and professional ethics. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the PRC Securities Law, the total share capital of a company seeking to list its shares on a stock exchange shall be no less than RMB30 million.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares". Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares". Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall be in registered form.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a prospectus and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts; and
- it shall apply to the relevant Industry and Commerce Administration the registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; and (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be canceled within 10 days from the date of purchase in the case of (i) above and transferred or canceled within six months in the case of (ii) or (iv) above. Shares acquired in accordance with (iii) above shall not exceed 5% of the total number of the company's issued shares. Such acquisition shall be financed by funds appropriated from the company's profit after taxation, and the shares so acquired shall be transferred to the company's employees within one year.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company that their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;

- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and losses recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an interim shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two- thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our interim shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, such notice shall be delivered to all the registered shareholders 45 days in advance to the meeting, and the matters to be considered and time and venue of the meeting shall be specified. The written reply of shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholder's general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again of the matters to be considered and time and venue of the meeting to shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the Special Regulations, where the company convenes annual shareholder's general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholder's general meeting shall be placed in the agenda of the meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of director or supervisor to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-third of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to decide on the set-up of the internal management bodies of the company;
- to decide on the employment or dismissal of the manager of the company and matters related to the remuneration thereof, and making decisions, according to the manager's nomination, on the employment or dismissal of the vice manager(s) and the personnel in charge of financial issues and the matters related to their remunerations;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations, the articles of association or the resolutions of shareholders' general meetings, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint one or more vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;

- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or

- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions. (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix V)

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management; and
- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to take charge of the management of the production and business operations of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;

- to draft the plans on the set-up of the internal management bodies of the company;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person-in-charge of finance;
- to appoint or dismiss the persons in charge of management (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have the fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be liable for compensation to the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A company limited by shares that publicly offers shares must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;

- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment, and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debt shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abuse of their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issue within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a registered share certificate in is lost, stolen or destroyed, the respective shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court for a declaration that such certificate will no longer be valid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions. (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix V)

Securities Law and Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (國務院關於股份有限公司境內上市外資股的規定). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005 and June 29, 2013 respectively. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the PRC Securities Law provides that domestic enterprises shall obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the People's Republic of China (中華人民共和國仲裁法) (the "**Arbitration Law**") passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer and, in the case of the Listing Rules, also in contracts between the issuer and each of its directors and supervisors, to the effect that any disputes or claims arising

(i) between holders of H shares and the issuer; (ii) between holders of H shares and the issuer's directors, supervisors, manager or other senior management; and (iii) between holders of H shares and holders of domestic shares may be referred to arbitration for resolution. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("**CIETAC**") in accordance with its rules or the Hong Kong International Arbitration Center ("**HKIAC**") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong Special Administration Region (關於內地與香港特別行政區相互執行仲裁裁決的安排), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in China.

Overseas Investment Regulations

Pursuant to the Measures for the Administration of Overseas Investment (境外投資管理辦法) promulgated by the MOFCOM on March 16, 2009 which became effective on May 1, 2009, enterprises shall obtain approval from the MOFCOM or its provincial department for conducting overseas investment according to such regulations. Upon such approval, any changes to the original application of such overseas investment shall be reported to the original approving authority for the application of approval of changes in compliance with relevant laws.

According to the Administrative Measures for the Verification and Approval and Record-Filing of Outbound Investment Projects (境外投資項目核准和備案管理辦法), which was promulgated on April 8, 2014 and became effective on May 8, 2014, outbound investment projects in which the amount of Chinese investment reaches or exceeds USD 1 billion and involving sensitive countries and regions or sensitive industries shall be subject to the verification and approval by the NDRC. Where an outbound investment project has Chinese investment of USD 2 billion or higher and involves sensitive countries and regions or sensitive industries, the NDRC shall put forward review opinions thereon, and submit the same to the State Council for verification and approval. Any change with respect to an investor, or the equity structure, or the size and main contents of such an approved outbound project must be approved or record-filing by the NDRC.

Summary of Material Differences between Hong Kong and PRC Company Law

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and supplemented by common law and the rules of equity that apply to Hong Kong. As a joint stock limited liability company established in the PRC that is seeking a listing of H Shares on the Stock Exchange, we are governed by the PRC Company Law and all the rules and regulations promulgated pursuant to the PRC Company Law.

In the following sections, we summarize certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited liability company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company having share capital is incorporated by the Registrar of Companies in Hong Kong and upon its incorporation, the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain preemptive provisions. The articles of association of a public company do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company must have a minimum registered capital of RMB5 million, or a higher amount as may otherwise be required by laws and regulations.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under Hong Kong law, a company may state in its articles of association the maximum number of shares that it may issue. If a maximum number of shares is stated, the company is not bound to issue the entire amount, and therefore the maximum number of shares it may issue may be larger than its issued share capital. In this case, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, cause the company to issue new shares. The PRC Company Law does not provide for a maximum number of shares to be issued. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and must be in compliance with provisions stipulated by the relevant PRC governmental and regulatory authorities.

Under the PRC Securities Law, a company which is authorized by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons. Our overseas listed H Shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, our promoters are not allowed to transfer the Shares they hold for a period of one year after the date of our establishment. Shares in issue prior to the Company's public offering cannot be transferred within one year from the date of the Company's listing on a stock exchange. Similarly, our Directors, Supervisors and the senior management cannot transfer their Shares within one year from the day when the H Shares are listed and traded on a stock exchange. There are no such restrictions on shareholdings and transfer of shares in respect of such persons under Hong Kong company law, although certain restrictions apply under the Listing Rules.

Financial Assistance for Acquisition of Shares

Although the PRC Company Law does not prohibit or restrict us or our subsidiaries from providing financial assistance for the purpose of an acquisition of our Shares, the Mandatory Provisions contain restrictions on a company and its subsidiaries from providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law makes no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix V.

Under the Companies Ordinance, rights attached to any class of shares can be varied only (i) with the consent in writing of the holders representing at least 75% of the total voting rights of holders of shares in that class, (ii) with the approval by special resolution passed at a separate general meeting of holders of shares in the class or (iii) if there are provisions in the articles of association for the variation of those rights, then in accordance with those provisions.

We (as required by the Listing Rules and the Mandatory Provisions) have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic invested shares are defined in the Articles of Association as different classes, except where:

- the Company issues and allots, in any 12-month period, pursuant to a shareholders' special resolution, not more than 20% of each of the issued overseas listed foreign invested shares and the issued domestic invested shares existing as at the date of the shareholders' special resolution; or

- the plan for the issue of domestic invested shares and listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix V.

Board of Supervisors

Under the PRC Company Law, a company's directors and managers are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be our best interests and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have committed a breach of their fiduciary duties to the company, if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives our shareholders the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by our shareholders in a general meeting, or by the Board, that violates any law, administrative rules or articles of association or if the directors, supervisors or senior managers violate laws, administrative rules or articles of association when performing their duties and cause losses to the company. The Mandatory Provisions, however, provide us with certain remedies against the Directors, Supervisors and officers who breach their duties to us. In addition, as a condition to the listing of our H Shares on the Stock Exchange and in accordance with our Articles of Association, each of our Directors and Supervisors is required to give an undertaking in favor of us acting as agent for each of our shareholders. This undertaking allows minority shareholders to take action against our Directors and Supervisors when they fail to perform their respective duties.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law provides that if any company encounters any serious difficulty in its operations or management to the extent that the interests of its shareholders would be seriously harmed if the company continues to exist, and such difficulty cannot be resolved by any other means, the shareholders holding ten percent or more of the voting rights of the issued shares of the company may petition the people's court to dissolve the company. The Mandatory Provisions contain provisions to the effect that a controlling shareholder may not exercise its voting rights (i) to relieve a director or supervisor of his duty to act honestly in the best interests of the company, (ii) to approve the expropriation by a director or supervisor of the company's assets, or (iii) to approve the deprivation by a director or supervisor of specific rights of other shareholders, in each case prejudicial to the interests of the shareholders generally or part of the shareholders of a company.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all our shareholders and shareholders who wish to attend the meeting must reply in writing no less than 20 days before the date of the meeting. For a limited company incorporated in Hong Kong, the minimum period of notice is 21 days for annual general meetings and 14 days for other general meetings.

Quorum for Shareholders' General Meetings

Under Hong Kong law, the quorum for a meeting of a company must be at least two members unless the articles of association of the company otherwise provide. For companies with one member, one member shall constitute a quorum. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that our general meeting may only be convened when replies to the notice of that meeting have been received from shareholders whose Shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, we must within five days notify our shareholders again by way of a public announcement and we may hold the shareholders' general meeting thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of at least 75% of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of our shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of our shareholders representing more than two thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

We are required under the PRC Company Law to make available at our company for inspection by shareholders our annual financial statements (including but not limited to balance sheet, income statement and other relevant documents) 20 days before our shareholders' annual general meeting. In addition, we must publish our financial statements and our financial statements must be verified by registered accountants. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, directors' report and auditor's report, which are to be laid before the company in its annual general meeting, at least 21 days before such meeting.

We are required under PRC law to prepare our financial statements in accordance with PRC accounting standards. The Mandatory Provisions require that we must, in addition to preparing our accounts according to PRC standards, have our accounts prepared and audited in accordance with international or Hong Kong accounting standards and our financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards. The Company is required to publish its interim and annual accounts within 60 days from the end of the first six months of a financial year and within 120 days from the end of a financial year, respectively.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such information should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives our shareholders the right to inspect our Articles of Association, minutes of the shareholders' general meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The Mandatory Provisions require us to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of H Shares dividends declared and all other monies owed by us in respect of our Shares.

Corporate Reorganization

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of being wound up voluntarily to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Sections 673 and 674 of the Companies Ordinance, which requires the sanction of the court. For PRC companies, such reorganizations are administratively considered and sanctioned under the PRC Company Law.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the Hong Kong International Arbitration Centre ("**HKIAC**") or the China International Economic and Trade Arbitration Commission ("**CIETAC**"), at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, after-tax profits of a company are subject to deductions of the statutory surplus reserve of a company before they can be distributed to shareholders. There are prescribed limits under the PRC Company Law for such deductions. There are no corresponding provisions under the Companies Ordinance.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or senior manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior manager should be responsible to the company for such damages. In addition, in compliance with the Listing Rules, remedies of the Company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a Director, Supervisor or officer) have been set out in the Articles of Association.

Dividends

The Articles of Association empower the Company to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The Company shall not exercise its powers to forfeit any unclaimed dividend in respect of H Shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, officers owe a fiduciary duty towards their company and are not permitted to engage in any activities which damage the interests of their company or engage in any business similar with their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers may not be registered within 30 days before the date of a shareholders' general meeting or within five days before the record date set for the purpose of distribution of dividends.

Listing Rules

The Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance adviser

We are required to appoint a compliance adviser acceptable to the Stock Exchange for the period commencing on the Listing Date and ending on the date of publication of our financial results for the first full financial year commencing after the Listing Date, to provide us with professional advice on continuous compliance with the Listing Rules, and to act at all times, in addition to our two authorized representatives, as our principal channel of communication with the Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Stock Exchange has been appointed.

If the Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require us to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the Company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the Company. It must act as the Company's principal channel of communication with the Stock Exchange if the authorized representatives of the Company are expected to be frequently outside Hong Kong.

Accountants' Report

An accountants' report will not normally be regarded as acceptable by the Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards. Such report will normally be required to conform to Hong Kong or international accounting standards or China Accounting Standards for Business Enterprises.

Process Agent

We are required to appoint and maintain a person authorized to accept service of process and notices on our behalf in Hong Kong throughout the period during which our securities are listed on the Stock Exchange and must notify the Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares ("foreign shares") which are listed on the Stock Exchange, the Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the company has an expected market capitalization at the time of listing of not less than HK$50,000,000. The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the Company has an expected market capitalization at the time of listing of more than HK$10,000,000,000.

Independent Directors and Supervisors

Independent Directors are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of our general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as Supervisors.

Restrictions on Purchase of our Own Securities

Subject to governmental approvals and the Articles of Association, we may repurchase our own H Shares on the Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of special resolution of the holders of our Domestic Shares and the holders of H Shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, we are required to provide information on any proposed or actual purchases of all or any of our equity securities, whether or not listed or traded on the Stock Exchange. We must also state the consequences of any purchases which will arise under either or both of the Hong Kong Takeovers Code and any similar PRC law of which Directors are aware, if any. Any general mandate given to Directors to repurchase H Shares must not exceed 10% of the total number of our issued H Shares.

Redeemable Shares

We must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of our H Shares are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, Directors are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of our Domestic Shares and H Shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Articles of Association, prior to authorizing, allotting, issuing or granting Shares or securities convertible into Shares, options, warrants or similar rights to subscribe for any Shares or such convertible securities.

No such approval will be required to the extent that our existing shareholders have by special resolution in general meeting given a mandate to Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued Domestic Shares and H Shares as of the date of the passing of the relevant special resolution, or such Shares are issued as part of our plan at the time of our establishment to issue Domestic Shares and H Shares and which plan is implemented within 15 months from the date of approval by the State Council Securities Policy Committee.

Supervisors

The Company is required to adopt rules governing dealings by its supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Stock Exchange.

The Company is required to obtain the prior approval of its shareholders at a general meeting (at which the relevant supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the Company or its subsidiary: (1) the duration of the service contract may exceed three years; or (2) in order to entitle our Company or any of its subsidiaries to terminate the contract, the service contract expressly requires the Company or any of its subsidiaries to give more than one year's notice or to pay compensation or make other payments equivalent to more than one year's emoluments of the relevant supervisor or proposed supervisor.

The remuneration committee of the Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

We may not permit or cause any amendment to our Articles of Association which would cause them to cease to comply with the PRC Company Law, the Mandatory Provisions or the Listing Rules.

Documents for Inspection

We are required to make available at a place in Hong Kong for inspection by the public and our shareholders free of charge, and for copying by our shareholders at reasonable charges the following:

- complete duplicate register of shareholders;
- report showing the state of our issued share capital;
- our latest audited financial statements and the reports of the Directors, auditors and (if any) Supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by us since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);
- copy of the latest annual return filed with the PRC State Administration for Industry and Commerce or other competent PRC authority; and
- for shareholders only, copies of minutes of meetings of shareholders.

