普天通信集團有限公司

PUTIAN COMMUNICATION GROUP LIMITED

incorporated in the Cayman Islands with limited liability

(Stock code: 1720)

SHARE OFFER

Sole Sponsor

浦銀國際 SPDB INTERNATIONAL

Sole Global Coordinator,
Joint Bookrunner and Joint Lead Manager

浦銀國際 SPDB INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

潮商證券有限公司 ChaoShang Securities Limited

兴证国际 INDUSTRIAL SECURITIES INTERNATIONAL

廣發証券(香港)經紀有限公司 GF SECURITIES (HONG KONG) BROKERAGE LIMITED

東興證券(香港) DONGXING SECURITIES (HONG KONG)

中投证券(香港) CHINA INVESTMENT SECURITIES (HK)

東方證券(香港)有限公司 ORIENT SECURITIES (HONG KONG) LIMITED

IMPORTANT

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

Putian Communication Group Limited
普天通信集團有限公司

(incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares under the Share Offer	**:**	**275,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**27,500,000 Shares (subject to adjustment)**
Number of Placing Shares	**:**	**247,500,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$0.95 per Offer Share (payable in full on application in Hong Kong dollars and subject to refund on final pricing, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1720**

Sole Sponsor

浦銀國際
SPDB INTERNATIONAL

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

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東方證券(香港)有限公司
ORIENT SECURITIES (HONG KONG) LIMITED

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 VI to this prospectus, 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 (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on or about Wednesday, November 1, 2017 and, in any event, not later than Friday, November 3, 2017. The Offer Price will be not more than HK$0.95 per Offer Share and is currently expected to be not less than HK$0.51 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$0.95 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$0.95 per Offer Share.

The Sole Global Coordinator (on behalf of the Underwriters), with the consent of our Company, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Share Offer at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange’s website at **www.hkexnews.hk** and on our Company’s website at **www.potel-group.com** not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed “Structure of the Share Offer” and “How to Apply for Hong Kong Offer Shares” in this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before Friday, November 3, 2017 (Hong Kong time), the Share Offer (including the Hong Kong Public Offering) will not proceed and will lapse.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please refer to the section headed “Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination” in 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 pursuant to an exemption from, or in a transaction not subject to, 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.

October 27, 2017

Our Company will issue an announcement in Hong Kong to be published on the Stock Exchange's website at ***www.hkexnews.hk*** *and our Company's website at* ***www.potel-group.com*** *if there is any change in the following expected timetable of the Hong Kong Public Offering.*

Latest time for completing electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2]	11:30 a.m. on Wednesday, November 1, 2017
Application lists open[3]	11:45 a.m. on Wednesday, November 1, 2017
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, November 1, 2017
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 Wednesday, November 1, 2017
Latest time for giving **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, November 1, 2017
Application lists close[3]	12:00 noon on Wednesday, November 1, 2017
Expected Price Determination Date[5]	Wednesday, November 1, 2017
Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.potel-group.com** on or before	Wednesday, November 8, 2017
Announcement of 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" in this prospectus from	Wednesday, November 8, 2017

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 . . . . Wednesday, November 8, 2017

Dispatch/collection of 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)(8) . . . . Wednesday, November 8, 2017

Dispatch/collection of refund checks and e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before(7)(8) . . . . Wednesday, November 8, 2017

Dealings in the Shares on the Stock Exchange expected to commence . . . . 9:00 a.m. on Thursday, November 9, 2017

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) 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 an application reference number from the designated website at or before 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.

(3) 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 Wednesday, November 1, 2017, the application lists will not open or close on that day. See "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) 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 — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or around Wednesday, November 1, 2017 and, in any event, not later than Friday, November 3, 2017. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us by Friday, November 3, 2017, the Share Offer will not proceed and will lapse.

(6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, November 8, 2017 but will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised and has lapsed. Investors who trade the Hong Kong Offer Shares on the basis of publicly available allocation details before the receipt of their Share certificates or before the Share certificates becoming valid certificates of title do so entirely at their own risk.

(7) e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share 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 check, 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 encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.

(8) Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund checks and/or Share certificates in person from our Company's Hong Kong Branch 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 Wednesday, November 8, 2017 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares and have provided all information required may collect their refund checks, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund checks for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies — Personal Collection — (d) If you apply via Electronic Application Instructions to HKSCC" in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to that bank account in the form of e-Auto Refund payment instructions. Applicants who have applied 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 in the form of refund checks by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

For further details in relation to the Hong Kong Public Offering, please refer to the sections headed "Structure of the Share Offer" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Putian Communication Group Limited, 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 securities other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale 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 included in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their respective directors or advisers, or any other person or party involved in the Share Offer. Information contained in our website, located at **www.potel-group.com** does not form part of this prospectus.*

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This summary aims to give you an overview of the information contained in this prospectus. As this 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 entire prospectus before you decide to invest in the Offer Shares.

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

OVERVIEW

We are a well-established and fast growing communication cable manufacturer and structured cabling system product provider based in Jiangxi Province, the PRC. We operate under the brand name of "普天汉飞" and "Hanphy". Our communication cable products include a wide range of optical fiber cables and communication copper cables, which are mainly used by major telecommunications network operators in the PRC for network construction and maintenance. According to the Ipsos Report, we were ranked 10th among PRC communication copper cable manufacturers in terms of sales revenue of communication copper cables in 2016. In 2016, our market share in the PRC in terms of revenue in the communication copper cable market and the optical fiber cable market was 2.2% and 0.7%, respectively. During the Track Record Period, the sales revenue of communication copper cables had been our major source of revenue. In 2012, we started providing structured cabling system products to major telecommunications network operators and non-operator customers. Our structured cabling system products primarily include optical and copper jumper wires and connection and distribution components such as distribution frames, wiring closets, as well as data and audio modules and faceplates. We believe we are one of the most diversified suppliers in our industry in the PRC. Moreover, our strong research and development capabilities have enabled us to continuously develop new products and upgrade our existing products. We have received various awards and recognitions. For example, we have consecutively been recognized as a New High-tech Enterprise by Jiangxi Provincial Department of Science and Technology since 2006.

We have been shortlisted as one of the designated cable suppliers by a number of major telecommunications network operators in the PRC through their centralized and local procurement bidding or tendering processes for many years, which we believe, was primarily attributable to our superior product quality, constant availability, responsive customer services and competitive prices. Leveraging on our strong and long-term business relationship with a number of major telecommunications network operators in the PRC, we have achieved a solid market position in the markets in which we compete. We have also successfully expanded our customer base to non-operator customers through providing structured cabling system products.

Benefiting from our competitive advantages and the promising industry trend in the PRC according to the Ipsos Report, we experienced significant growth during the Track Record Period. Our revenue increased from RMB270.8 million in 2014 to RMB361.7 million in 2015, which further increased to RMB467.9 million in 2016, representing a CAGR of 31.4%. Our revenue increased from RMB120.8 million for the four months ended April 30, 2016 to RMB165.1 million for the four months ended April 30, 2017. Our net profit increased from RMB17.8 million in 2014 to RMB34.4 million in 2015, which further increased to RMB52.1 million in 2016, representing a CAGR of 71.1%. Our profit increased from RMB12.4 million for the four months ended April 30, 2016 to RMB15.4 million for the four months ended April 30, 2017. Our total assets increased from RMB250.1 million as at December 31, 2014 to RMB291.6 million as at December 31, 2015 and further to RMB326.6 million as at December 31, 2016, representing a CAGR of 14.3%. Our total assets decreased to RMB322.4 as of April 30, 2017.

According to Ipsos Report, in 2008, the PRC government initiated a strategy to further promote the use of optical fiber cable ("光進銅退"). It is expected that the sale and market share of communication copper cable will decline; however, it will not be substantially replaced by optical fiber cable in the next five years. In view of this industry trend, we increased our optical fiber cable production capacity during the Track Record Period and entered into the structured cabling system products in 2012. Going forward, we will allocate more resources to expand our optical fiber cable production capacity and plan to enhance our structured cabling system production equipment.

Moreover, we will expand into the upstream optical fiber production business to further improve our position in the value chain of our industry. For details of our business strategies to respond to the industry trend, please refer to the section headed "Business — Our strategies" in this prospectus. For details of our future plans and use of proceeds, please refer to the section headed "Future plans and proposed use of proceeds" in this prospectus.

OUR STRENGTHS

Our key strengths include:

- Stable and long term relationships with major customers;
- A wide range of product offerings bringing substantial growth potential;
- Superior product quality supported by robust quality control procedures;
- Strong commitment to product innovation and customer services underpinned by in-depth understanding of the industry; and
- Visionary senior management, experienced execution team and strong execution capabilities.

For details of our strengths, please see "Business — Our Strengths" of this prospectus.

OUR STRATEGIES

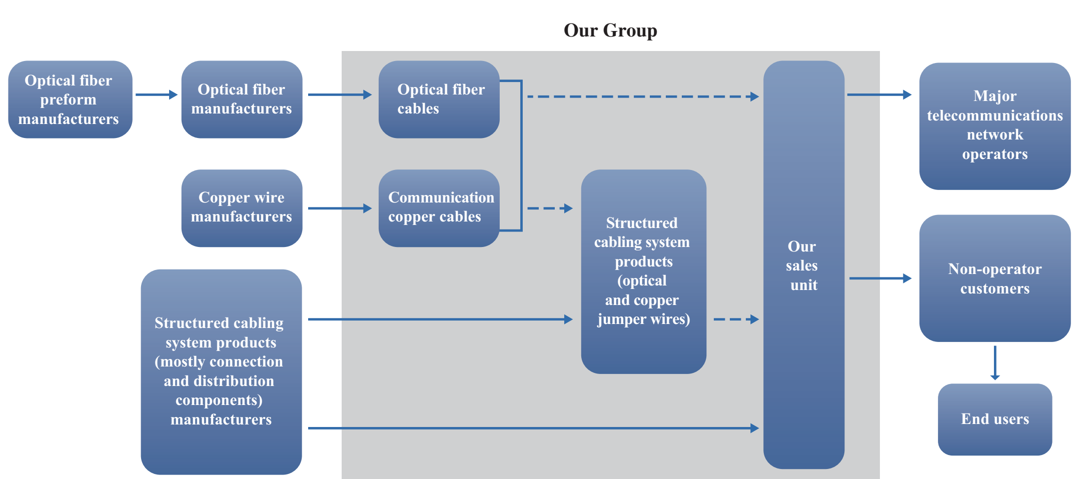
Our objective is to strengthen and improve our market position in the PRC. We intend to achieve our objective by implementing business strategies with the following key aspects.

- Increase market shares in optical fiber cables through increasing production capacity and further strengthening customer relationships;
- Refine our product mix by focusing on the segments with high growth potential and profit margins;
- Expand our business into the production of optical fibers through backward vertical integration; and
- Expand our product offerings and strengthen our research and development capabilities.

For details of our strategies, please see "Business — Our Strategies" of this prospectus.

OUR BUSINESSES MODEL

We provide a wide range of optical fiber cables and communication copper cables primarily to customers in the telecommunications industry and structured cabling system products to customers in a variety of industries. The following diagram illustrates the value chain of the industry that we operate in.



Note:

indicates external purchases or sales.
indicates sales or transfers within our Group.

OUR PRODUCTION FACILITIES AND CAPACITIES

As of April 30, 2017, our production facility, Aihu Factory, had a total gross floor area of 21,758.5 square meters and a total production capacity of 1.2 million fkm for optical fiber cables, 1.7 million pkm for communication copper cables, and 9.6 million units for structured cabling system products. During the Track Record Period, the utilization rate for optical fiber cables was 74.0%, 72.4%, 83.0% and 73.1%, respectively; the rate for communication copper cables was 45.8%, 50.5%, 65.1% and 55.6%, respectively; and the rate for structured cabling system products was 7.1%, 16.4%, 27.4% and 37.8%, respectively. Our Aihu Factory comprises production plants, storage and warehouse areas and research and development laboratories. For details of our production facilities and capacities, including the weighted average designed production capacity, actual standardized production volume and utilization rate for our different products during the Track Record Period, please refer to the section headed "Business — Production — Production Facilities and Capacities" in this prospectus.

Supported by our extensive industry experience and enhanced financial position following our Share Offer, we plan to (i) increase our existing production capacity of optical fiber cables which we expect that our aggregate annual production capacity for optical fiber cables will reach 5,6 million fkm; and (ii) expand into the upstream optical fiber production business to further improve our position in the value chain of our industry which we expect that at least approximately 60% of our optical fiber demand can be satisfied by our in-house optical fiber production. For details of our expansion plan, please refer to the section headed "Business — Production — Expansion Plan" in this prospectus.

SALES AND DISTRIBUTION

Substantially all of our sales to major telecommunications network operators and certain of our sales to non-operator customers are made through our participation in public bidding and tendering processes hosted by these customers. We set prices of our products based on various factors, including but not limited to the type of customers, cost of the product, market demands and competition status. For details of our pricing strategies, please refer to the section headed "Business — Customers, Sales and Marketing — Pricing Strategies" in this prospectus. The following table sets forth, for the periods indicated, the number of tenders we submitted and the number of tenders in which we were successfully selected by our customers.