Receiving Agents

Under Hong Kong law, we are required to appoint one or more receiving agents in Hong Kong and pay to such agents dividends declared and other monies owed in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

Statements in Share Certificates

We are required to ensure that all our listing documents and share certificates include the statements stipulated below and to instruct and cause each of our share registrars not to register the subscription, purchase or transfer of any of our Shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of those Shares bearing statements to the following effect, that the acquirer of Shares:

- agrees with us and each shareholder, and we agree with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;

- agrees with us, each shareholder, Director, Supervisor, manager and other officer and we acting both for the company and for each Director, Supervisor, manager and other officer, agree with each shareholder to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law, the Special Regulations or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association. Any reference to arbitration will be deemed to authorize the arbitration tribunal to conduct its hearing in open session and to publish its award. Such arbitration will be final and conclusive;

- agrees with us and each shareholder that Shares are freely transferable by the holder thereof; and

- authorizes us to enter into a contract on his behalf with each Director and officer whereby such Directors and officers undertake to observe and comply with their obligations to shareholders as stipulated in the Articles of Association.

Compliance with the PRC Company Law, the Special Regulations and the Articles of Association

We are required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

Contract between Us and Directors, Supervisors and other Senior Managers

We are required to enter into a contract in writing with every Director, Supervisor and other senior manager containing at least the following provisions:

- an undertaking by the Director, Supervisor or other senior manager to us to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association, the Hong Kong Takeovers Code and an agreement that we shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;

- an undertaking by the Director, Supervisor or other senior manager to us acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the Articles of Association; and

- an arbitration clause which provides that whenever any differences or claims arise from the contract, our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law, the Special Regulations or other relevant laws and administrative regulations concerning affairs between us and our Directors, Supervisors or other senior managers and between a holder of H Shares and a Director, Supervisor or other senior manager, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive.

We are also required to enter into a contract in writing with every Supervisor containing terms substantially similar to those for Directors. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

Subsequent Listing

We must not apply for the listing of our H Shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of our H Shares are adequately protected.

English translation

All notices or other documents required under the Listing Rules to be sent by the Company to the Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

GENERAL

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Stock Exchange may impose additional requirements or make listing of our H Shares subject to special conditions as the Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of our listing. Upon our listing on the Stock Exchange, the provisions of the Hong Kong Securities and Futures Ordinance, the Hong Kong Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to us.

Other Legal and Regulatory Provisions

Upon the Company's listing, the provisions of the Securities and Futures Ordinance, the Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to the Company.

Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

PRC Legal Matters

Commerce & Finance Law Offices, our legal advisors on PRC law, has sent to us a legal opinion on November 26, 2014 confirming that it has reviewed the summaries of relevant PRC laws and regulations as contained in this Appendix and that, in its opinion, such summaries are correct summaries relevant to PRC laws and regulations. This letter is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix contains a summary of our Articles of Association. The principal objective is to provide potential investors with an overview of our Articles of Association. As the information contained below is in summary form, it does not contain all the information that may be important to potential investors. Our Articles of Association are available for inspection at the address specified in Appendix VII in "Documents Delivered to the Registrar of Companies and Available for Inspection."

The Articles of Association and relevant amendments thereto were adopted or authorized by the shareholders in general shareholders' meetings in accordance with applicable laws and regulations, including the PRC Company Law, the PRC Securities Law, the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies, the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, the Guidance on Articles of Association Listed Company and the Listing Rules, and will be effective on the Listing Date.

Directors and Other Officers

Power to allot and issue shares

There is no provision in the Articles of Association empowering the Directors to allot and issue Shares.

To increase the capital of the Company, the Board is responsible for formulating proposals for approval at a shareholders' general meeting by way of special resolution.

Power to dispose of the fixed assets of the Company

The Board is accountable to the shareholders' general meeting.

When the Board is disposing the Company's fixed asset, it shall not, without the prior approval or consent of shareholders' general meeting, dispose or agree to dispose of, any fixed assets of the Company where the anticipated value of the assets to be disposed, together with the value of fixed assets that have been disposed in the period of four months immediately preceding the proposed disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last balance sheet reviewed by the shareholders' general meeting.

The validity of a disposition transaction by the Company of fixed assets shall not be affected by the breach of the above paragraph.

Emoluments and compensation or payments for loss of office

The Company shall, with the prior approval of shareholders' general meeting, enter into a contract in writing with each of the Directors and Supervisors wherein his emoluments are stipulated. The aforesaid emoluments include:

(1) emoluments in respect of his service as a Director, Supervisor or senior executive officer of the Company;

(2) emoluments in respect of his service as a Director, Supervisor or senior executive officer of any subsidiary of the Company;

(3) emoluments in respect of other service in relation to the management of the Company and any subsidiary of the Company; and

(4) payment by way of compensation for loss of office or retirement from office of a Director or Supervisors.

Except under the contract in accordance with the foregoing, no proceedings may be brought by a Director and Supervisor against the Company for any benefit due to him in respect of the above matters.

The contracts concerning the emoluments between the Company and its Directors or Supervisors shall provide that, when a takeover of the Company is about to happen, the Directors and Supervisors shall, subject to the prior approval of the shareholders' general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. The 'takeover of the Company' referred in this paragraph means either:

(1) an takeover offer made by any person to all shareholders; or

(2) an offer made by any person with a view to make the offeror become a ''controlling shareholder'' within the meaning set out in the Articles of Association.

If the relevant Director or Supervisor does not comply with the above, any sum so received by him shall belong to those persons who have sold their Shares as a result of the offer made. The expenses incurred in distributing such sum pro rata shall be borne by the relevant Director or Supervisor and not paid out of that sum.

Loans or Guarantees of Loans to Directors, Supervisors, other senior executive officers and/or their associates

The Company shall not directly or indirectly make a loan to, or provide any guarantee in connection with the making of a loan to a Director, Supervisor, Manager and other senior executive officer of the Company and of the Company's parent company. The Company shall not make a loan to, or provide any guarantee in connection with the making of a loan to an associate of the aforesaid parties. However, the following situations are not subject to such prohibition:

(1) the provision by the Company of a loan or a guarantee for a loan to a company which is a subsidiary of the Company;

(2) the provision by the Company of a loan or a guarantee in connection with the making of a loan or any other funds to any of its Directors, Supervisors, general manager or other senior management members to meet expenditure incurred or to be incurred by him/her for the purposes of the Company or for the purpose of enabling him/her to perform his/her duties properly, in accordance with the terms of a service contract approved by the Shareholders in General Meeting; and

(3) The Company may make a loan or provide a guarantee in connection with the making of a loan to any of the relevant Directors, Supervisors, general manager or other senior management members or their Relevant Persons in the ordinary course of its business on normal commercial terms, provided that the ordinary course of business of the Company includes the lending of money or the giving of guarantees.

A loan made by the Company in breach of the above provisions shall be forthwith repayable by the recipient of the payment regardless of the terms of the loan.

A guarantee provided by the Company in breach of the above provisions shall be unenforceable against the Company, but except in the following situations:

(1) a loan was advanced to an Relevant Person of any of the Directors, Supervisors, general manager and other senior management members of the Company or of the Company's parent company where the lender did not know the relevant circumstances; or

(2) the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

Financial assistance for the acquisition of shares in the Company or any subsidiary

Subject to the exceptions in the Articles of Association, the Company and its subsidiaries shall not, by any means at any time, provide any kind of financial assistance (as defined below) to a person who is acquiring or is proposing to acquire shares of the Company. The said acquirer of shares of the Company includes a person who directly or indirectly assumes any obligations (as defined below) due to the acquisition of the shares; the Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer as referred to above for the purpose of reducing or discharging the obligations assumed by that person.

For these purposes: 'Financial assistance' includes (without limitation) the following means:

(1) gift;

(2) guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation in respect of the Company's own default) or release or waiver of any rights;

(3) provision of loan or any other agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the assignment of rights arising under, such loan or agreement;

(4) any other form of financial assistance given by the Company when the Company is insolvent or has no net assets or when its net assets would thereby be reduced to a material extent.

The expression "Incurring an obligation" referred to in this Chapter includes the incurring of obligations by the changing of the obligor's financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

Disclosure of interests in contracts, transactions or arrangements with the Company

Where a Director, Supervisor, general manager and other senior management members of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, (other than his/her contract of service with the Company), he/she shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal thereof is otherwise subject to the approval of the Board.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract, transaction or arrangement in which he/she or any of his/her associates as defined in the applicable listing rules in effect from time to time has any material interest or any other relevant proposals.

Unless the interested Director, Supervisor, general manager or other senior management member discloses his/her interests in accordance with the preceding paragraph of this Article and the contract, transaction or arrangement is approved by the Board at a meeting in which the interested Director, Supervisor, general manager or other senior management member is not counted in the quorum and refrains from voting, a contract, transaction or arrangement in which that Director, Supervisor, general manager or other senior management member is materially interested is voidable at the instance of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, Supervisor, general manager or other senior management member.

A Director, Supervisor, general manager or other senior management member of the Company is deemed to be interested in a contract, transaction or arrangement in which Relevant Persons of him/her are interested.

Remuneration

The remuneration of Directors must be approved by the shareholders' general meeting, as referred to under the section headed 'Emoluments and Compensation or Payments for Loss of Office' above.

Appointment, removal and retirement

Directors shall be elected by the shareholders' general meeting with a three-year term of office.

Upon the expiration of a director's term of appointment, he may be re-elected and re-appointed.

Provided that relevant laws and administrative regulations have been complied with, the Shareholders' general meeting may remove any of its directors whose term of office may not expire from office by way of an ordinary resolution; the removal of an independent Director must be subject to relevant rules (but it will not affect any claim for damages that may arise from any contract).

The intention to nominate a candidate as a Director and the written notice of such candidate regarding his/her willingness to accept the nomination shall be given to the Company on or after the date of notice of the relevant General Meeting but not later than ten days prior to the date selected for holding such General Meeting.

The Board consists of twelve Directors, among which there shall be one Chairman, one Vice Chairman and four independent Directors. The chairman and vice-chairman shall be elected and removed by more than half of all of the Directors. A Director is not required to hold shares of the Company.

A person may not serve as a Director, Supervisor, Manager or any other senior executive officer of the Company if any of the following circumstances apply:

(1) a person without legal or with restricted legal capacity;

(2) a person who has committed an offense of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offense; or who has been deprived of his/her political rights, in each case where less than five years have elapsed since the date of the completion of implementation of such punishment or deprivation;

(3) a person who is a former director, factory manager or general manager of a company or enterprise which has entered into insolvent liquidation and he/she is personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of the company or enterprise;

(4) a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of the law and who incurred personal liability, where less than three years has elapsed since the date of the revocation of the business license;

(5) a person who has a relatively large amount of debts due and outstanding;

(6) a person who is under criminal investigation or prosecution by a judicial organization for violation of the criminal law where said investigation or prosecution is not yet concluded;

(7) a person who is not eligible for enterprise leadership according to laws and administrative regulations;

(8) a non-natural person;

(9) a person convicted of the contravention of provisions of relevant securities regulations by a relevant competent authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five years has elapsed since the date of the conviction.

Borrowing powers

The Articles of Association do not contain any specific provision in respect of the manner in which borrowing powers may be exercised by the Directors nor do they contain any specific provision in respect of the manner in which such powers may be varied, other than: (a) provisions which give the Board the power to formulate proposals for the issuance of debentures by the Company; and (b) provisions which provide that the issuance of debentures must be approved by the shareholders' general meeting by way of a special resolution.

Duties

In addition to obligations imposed by laws, administrative regulations or required by listing rules of the stock exchanges on which Shares are listed, each of the Company's Directors, Supervisors, Managers and other senior executive officers owes a duty to each shareholder, in the exercise of the functions and powers of the Company entrusted to him:

(1) not to cause the Company to exceed the scope of the business stipulated in its business license;

(2) to act honestly in the best interest of the Company;

(3) not to expropriate in any guise the Company's property, including (without limitation) usurpation of opportunities advantageous to the Company; and

(4) not to expropriate the individual rights of Shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company submitted to the General Meeting for approval in accordance with the Articles of Association.

Each of the Directors, Supervisors, general manager and other senior management members owes a duty, in the exercise of his/her powers and discharge of his/her duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each of the Company's Directors, Supervisors, Managers and other senior executive officers shall carry on his duties in accordance with the principle of fiduciary and shall not put himself in a position where his duty and his interest may conflict. This principle includes (without limitation) discharging the following obligations:

(1) to act honestly in the best interests of the Company;

(2) to exercise powers within the scope of his/her powers and not to exceed those powers;

(3) to exercise the discretion vested in him/her personally and not to allow himself/herself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of Shareholders given in a General Meeting, not to delegate the exercise of his/her discretion;

(4) to treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;

(5) except in accordance with the Articles of Association or with the informed consent of Shareholders given in General Meeting, not to enter into any contract, transaction or arrangement with the Company;

(6) without the informed consent of Shareholders given in General Meeting, not to use the Company's property for his/her own benefit by any means;

(7) not to exploit his/her position to accept bribes or other illegal income, expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;

(8) without the informed consent of Shareholders given in General Meeting, not to accept commissions in connection with the Company's transactions;

(9) to abide by the Articles of Association, faithfully execute his/her official duties and protect the Company's interests, and not to exploit his/her position and power in the Company to advance his/her own private interests;

(10) without the informed consent of Shareholders given in General Meeting, not to compete with the Company in any form;

(11) not to misappropriate the Company's funds or lend the Company's funds to others, not to open accounts in his/her own name or other names for the deposit of the Company's assets and not to provide a guarantee for the Shareholder(s) of the Company or other personal debts with the Company's assets; and

(12) unless otherwise permitted by informed Shareholders in General Meeting, to keep in confidence information relating to the Company acquired by him/her in the course of and during his/her tenure and not to use such information in purposes other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if: (i) disclosure is made under compulsion of law; (ii) the interests of the public require disclosure; (iii) the interests of the relevant Director, Supervisor, general manager or other senior management members require disclosure.

Each Director, Supervisor, Manager or other senior executive officer of the Company shall not cause the following persons or institutions ('associates') to do what he is prohibited from doing:

(1) the spouse or minor child of that Director, Supervisor, Manager or other senior executive officers;

(2) the trustee of that Director, Supervisor, Manager or other senior executive officers or any person referred to in the preceding paragraph;

(3) the partner of that Director, Supervisor, Manager or other senior executive officers or any person referred to in paragraphs (1) and (2) above;

(4) a company in which that Director, Supervisor, Manager or other senior executive officer, alone or jointly with any person(s) referred to in paragraphs (1), (2) and (3) above; and other Directors, Supervisors, Manager and other senior executive officers have a de facto controlling interest;

(5) the directors, supervisors, manager and other senior executive officers of the controlled company referred to in the preceding paragraph.

The fiduciary duties of the Directors, Supervisors, general manager and other senior management members of the Company do not necessarily cease with the termination of their tenure. The duty of confidence in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of tenure and the occurrence of the event concerned and the circumstances under which the relationships between them and the Company are terminated.

Alterations to Constitutional Documents

The Company may amend its Articles of Association in accordance with the requirements of law, administrative regulation and the Articles of Association.

Any alteration or rectification to the Articles of Association resolved by the Shareholders' general meeting subject to approvals of the authorities shall be approved by the original authorities. Where the amendment of the Articles of Association involves our registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

Classes of Shares

Shareholders holding different classes of Shares shall be Class Shareholders.

Class Shareholders shall be entitled to the rights and assume obligations pursuant to the provisions of laws, administrative regulations and the Articles of Association.

Save for Shareholders of Shares of other classes, the holders of Domestic Shares and holders of Overseas Listed Foreign Shares are deemed to be different classes of Shareholders.

Variation of Rights of Existing Shares or Classes of Shares

The following circumstances shall be deemed to be a variation or abrogation of the rights of Shareholders of a certain class:

(1) to increase or decrease the number of Shares of a particular class, or increase or decrease the number of Shares of other class(s) having rights on voting, distribution or other privileges equal or superior to those of the Shares of such class;

(2) to effect an exchange of all or part of Shares of such class into Shares of other classes, or to effect an exchange or grant a right of exchange of all or part of the Shares of other classes into shares of such class;

(3) to remove or reduce rights to receive accrued dividends or cumulative dividends attached to Shares of such class;

(4) to reduce or remove the rights to a dividend preference or a liquidation preference to distribution of property attached to Shares of such class;

(5) to add, remove or reduce the rights to conversion, options, voting, transfer, pre-emptive rights to placement and acquire securities of the Company attached to Shares of such class;

(6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to Shares of such class;

(7) to create a new class of Shares having rights on voting, distribution or other privileges equal or superior to those of the Shares of such class;

(8) to restrict the transfer or ownership of the Shares of such class or increase such restrictions;

(9) to issue subscription rights or Share conversion rights for Shares of such class or other classes;

(10) to increase the rights and privileges of Shares of other classes;

(11) to restructure the Company where the proposed restructuring scheme will result in different classes of Shareholders bearing a disproportionate burden of obligations of such restructuring;

(12) to vary or abrogate the terms provided in this chapter.

Resolutions of a class of shareholders shall be made only if it has been passed by votes representing more than two-thirds of the voting rights of shareholders represented at the class meeting who are entitled to vote at class meeting.

Written notice of a Class Shareholders' Meeting convened by the Company shall be dispatched forty-five (45) days prior to the date of the Class Shareholders' Meeting to all Shareholders of such class whose names appear on the register of members, specifying the matters to be considered and the date and place of the meeting. Shareholders who intend to attend the meeting shall serve on the Company written replies of their intention to attend not later than twenty (20) days prior to the date of the meeting.

If the number of voting Shares at such meeting held by Shareholders who intend to attend such meeting reaches not less than one-half of the total number of voting Shares at such meeting, the Company may hold such Class Shareholders' Meeting; if this cannot be attained, the Company shall further notify the Shareholders by way of announcement within five days thereof specifying the matters to be considered and the date and place of the meeting. After such announcement has been given, the Company may then hold the Class Shareholders' Meeting.

Notices of the Class Shareholders' Meeting only need to be served on Shareholders entitled to vote thereat.

The procedures for holding the Class Shareholders' Meeting shall be similar to those for holding the General Meeting as far as possible, and the provisions in the Articles of Association relating to the procedures for a General Meeting shall apply to the Class Shareholders' Meeting.

The special procedures for voting at a class of shareholders shall not apply in the following circumstances:

(1) where the Company issues, upon approval by a special resolution at a General Meeting, Domestic Shares and Overseas Listed Foreign Shares once every twelve (12) months, either separately or concurrently, and the respective numbers of Domestic Shares and Overseas Listed Foreign Shares proposed to be issued do not exceed 20% of the respective numbers of the issued Domestic Shares and Overseas Listed Foreign Shares; or

(2) where the Company's plan to issue Domestic Shares and Overseas Listed Foreign Shares at the time of incorporation is carried out within 15 months from the date of approval by the securities regulatory authorities of the State Council.

Special Resolutions — Majority Required

Resolutions of shareholders' general meetings shall include ordinary resolutions and special resolutions.

An ordinary resolution shall be passed by more than one-half of the voting rights held by the shareholders (including proxies) present at the meeting.

A special resolution shall be passed by two-thirds or more of the voting rights held by the shareholders (including proxies) present at the meeting.

The following matters shall be approved by shareholders' general meeting by special resolution:

(1) increase or reduction of the share capital, repurchase of the Company's Shares and issue of Shares of any class, stock warrants or other similar securities;

(2) issuance of corporate bonds;

(3) the division, merger, dissolution, liquidation or change of corporate forms of the Company;

(4) amendments to the Articles of Association; and

(5) any other matters considered and approved at a General Meeting, by way of an ordinary resolution, to have a substantial impact on the Company and subject to approval by a special resolution.

Apart from the aforementioned matters, any other matters requiring approval at shareholders' general meeting shall be approved by ordinary resolutions.

Voting Rights (generally, on a poll and right to demand a poll)

Shareholders (including their proxies) are entitled to exercise the voting rights of their voting shares at shareholders' meeting. Each share shall have one voting right. Shares held by the Company shall not carry voting rights and shall not be included in the total number of voting shares present at shareholders' meeting.

Unless otherwise provided by applicable securities listing rules or other securities laws and regulations, voting at a General Meeting shall be decided on a show of hands unless a poll is (before or after any vote by show of hands is announced) demanded by the following persons:

(1) the chairman of the meeting;

(2) at least two Shareholders entitled to vote in person or proxies with voting rights; or

(3) one or more Shareholders (including proxy) separately or jointly representing 10% or more of all Shares carrying right to vote at the meeting.

Unless otherwise provided by applicable securities listing rules or other securities laws and regulations or a poll is demanded according to the preceding paragraph, a declaration by the chairman of the meeting that a resolution has been passed on a show of hands and the recording of such in the minutes of meeting shall be conclusive evidence of the fact that such resolution has been passed. There is no need to provide evidence of the number or proportion of votes in favor of or against such resolution.

The demand for a poll may be withdrawn by the person who makes such demand. A poll demanded on the election of chairman or adjournment of the meeting shall be taken immediately. A poll demanded on any other resolution shall be taken at such time as the chairman of the meeting decides and the meeting may proceed to discuss any other matters. The result of the poll shall be deemed as a resolution adopted at the meeting at which the poll is demanded.

On a poll, a shareholder (including their proxies) who is entitled to have two or more votes need not cast all his votes for or against a resolution.

Shareholders' General Meetings

Shareholders' general meetings include annual general meetings and extraordinary general meetings.

The Board shall convene an annual general meeting once each year and within six months from the close of the preceding accounting year.

An extraordinary general meeting shall be convened within two months from the date of occurrence of any of the following events:

(1) the number of Directors is less than the number required by the PRC Company Law or less than two-thirds of the number required by the Articles of Association;

(2) the uncovered losses reach one third of the Company's total share capital;

(3) Shareholders individually or jointly holding 10% or more of the Company's issued Shares with voting rights request in writing to hold an extraordinary General Meeting;

(4) the Board considers it necessary or the Supervisory Board proposes to hold such a meeting.

Accounts and Audit

Financial and Accounting Systems and Financial Reports

The Company shall establish its financial and accounting systems according to laws, regulations and the accounting standards formulated by the financial authority of China.

The Board of Directors shall at each annual general meeting submit to shareholders the financial statements prepared by the Company as required by the relevant laws, regulations and rules.

The Company's financial reports shall be made available at the Company for shareholders' review not later than 20 days before the date of annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports.

The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the overseas place where the Shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, explanations shall be made in the financial statements. When the Company is to distribute its after-tax profits, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within sixty days after the expiration of the first six months of each fiscal year and the annual financial report shall be published within one hundred and twenty days after the expiration of each fiscal year.

Appointment of An Accounting Firm

The Company shall appoint an independent firm of certified public accountants which is qualified under the relevant regulations of the State to audit the annual financial statements and to review other financial reports of the Company.

The certified public accountants' firm appointed by the Company shall hold office from the conclusion of the annual General Meeting at which the appointment is made until the conclusion of the next annual General Meeting.

Before the convening of the General Meeting, the Board may fill any casual vacancy in the office of the certified public accountants' firm, but while any such vacancy continues, the surviving or continuing firm, if any, may act.

The remuneration of a certified public accountants' firm or the manner in which such firm is to be remunerated shall be determined by the Shareholders in General Meeting. The remuneration of a certified public accountants' firm appointed by the Board shall be determined by the Board.

Change and Removal of An Accounting Firm

The Company's appointment of, removal of and non-reappointment of a certified public accountants' firm shall be resolved by Shareholders in General Meeting. The resolution of the General Meeting shall be filed with the securities regulating authority of the State Council.

Prior to the removal or the non-renewal of the appointment of a certified public accountants' firm, notice of such removal or non-renewal shall be given to the certified public accountants' firm concerned and such firm shall be entitled to make representation at the General Meeting. Where the certified public accountants' firm resigns from its post, it shall make clear to the General Meeting whether there has been any impropriety on the part of the Company.

(1) Where any certified public accountants' firm intends to resign from its office, it may deposit at the Company's legal residence a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following: (i) a statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the Shareholders or creditors of the Company; or (ii) a statement of any matters of which an account should be given.

(2) Where a notice is deposited under the paragraph (1) of this Article, the Company shall within fourteen (14) days send a copy of the notice to relevant competent authority. If the notice contains a statement referred to in subparagraph (ii) under paragraph (1) of this Article, a copy of such statement shall be placed at the Company's registered office for Shareholders' inspection. The Company shall also send a copy of such statement to Shareholders who are entitled to be informed of the financial conditions of the Company by prepaid post, to the registered addresses shown in the register of members.

(3) Where the notice of resignation of a certified public accountants' firm contains a statement referred to in subparagraph (ii) under paragraph (1) of this Article, the certified public accountants' firm may require the Board to convene an extraordinary General Meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

Resignation of An Accounting Firm

Any accounting firm may resign its office by depositing at the Company's legal residence a resignation notice which shall become effective on the date of such deposit or on such later date as stipulated in such notice. Such notice shall include the following:

(1) a statement to the effect that there are no circumstances in relation to its resignation which should be brought to the notice of the shareholders or creditors of the Company; or

(2) a statement of any relevant situations which needs to be brought to the notice.

The Company shall send a copy of the notice to the relevant governing authority within 14 days upon receipt of the written notice. If the notice contains a statement under paragraph (2) above, a copy of such statement shall be placed at the Company for shareholders' inspection. The copy of such statement shall also be sent by prepaid mail to holders of overseas listed shares of the Company at the address as recorded in the register of shareholders.

Where the accounting firm's notice of resignation contains a statement of any circumstances which should be brought to the notice, the accounting firm may require the Board to convene a shareholders' extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

Where the accounting firm resigns, it shall be requested by the Company to explain to the shareholders' general meeting whether there is any impropriety on the part of the Company.

Notice of Meetings and Business to be Conducted

When the Company is to convene a shareholders' general meeting, the Board of Directors shall notify all shareholders in writing forty-five days before the meeting. Shareholders who intend to attend the shareholders' general meeting shall send a written reply to the Company twenty days before the meeting.

The notice of shareholders' general meeting shall be in written form and shall contain the following:

(1) it shall be in written form;

(2) it shall specify the place, date and time of the meeting;

(3) it shall state the matters to be discussed at the meeting;

(4) it shall state the date of registration of equity entitlements for Shareholders having the right to attend the General Meeting;

(5) it shall provide Shareholders with such materials and explanation as are necessary for them to make informed decisions in connection with the matters to be discussed. This principle shall include (but not be limited to) where the Company proposes to merge, repurchase its Shares, restructure share capital or undergo other reorganization. The specific conditions and contracts (if any) of the proposed transactions must be provided and the reasons and effects of the same must be properly explained;

(6) if any Director, Supervisor, general manager and other senior management members have material interests in the matters subject to discussion, the nature and extent of such material interests shall be disclosed, and if the effect of the proposed matters on such Director, Supervisor, general manager and other senior management members in their capacity as Shareholders is different from that of other Shareholders of the same class, the differences shall also be specified;

(7) it shall set out the full text of any special resolutions proposed for approval at the meeting;

(8) it shall contain a clear statement that a Shareholder who has the right to attend and vote at the meeting shall have the right to appoint one or more proxies to attend and vote at the meeting on his/her behalf and that such proxies need not be Shareholders;

(9) it shall state the date and place for the service of the proxy forms for the meeting; and

(10) it shall state the names and contact telephone numbers of the contact persons in connection with the meeting.

Notice of shareholders' general meeting shall be served on shareholders (whether or not entitled to vote at the shareholders' general meeting) by personal delivery or prepaid mail to their addresses as shown in the register of shareholders. For holders of domestic shares of the Company, notice of meeting may be issued by way of public notice.

For holders of the overseas listed shares of the Company, subject to the applicable laws, regulations, regulatory documents and the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, the notice of a general meeting notice may be published on the website of the Company and Hong Kong Stock Exchange in place of personal delivery or prepaid mail to the holders of the overseas listed shares. The public notice shall be published in one or more newspapers designated by the securities governing authority of the State Council within the period between 45 days and 50 days before the date of the meeting. After the publication of such notice, the holders of domestic shares of the Company shall be deemed to have received the notice of the relevant shareholders' general meeting.