	For the year ended December 31,									For the four months ended April 30,			After the Track Record Period and up to the Latest Practicable Date		
	2014			2015			2016			2017					
	Number of tenders submitted	Number of tenders selected by customers	Success rate	Number of tenders submitted	Number of tenders selected by customers	Success rate	Number of tenders submitted	Number of tenders selected by customers	Success rate	Number of tenders submitted	Number of tenders selected by customers	Success rate	Number of tenders submitted	Number of tenders selected by customers	Success rate
Major telecommunications network operators															
Centralized procurement	8	2	25.0%	1	1	100.0%	8	6	75.0%	2	2	100.0%	2	2	100.0%
Local procurement	17	12	70.6%	21	11	52.4%	20	11	55.0%	4	2	50.0%	10	6	60.0%
Non-operator customers	5	3	60.0%	8	2	25.0%	8	2	25.0%	2	0	0.0%	1	0	0.0%
Total	30	17	56.7%	30	14	46.7%	36	19	52.8%	8	4	50.0%	13	8	61.5%

During the Track Record Period and up to the Latest Practicable Date, in order to better understand the competitive landscape of the industry, such as tender size, market demand and tender rules, we would generally submit tenders that we were invited to attend and this strategy resulted in fluctuation in our tender success rate during the period.

For the major telecommunications network operators, after we have been selected as their suppliers through public bidding and tendering, we generally enter into framework agreements. For details of these framework agreements and the subsequent arrangement and details of sales to our customers, please refer to the section headed "Business — Customers, Sales and Marketing — Sales and Distribution" in this prospectus.

The following table sets forth the total sales volume and the average price (excluding value-added tax) of our major optical fiber cable products for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2014		2015		2016		2016		2017	
	Sales volume	Average price	Sales volume	Average price	Sales volume	Average price	Sales volume	Average price	Sales volume	Average price
	(fkm'000)	*(RMB/fkm)*	*(fkm'000)*	*(RMB/fkm)*	*(fkm'000)*	*(RMB/fkm)*	*(fkm'000)* (unaudited)	*(RMB/fkm)*	*(fkm'000)*	*(RMB/fkm)*
Loose tube stranded optical fiber cables	414.9	121	753.2	127	1,013.2	144	318.1	134.6	317.2	159.2
Central-tubed optical fiber cables	22.1	291	31.0	284	24.8	297	8.1	312.1	7	311.2
Butterfly optical fiber cables	16.0	284	34.7	236	35.8	240	7.5	221.9	15.5	221.4

The following table sets forth the total sales volume and the average price (excluding value-added tax) of our major communication copper cable products for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2014		2015		2016		2016		2017	
	Sales volume	Average price	Sales volume	Average price	Sales volume	Average price	Sales volume	Average price	Sales volume	Average price
	(pkm'000)	*(RMB/pkm)*	*(pkm'000)*	*(RMB/pkm)*	*(pkm'000)*	*(RMB/pkm)*	*(pkm'000)* (unaudited)	*(RMB/pkm)*	*(pkm'000)*	*(RMB/pkm)*
Data cables	466.6	272.0	711.0	228.2	930.1	218.0	233.2	216.8	251.1	258.1
Local telephone cables	123.2	180.4	99.6	157.9	81.2	150.5	21.7	154.0	21.5	177.6
Telephone and broadband wires	161.6	279.8	141.6	249.8	116.5	232.5	32.1	237.5	22.6	267.5
Power cables	–	953.6	0.3	1,147.2	6.0	1,074.9	0.8	1,171.6	2.7	1,211.3

For our structured cabling system products, since they are components of the wiring system, including optical fiber-based cabling system and copper-based cabling system, within buildings for information transmission, and different types of structured cabling system products may have different measuring units. Therefore, it may not be appropriate for us to disclose the average price and sales volume of structured cabling system products as a whole.

OUR CUSTOMERS AND SUPPLIERS

Due to the nature of our industry, we have derived a substantial percentage of our revenue from a limited number of key customers. During the Track Record Period, our top five customers are primarily major telecommunication network operators and players in the communication system industry in the PRC. Sales to our top five customers represented 95.8%, 96.1%, 94.0% and 94.5% of our total revenue in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. For details of our top five customers, please refer to the section headed "Business — Customers, Sales and Marketing — Our Customers" in this prospectus. 47.7%, 53.1%, 56.8% and 56.6% of our total revenue was attributable to our largest customer for the corresponding year/period. For details of our concentration on a limited number of key customers, please refer to the section headed "Business — Customers, Sales and Marketing — Customer Concentration" in this prospectus.

Purchases from our top five suppliers together represented 66.4%, 64.3%, 65.9% and 64.4% of our total purchases in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively, and our purchases from the largest supplier represented 37.1%, 34.0%, 29.1% and 28.4%, respectively, of our total purchases for the corresponding year/period. During the Track Record Period, our top five suppliers are primarily manufacturers of optical fiber, copper product, insulation materials and cable sheathing materials in the PRC. For details of our top five suppliers, please refer to the section headed "Business — Raw Materials, Inventories and Suppliers — Suppliers" in this prospectus. According to Ipsos Report, the suppliers in our industry are dominated by a few players. For details of our concentration on a limited number of key suppliers, please refer to the section headed "Business — Raw Materials, Inventories and Suppliers — Supplier Concentration" in this prospectus.

SUMMARY OF FINANCIAL AND OPERATIONAL INFORMATION

The tables below present a summary of our financial information of our Group as of and for the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017. We have derived the summary from our combined financial information set forth in the Accountants' Report in Appendix I to this prospectus. The below summary should be read in conjunction with our financial information included in the Accountants' Report set out in Appendix I to this prospectus, including the notes thereto.

Summary of Selected Items of Combined Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth the summary of selected items of combined statements of profit or loss and other comprehensive income of our Group with line items in absolute amounts and as percentages of total revenue for the periods indicated.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)						(unaudited)			
Revenue	270,770	100.0	361,726	100.0	467,919	100.0	120,761	100.0	165,062	100.0
Gross profit	51,487	19.0	78,890	21.8	111,360	23.8	29,219	24.2	41,377	25.1
Profit before income tax expense	20,987	7.8	40,582	11.2	63,144	13.5	14,844	12.3	19,880	12.0
Profit and total comprehensive income for the year/period	17,788	6.6	34,358	9.5	52,099	11.1	12,435	10.3	15,368	9.3

Summary of Reportable Segments Financial Information

Our revenue is mainly derived from sales of optical fiber cables, communication copper cables and structured cabling system products, which represents our three reportable segments, respectively. The table below sets out a breakdown of sales by products in our three reportable segments for the periods indicated.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)						(unaudited)			
Optical fiber cables	61,102	22.6	112,550	31.1	162,342	34.7	46,994	38.9	56,120	34.0
Communication copper cables	194,397	71.8	213,718	59.1	248,472	53.1	62,420	51.7	77,939	47.2
Structured cabling system products	15,271	5.6	35,458	9.8	57,105	12.2	11,347	9.4	31,003	18.8
Total	270,770	100.0	361,726	100.0	467,919	100.0	120,761	100.0	165,062	100.0

The following table sets forth a breakdown of our gross profit and gross profit margin by each of our three reportable segments for the periods indicated.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(RMB)	*(%)*	*(RMB)*	*(%)*	*(RMB)*	*(%)*	*(RMB)*	*(%)*	*(RMB)*	*(%)*
	(in thousands, except for percentages)						(unaudited)			
Optical fiber cables	14,938	24.4	27,965	24.8	42,836	26.4	11,813	25.1	15,097	26.9
Communication copper cables	31,464	16.2	38,191	17.9	46,760	18.8	12,836	20.6	15,241	19.6
Structured cabling system products	5,085	33.3	12,734	35.9	21,764	38.1	4,570	40.3	11,039	35.6
Total	51,487	19.0	78,890	21.8	111,360	23.8	29,219	24.2	41,377	25.1

Our gross profit margin for optical fiber cables increased from 24.4% for the year ended December 31, 2014 to 24.8% for the year ended December 31, 2015, and further increased to 26.4% for the year ended December 31, 2016, primarily due to the increase in gross profit margin for our major products, such as loose tube stranded optical fiber cables due to the increase in our selling price of the loose tube stranded optical fiber cables outpaced the increase in its cost. Our gross profit margin for optical fiber cables increased from 25.1% for the four months ended April 30, 2016 to 26.9% for the four months ended April 30, 2017, primarily due to the increase in gross profit margin for our major products, such as loose tube stranded optical fiber cables due to the increase in our selling price of the loose tube stranded optical fiber cables outpaced the increase in its cost.

Our gross profit margin for communication copper cables increased from 16.2% for the year ended December 31, 2014 to 17.9% for the year ended December 31, 2015, and further to 18.8% for the year ended December 31, 2016, primarily due to the decrease in our cost of sales for communication copper cables as a result of the decreased price in copper wires. Our gross profit margin for communication copper cables decreased from 20.6% for the four months ended April 30, 2016 to 19.6% for the four months ended April 30, 2017, primarily due to the increase in our cost of copper wires outpaced the increase in selling price of communication copper cables.

Our gross profit margin for structured cabling system products increased from 33.3% for the year ended December 31, 2014 to 35.9% for the year ended December 31, 2015, and further increased to 38.1% for the year ended December 31, 2016, primarily due to the decreased price of raw materials while the selling price maintained stable. Our gross profit margin for structured cabling system products decreased from 40.3% for the four months ended April 30, 2016 to 35.6% for the four months ended April 30, 2017, primarily due to the increased portion of structured cabling system products were connection and distribution components, which have lower gross profit margin than optical and copper jumper wires.

Summary of Combined Statements of Cash Flow

The following table sets forth our cash flows for the periods indicated.

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
		(in RMB thousands)		(unaudited)	
Net cash generated from operating activities	20,419	38,191	48,044	11,814	897
Net cash used in investing activities	(20,208)	(35,693)	(4,417)	(1,141)	(2,139)
Net cash (used in)/generated from financing activities	(937)	952	(40,369)	(15,556)	(6,076)
Net (decrease)/increase in cash and cash equivalents	(726)	3,450	3,258	(4,883)	(7,318)
Cash and cash equivalents at the beginning of the year/period	8,329	7,603	11,053	11,053	14,311
Effect of foreign exchange rate changes	–	–	–	–	10
Cash and cash equivalents at the end of the year/period	7,603	11,053	14,311	6,170	7,003

Summary of Combined Statements of Financial Position

As of December 31, 2014, 2015, 2016 and April 30, 2017, we had net current assets of RMB55.9 million, RMB64.5 million, RMB118.9 million and RMB38.4 million, respectively. The following table sets forth the selected items of our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of April 30,
	2014	2015	2016	2017
		(in RMB thousands)		
Non-current assets	87,131	114,004	111,064	109,589
Current assets	162,920	177,601	215,488	212,814
Current liabilities	107,036	113,124	96,628	174,396
Net current assets	55,884	64,477	118,860	38,418
Total equity	141,829	176,187	225,915	143,343

Key Financial Ratios

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

	As of/for the year ended December 31,			As of/for the four months ended April 30,
	2014	2015	2016	2017
Rates of return:				
Return on total assets(1)	7.8%	12.7%	16.9%	14.2%
Return on equity(2)	13.5%	21.6%	25.9%	25.0%
Liquidity:				
Current ratio (times)(3)	1.52	1.57	2.23	1.22
Quick ratio (times)(4)	1.18	1.21	1.80	0.95
Capital adequacy:				
Gearing ratio (times)(5)	0.76	0.66	0.45	1.25
Interest coverage ratio (times)(6)	5.05	11.06	28.61	26.82
Gross profit margin(7)	19.0	21.8	23.8	25.1
Net profit margin(8)	6.6	9.5	11.1	9.3

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 current assets less inventory divided by current liabilities as of the end of period.

(5) Calculated using total liabilities divided by total equity as of the end of each period.

(6) Calculated using the sum of profit before income tax expense and interest on bank borrowings for the period divided by interest on bank borrowings for the period.

(7) Calculated using gross profit for the period divided by revenue for the period.

(8) Calculated using net profit for the period divided by revenue for the period.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Reorganization, the Capitalization Issue and the Share Offer, Ms. Wang and Mr. Zhao (who are married couple and the parents of Ms. Zhao Moge, one of our executive Directors), through their respective wholly-owned companies, Arcenciel Capital and Point Stone Capital, will be entitled to control the exercise of voting rights of 69.75% of the Shares eligible to vote in general meetings of our Company (assuming the Over-allotment Option or the options which may be granted under the Share Option Scheme are not exercised). Therefore, Ms. Wang, Mr. Zhao, Arcenciel Capital and Point Stone Capital are considered to be our Controlling Shareholders. For details of our relationships with our Controlling Shareholders, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus. Ms. Wang is the founder of our Group, the chairlady of the Board, chief executive officer of our Company and an executive Director while Mr. Zhao is an executive Director. For the biographical information of Ms. Wang and Mr. Zhao, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

OUR PRE-IPO INVESTORS

Ms. Chan and Mr. Zheng are our Pre-IPO Investors, both of them are Independent Third Parties. Ms. Chan acquired 3% equity interests of our Company at a consideration of RMB6,780,000, representing approximately 56.16% discount to the mid-point of the Offer Price range. Mr. Zheng acquired 4% equity interests of our Company at a consideration of RMB9,820,000, representing approximately 52.05% discount to the mid-point of the Offer Price range. The consideration for the Pre-IPO Investments have been fully settled on March 31, 2017. Please refer to the section headed "History, Reorganization and Group Structure — Pre-IPO Investment" in this prospectus.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

We have continued to develop our business after the Track Record Period. We participated in one of the open tendering processes held by one of the major telecommunications network operators in the PRC, for the procurement of optical fiber cables under the centralised procurement policies in May 2017. In June 2017, we have been selected by Customer A as one of their optical fiber cable suppliers in 2017-2018 under their centralized procurement. According to the tender award confirmation, the total sales amount of optical fiber cables in 2017-2018 will amount to approximately RMB330.0 million.