The Company shall, based on the written replies received twenty days before the date of the shareholders' general meeting from shareholders, calculate the number of voting shares represented by shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting has reached one-half or more of the Company's total voting shares, the Company may hold the shareholders' general meeting. Otherwise, the Company shall within five days notify the shareholders again by public notice of the matters to be considered, the date and the place for the meeting. The Company may then hold the meeting after the publication of such public notice.

When the Company convenes a shareholders' general meeting, the Board of Directors, the Board of Supervisors, shareholders, individually or in the aggregate, holding 3% or more of the shares with voting rights of the Company shall have the right to submit proposals to the Company in writing. The Company shall place matters in the proposals within the scope of functions of the shareholders' general meeting on the agenda of such meeting. Shareholders, individually or in the aggregate, holding more than 3% of the shares of the Company shall have the right to submit interim proposals in writing ten days before the shareholders' general meeting to the convenor of such meeting. The convenor of such meeting shall within two days upon receiving such proposals give supplemental notice to other shareholders, and place matters in the interim proposals within the scope of functions of the shareholders' general meeting on the agenda of such meeting.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the meeting or any resolution adopted at that meeting.

The shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with laws:

(1) to decide on the operating policies and investment plans of the Company;

(2) to elect and replace Directors (not being staff representatives) and to fix the remuneration of the relevant Directors;

(3) to elect and replace Supervisors (not being staff representatives), and to fix the remuneration of the relevant Supervisors;

(4) to consider and approve the reports of the Board;

(5) to consider and approve the reports of the Supervisory Board;

(6) to consider and approve the annual financial budgets and final accounts of the Company;

(7) to consider and approve the profit distribution plans and loss recovery plans of the Company;

(8) to adopt resolutions on any increase or reduction of registered capital of the Company;

(9) to adopt resolutions on matters such as merger, division, dissolution, liquidation or conversion of corporate form of the Company;

(10) to adopt resolutions on the issue of bonds or other securities and listing plans of the Company;

(11) to adopt resolutions on the appointments, dismissals or non-reappointments of accounting firms by the Company;

(12) to amend the Articles of Association;

(13) to consider the ad hoc proposals submitted by Shareholders holding 3% or more of the voting Shares;

(14) other matters required by laws, administrative regulations, and the Articles of Association to be resolved by the General Meeting.

The above matters which are within the scope of authority of the shareholders' general meeting shall be considered and approved by the shareholders' general meeting. However, the shareholders' general meeting may delegate power to the Board to decide on such matters under necessary, reasonable and lawful circumstances.

Transfer of Shares

Any listing or trading of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

All the fully paid-up overseas-listed foreign-invested shares traded on the Hong Kong Stock Exchange can be freely transferred in accordance with the Articles of Association; but unless the requirements stipulated in the Articles of Association are met, the Board may refuse to accept any transfer documents without giving any explanation for such refusal.

The Company shall not accept any pledge with its own shares as the objectives.

Power of the Company to Purchase Its Own Shares

The Company may repurchase its shares in the following circumstances in accordance with the laws, regulations and provisions of the Article of Associations and subject to the approval of the relevant governing authority of the State:

(1) to cancel Shares for the purpose of capital reduction;

(2) to merge with another company that holds Shares;

(3) other circumstances as permitted by laws and administrative regulations.

Other than the abovementioned circumstances, the Company may not purchase or sell its own shares.

The Company may repurchase its shares in accordance with the laws in any of the following ways after being approved by relevant competent authorities of the State:

(1) to make a pro rata general offer of repurchase to all of its Shareholders;

(2) to repurchase Shares through public trading on a stock exchange;

(3) to repurchase through an off-market agreement; or

(4) other means as permitted by relevant regulatory authorities.

Where the Company repurchases its Shares through an off-market agreement, it shall seek prior approval of the Shareholders at the General Meeting in accordance with the Articles of Association. The Company may release or vary a contract so entered into by the Company or waive its rights thereunder with prior approval by Shareholders at General Meeting obtained in the same manner.

The contract to repurchase Shares as referred to in the preceding paragraph includes, but not limited to, an agreement to become obliged to repurchase or to acquire the right to repurchase Shares.

That, where the Company has the rights to repurchase the redeemable Shares, repurchases not made through the market or by tender shall not exceed a certain maximum price limit; if repurchases are made by tender, such tenders shall be made available to all Shareholders alike.

Power for Any Subsidiary of the Company to its Own Shares

There are no provisions in the Articles of Association preventing ownership of shares in the Company by a subsidiary.

Dividends and Other Methods of Profit Distribution

The Company may distribute dividends by the following ways (or a combination of both):

(1) cash;

(2) Shares.

When distributing each year's after-tax profits, the Company shall set aside 10 per cent of its after-tax profits for the Company's statutory surplus reserve fund. When the aggregate balance in the statutory surplus reserve fund has reached 50 (fifty) per cent or more of the Company's registered capital, the Company need not make any further allocations to that fund.

Where the Company's statutory surplus reserve fund is not enough to make up losses of the Company for the preceding year, the current year's profits shall be applied firstly to make up the losses before being allocated to the statutory surplus reserve fund in accordance with the preceding paragraph.

After allocating after-tax profits for the surplus fund, a company may, upon resolution adopted by the General Meeting, allocate after-tax profits for its discretionary surplus fund.

The remaining profit after taxation, after recovery of losses and appropriation of statutory reserve fund, and other funds shall be distributed to Shareholders in proportion to their shareholdings except the part of profit that is not to be distributed in proportion to shareholdings as stipulated in the Articles of Association.

If a General Meeting violates the provisions in the preceding paragraph of this Article and profits are distributed to the Shareholders before the Company makes up losses or makes allocations to the statutory reserve fund and other funds, the profits distributed in violation of the provisions must be returned to the Company.

No profit shall be distributed in respect of the Shares which are held by the Company.

Proxies

Any shareholder entitled to attend and vote at a meeting of the Company shall be entitled to appoint one or more other persons (whether a shareholder or not) as his proxy to attend and vote on his behalf. According to the appointment of the shareholder, a proxy so appointed shall:

(1) have the same right as the Shareholder to speak at the meeting;

(2) have authority to demand or, jointly with others, in demanding a poll; and

(3) have the right to vote by hands or on a poll, unless otherwise required by the applicable securities listing rules or other securities laws and regulations. Where more than one proxy is appointed, the proxies may only exercise the voting right on a poll.

Proxy forms shall be lodged with the domicile of the Company or other places specified in the notice of meeting twenty-four hours before the holding of the relevant meeting for voting according to the proxy form, or twenty-four hours before the designated time of voting; where the proxy form is signed by a person under a power of attorney on behalf of the appointer, the power of attorney or other authorization documents authorized to be signed shall be notarized. The notarized power of attorney or other authorization documents, together with the proxy form, shall be deposited at the domicile of the Company or other places specified in the notice of meeting.

Where the appointer is a legal person, its legal representative or other persons authorized by the resolutions of the Board or other decision-making organ to act as its representatives may attend the General Meeting of the Company as a representative of the appointer.

The Company has the right to request a proxy who attends the General Meeting on behalf of a Shareholder to present proof of identity.

Where a legal entity Shareholder appoints its representative to attend the meeting, the Company has the right to request such representative to present proof of identity and a copy of the resolution (which is certified by a notary public) or the letter of authorization of the Board of the legal entity Shareholder or other decision-making authorities under which he/she is appointed (except for the Recognized Clearing House or its nominees).

The instrument appointing a proxy shall state the number of Shares in respect of which the proxy is given. If more than one person are appointed as proxies, the instrument shall state the number of Shares in respect of which the proxy is given to each such person.

Any form issued to a Shareholder by the Board for use by it for appointing a proxy shall allow the Shareholder to freely instruct the proxy to cast an affirmative or negative vote, and give respective instruction to the proxies on the voting of each meeting item to be resolved. Such letter of authorization shall contain a statement that in the absence of instructions by the Shareholder, its proxy may vote as it thinks fit.

Where the appointer has deceased, incapacitated to act, withdrawn the appointment or the power of attorney, or where the relevant Shares have been transferred prior to the voting, a vote given by the proxy in accordance with the letter of authorization shall remain valid provided that no written notice of such event has been received by the Company prior to the commencement of the relevant meeting.

Rights of Shareholders

The ordinary shareholders of the Company shall enjoy the following rights:

(1) the right to dividends and other distributions in proportion to the number of Shares held;

(2) the right to attend or appoint a proxy to attend General Meetings and to exercise the voting right thereat;

(3) the right to supervise and manage the business activities of the Company and to put forward proposals and raise inquiries;

(4) the right to transfer Shares in accordance with the laws, administrative regulations and provisions of the Articles of Association;

(5) the right to obtain relevant information in accordance with the provisions of the Articles of Association, including:

(i) the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy;

(ii) the right to inspect and copy, subject to payment of a reasonable charge:

1. the register of all Shareholders;

2. personal particulars of each of the Company's Directors, Supervisors, general managers and other senior management members including:

(a) present name and alias and any former name and alias;

(b) principal address (residence);

(c) nationality;

(d) primary and all other part-time occupations;

(e) identification document and its number.

(iii) the state of the Company's share capital;

(iv) the latest audited financial statements and the reports of the Board, auditors and the Supervisory Board;

(v) the special resolution of the General Meeting;

(vi) reports showing the aggregate par value, quantity, maximum and minimum price paid in respect of each class of Shares repurchased by the Company since the end of the last accounting year and the aggregate amount incurred by the Company for this purpose;

(vii) a copy of the latest annual review report, which shall be submitted to the State Administration for Industry and Commerce of the PRC or other authorities for inspection; and

(viii) minutes of General Meetings.

The Company shall lodge documents (i) to (vii) aforementioned and any other applicable documents with the Company's Hong Kong address under the requirements of the listing rules, for the purpose of inspection by the public and holders of Overseas Listed Foreign Shares free of charge.

Shareholders demanding inspection of the relevant information or copies of the materials mentioned in the preceding provision shall provide to the Company written documents evidencing the class and number of Shares they hold. Upon verification of the Shareholder's identity, the Company shall provide such information at the Shareholder's request.

(1) in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in accordance with the number of Shares held; and

(2) other rights conferred by laws, administrative regulations and the Articles of Association.

Quorum of Meetings and Separate Class Meetings

The Company can convene a shareholders' meeting if the number of Shares carrying voting rights represented by shareholders intending to attend comprise more than half of the total number of Shares carrying voting rights. The Company can convene a class shareholders' meeting, if the number of Shares of the class carrying voting rights represented by shareholders intending to attend such meeting comprise more than half of the total number of such Shares of the class.

Liquidation

The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

(1) a resolution on dissolution is passed by Shareholders at a General Meeting;

(2) dissolution is necessary due to a merger or division of the Company;

(3) the Company is legally declared bankrupt due to its failure to repay debts due;

(4) the Company is ordered to close for violation of laws and administrative regulations.

Where the Board proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the Board shall include a statement in its notice convening a General Meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay its debts in full within twelve months from the commencement of the liquidation.

Where the Company is dissolved as a result of merger or division, a liquidation committee shall be formed to carry out the dissolution.

Where the Board decides to liquidate the Company (due to causes other than where the Company has declared that it is insolvent), the Board shall, in its notice convening a shareholders' general meeting, declare that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to repay its debts within 12 months after the commencement of the liquidation.

Upon passing of the resolution at the shareholders' general meeting for the liquidation of the Company, all functions and powers of the Board shall cease forthwith.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting and report at least once a year to the shareholders' general meeting on the committee's receipts and payments, the business of the Company and the progress of the liquidation and to place a final report before the shareholders' general meeting on completion of the liquidation.

The liquidation committee shall give notices to the creditors within ten days after its establishment and issue announcements for at least three times in the newspaper within sixty days after its establishment. The creditors shall report claims to the liquidation committee within thirty days after the date of the receipt of such notices or within forty-five days after the date of the first announcement if no notice is received.

When reporting claims, a creditor shall explain the relevant particulars of the claims and provide supporting materials. The liquidation team shall register the claims.

In the period of reporting claims, the liquidation committee should not make any debt repayment to the creditors.

Other provisions material to the Company and its shareholders

The Articles of Association constitute a legally binding document regulating the Company's organization and activities since the date it becomes effective, and the rights and obligations between the Company and each shareholder and among the shareholders.

The Company may invest in other limited liability or stock limited companies, and may assume a liability only to the extend limited by the amount of the capital contribution made into that company.

Unless otherwise provided by law, the Company shall not become jointly liable for liabilities of the enterprise it invested in.

The Company may, based on its requirements for operation and development and in accordance with the relevant provisions of the Articles of Association, approve an increase in capital.

Board of Supervisors

The Company shall have a Board of Supervisors. The Supervisory Board shall be composed of three Supervisors. The term of office of a Supervisor shall be three years, renewable upon re-election and re-appointment.

The Supervisory Board shall have one chairman, the appointment and dismissal of the chairman of the Supervisory Board shall be passed by at least two-thirds (including two-thirds) of its members.

Appointment and removal of non-employee representative Supervisors shall be subject to election at the General Meeting, while appointment and removal of employee representative Supervisors shall be subject to democratic election by the staff, the number of employee representative Supervisors of the Company shall not be less than one-third of the Supervisors.

The Board of Supervisors shall perform the following duties:

(1) to examine the Company's financial affairs;

(2) to supervise the performance of Directors and other senior management members, and monitoring as to whether they had acted in violation any laws, administrative regulations, the Articles of Association or resolutions of General Meetings;

(3) to demand rectification from a Director, the general manager and any other senior management members when the acts of such persons are harmful to the Company's interest;

(4) to examine the financial information such as the financial report, business report and plans for profits distribution to be submitted by the Board to the General Meetings and, should any queries arise, to engage, in the name of the Company, certified public accountants and practicing auditors to conduct a re-examination;

(5) to propose the convening of an extraordinary General Meeting;

(6) to deal with or take legal actions against Directors and senior management members on behalf of the Company;

(7) to exercise other powers specified in the Articles of Association.

Supervisors shall attend Board meetings.

Board

The Board shall perform the following duties:

(1) to be responsible for the convening of General Meetings and report its work to the General Meeting;

(2) to implement the resolutions of General Meetings;

(3) to decide on the Company's business plans and investment plans;

(4) to formulate the Company's plans on annual financial budgets and final accounts;

(5) to formulate the Company's profit distribution plans and plans on making up losses;

(6) to formulate the proposal for increase or decrease of the registered capital of the Company and issue and listing of bonds or other securities of the Company and listing thereof;

(7) to formulate plans for substantial acquisition, repurchase of Shares of the Company or merger, division, dissolution and alteration of corporate form of the Company;

(8) to decide on the establishment of an internal management organization of the Company; decide the establishment or revocation of the subsidiaries or branches of the Company;

(9) to elect the Chairman and the Vice Chairman, nominate, appoint or dismiss the general manager of the Company;

(10) appoint or dismiss the Board secretary, appoint or dismiss the head of each special committee of the Board;

(11) upon the nomination of the general manager, appoint or dismiss the deputy general manager, the CFO ,the chief technology officer, the chief sales officer and the chief marketing and strategy officer of the Company, and decide their remunerations, incentives and punishments;

(12) to formulate the basic management system of the Company;

(13) to formulate proposals for amendment to the Articles of Association;

(14) to propose to the General Meeting to appoint or change accounting firm in charge of the audition of the Company;

(15) other authorities provided by laws and regulations, and listing rules of the stock exchange where the stock of the Company is listed, and by General Meeting of the Shareholder and the Articles of Association.

Except for the Board resolutions in respect of the matters specified in sub-clauses (6), (7) and (13) of the preceding sub-section which shall be passed by not less than two-thirds of the Directors, the Board resolutions in respect of all other matters may be passed by more than one half of the Directors. The Board shall perform its duties in accordance with laws, administrative regulations, the Articles of Association and Shareholder's resolution.

At least two meetings of the Board shall be convened every year by the Chairman, notice of the meeting shall be served, on all of the Directors and of the Supervisors and the general manager, at least ten days before the date of the meeting.

In the event of any of the following circumstances, the Chairman shall convene extraordinary meetings:

(1) when proposed by 2 (two) or more Directors;

(2) when proposed by the general manager.

Notices of the Board and extraordinary Board meetings should be served by facsimile or email. Time limit for notice: no later than ten days prior to the date of the meeting. However, the obligation of such notification within the prescribed time may be exempted with the written consent of all the Directors and Supervisors.

Except where the Board has to consider connected transaction, the Board meeting may not be held unless more than half of the Directors are present.

Directors shall attend a meeting of the Board in person. If they are not able to attend the meeting due to certain reasons, they may authorize other Directors in writing to attend the meeting on their behalf. A letter of authorization shall indicate the scope of authorization.

Special Committees of the Board

Special committees including strategic committee, audit committee and nomination and remuneration committee are set up under the Board of the Company. The Board may set up other special committees and restructure the existing committees as necessary. Each special committee shall be accountable to the Board and assist the Board in the performance of duties as authorized by the Board.

Settlement of Disputes

The Company shall act according to the following principles to settle disputes:

(1) Whenever any disputes or claims arise between holders of the Overseas Listed Foreign Shares and the Company, holders of the Overseas Listed Foreign Shares and the Company's Directors, Supervisors, general managers or other senior management members, or holders of the Overseas Listed Foreign Shares and holders of Domestic Shares, based on the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

(2) Where a dispute or claim of rights abovementioned is referred to arbitration, the entire claim or dispute must be referred to arbitration and any person (being the Company or a Shareholder, Director, Supervisor, general manager or other senior management members of the Company) who has a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by the arbitration.

(3) Disputes in relation to the identification of Shareholders and disputes in relation to the register of Shareholders need not be referred to arbitration.

(4) A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

(5) If a claimant elects arbitration at Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

(6) If any disputes or claims of rights prescribed in subparagraph (1) above are referred to arbitration, the laws of the PRC shall apply, save as otherwise provided in laws and administrative regulations.

(7) The award of an arbitration body shall be final and conclusive and binding on all parties.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Establishment of Our Company

Our Company was established as a joint stock limited company under the PRC Company Law on December 27, 2013. Our registered address is at No. 9 Guanggu Avenue, East Lake High-tech Development Zone, Wuhan, Hubei Province, PRC. We have established a place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 27, 2014. Ms. Cheng Pik Yuk and Ms. Ng Sin Yee Clare have been appointed as the authorized representatives of our Company for the acceptance of service of process and notices in Hong Kong.

As we were established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of certain aspects of the relevant laws and regulations of the PRC, and a summary of certain provisions of our Articles of Associations are set out in Appendices IV and V to this prospectus, respectively.

2. Changes in the Share Capital of Our Company

Our predecessor, Yangtze Optical Fibre and Cable Co., Ltd. (長飛光纖光纜有限公司), was established on May 31, 1988 with a registered capital of 29.00 million Dutch guilders, which has been fully paid up. The registered capital of Yangtze Optical Fibre and Cable Co., Ltd. was subsequently increased to Euro 63.33 million, all of which has been fully paid up. The following sets out the changes in our share capital since the date of our incorporation:

(a) in March 1994, NV Philips transferred 12.5% and 37.5% of its equity interest in our Company to Wuhan Optical Communication and Draka Holding N.V., respectively;

(b) in August 1995, the registered capital of our Company increased from 29.00 million Dutch guilders to 36.50 million Dutch guilders in the form of cash injection by the then existing shareholders, and the increased registered capital was subscribed by Wuhan Optical Communication, Draka Holding N.V. and Wuhan Trust and Investment;

(c) in July 1997, Wuhan Optical Communication transferred all its 37.5% equity interest in our Company to China Huaxin, and Wuhan Trust and Investment transferred all its 25.0% equity interest in our Company to Yangtze Communications, respectively;

(d) in April 1999, the registered capital of our Company increased from 36.50 million Dutch guilders to 53.66 million Dutch guilders by the capitalization of retained profits;

(e) in June 2000, the registered capital of our Company increased from 53.66 million Dutch guilders to 89.66 million Dutch guilders by the capitalization of retained profits;

(f) in October 2000, China Huaxin transferred all its 37.5% equity interest in our Company to China Telecom as part of the Chinese government's restructuring of the telecommunications industry;

(g) in June 2002, the registered capital of our Company increased from 89.66 million Dutch guilders to Euro 63.33 million by the capitalization of retained enterprise expansion fund; and

(h) in December 2005, due to internal restructuring, China Telecom transferred all its 37.5% equity interest in our Company to China Huaxin, and Draka Holding N.V. transferred all its 37.5% equity interest in our Company to Draka.

At the time of our establishment as a joint stock limited liability company, our initial registered capital was RMB479,592,598, divided into 479,592,598 Domestic Shares of nominal value of RMB1.00 each, all of which were fully paid up.

Immediately following the completion of the Global Offering but without taking into account any H Shares which may be issued upon the exercise of the Over-allotment Option, our registered capital will increase to RMB639,462,598, comprising 299,764,804 Domestic Shares and 339,697,794 H Shares fully paid up or credited as fully paid up, representing approximately 46.88% and 53.12% of our registered capital, respectively.

Save as disclosed above and in this prospectus, there has been no alteration in the share capital of our Company since our establishment.

3. The Shareholder Resolutions of Our Company

At the 2013 annual general meeting of our Company held on May 6, 2014, among other things, the following resolutions were passed by the shareholders of our Company:

(a) the Global Offering has been approved and the Board has been authorized to apply for the listing of H Shares on the Stock Exchange as well as to approve matters in relation to the Global Offering;

(b) the issue by the Company of the H Shares of nominal value of RMB1.00 each up to 159,870,000 H Shares in total and such H Shares to be listed on the Stock Exchange;

(c) subject to the completion of the Global Offering, the Articles of Association have been approved and adopted, which shall only become effective on the Listing Date;

(d) the Board has been authorized to revise and amend the Articles of Association in accordance with laws, regulations, requirements and suggestions of related governmental authorities and regulatory authorities; and

(e) the Board has been authorized to draft, sign, execute, implement, revise, and complete the applications, memos, reports, and all other necessary documents for submission to the relevant domestic and overseas authorities, governmental authorities, regulatory authorities, institutions or individuals and to deal with approval, registration, filing, verifications or other formalities in relation to the Global Offering.

4. Our Conversion

We underwent our Conversion, details of which are set out in the section headed "History and Corporate Structure - Conversion" of this prospectus. As confirmed by Commerce & Finance Law Offices, our PRC Legal Advisor, we have obtained all necessary approvals from relevant PRC regulatory authorities required for the implementation of the Conversion. These approvals include:

(a) The Approval in relation to the Conversion of Yangtze Optical Fibre and Cable Co., Ltd. (Wushangwushen No. [2013]376) issued by Wuhan Municipal Bureau of Commerce on December 16, 2013;

(b) The Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China (Shangwaizi Wushangwushenzi No. [2013]376) issued by the People's Government of Wuhan on December 16, 2013;

(c) The Approval in relation to the Management of State-owned Shares of Yangtze Optical Fibre and Cable Joint Stock Limited Company (to be established) (Guozichanquan No. [2013]1036) issued by SASAC on December 17, 2013; and

(d) The Business License issued by Wuhan Administration for Industry and Commerce on December 27, 2013.

5. Our Subsidiaries

Our subsidiaries (for the purpose of the Listing Rules and the Companies Ordinance) include EverPro, YOFC Hong Kong, YOFC Shanghai, YOFC Jiangsu and YOFC Sichuan.

Save for EverPro, which was established on December 9, 2013 in the PRC with a registered capital of RMB325.0 million, and EverProsper Hong Kong, which was established on June 6, 2014 in Hong Kong with the share capital of RMB6.8 million, there have been no alterations in the registered capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Our Joint Ventures

Our Group includes some joint ventures set up between us and third parties. Information on these joint ventures is set out below:

(a) Tianjin YOFC XM Fibre

Parties and equity interest:	Tianjin Xinmao Science & Technology Co., Ltd. (天津鑫茂科技股份有限公司)	51%
	our Company	49%
Term of joint venture:	June 1, 2009 to May 31, 2019	
Date of establishment:	June 1, 2009	
Scope of business:	manufacture of optical fibres and optical fibre cables; lease of owned properties; import and export of goods and technologies; mechanical and electrical integration; development, consulting, service provision and transfer of new materials technology; lease of optical fibres manufacturing equipment (光纖、光纜製造；自有房屋租賃；貨物及技術的進出口業務；機電一體化、新材料技術開發、諮詢、服務、轉讓；光纖製造設備租賃)	
Nature:	Limited liability company	
Registered share capital:	RMB220.0 million	

(b) YOSC

Parties and equity interest:	our Company	46.32%
	Hubei Guangyuan Electronic Technology Co., Ltd. (湖北光源電子科技有限公司)	20.00%
	Wuhan Yangtze Optical Network Communications Co., Ltd. (武漢長江光網通信有限責任公司)	28.42%
	Wuhan Hongtuo New Technologies Co., Ltd. (武漢虹拓新技術有限責任公司)	5.26%
Term of joint venture:	July 29, 2004 to July 28, 2034	
Date of establishment:	July 29, 2004	
Scope of business:	research and development, manufacture, processing, sales and technology service provision of special optical fibres, optical devices, optical sensing and other optical products; research and development, technology service and technology consulting of system integration, computer software and hardware products; communication engineering design, installment and maintenance; import and export of goods and technologies (特種光纖、光器件、光傳感和其他光系統系列產品的研發、生產、加工、銷售及技術服務；系統集成、電腦軟、硬件產品的研發、技術服務及技術諮詢；通信工程設計、安裝、維護；自營和代理各類商品及技術進出口業務)	
Nature:	Limited liability company	
Registered Capital	RMB47.5 million	

(c) Shantou Aoxing

Parties and equity interest:	Guangdong Telecom Industry Group Co., Ltd. (廣東省電信實業集團公司)	47.11%
	our Company	42.42%
	Leader Global (Hong Kong) Co., Ltd. (立達環球（香港）有限公司)	10.47%
Term of joint venture:	November 6, 1992 to November 5, 2022	
Date of establishment:	November 6, 1992	
Scope of business:	research, development, manufacture and sales of optical fibre preforms, optical fibres, optical fibre cables, communication cables, special cables and devices, accessories, components and materials; manufacture of specialized equipment and communication products; provision of engineering and technology services of these products (研究、開發、生產和銷售預製棒、光纖、光纜、通信綫纜、特種綫纜及器件、附件、組建和材料，專用設備以及通信產品的製造，提供上述產品的工程及技術服務)	
Nature:	Limited liability company	
Registered Capital	RMB170.55 million	

(d) Shenzhen SDGI

Parties and equity interest:	Shenzhen SDG Information Co., Ltd. (深圳市特發信息股份有限公司)	64.64%
	our Company	35.36%
Term of joint venture:	August 30, 2000 to January 11, 2030	
Date of establishment:	August 30, 2000	
Scope of business:	design, manufacture and sales of all types of standard single-line optical fibres; provision of after-sales services, related technical training, technical and economic information consulting and other related technical services for all types of optical fibres; wholesale, import and export of optical fibres, and related ancillary businesses (設計、製造和經營各類標準單線光纖，並為各類光纖提供售後服務、相關技術培訓、技術和經濟資訊諮詢以及其他相關技術服務。光纖的批發、進出口業務及相關配套業務)	
Nature:	Limited liability company	
Registered Capital	RMB206.52 million	

(e) Tianjin YOFC XM Cable

Parties and equity interest:	Tianjin Xinmao Science & Technology Co., Ltd. (天津鑫茂科技股份有限公司)	80%
	our Company	20%
Term of joint venture:	July 13, 2009 to July 12, 2019	
Date of establishment:	July 13, 2009	
Scope of business:	manufacture, sales and technology development of optical fibre cables, optical fibres, optical fibre preforms, communication cables, special cables and devices, accessories, components and materials; manufacture of optical fibres specialized equipment and communication products; provision of engineering installment and technology service of these products; import and export of goods and technologies; development, consulting, service provision and transfer of mechatronics and new materials technologies (製造、銷售光纜、光纖、光纖預製棒、通信線纜、特種線纜及器件、附件、元件和材料及從事上述相關產品的技術開發；光纜專用設備及通信產品的製造；提供上述相關產品的工程安裝及技術服務；貨物進出口及技術進出口；機電一體化及新材料技術開發、技術諮詢、技術服務、技術轉讓)	
Nature:	Limited liability company	
Registered Capital	RMB100 million	