Our amounts due to a director/shareholders increased from nil as of December 31, 2016 to RMB91.3 million as of April 30, 2017 was due to the Group Reorganization. For details, please see "Financial Information — Net Current Assets". The amount due to our shareholders of RMB91.3 million comprised of (i) an amount due to shareholders of RMB97,970,000 which was fully settled on July 31, 2017 by using (a) the proceeds from borrowings from two Independent Third Parties in an amount of RMB50.0 million and (b) cash flow from our operating activities; and (ii) an amount due from our shareholders of RMB6,659,000. For details of the borrowing from two Independent Third Parties, please see "Financial Information — Indebtedness — Statement of Indebtedness".

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, save for the Listing expenses, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our operating and financial position since April 30, 2017, being the date on which our latest audited combined financial statements were prepared, and there is no event since April 30, 2017 which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

SHARE OFFER STATISTICS

All statistics in this table are based on the assumption that no Over-allotment Option will be exercised. We expect to issue 275,000,000 Shares under the Share Offer.

	Based on the minimum Offer Price of HK$0.51	**Based on the maximum Offer Price of HK$0.95**
Market capitalization(1)	HK$561 million	HK$1,045 million
Unaudited pro forma adjusted combined net tangible assets per Share(2)	HK$0.26	HK$0.37

Notes:

(1) The calculation of market capitalization is based on 1,100,000,000 Shares expected to be issued and outstanding following the Share Offer.

(2) The unaudited pro forma adjusted combined net tangible assets per Share attributable to owners of the Company is arrived at after the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information."

USE OF PROCEEDS

Assuming an Offer Price of HK$0.73 per Share (being the mid-point of the stated range of the Offer Price of between HK$0.51 and HK$0.95 per Share), we estimate that we will receive net proceeds of approximately HK$166.7 million (equivalent to approximately RMB141.1 million) from the Share Offer after deducting the underwriting commissions, costs and other estimated expenses in the Share Offer, assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds from the Share Offer for the following purposes:

- approximately 46.0% (approximately RMB64.9 million) for the upstream vertical expansion into the optical fiber production;
- approximately 13.6% (approximately RMB19.2 million) for the settlement of partial payment for the four new optical fiber cable production lines;
- approximately 12.5% (approximately RMB17.6 million) for the enhancement of our structured cabling system products production equipment;
- approximately 8.9% (approximately RMB12.6 million) for financing our research and development of diversified new products and the production processes;
- approximately 10.6% (RMB15.0 million) for repayment of part of our bank loans;
- approximately 8.4% (approximately RMB11.8 million) for working capital and other general corporate purposes.

For further details on our future plans and use of proceeds, please see "Future plans and proposed use of proceeds" of this prospectus.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the PRC; and (iv) risks relating to the Share Offer. Our business may be materially and adversely affected by these risks, such as the following:

- We are subject to risks of significant fluctuations or declines in revenue due to our customer concentration.
- We are subject to risks relating to increases in trade and bills receivables due to our customer concentration.
- We procure our key raw materials from a limited number of suppliers and we are subject to risks associated with the availability of raw materials used in the production of our products and the volatility in their prices.
- We may not be able to carry out our production capacity expansion plans as we expect.
- We may not be able to carry out our upstream vertical expansion plan into the optical fiber production as we expect.

For further information relating to these and other risks relating to an investment in our Shares, please see "Risk Factors" of this prospectus.

LEGAL COMPLIANCE

We had not made sufficient contributions to our employees' social insurance plans and housing provident funds during the Track Record Period under the applicable PRC laws and regulations. Putian Cable had not applied for and passed the completion inspection on corresponding environmental protection requirements for our Aihu Factory before commencement of operation of such production facility. For details of these non-compliance incidents, please refer to the section headed "Business — Legal Compliance" in this prospectus.

DIVIDEND

During the Track Record Period, no dividend has been paid. On July 31, 2017, Putian Cable declared and paid an aggregate dividend of RMB47,970,000 to Jiangxi Tianyuan, which was used to settle part of the outstanding consideration for the acquisition of the equity interest in Putian Cable from Ms. Wang and Mr. Zhao.

We currently do not have a fixed 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.

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 Share Offer. We expect the total estimated amount of listing related fees, including underwriting commissions, with the assumption of an Offer Price of HK$0.73 (being the mid-point of the Offer Price range) would be approximately RMB28.8 million, of which approximately RMB1.9 million and RMB4.8 million was charged to our administrative expenses for the year ended December 31, 2016 and the period ended April 30, 2017, respectively. We expect an additional amount of approximately RMB8.5 million to be further recognized as administrative expenses for the year ending December 31, 2017 and approximately RMB13.6 million to be deducted from equity upon the Listing.

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meaning set forth below.

"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s), or where the context so requires, any one of them, to be used in relation to the Hong Kong Public Offering
"Arcenciel Capital"	Arcenciel Capital Co., Ltd., a limited liability company incorporated in the BVI on July 5, 2016 and wholly owned by Ms. Wang
"Articles of Association" or "Articles"	the amended and restated articles of association of the Company conditionally adopted on October 21, 2017, which shall become effective upon the Listing Date, and as amended from time to time, a summary of which is contained in "Appendix IV — Summary of the Constitution of Our Company and Cayman Islands Company Law" to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Aihu Factory"	the optical fiber cable, communication copper cable and structured cabling system product manufacturing factory located at No. 8899 Changdong Road, High-tech development Zone, Nanchang, Jiangxi Province, the PRC
"Board" or "Board of Directors"	the board of Directors of the Company
"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
"BVI"	British Virgin Islands
"Capitalisation Issue"	the allotment and issue of 815,000,000 Shares upon capitalisation of an amount of HK$8,150,000, standing to the credit of the share premium account of the Company as referred to under the paragraph headed "3. Resolutions in writing of all Shareholders passed on October 21, 2017" in Appendix V to this prospectus
"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 participant in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or CCASS Investor Participant
"CCSA"	China Communications Standards Association (中國通信標準化協會)
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this prospectus only, Hong Kong, Macau and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"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
"Company" or "Issuer"	Putian Communication Group Limited (普天通信集團有限公司) (formerly known as Putian Group Limited (普天集團有限公司)), an exempted company with limited liability incorporated in the Cayman Islands on August 19, 2016 under the Companies Law, and, if the context requires, including its predecessors and subsidiaries
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Ms. Wang, Mr. Zhao, Arcenciel Capital and Point Stone Capital

"Deed of Indemnity"	the deed of indemnity dated October 21, 2017 and entered into by our Controlling Shareholders in favor of our Company (for ourselves and each of our subsidiaries), the details of which are set out in "16. Estate duty, tax and other indemnities" in Appendix V to this prospectus
"Deed of Non-competition"	the deed of non-competition dated October 21, 2017 and entered into by our Controlling Shareholders in favor of our Company (for ourselves and each of our subsidiaries), the details of which are set out in the section headed "Relationship with Controlling Shareholders" of this prospectus
"Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our", "ourselves", "we" or "us"	our Company and our subsidiaries or any of them, or, where the context so requires, in respect of the period before our Company became the holding company of the present subsidiaries, the present subsidiaries of our Company
"**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 at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**
"HKFRS(s)"	the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and interpretation issued by the HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company 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 Branch Share Registrar"	Tricor Investor Services Limited
"Hong Kong Offer Shares"	the 27,500,000 Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section headed "Structure of the Share Offer" of this prospectus
"Hong Kong Public Offering"	the offering by the Company of the Hong Kong Offer Shares for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) on and subject to the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated October 26, 2017 relating to the Hong Kong Public Offering and entered into by, among others, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners, the Hong Kong Underwriters, and our Company, as further described in "Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Hong Kong Underwriting Agreement"
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, are independent of our Company or are not our connected persons

"Ipsos Report"	the market research report prepared by Ipsos, an Independent Third Party market research agency
"Jiangxi Building"	Jiangxi Putian Building Intelligence Co., Ltd.* (江西普天樓宇智能有限公司) (formerly known as Jiangxi Putian Information and Communication Co., Ltd.* (江西普天信息通訊有限公司), Jiangxi Putian Information and Industry Co., Ltd.* (江西普天信息產業有限公司) and Jiangxi Putian Information and Construction Co., Ltd.* (江西普天信息工程有限公司)), a company established in the PRC on November 17, 1999 with limited liability, which is wholly owned by Putian Cable
"Jiangxi Changxun"	Jiangxi Changxun Plastic Technology Co., Ltd.* (江西長訊塑膠科技有限公司), a company established in the PRC on November 11, 2014 with limited liability, which is wholly owned by Putian Cable
"Jiangxi Optical"	Jiangxi Changtian Optical Communication Co., Ltd.* (江西長天光電通信有限公司), a company established in the PRC on December 27, 2010 with limited liability, which is wholly owned by Putian Cable
"Jiangxi Recycle"	Jiangxi Putian Scrap Metal Recycle Co., Ltd.* (江西普天廢舊金屬回收有限公司), a company established in the PRC on October 11, 2011 with limited liability, which is wholly owned by Putian Cable
"Jiangxi Tianyuan"	Jiangxi Tianyuan Intelligent Technology Co., Ltd.* (江西天源智能科技有限公司), a company established in the PRC on December 8, 2016 with limited liability
"Joint Bookrunners"	ChaoShang Securities Limited, China Industrial Securities International Capital Limited, China Investment Securities International Brokerage Limited, Dongxing Securities (Hong Kong) Company Limited, GF Securities (Hong Kong) Brokerage Limited, Orient Securities (Hong Kong) Limited and SPDB International Capital Limited
"Joint Lead Managers"	ChaoShang Securities Limited, China Industrial Securities International Capital Limited, China Investment Securities International Brokerage Limited, Dongxing Securities (Hong Kong) Company Limited, GF Securities (Hong Kong) Brokerage Limited, Orient Securities (Hong Kong) Limited and SPDB International Capital Limited

"Latest Practicable Date"	October 19, 2017, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
"Listing"	listing of the Shares on the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about November 9, 2017, on which the Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the Main Board of the Hong Kong Stock Exchange
"Major PRC Telecommunications Network Operators"	the three major state-owned telecommunications network operators in the PRC, namely China Telecom Corporation Limited, China Mobile Limited and China United Network Communications Limited
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company, as amended 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)
"Mr. Zhao"	Mr. Zhao Xiaobao (趙小寶) (alias Zhao Baohua (趙保華)), an executive Director, one of our Controlling Shareholders and the spouse of Ms. Wang
"Mr. Zheng"	Mr. Zheng Yushuang (鄭育雙), one of the Pre-IPO Investors and an Independent Third Party
"Ms. Chan"	Ms. Chan Man Kuen Laura (陳文娟), one of the Pre-IPO Investors and an Independent Third Party

"Ms. Wang"	Ms. Wang Qiuping (王秋萍), our chairlady, an executive Director and chief executive officer of our Company, one of our Controlling Shareholders and the spouse of Mr. Zhao
"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)
"Nomination Committee"	the nomination committee of the Board
"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 Hong Kong Stock Exchange trading fee of 0.005%), at which Hong Kong Offer Shares are to be subscribed for, to be determined in the manner further described in the section headed "Structure of the Share Offer — Pricing and Allocation" of this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the Placing Shares, collectively, and where relevant, together with any additional Shares to be issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by us to the Placing Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) pursuant to which our Company may be required to allot and issue up to 41,250,000 additional new Shares at the Offer Price (in aggregate representing approximately 15% of the Shares initially being offered under the Share Offer) to cover over-allocation in the Placing, the details of which are described in the section headed "Structure of the Share Offer — Over-allotment Option" of this prospectus
"PBOC"	The People's Bank of China (中國人民銀行), the central bank in China
"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters, outside the United States in offshore transactions in accordance with Regulation S, as further described in the section headed "Structure of the Share Offer" of this prospectus

"Placing Agreement"	the placing agreement expected to be entered into on or around November 1, 2017 by, among others, the Sole Global Coordinator, the Placing Underwriters and our Company in respect of the Placing, as further described in "Underwriting — Underwriting arrangements and expenses — The Placing" in this prospectus
"Placing Shares"	the 247,500,000 Shares initially offered pursuant to the Placing, subject to the Over-allotment Option and reallocation as described in the section headed "Structure of the Share Offer" of this prospectus
"Placing Underwriters"	the group of underwriters who are expected to enter into the Placing Agreement, being the underwriters of the Placing
"Point Stone Capital"	Point Stone Capital Co., Ltd., a limited liability company incorporated in the BVI on July 5, 2016 and wholly owned by Mr. Zhao
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC government" or "State"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"Pre-IPO Investment"	the investment made by Ms. Chan and Mr. Zheng
"Pre-IPO Investor(s)"	Ms. Chan and Mr. Zheng
"Price Determination Agreement"	the agreement to be entered into between our Company and the Sole Global Coordinator (on behalf of the Underwriter(s)) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around November 1, 2017 (Hong Kong time) on which the Offer Price is determined, or such later time as the Sole Global Coordinator and the Underwriters and us may agree, but in any event no later than November 3, 2017

"Procurement Limit"	a procurement policy through open tendering processes adopted by the Major PRC Telecommunications Network Operators that limits the portion of the total procurement amount that is allotted to any single supplier selected with an aim to prevent any single optical fiber cable supplier from dominating the optical fiber cable market
"Putian Cable"	Putian Cable Group Co., Ltd.* (普天線纜集團有限公司) (formerly known as Jiangxi Putian Data Cable Co., Ltd.* (江西普天數據電纜有限公司)), a company established in the PRC on March 21, 2001 with limited liability
"Putian Cable (Shanghai)"	Putian Cable Group (Shanghai) Building Intelligence Co., Ltd.* (普天線纜集團(上海)樓宇智能有限公司), a company established in the PRC on March 30, 2015 with limited liability
"Putian Group HK"	Putian Group (HK) Investment Limited, a company incorporated in Hong Kong on September 20, 2016 with limited liability
"Putian Investment"	Putian Group Investment Co., Ltd., a company incorporated in the BVI on August 31, 2016 with limited liability
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the corporate reorganization of our Group in preparation for the Listing as described under the paragraph headed "Reorganization" in the section headed "History, reorganization and Group structure" of this prospectus
"RMB" or "Renminbi"	the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"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)