(f) Wuhan Guangyuan

Parties and equity interest:	Hubei Guangyuan Electronic Technology Co., Ltd. (湖北光源電子科技有限公司)	80%
	our Company	20%
Term of joint venture:	November 4, 2002 to November 3, 2022	
Date of establishment:	November 4, 2002	
Scope of business:	development and sales of plastic products, precision molds, electronic products, communication equipment, optical instruments and optical fibres and cables technology; import and export of goods and technologies (塑膠製品、精密模具、電子產品、通信器材、光電儀器、光纖光纜科技開發及銷售；自營和代理各類商品及技術的進出口業務)	
Nature:	Limited liability company	
Registered Capital	RMB5 million	

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) the Hong Kong Underwriting Agreement;

(b) a joint venture agreement dated November 18, 2013 entered into by and among VIA Technologies (HK) Inc. Limited (香港威盛電子有限公司), S3 Graphics Co., Ltd. (旭上電子(上海)有限公司), VIA Labs, Inc. (威鋒電子股份有限公司) and YOFC, our predecessor, for the establishment of EverPro;

(c) an equity transfer agreement dated March 15, 2013, entered into by and between Tianmen Dingtai Cables Processing Plant (天門市鼎泰纜盤加工廠) and YOFC, our predecessor, under which we transferred 20% equity interest in Tianmen Xinrun Woodwork Co., Ltd. (天門市信潤木業製品有限公司) to Tianmen Dingtai Cables Processing Plant at a cash consideration of RMB1.24 million;

(d) a cornerstone investment agreement dated November 20, 2014 entered into among our Company, Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited and Dongfeng Asset Management Co. Ltd., pursuant to which Dongfeng Asset Management Co. Ltd. has agreed to acquire at the Offer Price such number of Offer Shares as may be purchased with the Hong Kong dollars equivalent of US$15 million; and

(e) a cornerstone investment agreement dated November 20, 2014 entered into among our Company, Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited and CSR (Hong Kong) Co Limited, pursuant to which CSR (Hong

Kong) Co Limited has agreed to acquire at the Offer Price such number of Offer Shares as may be purchased with the Hong Kong dollars equivalent of US$15 million.

2. Our Intellectual Property Rights

As of the Latest Practicable Date, we have registered the following intellectual property rights which we consider to be material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, our Company has registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Registration Period
1	长 飞	9	Company	China	3568039	December 7, 2004 to December 6, 2014
2	长 飞	38	Company	China	4501712	September 7, 2008 to September 6, 2018
3	长飞	9	Company	China	8858045	December 7, 2011 to December 6, 2021
4	长飞	38	Company	China	8858148	December 7, 2011 to December 6, 2021
5	YOFC	9	Company	China	1497831	December 28, 2010 to December 27, 2020
6	YOFC	38	Company	China	4501710	September 7, 2008 to September 6, 2018
7	YOFC	9	Company	China	8858186	December 7, 2011 to December 6, 2021
8	YOFC	38	Company	China	8858213	December 7, 2011 to December 6, 2021
9	YOFC	9	Company	China	6898580	July 21, 2010 to July 20, 2020
10	YOFC	9, 38	Company	Hong Kong	302909737	February 28, 2014 to February 27, 2024
11	长飞	9, 38	Company	Hong Kong	302909746	February 28, 2014 to February 27, 2024

(b) Patents

As of the Latest Practicable Date, our Company has registered the following patents which are material to our business:

No.	Patent	Type and Class	Registered Owner	Place of Registration	Registration Number	Registration Period
1	Non-zero dispersion shifted single mode fibre with large effective area and transmission capacity (具有較大有效面積的大容量正非零色散位移單模光纖)	Invention	Company	China	98121639.0	October 21, 1998 to October 21, 2018
2	Manufacture method for silica optical fibre preform (石英光纖預製棒的製備方法)	Invention	Company	China	02115473.2	January 28, 2002 to January 28, 2022
3	Dispersion compensating fibre with low PMD (具有低偏振模色散的色散補償光纖)	Invention	Company	China	02115690.5	April 5, 2002 to April 5, 2022
4	Manufacture method for core rod of optical fibre preform (石英光纖芯棒的製備方法)	Invention	Company	China	02138758.3	July 9, 2002 to July 9, 2022
5	Manufacture method for core rod of optical fibre preform with high PCVD deposition rate (一種高沉積速率PCVD工藝製作光纖芯棒的方法)	Invention	Company	China	02139197.1	October 23, 2002 to October 23, 2022
6	Single mode fibre with low dispersion slope and large transmission capacity (大容量傳輸用低斜率色散位移單模光纖)	Invention	Company	China	03118463.4	January 14, 2003 to January 14, 2023

No.	Patent	Type and Class	Registered Owner	Place of Registration	Registration Number	Registration Period
7	Manufacture method for single mode fibre with low PMD and resulted fibre (低偏振模色散單模光纖的製造方法及用該方法製備的光纖)	Invention	Company	China	03118858.3	March 28, 2003 to March 28, 2023
8	Manufacture method for low water peak single mode fibre (一種低水峰單模光纖的製造方法)	Invention	Company	China	03128228.8	June 27, 2003 to June 27, 2023
9	Dispersion compensating fibre with high FOM and its manufacture method (高性能色散補償光纖及其製造方法)	Invention	Company	China	03125339.3	August 28, 2003 to August 28, 2023
10	Fibre optic cable used in sewer and its distribution method (一種用於下水管道的光纜及其敷設方法)	Invention	Company	China	200310111351.1	November 7, 2003 to November 7, 2023
11	Manufacture of polarization maintaining fibre (保偏光纖的製造方法)	Invention	Company	China	200410012671.6	January 16, 2004 to January 16, 2024
12	Tunable waveguide for plasma resonator (等離子體諧振腔可調諧波導裝置)	Invention	Company	China	200510018418.6	March 23, 2005 to March 23, 2025
13	Manufacture of large optical fibre preform (大尺寸光纖預製棒的製備方法)	Invention	Company	China	200510019135.3	July 21, 2005 to July 21, 2025

No.	Patent	Type and Class	Registered Owner	Place of Registration	Registration Number	Registration Period
14	Manufacture of large low water peak optical fibre preform (一種大尺寸低水峰光纖預製棒的製造方法)	Invention	Company	China	200510019304.3	August 17, 2005 to August 17, 2025
15	Tunable plasma resonator (可調諧等離子體諧振腔)	Invention	Company	China	200610018568.1	March 16, 2006 to March 16, 2026
16	All solid band gap fibre with low bending loss and low restraint loss (具有低限制損耗和低彎曲損耗的全固體帶隙光纖)	Invention	Company	China	200610124860.1	October 26, 2006 to October 26, 2026
17	Water proof armored fibre optic cable and Ointment injection equipment for the manufacture of such cable (一種防水鎧裝光纜及其護層設備中的油膏注塗裝置)	Invention	Company	China	200710051778.5	April 3, 2007 to April 3, 2027
18	Waveguide with heat insulation for plasma resonator (具有隔熱功能的等離子體諧振腔波導裝置)	Invention	Company	China	200710052823.9	July 24, 2007 to July 24, 2027
19	Collapsing furnace for the manufacture of optical fibre preform (用於光纖預製棒製造的熔縮爐裝置)	Invention	Company	China	200710168318.0	November 9, 2007 to November 9, 2027
20	Manufacture of large core rod by PCVD process (大直徑光纖芯棒的PCVD製作方法)	Invention	Company	China	200710168384.8	November 20, 2007 to November 20, 2027

No.	Patent	Type and Class	Registered Owner	Place of Registration	Registration Number	Registration Period
21	Feeding equipment for the drawing of large fibre preform (大直徑光纖預製棒拉絲進給台裝置)	Invention	Company	China	200810046868.x	February 3, 2008 to February 3, 2028
22	Large polarization maintaining fibre preform assembly and its manufacture (一種保偏光纖大規格組合光纖預製棒及其製造方法)	Invention	Company	China	200810197408.7	October 28, 2008 to October 28, 2028
23	Dispersion compensating fibre (一種高色散係數的色散補償光纖)	Invention	Company	China	200810246343.0	December 30, 2008 to December 30, 2028
24	Method and equipment for removing volatile in the coating during fibre drawing process (一種 光纖拉絲過程中除去塗層固化揮發物的方法及裝置)	Invention	Company	China	200910062071.3	May 15, 2009 to May 15, 2029
25	Single mode fibre and its manufacture (一種單模光纖及其製造方法)	Invention	Company	China	200910062855.6	June 26, 2009 to June 26, 2029
26	Bend insensitive single mode fibre with large effective area and its manufacture (具有大有效面積的彎曲不敏感單模光纖及其製造方法)	Invention	Company	China	200910063584.6	August 11, 2009 to August 11, 2029

No.	Patent	Type and Class	Registered Owner	Place of Registration	Registration Number	Registration Period
27	Bend insensitive multi-mode fibre with large effective area and its manufacture (一種抗彎曲多模光纖及其製造方法)	Invention	Company	China	200910063643.X	August 18, 2009 to August 18, 2029
28	Cylindrical Plasma resonator (一種圓柱型等離子體諧振腔)	Invention	Company	China	201010147798.4	April 9, 2010 to April 9, 2030
29	Manufacture of large core rod by PCVD process (一種 PCVD工藝製作大直徑光纖芯棒的方法)	Invention	Company	China	201010152987.0	April 16, 2010 to April 16, 2030
30	Panda type polarization maintaining fibre (一種熊貓型保偏光纖)	Invention	Company	China	201010184969.0	May 21, 2010 to May 21, 2030
31	Large fibre preform and its manufacture (一種大尺寸光纖預製棒及其光纖的製造方法)	Invention	Company	China	201010229123.4	July 13, 2010 to July 13, 2030
32	Single mode fibre (一種單模光纖)	Invention	Company	China	201110114732.X	May 5, 2011 to May 5, 2031
33	Heating equipment of the induction furnace for large fibre preform drawing (大直徑光纖預製棒感應拉絲爐加溫裝置)	Invention	Company	China	201110143621.1	May 31, 2011 to May 31, 2031
34	Bend insensitive multi-mode fibre with large core and high NA (一種抗彎曲大芯徑高數值孔徑多模光纖)	Invention	Company	China	201110178288.8	June 28, 2011 to June 28, 2031

No.	Patent	Type and Class	Registered Owner	Place of Registration	Registration Number	Registration Period
35	Dispersion compensating fibre (一種色散補償光纖)	Invention	Company	China	201110208342.9	July 25, 2011 to July 25, 2031
36	Manufacture of rare earth doped fibre preform (一種 摻雜稀土光纖預製棒的製造方法)	Invention	Company	China	201110401215.0	December 6, 2011 to December 6, 2031
37	Fibre optic cable with solid lubricating layer (具有固體潤滑層的光纜)	Utility Model	Company	China	200520095408.8	March 4, 2005 to March 4, 2015
38	Central-tubed armored cable (一種中心束管式鎧裝光纜)	Utility Model	Company	China	200520095682.5	March 29, 2005 to March 29, 2015
39	Fibre optical cable for indoor and outdoor usage (一種室內外兩用光纜)	Utility Model	Company	China	200520098388.X	October 17, 2005 to October 17, 2015
40	8 – figured ADSS cable (全介質層絞式8字形自承式光纜)	Utility Model	Company	China	200620098462.2	February 28, 2006 to February 28, 2016
41	Flexible stranded cable (一種柔性層絞式光纜)	Utility Model	Company	China	201020634296.X	November 30, 2010 to November 30, 2020
42	Micro distribution cable (一種微型易分歧佈線光纜)	Utility Model	Company	China	201220062027.X	February 24, 2012 to February 24, 2022
43	Central-tubed air-blown micro cable (全幹式中心管式氣吹微型光纜)	Utility Model	Company	China	201220235476.X	May 24, 2012 to May 24, 2022
44	A photoelectric micro cable (一種微型光電複合纜)	Utility Model	Company	China	201220541032.9	October 22, 2012 to October 22, 2022
45	A photoelectric ribbon cable (一種微型光電複合帶纜)	Utility Model	Company	China	201220543763.7	October 23, 2012 to October 23, 2022

No.	Patent	Type and Class	Registered Owner	Place of Registration	Registration Number	Registration Period
46	Central-tubed fibre cable for indoor and outdoor usage (一種全幹自承式中心束管式室內外兩用光纜)	Utility Model	Company	China	201220544162.8	October 23, 2012 to October 23, 2022
47	Flat photoelectric micro cable (一種微型扁平光電混合纜)	Utility Model	Company	China	201220543783.4	October 23, 2012 to October 23, 2022
48	photoelectric fibre cable for indoor and outdoor usage (一種室內外兩用自承式複合光纜)	Utility Model	Company	China	201320160147.8	April 2, 2013 to April 2, 2023
49	A flexible indoor cable (一種柔性室內光纜)	Utility Model	Company	China	201320241356.5	May 7, 2013 to May 7, 2023
50	A flexible photoelectric cable (一種柔性光電混合光纜)	Utility Model	Company	China	201320244354.1	May 8, 2013 to May 8, 2023
51	Fibre optic cable for indoor distribution (一種便於分開纜分歧的室內配線光纜)	Utility Model	Company	China	201320726443.x	November 18, 2013 to November 18, 2023
52	Tensile stranded loose tube optical cable (一種抗拉鬆套層絞式光纜)	Utility Model	Company	China	201120302428.3	August 19, 2011 to August 19, 2021
53	Composite tied ribbon fibre (一種並列複合光纖帶)	Utility Model	Company	China	201120475833.5	November 25, 2011 to November 25, 2021
54	Flexible spiral optical cable (一種柔性螺旋光纜)	Utility Model	Company	China	201220444840.3	September 4, 2012 to September 4, 2022
55	Indoor and outdoor commonly used round butterfly shaped cable (一種室內外共用圓蝶形光纜)	Utility Model	Company	China	201320160148.2	April 2, 2013 to April 2, 2023