"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Sensation Investment"	Sensation Investment Limited, a limited liability company incorporated in Hong Kong on March 30, 2014 and wholly owned by Ms. Chan
"SFC" or "Securities Futures Commission"	the Securities and Futures Commission of Hong Kong
"Share(s)"	share(s) in the share capital of the Company, with a nominal value of HK$0.01 each
"Share Offer"	the Hong Kong Public Offering and the Placing
"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on October 21, 2017, the principal terms of which are summarized in the section headed "Statutory and general information — 15. Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Sole Global Coordinator"	SPDB International Capital Limited
"Sole Sponsor"	SPDB International Capital Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 2 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the years ended December 31, 2014, 2015 and 2016 and the four months ended April 30, 2017
"Underwriter(s)"	the Hong Kong Underwriter(s) and the Placing Underwriter(s)

"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the Placing Agreement
"United States" or "U.S." or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended
"US$," "U.S. dollars" or "USD"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's or applicants' own name(s)
"Yigi Solar Power"	Jiangxi Yigi Solar Power Technology Co., Ltd* (江西移基太陽能科技有限公司), a company established in the PRC on August 11, 2011 with limited liability, which was held by Putian Cable as to 51% prior to the Reorganisation
"Yaohu Factory"	the factory under construction located to the south of Guipian Project and the west of College Seventh Road, Nanchang, Jiangxi Province, the PRC
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"%"	per cent

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language marked with an asterisk "" 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.*

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus in connection with our Group and our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"fkm"	fiber kilometers, which represent kilometers of optical fibers. For optical fiber cables, means the kilometers of optical fibers contained in optical fiber cables
"FTTB"	fiber-to-the-building
"FTTC"	fiber-to-the-curb
"FTTH"	fiber-to-the-home
"FTTN"	fiber-to-the-node
"FTTU"	fiber-to-the-user
"FTTX"	fiber-to-the-x
"GB/T"	recommended national standards issued by the ISO and the International Electrotechnical Commission ("**IEC**") (a global organization that prepares and publishes international standards for all electrical, electronic and related technologies), on behalf of (Standardization Administration of China) ("**SAC**"). National Standards of SAC are either mandatory (GB) or recommended (GB/T) and may be identical to or modified from or not equivalent to international standards of the ISO
"ISO"	an acronym for International Organization for Standardization, a non-government organization based in Geneva, Switzerland, it publishes a series of quality management and quality assurance standards for assessing the quality systems of business organizations
"LSZH"	low smoke zero halogen
"PBT"	polybutylene terephthalate
"PE"	polyethylene
"PVC"	polyvinyl chloride
"km"	kilometers
"pkm"	pair kilometers, which represent kilometers of communication copper cable, multiplied by the pair numbers of cable cores
"sq.m."	square meters
"structured cabling system products"	assembled products comprising a combination of one or more of the followings; (a) transmission media (such as optical fiber cable and communication copper cable); (b) connection components (such as optical cable jumper wires, cable panels, wiring closets, distribution frames, as well as data and audio modules and faceplates); and (c) intelligent cabling system

This prospectus contains certain forward-looking statements and information relating to our Group that are based on the belief of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and 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 "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties 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. 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. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our ability to implement our business plans and strategies successfully;
- future developments, trends and conditions in the industry and markets in which we operate;
- our capital expenditure and operational plans;
- the actions and developments of our competitors;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;
- general political and economic and business conditions in the markets in which we operate;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- various business opportunities that we may pursue; and
- other factors beyond our control.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

In this prospectus, statements of or references to the intentions of our Company 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 Shares involves certain risks. You should carefully consider the following information about risks, together with the other information contained in this prospectus, including our combined financial statements and the accompanying notes, before you decide to invest in our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial conditions and prospects would likely suffer. In any such case, the market price of our 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 BUSINESS

We are subject to risks of significant fluctuations or deterioration of financial performance due to our customer concentration.

Due to the nature of our industry, we have derived a substantial percentage of our revenue from a limited number of key customers, which are primarily major telecommunications network operators in the PRC. In 2014, 2015, 2016 and the four months ended April 30, 2017 our revenue derived from our five largest customers represented 95.8%, 96.1%, 94.0% and 94.5%, respectively, of our total revenue, and revenue derived from our single largest customer represented 47.7%, 53.1%, 56.8% and 56.6%, respectively, of our total revenue for the same period. Any disruption in our business relationship with any of our major customers will adversely affect our sales and profitability.

In particular, the major telecommunications network operators are the major ultimate customers for optical fiber cable and communication copper cable suppliers in the PRC, including us. As there are only a limited number of major telecommunications network operators in the PRC, our potential customer base is relatively concentrated. In 2014, 2015 and 2016 and the four months ended April 30, 2017, our sales to major telecommunications network operators represented 91.4%, 90.2%, 91.4% and 92.4% of our total revenue, respectively. Purchases from the major telecommunications network operators in the PRC generally involve a bidding and tender process under their centralized procurement policies. There is no assurance that we will continue to be selected by these major telecommunications network operators as their suppliers, or to supply products to these customers at current levels, or at all. If we fail to secure purchase contracts in the bidding and tender processes of any single dominant customer due to our failure to offer a competitive price or other reasons out of our control, our business, financial conditions and results of operations may be materially and adversely affected. Moreover, if there is any change or removal of the centralized procurement policies adopted by these major telecommunications network operators, we may not be able to sell our products in different regions and in such circumstances, our business, financial conditions and results of operations may be materially and adversely affected.

In addition, our current concentration on a limited number of significant customers, in particular, the major telecommunications network operators will continue to limit our ability to negotiate prices for our products. These major telecommunications network operators have stronger bargaining powers to drive prices down and stipulate contractual terms as price is a key criterion to which significant weight is commonly assigned during the evaluation process.

While we work consistently towards 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 major telecommunications network operators in the PRC, 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 relatively fixed in the tender, which may also limit our ability to price our products.

In addition, major telecommunications network operators generally do not give long-term purchase commitments and our sales are made on individual purchase orders under master or framework purchase agreements between our customers and us. There is no assurance that any of our customers will place purchase orders with us in the future at the current level, or that the volume of our customers' purchase orders will be consistent with our expectation. Our results of operations may therefore vary significantly in different years and the contracted selling prices of our products are subject to fluctuation and uncertainties upon the renewal of the relevant contracts.

According to Ipsos Report, the major telecommunications network operators in the PRC have adopted a procurement limit policy, where the total procurement allotted to any single supplier is limited to a certain percentage and hence, no single supplier can dominate the market. If there is any change in this procurement limit policy, we may face more competition in the market which may adversely and materially affect our business and results of operations.

Any one or more of the following events, among others, may cause material fluctuations or decreases in our revenue and may have a material and adverse effect on our business, financial conditions, results of operations and prospects:

- the decision by one or more of our significant customers to select one or more of our competitors to supply optical fiber cables or communication copper cables;
- the loss of one or more of our major customers and our failure to secure additional or replacement customers to replace the lost sales volume at satisfactory pricing or other terms;
- reduction in the amount or the price of products purchased from us by one or more of our significant customers;
- delay or cancelation of procurement orders by our customers due to the delay or cancelation of telecommunication or other infrastructure projects; or
- the failure or inability of any of our significant customers to make timely payment for our products.

These factors may result in a lack of certainty and predictability of our sales, which may fluctuate unpredictably depending on our customers' demands and orders. We anticipate that our dependence on a limited number of significant customers is unavoidable and will continue due to the nature of the telecommunications industry in the foreseeable future. There is no assurance that our relationships with our major customers will continue to improve or if these customers will continue to make significant purchases from us in the future. Any failure to maintain our existing customer relationships or to expand our customer base will materially and adversely affect our business, financial conditions, results of operations and prospects.

We are subject to risks relating to increases in trade and bills receivables due to our customer concentration.

Our customer base with concentration in major telecommunications network operators in the PRC may also subject us to risks relating to increases in trade and bills receivables in light of their dominance in the industry in the PRC and strong bargaining power in respect of payment settlement as compared to their suppliers, including us. Our trade and bills receivables increased from RMB108.0 million as at December 31, 2014 to RMB118.2 million as at December 31, 2015, and further to RMB145.9 million as at December 31, 2016. Our trade and bills receivables amount to RMB150.2 million as at April 30, 2017. As at December 31, 2014, 2015 and 2016 and April 30,2017, approximately RMB35,000, RMB113,000, RMB1,167,000 and RMB1,140,000 of our trade and bills receivables were past due but not impaired, respectively. For details, please refer to the section headed "Financial Information — Net Current Assets — Trade and Bills Receivables" of this prospectus. The increase in trade and bills receivables from our major customers may adversely affect our liquidity. Our increased sales to a limited number of major telecommunications network operators may continue to subject us to risks of increases in trade and bills receivables, and any material adverse change in their settlement terms, methods and payment cycles with suppliers may also adversely affect our business, financial conditions and results of operations.We are also subject to credit risk associated with our concentration on trade and bills receivables from our two largest customers. As of December 31, 2014, December 31, 2015, December 31, 2016 and April 30, 2017, the trade and bills receivables from our two largest customers amounted to RMB93.0 million, RMB107.8 million, RMB137.5 million and RMB141.9 million, respectively. If these customers fail to discharge their obligations, we may suffer material financial loss.

We procure our key raw materials from a limited number of suppliers and we are subject to risks associated with the availability of raw materials used in the production of our products and the volatility in their prices.

Raw materials used for the production of our optical fiber cables are optical fibers, PE and other sheathing materials, steel and aluminum. Raw materials used for the production of our communication copper cables are copper wires, PE insulation materials and sheathing materials. Although we have maintained relationships with multiple suppliers for these key materials, we typically procure a large percentage of these raw materials with a limited number of key suppliers. In particular, our purchase from our largest supplier represented 37.1%, 34.0%, 29.1% and 28.4% of our total purchases in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. In the event we are unable to purchase sufficient raw material from these key suppliers, we from time to time purchased copper wires and optical fibers from other suppliers in limited amounts. Although we usually retain multiple suppliers for most of our raw materials, there is no assurance that we are or will be able to secure alternative sources for raw materials with a comparable quality in a timely and cost effective manner if our business relationships with one or more suppliers are terminated. If our major suppliers fail to provide key raw materials to us in sufficient amounts, in a timely manner, or on favorable terms due to reasons beyond our control, our business operations may be significantly interrupted and our business, financial conditions, results of operations and prospects may be materially and adversely affected.

In addition, we usually do not enter into binding long-term supply contracts with our suppliers with terms over one year. There is no assurance that we can obtain raw materials that meet our requirements in a timely manner and in sufficient amounts at current levels, or at all. In addition, there is no assurance that our suppliers will expand their production capacities to a sufficient level and in a timely manner that could support our growth. These factors may constrain the growth of our production and in turn restrict our sales or gross margins.

Moreover, we are subject to the risk of significant fluctuation in the prices of certain raw materials, which may increase our production costs. Raw material costs fluctuate due to various factors, many of which may be out of our control, such as uncertainties in market demands and overall economic conditions. If we are unable to effectively control our costs of raw materials and production costs or transfer these costs to our customers, we may not be able to maintain our competitiveness and profitability. Particularly, our bargaining power as to the pricing of certain raw materials may be restricted with certain suppliers who have a prevailing market position.

Given that we have limited bargaining power against our major customers, we are subject to the risks associated with the fluctuations in raw material prices.

A majority of our customers are national or regional telecommunications network operators in the PRC who have a stronger market position than us. We have limited bargaining power with respect to contract negotiation and may not be able to stipulate favourable contractual terms, such as product price adjustment. For our communication copper cables, the prices are adjusted based on the prices of copper. During the Track Record Period, although some of our customers adjusted the prices of our optical fiber cables when there was a substantial fluctuation in raw material prices, we may not be able to guarantee the adjustment of prices in the future as we generally do not have such price adjustment mechanism in our sales agreements for optical fiber cables and structured cabling system products. Therefore, we may not be able to pass all fluctuations in the prices of raw materials to our customers. As a result, our operations and financial performance will be adversely affected if there is a significant increase in the raw material prices for these products.

Abolishment of the procurement limit resulted from changes in the procurement policy of major telecommunications network operators in the PRC may adversely affect our business and results of operation.

During the Track Record Period, a majority of our revenue was derived from our sales under contracts awarded through public bidding and tendering processes held by major telecommunications network operators in the PRC under their centralized procurement policies. As these major telecommunications network operators have centralized the procurement from their regional branches and subsidiaries, we are able to sell our products to meet their demands for optical fiber cables and communication copper cables in different regions. If there is any change or removal of the centralized procurement policies adopted by these customers, we may not be able to sell our products in different regions.

According to Ipsos Report, the major telecommunications network operators in the PRC have adopted a procurement limit policy, where the total procurement allotted to any single supplier is limited to a certain percentage. Therefore, no single supplier can dominate the market. However, there is no assurance that such procurement limit policy will remain unchanged in the future. If there is any change in this procurement limit policy, we may face more competition in the market, as other suppliers may dominate the market by increasing their supply of optical fiber cables or communication copper cables to their customers. In addition, those major competitors, which may also produce optical fibers, could be reluctant to sell optical fiber to their competitors, including us, that do not have optical fiber production capability, in the absence of the procurement limit policy. As a result of the above, competition among our competitors and us for optical fibers as our key raw material may become intense and we may be unable to procure sufficient optical fibers at favorable prices or at all.

We may not be able to continuously refine our product mix, or continue to offer high quality new products and services, which will materially and adversely affect our ability to achieve our expansion plans.

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

We may not be able to carry out our production capacity expansion plans as we expect.

Our future success depends, in part, on our ability to expand our production capabilities, including increasing our production utilization rate, improving our production efficiency, acquiring and upgrading our production facilities and modifying our existing production processes. We plan to continue to expand our production capacity to seek economies of scale with a desired operational size, delivering a larger amount of high quality products at a competitive cost level. In 2016, the utilization rate of our production facilities for our optical fiber cables, communication copper cables and structured cabling system products was 83.0%, 65.1% and 27.4%, respectively. Our expansion plans and continued business growth would require substantial capital expenditure and dedicated management attention. We intend to fund our expansion by using cash generated from our operations and the net proceeds from the Share Offer. We plan to utilize part of the net proceeds from the Share Offer to construct our new production facility and purchase relevant production equipment. Nevertheless, we may require additional financing to achieve our expansion plans.

There is no assurance that we will be able to obtain sufficient funding in time and on reasonable terms, or at all, due to various factors, such as the overall market conditions for financing activities by optical fiber cable and communication copper cable manufacturers, the prevailing economic and political conditions, as well as our future financial position. If we are unable to finance the construction of new production facility or the purchase of necessary equipment, we may not be able to expand our production capacity and, as a result, our growth prospects would be limited. In addition, we cannot assure you that our expansion plans will be implemented successfully in time, or at all, within budget, or will result in the anticipated benefits.

In addition, our ability to enhance our production capacities is subject to other significant risks and uncertainties, including but not limited to:

- unexpected delays and cost overruns resulting from a number of factors, many of which may be out of 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;
- availability of the necessary technology or equipment from third parties or our internal research and development department;
- diversion of management attention and other resources;
- our ability to obtain the required permits, licenses and approvals from relevant government authorities; and
- interruptions caused by natural disasters or other unforeseen events.

Our efforts to expand our production capacities, even if implemented, may not bring us the expected benefits. There is no assurance that the demand for our products will continue to increase, or even remain at the current levels. If the demand for our products becomes weaker than anticipated, we may encounter overcapacity and under-utilization of resources, which may have an adverse effect on our business, financial conditions, results of operations and prospects.

We may not be able to carry out our upstream vertical expansion plan into the optical fiber production as we expect.

We plan to expand into the upstream optical fiber production business to further improve our position in the value chain of our industry. We plan to use part of the net proceeds from the Share Offer to commence the construction of the production lines for optical fibers in the second phase of our Yaohu Factory in the second half of 2017.

Our upstream vertical expansion plan is subject to uncertainties and risks which may materially and adversely affect our results of operations and growth prospects of our optical fiber production business. The implementation of this expansion plan requires us to effectively and efficiently manage our procurement, production and other aspects of our operations. If we fail to effectively and efficiently implement our expansion plan, we may not be successful in achieving desirable and profitable results. Even if we effectively and efficiently implement our expansion plan, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results from the implementation of our expansion plan, such as the changes in our ability to comply with the relevant environmental laws, rules and regulations. Our business, financial condition, results of operations and growth prospects may be materially and adversely affected if our expansion plan fails to achieve positive results.

As advised by our PRC legal advisers, before we can commence the operation of the production facilities, we should pass the completion inspections relating to fire control, environmental protection, construction project quality and the approvals or permits required by relevant laws and regulations. We cannot assure you that we will pass these completion inspections. If we are unable to pass the completion inspection for any reason, or if we encounter unforeseen difficulties in the course of the construction, the construction may be significantly delayed and we may not be able to commence the production on time, or at all. In that event, our business, prospects and growth strategies would be materially and adversely affected.

We may not be able to obtain the additional capital that we may need from time to time in a timely manner and on favorable terms or at all.

Our business operations and future growth require additional capital or financing from time to time. As at December 31, 2014, 2015 and 2016 and April 30, 2017, our outstanding bank borrowings amounted to RMB70.9 million, RMB45.2 million, RMB48.0 million and RMB45.0 million, respectively. As at April 30, 2017, we had unutilized banking facilities of RMB10.0 million. We may require additional cash resources to fund our future business growth. If our cash is insufficient to satisfy our capital requirements, we may seek to issue additional equity or debt securities, or obtain new or expand existing credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial conditions, results of operations, cash flows, as well as liquidity of the PRC capital and lending markets. In addition, our existing loan agreements may contain certain operational or financial covenants that may restrict our ability to incur additional indebtedness in the future. There is no assurance that financing will be available in a timely manner, in sufficient amounts, or on terms acceptable to us, or at all. Any failure to raise funds on favorable terms to us, or at all, could severely restrict our liquidity, and cause a material adverse effect on our business, financial conditions, results of operations and prospects. In addition, any issuance of equity or equity-linked securities could result in significant dilution to our existing Shareholders.

We may be subject to product liability claims and may be unable to obtain sufficient compensation from suppliers for defective raw materials used in our products.

Substantially all of the optical fiber cables and communication copper cables we offer are products with standardized specifications. We are subject to established industry technical standards in relation to the production of our products. We are also subject to the product liabilities provided in our agreements with customers. Although we have implemented vigorous quality control measures, there is no assurance that there will not be any defect or malfunction in our products or any failure of our products to meet our customers' specifications, the occurrence of which could lead to delays in the installation of our products and in turn result in losses to our customers. In such cases, we would 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 brought against us. In addition, our reputation and brand name may be materially and adversely damaged as a result.

Despite our vigorous quality control efforts, the quality of our final products is highly dependent on the quality of the raw materials that we purchase from third parties. In the event that we become subject to product liability claims as a result of defective raw materials from third-party suppliers, we will typically seek compensation from the responsible suppliers pursuant to our purchase agreements with such suppliers. However, there is no assurance that all our supply agreements contain provisions to cover lost profits and indirect or consequential losses we may incur. If we are unable to assert claims against a supplier, or the amounts that we are being sued and/or claimed cannot be recovered from the supplier, we may have to bear customer claims or the costs to replace defective products on our own. Our reputation, business, financial conditions, results of operations and prospects could be materially and adversely affected as a result.

During the Track Record Period, we had not encountered any material product liability claim against us nor experienced any material loss due to defective products or any product recall. As at the Latest Practicable Date, we did not purchase any liability insurance for our products as it is neither a statutory or regulatory requirement nor the common practice in our industry to do so. Any successful product liability claim against us in the future could, nevertheless, have a material adverse effect on our business, financial conditions, results of operations and prospects.

Our research and development efforts may not bring us the expected benefits and we may not be able to introduce market-leading products or maintain the competitiveness of our product offerings.

We are committed to provide market-leading products to maintain and increase our current competitive position and to continue to grow our business. We believe that continuous technological developments and innovation is crucial for us to enhance product quality 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 and financial resources. In addition, developing new production techniques and new products through research and development may take a considerable amount of time. However, our research and development efforts may not be successful and the anticipated return on our investments is not guaranteed.

Even if our research and development efforts prove to be fruitful, we may not be able to apply these newly developed technologies to introduce or upgrade products that are well accepted by the market, and we may not be able to apply them in a timely manner to take advantage of the first-mover opportunities in the market. In addition, the success of our new products depends on a number of factors, some of which are beyond our control, such as the overall economic conditions and the market demands. 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 cost-effective alternatives. If our technologies or products are replicated, replaced or made obsolete, or if the demand for our products is less than anticipated, our revenue 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 the trends in technological or product development and develop in a timely manner the new and innovative technologies or products that are required by our customers, we may not be able to offer sufficiently advanced products at competitive prices, which in turn may have a material adverse impact on our business, financial conditions, results of operations and prospects.

Furthermore, in addition to the research and development of new products, we also focus on the research and development of new production techniques to promote our production efficiency and the quality of our products, while reducing our production costs. If we are unable to develop new production techniques within our expected timetable, or at all, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

We operate under the brand name of "普天汉飞" and "Hanphy" and our business may be materially and adversely affected if we fail to protect our brand name.

We operate under the brand name of "普天汉飞" and "Hanphy". 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 or effectively prevent the use of similar or identical brand name and may need to defend against infringement claims, which could reduce the value of our brand name, resulting in the loss of competitive advantage and materially and adversely affecting our business and profitability. If any third party uses our brand name to carry out similar business of us or sell similar products in an illegal, non-compliant or irresponsible manner, our reputation and brand recognition could be damaged, which, in turn, could have a material adverse impact on our business, financial conditions, results of operations and prospects.

We may not be able to protect our patents and other intellectual property rights and 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 the Latest Practicable Date, we had obtained 26 patents for utility models in the PRC and had registered six software copyrights in the PRC. Furthermore, as of the Latest Practicable Date, we were in the process of applying for registration of 14 patents in the PRC. Our patents are principally relating to the technologies relevant to our optical fiber cable and communication copper cable products.

We cannot assure you the measures we currently adopt to protect our patents or other intellectual property rights are adequate to efficiently enforce such protection or to prevent any unauthorized use of our intellectual property by third parties.

Furthermore, 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 a significant period of time for patent applications to be approved, there may be pending applications, known or unknown to us, which may later result in issued patents upon which we may infringe. Therefore, we may need to initiate lawsuits in order to defend our ownership or proprietary design of our products and trade secrets, or we may be subject to litigations 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 would be time-consuming and costly to defend. There is no assurance 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 conditions, results of operations and prospects may be materially and adversely affected.

We may lose sales or face excess inventory risks and holding costs, either of which could have a material adverse effect on our business, financial conditions and results of operations, if we fail to maintain inventory levels in line with the approximate level of demand for our products.

To operate our business efficiently and to successfully meet our customers' demands and expectations, it is crucial that we maintain a certain level of inventory of raw materials based on our annual master budgeting plans and detailed weekly budgeting plans for our products to ensure seamless production and timely delivery when required. We adjust our procurement of raw materials according to our actual production and sales activities, considering lead time required for each type of raw materials to maintain our inventory of raw materials at an appropriate level. However, forecasts and budgets are inherently subject to uncertainty. 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 sufficient products in a timely manner, and may lose sales and market share to our competitors. On the other hand, if we overestimate the demands for our products, we may be exposed to increased inventory risks and costs due to accumulated excess inventory of our products or raw materials, such as holding costs, risks of inventory becoming obsolete and increasing allowances or write-offs, which could have a material adverse effect on our business, financial conditions, results of operations and prospects.

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

Our success has been, and will continue to be, largely dependent, on the continued service of our key Directors, executive officers and senior management, including our chairlady, Ms. Wang, and Mr. Zhao. Any loss or interruption of the service of our key Directors, executive officers or senior management could significantly affect our ability to effectively manage our operations and to meet our strategic objectives. In addition, we would 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 capable staff, including 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 crucial to our success. Competition for these personnel is fierce in our industry, and there is no assurance that we will be able to continuously attract or retain these personnel to achieve our business objectives. If we fail to attract and retain valuable employees to keep pace with our expected growth, our business, financial conditions, results of operations and prospects could be materially and adversely affected.

We have limited insurance coverage for our business and properties.

While business disruption insurance is available to a limited extent in the PRC, 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 and vehicle 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 business, financial conditions, results of operations and prospects.

We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our customers, suppliers and agents 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 our customers, suppliers and agents. These disputes may lead to protests or legal or other proceedings which 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 conditions, results of operations and prospects.

We may not be able to maintain our high growth rate, or continue to grow our business at all.

We experienced a fast growth during the Track Record Period. Our revenue increased from approximately RMB270.8 million for the year ended December 31, 2014 to RMB467.9 million for the year ended December 31, 2016 at a CAGR of 31.4%. Our revenue increased from RMB120.8 million for the four months ended April 30, 2016 to RMB165.1 million for the four months ended April 30, 2017. We believe that our ability to sustain our growth rate in the future depends on a variety of factors, including successful implementation of our expansion plans and business strategies, market demands for our products, our ability to respond to market preference, efficient utilization of our management and financial resources, failing which may adversely affect our growth rate.

Our business plans set out in "Business — Our Strategies" and "Future Plans and Proposed Use of Proceeds" are based on our assumptions and honest belief of future events, which may entail certain risks and are inherently subject to uncertainties, such as changes in the industry that we operate in, availability of funds, prices of raw materials, market competition, government policies, as well as political and economic developments in the PRC. These assumptions may prove to be incorrect, which could adversely affect the commercial viability of our business plans. As such, there can be no assurance that our business plans will be implemented successfully at the expected cost, or at all. If we fail to effectively and efficiently implement our expansion plans and business strategies, we may not be successful in achieving desirable and profitable results. Even if we effectively and efficiently implement our business plans, there may be other unexpected events or factors that would prevent us from achieving the desirable and profitable results from the implementation of our business plans. For instance, our sales may not grow at the same rate as the increase in our production capacity, which may result in excess production capacity in our production facilities. Our business, financial conditions, results of operations and prospects may be materially and adversely affected if our future business plans fail to achieve positive results.

We expect to incur a substantial increase in depreciation of property, plant and equipment from the expansion of our production facilities, which may adversely affect our results of operations.

We may be subject to significant depreciation after the completion of the construction of our new production facility as part of our production capacity expansion plan. Our combined financial information has been prepared in accordance with the Hong Kong Financial Reporting Standards, according to which depreciation is recognized so as to write off the cost of fixed assets (other than construction in progress) less their residual values over their useful lives. Please refer to the paragraph headed "Financial Information — Critical Accounting Policies and Estimates" in this prospectus and Note 3.5 to our historical financial information set forth in Appendix I. We recorded depreciation of property, plant and equipment of RMB6.6 million, RMB8.6 million, RMB9.7 million and RMB3.3 million in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively and represented 2.4%, 2.4%, 2.1% and 2.0% of our revenue for the respective periods. In the future, we plan to utilize the net proceeds from the Share Offer to further expand our production capacity by constructing our new production plant and purchasing relevant production equipment. Upon the completion of the construction of our new production plant and our purchase of relevant production equipment, our depreciation of property, plant and equipment is expected to increase given the additional land use right, plant and production equipment we will hold. Although our revenue may increase as a result of the expansion of our production capacity, there is no assurance that the increase in our revenue will cover the increase in relevant costs, including the increased depreciation, or our revenue will increase at all. Our financial conditions and results of operations therefore may be adversely affected by the increase in depreciation resulting from the expansion of our production capacity.