No.	Patent	Type and Class	Registered Owner	Place of Registration	Registration Number	Registration Period
56	Multi-mode bending-resistant fibre and production method thereof (彎曲不敏感多模光纖及其製造方法)	Utility	Company	United States	8184936	July 19, 2010 to July 19, 2030
57	Single-mode fibre and production method thereof (單模光纖及其製造方法)	Utility	Company	United States	8200057	July 20, 2010 to July 20, 2030

As of the Latest Practicable Date, our Company has applied for the registration of the following patents which are material to our business:

No.	Patent	Type and Class	Name of Applicant	Place of Application	Application Number	Application Date
1	Bubble free coating transferring equipment used for fibre curing (用於光纖塗覆器的無氣泡塗料輸送裝置)	Invention	Company	China	201110086262.0	April 7, 2011
2	Bend insensitive single mode fibre (一種彎曲不敏感單模光纖)	Invention	Company	China	201210006783.5	January 10, 2012
3	Bend insensitive single mode fibre (彎曲不敏感單模光纖)	Invention	Company	China	201210006792.4	January 10, 2012
4	Low loss bend insensitive single mode fibre (一種低衰減彎曲不敏感單模光纖)	Invention	Company	China	201210131418.7	May 2, 2012
5	Bend insensitive GI multi-mode fibre (一種漸變折射率抗彎曲多模光纖)	Invention	Company	China	201210167792.2	May 28, 2012
6	Bend insensitive GI multi-mode fibre (漸變折射率抗彎曲多模光纖)	Invention	Company	China	201210167873.2	May 28, 2012
7	Method and equipment for automatic control of fibre coating temperature (一種光纖塗料溫度自動控制方法及裝置)	Invention	Company	China	201210200665.8	June 18, 2012

No.	Patent	Type and Class	Name of Applicant	Place of Application	Application Number	Application Date
8	Method and equipment for automatic control of fibre coating temperature during fibre drawing process (一種拉絲過程中光纖塗料溫度自動控制的方法及裝置)	Invention	Company	China	201210200664.3	June 18, 2012
9	Large effective area single mode fibre (一種具有大有效面積的單模光纖)	Invention	Company	China	201210269465.8	August 1, 2012
10	Drawing method and equipment for fibre preform with large diameter variation (外徑波動光纖預製棒的拉絲方法及裝置)	Invention	Company	China	201210308558.7	August 28, 2012
11	Large solid fibre preform, its manufacture method and equipment (一種大尺寸實心光纖預製棒及其製備方法和設備)	Invention	Company	China	201210329217.8	September 7, 2012
12	Large effective area single mode fibre (具有大有效面積的單模光纖)	Invention	Company	China	201210423426.9	October 30, 2012
13	Large effective area fibre (一種大有效面積光纖)	Invention	Company	China	201210423490.7	October 30, 2012
14	Fire retardant fibre optic cable (一種阻燃耐火光纜)	Invention	Company	China	201310018163.8	February 18, 2013
15	Low attenuation single mode fibre (一種低衰減單模光纖)	Invention	Company	China	201310070892.8	March 6, 2013
16	Equipment and method for online inspection of defects on the surface of cable (一種線纜表面缺陷線上檢測裝置及方法)	Invention	Company	China	201310085593.1	March 18, 2013
17	Equipment and method for the curing of fibre coating (一種光纖塗層紫外固化設備及方法)	Invention	Company	China	201310243427.x	June 19, 2013
18	Bend insensitive single mode fibre (一種彎曲不敏感單模光纖)	Invention	Company	China	201310300024.4	July 17, 2013

No.	Patent	Type and Class	Name of Applicant	Place of Application	Application Number	Application Date
19	Multi core fibre (一種多芯光纖)	Invention	Company	China	201310333264.4	August 2, 2013
20	Equipment and method for the manufacture of fibre preform by VAD process (一種VAD法製造光纖預製棒的裝置和方法)	Invention	Company	China	201310380064.4	August 28, 2013
21	Single mode fibre (一種單模光纖)	Invention	Company	China	201310394404.9	September 3, 2013
22	A large mode area all solid fibre and its manufacture (一種大模場面積全固體光纖及其製造方法)	Invention	Company	China	201310419622.3	September 13, 2013
23	Equipment and method for the manufacture of fibre preform by outside deposition (一種管外法製造光纖預製棒的裝置和方法)	Invention	Company	China	201310543323.0	November 6, 2013
24	Manufacture for rare earth doped fibre preform (一種摻稀土光纖預製棒的製備方法)	Invention	Company	China	201410054556.9	February 18, 2014
25	Bend insensitive single mode fibre (彎曲不敏感單模光纖)	Invention	Company	World Intellectual Property Organization	PCT/CN2012/086974	December 20, 2012
26	A Bend insensitive single mode fibre (一種彎曲不敏感單模光纖)	Invention	Company	World Intellectual Property Organization	PCT/CN2012/086975	December 20, 2012

No.	Patent	Type and Class	Name of Applicant	Place of Application	Application Number	Application Date
27	Bend insensitive GI multi-mode fibre (漸變折射率抗彎曲多模光纖)	Invention	Company	World Intellectual Property Organization	PCT/CN2013/074667	April 25, 2013
28	A bend insensitive GI multi-mode fibre (一種漸變折射率抗彎曲多模光纖)	Invention	Company	World Intellectual Property Organization	PCT/CN2013/074668	April 25, 2013
29	Large effective area fibre (一種大有效面積光纖)	Invention	Company	World Intellectual Property Organization	PCT/CN2013/078721	July 3, 2013
30	Large effective area single mode fibre (具有大有效面積的單模光纖)	Invention	Company	World Intellectual Property Organization	PCT/CN2013/078724	July 3, 2013
31	Drawing method and equipment for fibre preform with large diameter variation (外徑波動光纖預製棒的拉絲方法及裝置)	Invention	Company	World Intellectual Property Organization	PCT/CN2013/078733	July 3, 2013
32	Single mode fibre and its manufacture (一種單模光纖及其製造方法)	Invention	Company	India	1374/MUMNP/2011	February 26, 2010
33	Bend insensitive multi-mode fibre and its manufacture (一種抗彎曲多模光纖及其製造方法)	Invention	Company	India	1398/MUMNP/2011	February 26, 2010
34	Optical fibre preform and its manufacture (一種光纖預製棒及其製造方法)	Invention	Company	India	1403/MUMNP/2011	February 26, 2010
35	Large optical fibre preform, optical fibre and its manufacture (一種大尺寸光纖預製棒及其光纖的製造方法)	Invention	Company	India	2410/MUMNP/2012	May 18, 2011

No.	Patent	Type and Class	Name of Applicant	Place of Application	Application Number	Application Date
36	Bubble free coating transferring equipment used for fibre curing (用於光纖塗覆器的無氣泡塗料輸送裝置)	Invention	Company	India	1395/MUMNP/2013	March 14, 2012
37	Heating equipment of the induction furnace for large fibre preform drawing (大直徑光纖預製棒感應拉絲爐加溫裝置)	Invention	Company	India	1930/MUMNP/2013	November 15, 2011
38	Single mode fibre and its manufacture (一種單模光纖及其製造方法)	Invention	Company	African Regional Intellectual Property Organization	AP/P/2011/006019	February 26, 2010
39	Large optical fibre preform, optical fibre and its manufacture (一種大尺寸光纖預製棒及其光纖的製造方法)	Invention	Company	African Regional Intellectual Property Organization	AP/P/2012/006531	May 18, 2011
40	Heating equipment of the induction furnace for large fibre preform drawing (大直徑光纖預製棒感應拉絲爐加溫裝置)	Invention	Company	African Regional Intellectual Property Organization	AP/P/2013/007239	November 15, 2011
41	Single mode fibre (一種單模光纖)	Invention	Company	Korea	10-2013-7019551	November 16, 2011
42	Bend insensitive single mode fibre (彎曲不敏感單模光纖)	Invention	Company	Korea	10-2013-7033604	December 20, 2012
43	A Bend insensitive single mode fibre (一種彎曲不敏感單模光纖)	Invention	Company	Korea	10-2013-7033613	December 20, 2012

As of the Latest Practicable Date, our Company has been licensed by Draka to use the following patents and patent applications which are material to our business:

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
1.	Draka	Company	Q095010 – fibre spinning, fibre with spin (Q095010-光纖搓絲及得到的光纖)	China	ZL96191183.2	June 1, 2008 to August 12, 2016	non-exclusive and non-transferable use
				China	ZL03107636.x	June 1, 2008 to August 12, 2016	
				European Union	0785913	June 1, 2008 to August 12, 2016	
				Japan	3599748	June 1, 2008 to August 12, 2016	
				United States	5.897.680	June 1, 2008 to August 16, 2016	
				United States	6.148.131	June 1, 2008 to August 16, 2016	

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
2.	Draka	Company	Q097019-R4	Brazil	PI9814578-9	June 1, 2008 to December 2, 2018	non-exclusive and non-transferable use
				China	ZL98813827.1	June 1, 2008 to December 2, 2018	
				European Union	1060288	June 1, 2008 to December 2, 2018	
				United States	6.260.510	June 1, 2008 to December 23, 2018	
				United States	6.849.307	June 1, 2008 to December 23, 2018	
				United States	6.715.441	June 1, 2008 to December 23, 2018	
				United States	6.372.305	June 1, 2008 to December 23, 2018	

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
3.	Draka	Company	POF9901-HEC collapsing (POF9901-HEC熔縮)	China	ZL00810412.3	June 1, 2008 to July 3, 2020	non-exclusive and non-transferable use
				Gulf Cooperation Council	0000199	June 1, 2008 to July 16, 2020	
				India	204733	June 1, 2008 to July 3, 2020	
				South Korea	10-0679708	June 1, 2008 to July 3, 2020	
				Netherlands	1012616	June 1, 2008 to July 16, 2019	
				United States	6.718.801	June 1, 2008 to July 14, 2020	
				Brazil	P1002484-2 (patent application)	June 1, 2008 to July 3, 2020	
				European Union	00946526.1 (patent application)	June 1, 2008 to July 3, 2020	
				Japan	2001-511383 (patent application)	June 1, 2008 to July 3, 2020	

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
4.	Draka	Company	POF9904 – correction curve (POF9904-校正曲線)	China	ZL00137284.X	June 1, 2008 to December 23, 2020	non-exclusive and non-transferable use
				European Union	1110919	June 1, 2008 to December 15, 2020	
				Gulf Cooperation Council	0000160	June 1, 2008 to December 19, 2020	
				United States	6.574.993	June 1, 2008 to December 20, 2020	
				Brazil	PI006241-3 (patent application)	June 1, 2008 to December 21, 2020	
				Japan	2000-390621 (patent application)	June 1, 2008 to December 22, 2020	

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
5.	Draka	Company	POF9905 – compressive stress in core for preventing H2 sensitivity (POF9905-低氫敏感性的、芯層中含應力層的光纖)	China	ZL01810914.4	June 1, 2008 to June 8, 2021	non-exclusive and non-transferable use
				European Union	1287392	June 1, 2008 to June 8, 2021	
				India	203,385	June 1, 2008 to June 8, 2021	
				India	204,035	June 1, 2008 to June 8, 2021	
				South Korea	10-0789974	June 1, 2008 to June 8, 2021	
				Russia	2271025	June 1, 2008 to June 8, 2021	
				United States	6.754.423	June 1, 2008 to June 8, 2021	
				Brazil	PI0111478-6 (patent application)	June 1, 2008 to June 8, 2021	
				Gulf Cooperation Council	GCC/P/2001/1443 (patent application)	June 1, 2008 to June 18, 2021	
				Japan	2002-514451 (patent application)	June 1, 2008 to June 8, 2021	

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
6.	Draka	Company	POF9906 – tapered tube of preform (POF9906-預製棒拉錐)	China	ZL01804977.X	June 1, 2008 to February 8, 2021	non-exclusive and non-transferable use
				South Korea	10-0730639	June 1, 2008 to February 8, 2021	
				Netherlands	1014374	June 1, 2008 to February 14, 2020	
				United States	6.649.261	June 1, 2008 to February 14, 2021	
				Brazil	PI0108332-5 (patent application)	June 1, 2008 to February 8, 2021	
				European Union	0910228.4 (patent application)	June 1, 2008 to February 8, 2021	
				Japan	2001-558375 (patent application)	June 1, 2008 to February 8, 2021	
7.	Draka	Company	ALC103455 – deuterium treatment of fibres (ALC103455-光纖氘氣處理)	China	ZL01125736.9	June 1, 2008 to August 22, 2021	non-exclusive and non-transferable use
				European Union	1182176	June 1, 2008 to August 25, 2020	
				United States	6.704.485	June 1, 2008 to August 22, 2021	
				Japan	2001-247687 (patent application)	June 1, 2008 to August 17, 2021	

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
8.	Draka	Company	POF0002-work areas for PCVD deposition speed >2 g/min (POF0002-PCVD沉積速率在2克/分以上的工作區)	China	ZL200310122296.6	June 1, 2008 to December 5, 2023	non-exclusive and non-transferable use
				European Union	1426341	June 1, 2008 to November 12, 2023	
				Netherlands	1022087	June 1, 2008 to December 5, 2022	
				Russia	2318226	June 1, 2008 to December 4, 2023	
				South Africa	2003/9366	June 1, 2008 to December 2, 2023	
				Brazil	PI0305405-5 (patent application)	June 1, 2008 to December 3, 2023	
				India	1512/DEL/2003 (patent application)	June 1, 2008 to December 3, 2023	
				Japan	2003-406949 (patent application)	June 1, 2008 to December 5, 2023	
				South Korea	10-2003-0087752 (patent application)	June 1, 2008 to December 4, 2023	

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
9.	Draka	Company	POF0003-MMF with thin layers at center of core (POF0003-纖芯有很細小層的多模光纖)	China	ZL02806038.5	June 1, 2008 to February 25, 2022	non-exclusive and non-transferable use
				Japan	4145658	June 1, 2008 to February 25, 2022	
				South Korea	10-0827727	June 1, 2008 to February 25, 2022	
				Netherlands	1017523	June 1, 2008 to March 7, 2021	
				Russia	2286962	June 1, 2008 to February 25, 2022	
				United States	7.068.895	June 1, 2008 to October 30, 2023	
				United States	7.116.877	June 1, 2008 to March 6, 2022	
				South Africa	2003/5992	June 1, 2008 to February 25, 2022	
				Brazil	PI0209900-4 (patent application)	June 1, 2008 to February 25, 2022	
				European Union	02712532.7 (patent application)	June 1, 2008 to February 25, 2022	