The PRC preferential tax treatment we currently enjoy may be unfavorably changed or discontinued.

Since 2006, Putian Cable, our principal operating subsidiary, has been certified as a New High-tech Enterprise and is entitled to the preferential tax rate of 15% for the Track Record Period.

There is no assurance that we, upon the expiration of such certification in November 2019, will continue to be certified as a New High-tech Enterprise so that we can continue to enjoy the preferential tax treatment. Neither can we assure you that such PRC preferential tax policies will not change unfavourably or not be discontinued. If we fail to obtain such approval or fail to continue to enjoy such preferential tax policies, or if such PRC preferential tax policies be changed unfavorably or be discontinued, our financial condition and results of operations may be materially and adversely affected.

Failure to comply with relevant laws and regulations relating to social insurance and housing provident fund may subject us to penalty and adversely affect our business, financial condition, results of operations and prospects.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), we are required to make contributions to the social insurance plans and the housing provident fund for our employees. For details relating to these relevant laws and regulations, please refer to the section headed "Regulatory Overview — Laws and Regulations Relating to Labor Protection in the PRC" in this prospectus.

During the Track Record Period, we had made contribution to the social insurance plans and housing provident fund for our employees based on the calculation basis acknowledged by the relevant government authority, although that is not the same as the calculation basis required under the relevant PRC laws and regulations.

According to the relevant laws and regulations and as advised by our PRC legal advisers, we may be ordered to make further contributions (if any) based on the calculation basis required under the relevant PRC laws and regulations for social insurance plans and housing provident fund within a specified time and to pay a late fee of 0.05% of the total outstanding social insurance balance per day from the date of delay, and if we fail to do so, the relevant government authorities may apply to the PRC courts to enforce us to make compulsory payment and impose on us a fine ranging between one to three times of the outstanding social insurance balance.

We cannot assure you that we will not be subject to penalties by the relevant government authorities for our past non-compliance. Such penalties imposed on us may adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR INDUSTRY

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

We derive a substantial portion of our revenue by selling optical fiber cables, communication copper cables and structured cabling system products used in a variety of applications in the telecommunications industry in the PRC. During the Track Record Period, a substantial majority of our revenue was generated from domestic telecommunications service providers. The continued growth of the telecommunications industry in the PRC is therefore essential to our business growth and future success.

We believe government investments, initiatives, incentives and other favorable policies have been one of the major drivers for the growth of 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 the PRC 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 the PRC slows down or continues at a rate lower than we anticipate, or if local or central government 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 business, financial conditions, results of operations and prospects could be materially and adversely affected.

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 fiber cable and communication copper cable manufacturers in the marketplace. The barrier for communication copper cable manufacturers to enter the optical fiber cable market is relatively low since they can reconfigure the production lines to manufacture optical fiber cables with relatively limited investment. With increasing number of new entrants, the competition of optical fiber cable market is estimated to be more intensive.

We compete on the basis of various factors, including product variety, product performance, customer service, quality, price, new product innovation, timely delivery and brand recognition. Our market share could be reduced due to aggressive pricing or product strategies pursued by competitors, unanticipated 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. The increased competitive pressures resulting from the new entrants, if we cannot compete successfully, may adversely affect our business, financial conditions, results of operations and prospects by: (i) reducing our market share in the industry; (ii) price reduction; (iii) reducing the growth of our customer base as well as our ability to retain existing customers; (iv) increasing our operating expenses, including sales and marketing expenses; and (v) increasing turnover of our management and employees.

The industry we operate in 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 product quality and intellectual properties. For example, some of our products are subject to compulsory product certification under the existing rules. See "Regulatory Overview — Laws and Regulations Relating to Manufacturing and Sale of Communication Cable Products in the PRC — Regulations Relating to Product Certification". 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.

MIIT is the primary central government agency responsible for regulating the telecommunications equipment industry in the PRC and has broad discretion and authority. MIIT may adopt in the future, regulations that impose stringent standards on the telecommunications equipment industry in the PRC, 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. Failing which, we would be subject to various penalties, including fines and suspension or discontinuation of our operations. Therefore, adoption of new laws or regulations that impose more stringent standards on the telecommunications equipment industry by the Chinese government or a change in or revision of the interpretation of existing laws or regulations to the same or similar effect may also adversely affect our business, financial conditions, results of operations and prospects.

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

Although optical fiber cables and communication copper cables are currently very widely used in domestic telecommunication infrastructures, and optical fiber cables serve as the primary backbone to global communication infrastructure, other emerging technologies may be developed in the future that provide better performance than optical fiber cables and communication copper cables. An increase in adoption of any of these emerging technologies could result in a decline in the demands for our products, which may lead to a decrease in our sales. In view of this, 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, this may have a material adverse effect on our business, financial conditions, results of operations and prospects.

RISKS RELATING TO THE PRC

All of our business activities are located in the PRC. Our results of operations, financial position and the prospects of our Group are therefore subject, to a significant extent, to the economic, political and legal developments of the PRC.

China has experienced a slowdown in its economic growth and the future performance of the PRC's economy is uncertain.

We primarily operate our business in the PRC, and substantially all of our revenue is derived from our operations in the PRC. Therefore, the performance of the Chinese economy affects, to a significant degree, our business, financial conditions, results of operations and prospects. The Chinese economy experienced a rapid growth in the past 30 years. However, there has been a slowdown in the growth of China's GDP since the second half of 2013, which has raised market concerns that the historically rapid growth of the Chinese economy may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of the China's GDP decreased from 7.3% in 2014 to 6.9% in 2015, which further decreased to 6.7% in 2016. In March 2016, Moody's Investors Service and S&P Ratings changed the China's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms.

The future performance of the PRC's economy is not only affected by the economic and monetary policies of the PRC government, but may also be affected by material changes in global economic and political environments as well as the performance of certain major developed economies in the world. There may exist a continued uncertainty for the overall prospects for the global and the PRC economies in the foreseeable future.

Changes in the economic, political and social conditions in the PRC and government policies adopted by the PRC government could affect our business and prospects.

The PRC economy differs from the economies of most of the developed countries in many aspects, including, among others:

- 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 government is committed to the continued reform of the PRC economic system as well as the structure of the government. The PRC government's reform policies have emphasized the independence of enterprises and the use of market mechanisms. Since the introduction of these reforms, significant progress has been achieved in economic development, and enterprises have enjoyed an improved environment for their development. Although the PRC government has implemented economic reform measures to introduce market forces and establish sound corporate governance in business enterprises, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. Any changes in the PRC's political, economic and social conditions may have a material and adverse effect on our business, financial conditions, results of operations and prospects.

Since the PRC's legal system is still evolving, the legal protections available to you under the PRC legal system may be limited.

Since most of our activities are conducted in the PRC, our business operations are regulated primarily by PRC laws and regulations. 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 economic matters such 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, and because of the limited number and non-binding nature of published cases, the interpretation and enforcement of these laws and regulations may involve uncertainty. As a result, the legal protections available to you under the PRC legal system may be limited.

Changes in foreign exchange regulations and future movements in the exchange rate of the Renminbi may adversely affect our financial conditions 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 Share Offer, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain legal requirements including withholding tax in accordance with PRC laws. 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 rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to pay dividends to our Shareholders.

We are a holding company incorporated in the Cayman Islands and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we may incur. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions to us.

Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries only out of their net profit, if any, calculated in accordance with PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after tax profits based on PRC accounting standards each year to their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of association. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net profit to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to pay dividends to our Shareholders.

Dividends payable by us to our foreign investors and gain on the sale of our Shares by our foreign investors may become subject to withholding income tax under PRC tax laws.

Under the PRC EIT Law and its implementation rules issued by the State Council, PRC withholding income tax at the rate of 10% is applicable to dividends payable by a PRC tax resident enterprise to investors (excluding individual natural persons) that are "non-resident enterprises" (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but where the relevant income is not effectively connected with the establishment or place of business) to the extent that such dividends have their sources within the PRC, unless it is entitled to a reduction of such withholding tax under applicable tax treaties. Similarly, any gain realized on the transfer of shares of a PRC tax resident enterprise by such investors is also subject to 10% (or a lower treaty rate) PRC income tax if such gain is regarded as income derived from sources within the PRC. Ambiguities exist with respect to the interpretation of the provisions of the PRC EIT Law and its implementation rules relating to identification of PRC-sourced income. If we were considered to be a PRC "resident enterprise" under the PRC EIT Law, the dividends we pay with respect to our Shares, or the gain our foreign shareholders (excluding individual natural persons) may realize from the sale of the Shares, may be treated as income derived from sources within the PRC and be subject to PRC income tax. If we are required under the PRC EIT Law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if they are required to pay PRC income tax on the transfer of the Shares, the value of their investment in our Shares may be materially and adversely affected.

It may be difficult to enforce any judgements obtained from non-PRC courts against us in the PRC.

Currently substantially all of our assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with most western countries. Therefore, it may be difficult for the investors to enforce against us in the PRC any judgements obtained from non-PRC courts.

RISKS RELATING TO THE SHARE OFFER

There has not been a prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile.

There has been no public market for our Shares prior to completion of the Share Offer. We have applied for the listing of and permission to deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on the Stock Exchange. We cannot assure you that an active public trading market for our Shares will develop or be sustained.

The Offer Price will be determined by agreement between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and may not be indicative of the market price for our Shares following completion of the Share Offer. We cannot assure you that the market price of our Shares will not decline below the final Offer Price.

The market price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flows, and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

In addition, the Stock Exchange has experienced substantial price and volume fluctuations from time to time that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

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 Share Offer, our Controlling Shareholders will beneficially own 69.75% of our Company's outstanding Shares, or approximately 67.23% 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 transactions or other matters submitted to our 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, the interests of our Controlling Shareholders may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, and this may have a material and adverse effect on our Company's business operations and hence our Share price.

We may be unable to pay any dividend on our Shares, and dividends declared in the past may not be indicative of our dividend policy in the future.

We are a holding company incorporated in the Cayman Islands and operate our business through our operating subsidiaries in the PRC. Therefore, the availability of funds to us to pay dividends to our Shareholders and to service our indebtedness will depend in large part upon dividends received from our operating subsidiaries. If these subsidiaries incur debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends and to service our indebtedness will be restricted.

Our ability to declare dividends in relation to our Shares will also depend on our future financial performance, which, in turn, depends on our success in implementing our business strategies and expansion plans and on financial, competitive, regulatory, and other factors, general economic conditions, demand for and prices of our services, costs of supplies and other factors specific to our industry, many of which are beyond our control. The receipt of dividends from our operating subsidiaries may also be affected by the passage of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of existing laws and regulations and other events out of our control. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions. In addition, restrictive covenants in our credit facilities or other agreements that we may enter into in the future may also restrict the ability of our operating subsidiaries to make distributions to us. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

We did not declare any dividends in 2014, 2015 and 2016. A declaration of dividends is proposed by our Board and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial conditions, cash flow, future prospects and other factors which our Board may determine as important from time to time. Accordingly, our historical dividend distributions are not indicative of our future dividend distributions and 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 refer to the section headed "Financial Information — Dividend Policy" in this prospectus.

There will be a gap of several business days between pricing and trading of our Shares; our Shareholders are subject to the risk that the market price of our Shares could be lower than the Offer Price.

The Offer Price is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that may occur between the Price Determination Date and the time when trading of our Shares begins.

Information and statistics in this prospectus may come from various sources and may not be fully reliable.

This prospectus, particularly the section headed "Industry Overview", contains information and statistics which are 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 Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Share Offer 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 such information or statistics contained in this prospectus.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in any press articles or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus.

You should read the entire prospectus carefully and should note that undue reliance should not be placed on any forward looking statements contained in this prospectus which may not occur in the way we expect or may not materialize at all as set out in the section headed "Forward-looking statements" of this prospectus. There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Share Offer, press, media and/or research analyst coverage regarding us, our business, our industry and the Share Offer. Our Directors make no representation as to the appropriateness, accuracy, completeness or reliability of the information in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding our Shares, the Share Offer, our business, our industry or us.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information included in or referred to by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding us or the Share Offer. You should not rely on any such information, particularly to the extent that any such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, you are cautioned that, in making your decision about whether to purchase our Offer Shares, you should rely only on the financial, operational and other information included in this prospectus and the Application Forms. By applying to purchase our Offer Shares in this Share Offer, you will be deemed to have agreed that you have not relied on any information other than the information contained in this prospectus and the Application Forms.

There are risks associated with the forward-looking statements contained in this prospectus.