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
10.	Draka	Company	POF004-flushing collapse furnace (POF004-惰性氣體沖刷熔縮爐)	China	ZL01819092.8	June 1, 2008 to November 2, 2021	non-exclusive and non-transferable use
				European Union	1339647	June 1, 2008 to November 2, 2021	
				United States	6.600.769	June 1, 2008 to November 13, 2021	
				India	206.573	June 1, 2008 to November 2, 2021	
				South Korea	10-0765345	June 1, 2008 to November 2, 2021	
				South Africa	2003/2723	June 1, 2008 to November 2, 2021	
				Brazil	PI115274-2 (patent application)	June 1, 2008 to November 2, 2021	
				Japan	2002-542749 (patent application)	June 1, 2008 to November 2, 2021	

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
11.	Draka	Company	POF0005-O2 excess=<3,5 in PCVD production (POF0005-PCVD 沉積時過氧量=<3,5)	China	ZL02811579,1	June 1, 2008 to May 27, 2022	non-exclusive and non-transferable use
				European Union	1392612	June 1, 2008 to May 27, 2022	
				Netherlands	1018239	June 1, 2008 to June 8, 2021	
				Brazil	PI0210037-1 (patent application)	June 1, 2008 to May 27, 2022	
				Japan	2003-503561 (patent application)	June 1, 2008 to May 27, 2022	
				South Korea	10-2003-7015545 (patent application)	June 1, 2008 to May 27, 2022	
				United States	11/759,662 (patent application)	June 1, 2008 to June 7, 2022	

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
12.	Draka	Company	DFT0110 – MMF without pulse splitting in center of DMD plot (DFT0110-DMD圖中心無脈衝分離的多模光纖)	Netherlands	1019004	June 1, 2008 to September 20, 2021	non-exclusive and non-transferable use
				United States	6.790.529	June 1, 2008 to September 19, 2022	
				Brazil	PI0212410-6 (patent application)	June 1, 2008 to September 19, 2022	
				China	02818285.5 (patent application)	June 1, 2008 to September 19, 2022	
				European Union	02763084.5 (patent application)	June 1, 2008 to September 19, 2022	
				Japan	2003-529217 (patent application)	June 1, 2008 to September 19, 2022	
13.	Draka	Company	DFT0212 – combo measuring (DFT0212-截止波長測量)	Netherlands	1023909	June 1, 2008 to July 11, 2023	non-exclusive and non-transferable use
				United States	7.151.249	June 1, 2008 to July 22, 2024	
				China	2004-10064006.1 (patent application)	June 1, 2008 to July 10, 2024	
				European Union	04076839.2 (patent application)	June 1, 2008 to June 24, 2024	

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
14.	Draka	Company	DFT0302 – ramp-ramp for taper reduction (DFT0302-減少taper的Pamp-Ramp 方法)	Netherlands	1023438	June 1, 2008 to May 15, 2023	non-exclusive and non-transferable use
				United States	7.068.899	June 1, 2008 to July 1, 2024	
				South Korea	10-2005-7021710 (patent application)	June 1, 2008 to May 13, 2024	
				Brazil	PI0410244-4 (patent application)	June 1, 2008 to May 13, 2024	
				China	200480013303,1	June 1, 2008 to May 13, 2024	
				European Union	04732858,8 (patent application)	June 1, 2008 to May 13, 2024	
				Japan	2006-532117 (patent application)	June 1, 2008 to May 13, 2024	
				United States	11/414376 (patent application)	June 1, 2008 to May 17, 2024	
15.	Draka	Company	ALC103357-DCF with high cutoff (ALC103357-高截止波長的色散補償光纖)	China	ZL01145912.3	June 1, 2008 to October 15, 2021	non-exclusive and non-transferable use
				France	2815418	June 1, 2008 to October 16, 2020	
				United States	6.668.120	June 1, 2008 to October 15, 2021	
				European Union	01402624.9 (patent application)	June 1, 2008 to October 10, 2021	
				Japan	2001-317302 (patent application)	June 1, 2008 to October 15, 2021	

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
16.	Draka	Company	ALC103358-DCF for C and L band (ALC103358-C+L 波段色散補償光纖)	China	ZL01145904.2	June 1, 2008 to October 16, 2021	non-exclusive and non-transferable use
				France	2815420	June 1, 2008 to May 11, 2021	
				United States	6.574.407	June 1, 2008 to October 15, 2021	
				European Union	01402630.6 (patent application)	June 1, 2008 to October 11, 2021	
				Japan	2001-317303 (patent application)	June 1, 2008 to October 15, 2021	
17.	Draka	Company	ALC103369- - DCF for S band (ALC103369-S波段色散補償光纖)	China	ZL01135778.9	June 1, 2008 to October 16, 2021	non-exclusive and non-transferable use
				European Union	1202087	June 1, 2008 to October 4, 2021	
				Japan	3999957	June 1, 2008 to October 15, 2021	
				United States	6.591.050	June 1, 2008 to October 12, 2021	
18.	Draka	Company	ALC102835-Teralight step + ring (ALC102835-Teralight 光纖)	China	ZL00138049.4	June 1, 2008 to November 24, 2020	non-exclusive and non-transferable use
				European Union	1103830	June 1, 2008 to November 24, 2020	
				United States	6.612.756	June 1, 2008 to December 23, 2019	
				United States	6.628.873	June 1, 2008 to July 8, 2020	

No.	Licensor	Licensee	Patent	Place of Registration / Place of Application	Registration Number / Application Number	License Period	Scope of License
19.	Draka	Company	DFT0310-low OH environment production (DFT0310-低羥基環境光纖生產)	China	200480029544,50	June 1, 2008 to July 22, 2024	non-exclusive and non-transferable use
				European Union	04774996.5 (patent application)	June 1, 2008 to July 22, 2024	
				India	1796/DELNP/ 2006 (patent application)	June 1, 2008 to July 22, 2024	
				Japan	2006-532144 (patent application)	June 1, 2008 to July 22, 2024	
				South Korea	10-2006-7008725 (patent application)	June 1, 2008 to July 22, 2024	
				Russia	2006115605 (patent application)	June 1, 2008 to July 22, 2024	
				United States	10/959331 (patent application)	June 1, 2008 to July 22, 2024	
20.	Draka	Company	CMT010527-R4+	Brazil	PI0702617-0 (patent application)	June 1, 2008 to July 22, 2024	non-exclusive and non-transferable use
				China	200710109083,8	June 1, 2008 to July 22, 2024	
				European Union	701198,4 (patent application)	June 1, 2008 to July 22, 2024	
				Japan	2007-153810 (patent application)	June 1, 2008 to July 22, 2024	
				United States	11/762,959 (patent application)	June 1, 2008 to July 22, 2024	

(c) Domain Names

As of the Latest Practicable Date, our Company has registered the following key domain names:

No.	Domain Name	Registrant	ICP Filing No.	Date of Registration	Expiry Date
1	yofc.com	Company	ICP Registration of Hubei Province No. 08005228	April 7, 2002	April 8, 2017
2	yofc.com.cn	Company	ICP Registration of Hubei Province No. 08005228	March 21, 2002	March 21, 2015

(d) Copyrights

As of the Latest Practicable Date, our Company has registered the following copyrights which are material to our business:

No.	Name	Registrant	Copyright No.	Method of Acquisition	Scope of Right
1	PCVD control system (PCVD 控制系統)	Company	2013SR150435	original acquisition	all
2	Software for PCVD PLC control (PCVD PLC 控制軟件)	Company	2007SR17283	original acquisition	all
3	Software for drawing tower control (拉絲塔控制軟件)	Company	2010SR044628	original acquisition	all

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, OUR SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors, Supervisors and the Chief Executive of Our Company

Immediately following the completion of the Global Offering and without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, so far as our Directors are aware, none of the Directors, Supervisors and chief executive of our Company will have any interests and short positions in the Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors and the chief executive), in each case once our H Shares are listed.

(b) Interests of the Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director, Supervisor or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the H Shares are listed, would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

(c) Interests in the subsidiaries of our Company

So far as our Directors are aware, as at the date of this prospectus, the following persons (excluding us) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Subsidiary	Name of Shareholder	Registered Capital	Approximate % of Interest
EverPro	VIA Technologies (HK) Inc. Limited (香港威盛電子有限公司)	RMB325.0 million	15.00%
	VIA Labs, Inc. (威鋒電子股份有限公司)		10.00%
EverProsper Hong Kong	EverPro	RMB6.8 million	100%
YOFC Shanghai	Draka	USD12 million	25%
YOFC Jiangsu	Zhongli Sci-Tech Group Co., Ltd. (中利科技集團股份有限公司)	RMB92.88 million	49%
YOFC Sichuan	Sichuan Chuantou Energy Co., Ltd. (四川川投能源股份有限公司)	RMB30 million	49%

2. Directors' and Supervisors' Service Contracts

Each of our Directors has entered into a service contract with our Company on November 14, 2014. Pursuant to our Articles of Association, the term of office of the Directors shall be 3 years. The principal particulars of these service contracts are (a) for a term commencing from their respective effective date of appointment until the day on which the next general meeting of the shareholders for re-election of Directors is held, and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Rules.

Each of the Supervisors has entered into a contract with our Company on November 14, 2014, in respect of, among others, compliance of relevant laws, regulations, the Articles of Association and applicable provision on arbitration.

Save as disclosed above, none of our Directors or Supervisors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' and Supervisors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors and Supervisors for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014 was approximately RMB1.66 million, RMB1.77 million, RMB1.87 million and RMB0.43 million, respectively, which included the aggregate contributions we paid to pension schemes for our Directors and Supervisors in respect of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014 of approximately RMB21,000, RMB21,000, RMB21,000 and RMB11,000, respectively.

Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors and Supervisors for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014.

Pursuant to the existing arrangements that are currently in force as of the date of this prospectus, the amount of remuneration (including benefits in kind and discretionary bonuses) payable to our Directors and Supervisors by our Company for the year ending December 31, 2014 is estimated to be approximately RMB2.46 million in aggregate.

4. Directors' Competing Interest

Save as disclosed in the sections headed "Directors, Supervisors, Senior Management and Employees — Directors" and "Relationships with Controlling Shareholders – Directors' Competing Interests" in this prospectus, none of our Directors is interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Personal guarantees

The Directors and Supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

6. Agency fees or commissions received

Save in connection with the Underwriting Agreements, none of our Directors, Supervisors, Promoters nor any of the parties listed in the paragraph headed "Qualification of experts" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years preceding the date of this prospectus.

7. Related party transactions

During the two years preceding the date of this prospectus, we have engaged in the material related party transactions as described in Note 34 to the financial information in the Accountants' Report set out in Appendix I to this prospectus.

8. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors or chief executive of our Company has any interests and short positions in the shares, underlying shares and debentures of our Company or our associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and the Stock Exchange, in each case once our H Shares are listed on the Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, once our H Shares are listed on the Stock Exchange;

(c) none of our Directors or Supervisors nor any of the parties listed in the section headed "D. Other Information — 6. Qualification of experts" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;

(d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors or Supervisors nor any of the parties listed in section headed "D. Other Information — 6. Qualification of experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "D. Other Information — 6. Qualification of experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors or Supervisors or their respective close associates (as defined under the Listing Rules) or any Shareholders of our Company (who to the knowledge of the Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the section headed "Business — Legal Compliance and Risk Management" in this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Restrictions on Share Repurchases

Please refer to the section headed "Appendix V Summary of the Articles of Association — Power of the Company to Purchase its Own Shares" for more details.

4. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our H Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS. The Joint Sponsors are entitled to a total fee of US$1.4 million for acting as the Joint Sponsors in connection with the Global Offering.

The Joint Sponsors have declared their independence pursuant to Rule 3A.07 of the Listing Rules.

5. Preliminary Expenses

Our estimated preliminary expenses are approximately RMB3.25 million and are payable by our Company.

6. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation registered for Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on future contracts) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.	A licensed corporation registered for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management regulated activities) of regulated activities under the SFO
KPMG	Certified public accountants
Commerce & Finance Law Offices	PRC legal advisors
Freedonia Custom Research, Inc.	Industry consultants

7. Consents of Experts

Each of the experts as referred to in the section headed "D. Other Information – 6. Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Promoters

The Promoters are China Huaxin, Draka and Yangtze Communications. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to the Promoters named above in connection with the Global Offering and the related transactions described in this prospectus.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2014 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries fully or partly paid up either for cash or for a consideration other than cash has been issued or agreed to be issued;

(ii) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(iv) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(v) our Company has no outstanding convertible debt securities or debentures; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus.

(c) None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(d) All necessary arrangements have been made to enable the H Shares to be admitted into CCASS for clearing and settlement.

(e) We are a foreign invested joint stock limited company and are subject to the PRC sino-foreign Joint Venture Law.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among others, copies of the **WHITE**, **YELLOW** and **GREEN** application forms, the written consents referred to in the section headed "D. Other Information – 7. Consents of Experts" in Appendix VI to this prospectus and copies of the material contracts referred to in the section headed "B. Further Information about our Business – 1. Summary of Material Contracts" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Simpson Thacher & Bartlett at 35th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountants' report for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014 issued by KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information from KPMG, the text of which is set out in Appendix II to this prospectus;

(d) the material contracts referred to in the section headed "B. Further Information about our Business – 1. Summary of Material Contracts" in Appendix VI to this prospectus;

(e) the written consents referred to in the section headed "D. Other Information – 7. Consents of Experts" in Appendix VI to this prospectus;

(f) the service contracts referred to in the section headed "C. Further Information About our Directors, our Supervisors and Substantial Shareholders – 2. Directors' and Supervisors' Service Contracts" in Appendix VI to this prospectus;

(g) the PRC legal opinions dated November 26, 2014 issued by Commerce & Finance Law Offices, our PRC Legal Advisor in respect of certain aspects of our Group and our property interests;

(h) the Freedonia Report; and

(i) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial translation.

YOFC 长飞