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 statements in this prospectus. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

For the purpose of the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are primarily located in the PRC and will continue to be based in the PRC, our executive Directors and senior management members are and will continue to be based in the PRC. At present, none of our executive Directors is ordinarily resident in Hong Kong. We have applied to the Stock Exchange for, and obtained, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

(a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Ms. Wang and Ms. Lai Yeung Fun (our financial controller and company secretary). Each of 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 home, office, mobile and other telephone numbers, email address and correspondence address (if the authorized representative is not based at the registered office), facsimile numbers if available, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorized representatives has been duly authorized to communicate on our behalf with the Stock Exchange;

(b) our authorized representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, our Company has implemented a policy whereby (i) each Director will provide his/her office phone number, mobile phone number, residential phone number, office facsimile number and email address to the authorized representatives; (ii) each Director will provide valid phone numbers or means of communication to the authorized representatives when he/she travels; and (iii) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and office fax numbers to the Stock Exchange. Our Company will inform the Stock Exchange promptly in respect of any change in the contact details of our Directors;

(c) our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed SPDB International Capital Limited as its compliance adviser, who will act as an additional channel of communication with the Stock Exchange. The appointment of the compliance adviser of our Company will commence on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date;

(d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our Company's compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives and compliance adviser; and

(e) each Director who is not ordinarily resident in Hong Kong has confirmed that he/she has valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period upon request.

DIRECTORS' RESPONSIBILITY STATEMENT

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 (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. 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.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Share Offer. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer 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 Share Offer 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 Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

The Listing is sponsored by the Sole Sponsor and the Share Offer is managed by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the terms and conditions of the Placing Agreement, which is expected to be entered into on or around the Price Determination Date.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or around the Price Determination Date.

If the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before November 3, 2017 or such later date or time as may be agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Share Offer will not become unconditional and will lapse.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the Application Forms.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set forth in the section headed "Structure of the Share Offer" in this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

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

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purposes 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 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 and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Share Offer (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option and upon the exercise of the options which may be granted under the Share Option Scheme).

No part of our equity or debt securities 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(l) 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 Shares on the 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 the Stock Exchange.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Share Offer" in this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on November 9, 2017. The Shares will be traded in board lot of 4,000 Shares each. The stock code of the Shares will be 1720.

SHARES WILL BE ELIGIBLE FOR ADMISSION 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 Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the 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 advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Share Offer accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands, and our Hong Kong register of members will be maintained by the Hong Kong Branch Share Registrar in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

Dealings in our Shares registered on our Hong Kong register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Hong Kong dollars has been translated, for illustration purposes only, into Renminbi dollars, and vice versa, in this prospectus at the following rate:

HK$1.0000: RMB0.8464

The above exchange rate was the median rate published by the China Foreign Exchange Trade System with the authorization by PBOC for foreign exchange transactions prevailing as at the Latest Practicable Date. No representation is made that any amounts in Renminbi or Hong Kong dollars can be or could have been at the relevant dates converted at the above rate or any other rate, or at all.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

WEBSITE

The contents of any website mentioned in this prospectus do not form part of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ms. Wang Qiuping (王秋萍)	Room 501, A unit, Block 21 205 Guangchang South Road Nanchang, Jiangxi Province The PRC	Chinese
Mr. Zhao Xiaobao (趙小寶) (alias Zhao Baohua (趙保華))	Room 501, A unit, Block 21 205 Guangchang South Road Nanchang, Jiangxi Province The PRC	Chinese
Ms. Zhao Moge (趙默格)	Unit 02, Block 24 Junyuehu Residential District 1166 Chuangxin Second Road Hi-tech Development District Nanchang, Jiangxi Province The PRC	Chinese
Independent non-executive Directors		
Ms. Cheng Shing Yan (鄭承欣)	Flat A, 40/F, Block 4 Beverly Garden, Phase 2 Tseung Kwan O, Kowloon Hong Kong	Chinese
Mr. Liu Guodong (劉國棟)	Room 701, Unit 1, Block 2 Yongjing Building Wandaxing City Honggutan New District Nanchang, Jiangxi Province The PRC	Chinese
Mr. Xie Haidong (謝海東)	Room 1803, Unit 1, Block 11 1211 Hongdu North Road Donghu District Nanchang, Jiangxi Province The PRC	Chinese

For more information on our Directors and senior management, please see the section headed "Directors, senior management and employees" in this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**SPDB International Capital Limited** 32/F, One Pacific Place 88 Queensway Hong Kong *(a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO)*
Sole Global Coordinator, Joint Lead Manager and Joint Bookrunner	**SPDB International Capital Limited** 32/F, One Pacific Place 88 Queensway Hong Kong *(a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO)*
Joint Lead Managers and Joint Bookrunners	**ChaoShang Securities Limited** Room 4001-2 China Resources Building 26 Harbour Road Wanchai, Hong Kong **China Industrial Securities International Capital Limited** 7/F, Three Exchange Square 8 Connaught Place Central, Hong Kong **China Investment Securities International Brokerage Limited** Unit Nos. 7701A & 05B-08 Level 77 International Commerce Centre 1 Austin Road West Kowloon Hong Kong

Dongxing Securities (Hong Kong) Company Limited
6805-6806A
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
29-30/F
Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Orient Securities (Hong Kong) Limited
28-29/F
100 Queen's Road Central
Central, Hong Kong

Legal Advisers to our Company

As to Hong Kong Law
Loeb & Loeb LLP
21st Floor, CCB Tower
3 Connaught Road Central
Hong Kong

As to PRC Law
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Beijing 100025
The PRC

As to Cayman Islands Law
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal Advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong Law* **King & Wood Mallesons** 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
	As to PRC Law **Tian Yuan Law Firm** 10/F CPIC Plaza 28 Fengsheng Lane Xicheng District Beijing The PRC
Reporting Accountants	**BDO Limited** 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Industry Consultant	**Ipsos China Limited** 31/F, No. 1038 West Nanjing Road Shanghai The PRC
Property Valuer	**Peak Vision Appraisals Limited** Unit 702, 7th Floor AXA Centre No. 151 Gloucester Road Wanchai Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in the PRC	No. 8899 ChangDong Avenue Hi-tech Development Zone Nanchang, Jiangxi Province The PRC
Principal place of business in Hong Kong	Unit 702, Golden Centre 188 Des Voeux Road Central Hong Kong
Company's website	www.potel-group.com *(Note: content in this website does not form part of this prospectus)*
Company secretary	Ms. Lai Yeung Fun (黎様歡) *(HKICPA, ACCA)* Flat 3216, 32/F, Nga Lam House Tsui Lam Estate Tseung Kwan O Hong Kong
Authorized representatives *(for the purpose of the Listing Rules)*	Ms. Wang Qiuping (王秋萍) Room 501, A unit, Block 21 205 Guangchang South Road Nanchang, Jiangxi Province The PRC Ms. Lai Yeung Fun (黎様歡) Flat 3216, 32/F, Nga Lam House Tsui Lam Estate Tseung Kwan O Hong Kong

Audit committee	Ms. Cheng Shing Yan (鄭承欣) *(Chairlady)* Mr. Liu Guodong (劉國棟) Mr. Xie Haidong (謝海東)
Remuneration committee	Mr. Liu Guodong (劉國棟) *(Chairman)* Ms. Cheng Shing Yan (鄭承欣) Mr. Xie Haidong (謝海東)
Nomination committee	Mr. Xie Haidong (謝海東) *(Chairman)* Ms. Cheng Shing Yan (鄭承欣) Mr. Liu Guodong (劉國棟)
Principal share registrar and transfer office in the Cayman Islands	**Conyers Trust Company (Cayman) Limited** Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Compliance adviser	**SPDB International Capital Limited** 32/F, One Pacific Place 88 Queensway Hong Kong
Principal bankers	**China Construction Bank (Nanchang Hongdu Branch)** 288 Hongdu North Road Nanchang, Jiangxi Province The PRC **Industrial and Commercial Bank of China (Nanchang High-tech Branch)** Bona Building Huoju Street Nanchang, Jiangxi Province The PRC **SPD Bank (Nanchang Bayi Branch)** 115 Yongshu Road Nanchang, Jiangxi Province The PRC

SOURCE OF INFORMATION

We commissioned Ipsos, an independent market research and consulting firm, to conduct an analysis of the PRC communication cable market and industry. Ipsos was established in 1975 in Paris and has been listed on the Paris Stock Exchange since 1999. Ipsos is one of the largest research companies in the world with extensive experience in providing industry analysis and research services, which include market profiles, market size, share and segmentation analysis, distribution and value analyses, competitor tracking, corporate intelligence, market forecasts and industry trends analysis.

Certain information set forth in this section has been extracted from the Ipsos Report. We paid a total amount of RMB346,120 (exclusive of VAT) to Ipsos for the research and preparation of the Ipsos Report. The payment was not conditional on the success of the Share Offer or on the research findings of the Ipsos Report.

The Ipsos Report represents data, research opinion or viewpoints developed independently on our behalf and does not constitute a specific guide to action. In preparing the Ipsos Report, Ipsos used both secondary and primary research. The secondary research involved research and comparison of information from various sources including publicly available third-party financial statements, government statistical reports, press releases and industry magazines. The primary research mainly involved in-depth interviews with manufacturers of competitive products, distributors of related products, and government and trade associations. The opinions and forecasts expressed in the Ipsos Report are subject to change without notice.

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The industry trends and forecasts used in the Ipsos 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 the Ipsos Report obtained from earlier research; (iii) historical relationship between the market segments and an indicator of demand that is extrapolated into future years, excluding the effects of exchange rate; (iv) the estimated relationship that is 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 these interviewed market participants and reports published by other organizations.

The parameters that have been taken into account in the market sizing and in the Ipsos Report include (i) historical communication cable market size by volume and value; (ii) historical communication cable average selling price; (iii) projected annual growth rates for communication cable markets by volume and value; and (iv) projected annual changes in selling price for communication cable and raw materials.

RELIABILITY OF INFORMATION IN THE IPSOS REPORT

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the Ipsos Report. Our Directors believe that the Ipsos Report is reliable and not misleading as Ipsos is an independent professional market research and consulting agency with extensive experience in its profession.

VALUE CHAIN OF COMMUNICATION CABLE MARKET IN THE PRC

Communication cables are used to transmit signals and information from a source to a destination. The communication cables that are extensively used in the communication industry are communication copper cable and optical fiber cable.

Major raw materials for the production of communication copper cable include copper-based material, PE, and PVC. Given the relatively lower technical threshold, there are many communication copper cable raw material suppliers in the market.

Optical fiber preform producers provide the most essential raw material to optical fiber manufacturers which in turn, provide the most essential raw material to optical fiber cable manufacturers. Compared with optical fiber and optical fiber cable productions, the optical fiber preform production requires higher technology and capital investment requirements. Currently only a few domestic players possess the capacity to produce optical fiber preform, among which the leading ones are Yangtze Optical Fiber (長飛光纖光纜股份有限公司) and FiberHome (烽火科技集團). About 20% of the optical fiber preform demand still relies on imports.

Telecommunication network operators in the PRC (namely China Union, China Mobile and China Telecom), equipment manufacturers (e.g. Huawei (華為技術有限公司) and ZTE (中興通訊股份有限公司)), Optical Distribution Network (ODN) engineering companies (e.g. New Sea Union (新海宜通信科技股份有限公司)) and Zhongtian Technology (中天科技集團)) and other customers such as enterprises with exclusive network and data center operators are the major customers of communication cable manufacturers. The communication cable industry is dominated by the major telecommunication network operators. In 2016, the major telecommunication network operators accounted for 82% and 61% of the total volume demand for optical fiber cable and communication copper cable, respectively in the PRC. The customer landscape of optical fiber cable is relatively more centralized, with the telecommunication network operators being the key purchasers as most of the network construction work is undertaken by these operators.

The customer landscape of communication copper cable is less concentrated, as communication copper cable is not only used in network construction but also some other areas such as telecommunication equipment; also, the construction of the network which uses communication copper cable can be undertaken by some other engineering companies as well, as such network is not the core of the whole telecommunication network.

It is worth noting that certain optical fiber cable manufacturers also produce optical fiber and preform to enhance profitability. On the other hand, optical fiber cable manufacturers as well as communication copper cable manufacturers are also seeking opportunities in downstream structured cabling system products market. As a combination of optical fiber cable, communication copper cable and modular connectors, structured cabling system products offer flexible and scalable solution to meet the needs of intelligent building, home automation, wireless communications and surveillance system, etc.

COMMUNICATION CABLE INDUSTRY IN THE PRC

Historical development of communication cable market in the PRC

Communication copper cables were widely used in the construction of telecommunication network, especially before the 3G network era. With the increasing number of fixed broadband subscribers as well as the development of mobile communication network, diversified Internet services, such as online high definition video, game and shopping boosted the demand of high speed and quality telecommunication network. Hitting the technical edge of transmitting speed and distance, communication copper cable is experiencing a gradual replacement by optical fiber cable in the telecommunication network construction. However, due to the higher cost of optical fiber cables installation and the technical difficulty to directly upgrade copper communication network to optical fiber network, communication copper cables are still frequently used to upgrade communication network, especially in those schools, residential compounds and commercial buildings which are originally covered by communication copper cables. Also, the electric power transmission capability makes communication copper cable essential as a part of the overall telecommunication network system, especially at the terminal part which connects the system to individual users (the last-mile network). These communication copper cables, serving as power cables, are widely used in the communication server rooms, communication stations, and high-rise buildings, and could hardly be replaced by optical fiber cables due to its unique application features. Therefore, communication copper cables still account for certain market share and a substantial replacement will not take place in the next 5 years.

The scaled construction of optical network started in 2000. During the early stage, the supply of optical fiber cables heavily relied on imports. Later, with the increasing domestic production capacity of optical fiber cable, the reliance on imports gradually decreased. By 2006, the domestic manufactured optical fiber cables had already accounted for a majority of the total optical fiber cable supply in the PRC. In 2008, the PRC government initiated a strategy to further promote the use of optical fiber cable ("光進銅退"). Moving forward, with sustained market demand and government support, the optical fiber cable is expected to record a promising growth.

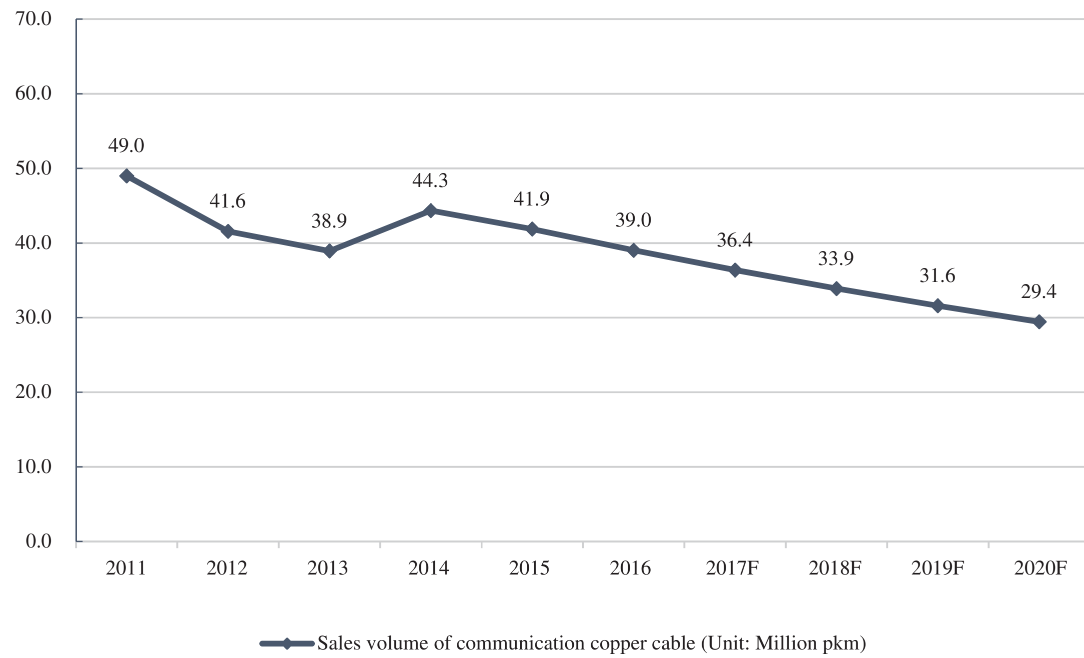
Current landscape of communication cable market in the PRC

Currently, the communication cable market in the PRC significantly depends on the development of telecom infrastructure. In the current market, the construction of mobile communication network, fixed-line broadband network and fixed-line telephone network consumed about 90% of total communication cables while the rest was used for the construction of special communication network for TV and broadcasting, military use, oil and gas industry, as well as enterprises with exclusive communication network.

The charts and tables below show the historical and forecasted sales data of communication cable in the PRC from 2011 to 2020.

Communication copper cable

Sales volume of communication copper cable



Sales value and average selling price of communication copper cable

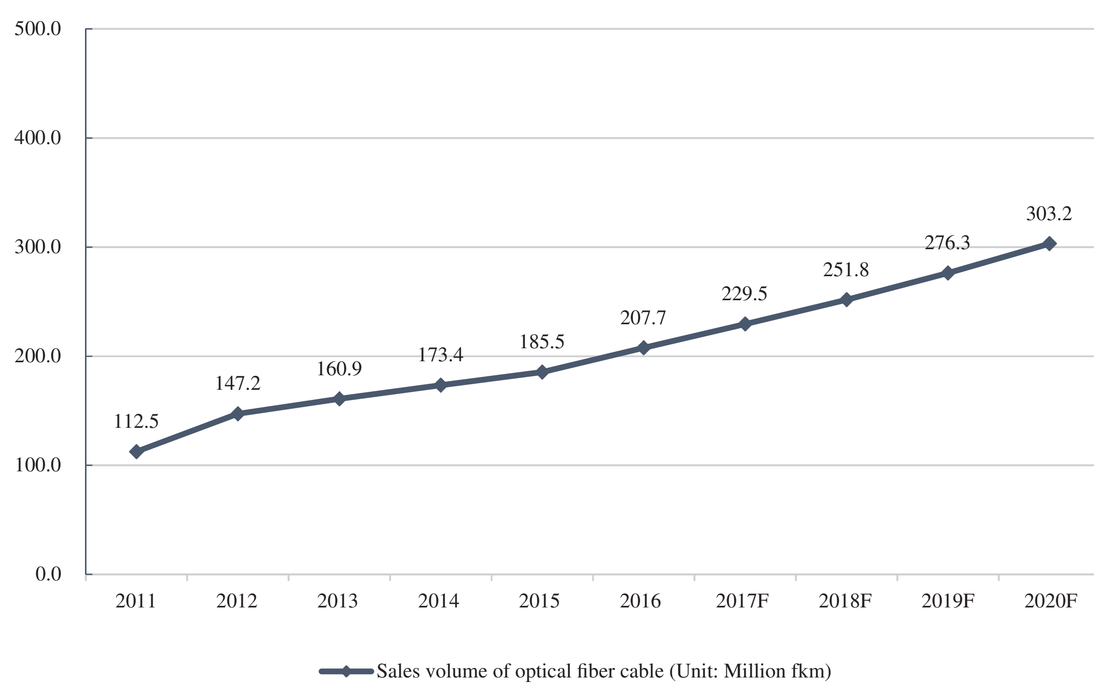
	2011	2012	2013	2014	2015	2016E	2017F	2018F	2019F	2020F
Sales value of communication copper cable *(RMB' million)*	22,387.1	16,840.3	14,869.5	15,827.1	12,971.4	11,302.2	10,955.6	10,515.7	10,192.4	9,546.8
Average selling price of communication copper cable *(RMB/pkm)*	457.0	405.2	381.9	356.9	309.8	289.6	301.2	310.2	322.6	324.2

Source: State Bureau of Statistics, PRC; Ipsos research and analysis

The sales volume of communication copper cable decreased from about 49.0 million pkm[1] in 2011 to about 39.0 million pkm in 2016 at a CAGR of about -4.4%. The declining trend is estimated to continue and even accelerate from 2017 to 2020 at a CAGR of about -6.8%. The sales value of communication copper cable decreased from about RMB22,387.1 million in 2011 to about RMB11,302.2 million in 2016 at a CAGR of about -12.8%. The declination was attributed to the decrease of both the sales volume and selling price of communication copper cable. The decrease in market demand and the copper price together dragged the historical selling prices of communication copper cable downwards. Moving forward from 2017 to 2020, the decrease is estimated to slow down to a CAGR of about -4.5%, benefiting from the expected growth in the price of communication copper cable which is mainly due to the expected increase in the price of copper, the key raw material of communication copper cable, as the selling price of communication copper cable is usually in line with the trend of copper price. The expected increase in copper price is mainly based on the expected rising demand for copper in U.S. and the drive from China's huge investment in infrastructure. Such expected growth in the price of communication copper cable will partly offset the expected accelerated decrease in the sales volume.

Optical fiber cable

Sales volume of optical fiber cable



1 pkm refers to pair kilometer (對公里)

Sales value and average selling price of optical fiber cable

	2011	2012	2013	2014	2015	2016	2017F	2018F	2019F	2020F
Sales value of optical fiber cable *(RMB' million)*	14,361.4	18,349.2	14,965.6	15,724.3	18,498.9	21,731.4	25,935.3	29,716.2	33,158.2	36,988.5
Average selling price of optical fiber cable *(RMB/fkm)*	128	125	93	91	100	105	113	118	120	122

Source: MIIT; Ipsos research and analysis

From 2011 to 2016, the sales volume of optical fiber cable in the PRC increased from about 112.5 million fkm[2] to about 207.7 million fkm at a CAGR of about 13.0%. The steady increase was primarily driven by the strong demand which is a result of the PRC government policy. Moving forward, the sales volume will continue to grow at a CAGR of about 9.7% from 2017 to 2020. The sales volume is estimated to reach about 303.2 million fkm in 2020. Despite the sustained growth of sales volume, the sales value of optical fiber cable fluctuated which was mainly caused by the fluctuation of the price of optical fiber. In 2013, the sales value and average selling price of optical fiber cable witnessed a decline. This was mainly because domestic companies started production of optical fiber preforms at that time, which are the key materials for producing optical fiber and optical fiber cable, relieving China's reliance on import of optical fiber preforms.

On the other hand, along with the release of government's Broadband China ("寬帶中國") strategy, Chinese companies made significant investment to expand the production capacity of optical fiber cable, while the increase of capacity was higher than the actual demand growth. In 2013, China's total production capacity of optical fiber cable increased by 21.3% compared to the previous year, while the demand growth was only 12.5%; and the production capacity exceeded the actual demand by 39.2%. The over-capacity also caused decrease in selling prices of optical fiber cable.

However, the optical fiber price and sales value picked up after 2014, as the investment from telecommunication network operators under the "Broadband China" strategy started to be released. The large central procurement project of China Telecom in the end of 2016 and the expected huge telecommunication infrastructure investment from the new telecommunication network operator, namely China Radio and Television Network Ltd. (中國廣播電視網絡有限公司) will generate substantial demand for optical fiber cable in the next few years. Yet, manufacturers take times to further expand their production capacity to meet the high market demand. Thus, it is estimated that the average selling price of optical fiber cable will sustain to grow at a CAGR of about 3.8%. In general, the CAGR of sales value of optical fiber cable from 2011 to 2016 was 8.6%, and the forecasted CAGR from 2017 to 2020 is about 12.6%.

Current landscape of optical fiber market in the PRC

The demand for optical fiber is witnessing significant growth, along with the development of the optical fiber cable market. In 2016, the total sales of optical fiber in the PRC increased to about 281 million fkm, growing at a CAGR of almost 15% during the period from 2012 to 2016. The growth is expected to sustain in the next 5 years, due to the continuous demand from the PRC's telecommunication infrastructure development.

[2] fkm refers to fiber kilometer (芯公里)

The table below sets out historical demand volume of optical fiber in the PRC for the periods indicated:

Demand of optical fiber in the PRC

	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Optical fiber demand *(million fkm)*	105	138	132	167	242	281

Source: ITC; Ipsos research and analysis

The production of optical fiber in the PRC is relatively concentrated, due to the relatively high capital investment required. Currently, there are about 25 optical fiber producers in the PRC and Chinese producers have been playing an important role in the global optical fiber market as well. The following Chinese companies are ranked the world's top-10 optical fiber producers in 2016:

- Yangtze Optical Fibre and Cable Joint Stock Co., Ltd. (長飛光纖光纜股份有限公司)
- Hengtong Optic-Electric Co., Ltd. (亨通集團有限公司)
- FiberHome Technologies Group Ltd. (烽火通信科技股份有限公司)
- Jiangsu Zhongtian Technology Co., Ltd. (中天科技集團有限公司)
- Futong Group Co., Ltd. (富通集團有限公司)

The demand for optical fiber is expected to keep robust in the next 5 years. To realize full coverage of FTTH/O (Fiber to the Home/Office), both China Telecom and China Unicom have launched their large central procurement projects in December 2016 and March 2017 respectively, which guaranteed the prosperity of optical fiber downstream market in the forthcoming two years. On the other hand, China has started conducting trials of 5G telecommunications equipment that is expected to expand to over 100 sites or cities in 2019, before the rollout proceeds to the commercial launch stage in 2020. The construction of 5G mobile networks is another significant driver of the fast development of optical fiber market.

Current landscape of structured cabling system products

Structured cabling system products are components of the wiring system including optical fiber cable, communication copper cable and modular connectors for information transmission.

There are 2 types of structured cabling systems: Optical Distribution Network (ODN), and wireless communication network. ODN is the physical fiber and optical devices that distribute signals to users in a telecommunications network, and it is the indispensable part of the development of FTTX (fiber to the X), accounting for 50%-70% of the total FTTX investment. The "Broadband China" (寬帶中國) strategy effectively led the development of the entire optical communication industry, and thus brought increasing demand for optical fiber-based structured cabling system products. The demand for wireless communication network is mostly from the construction of base station and indoor distribution network. It is estimated that the PRC will conduct large-scale construction of 4G and 5G base stations in the next few years. At the same time, with the higher requirement of 4G signal coverage in high-rise buildings, telecommunication network operators will need to invest more in indoor distribution network. Therefore, it is estimated that the demand for wireless communication network will increase along with the development of the overall telecommunication industry in the PRC.

Key market drivers

Great support from the PRC government

The telecommunication network construction, which generates the largest demand for communication cable, is heavily influenced by the government's policy. Developing high-speed network is one of the key national strategies in the PRC. The PRC government has set up development goals and provided great policy support to the construction of high-speed communication network.

In August 2013, the PRC government adopted the "Broadband China" (寬帶中國) strategy and implementation plan aiming to achieve the following goals by 2020:

(i) investment of RMB2 trillion to improve the nation's broadband network by 2020;

(ii) coverage of optical Fiber-to-the-Home (FTTH) or Fiber-to-the-Building (FTTB) to 300 million families by 2020;

(iii) increasing broadband speeds to at least 50 Mbps[3] for users in urban areas and 12 Mbps for users in rural areas; and

(iv) increasing broadband speeds to 1,000 Mbps for users in developed cities and large enterprises and institutions.

In March 2016, the PRC government launched the 13th Five-Year Plan (《國民經濟十三五規劃》) covering 2016 to 2020 and set up the goal to achieve the broadband speed of over 1,000 Mbps in urban areas and 50 Mbps in rural areas by 2020.

[3] Mbps refers mega bites per second

In order to achieve the goals, construction of new fixed-line and wireless network and upgrade of existing infrastructure will be in great demand, all of which will further drive the demand of communication cables, especially the optical fiber cables.

Increasing demand generated from telecommunication network infrastructure

China is one of the world's fastest growing telecommunication markets. The rapidly increasing number of mobile phone users and Internet subscribers as well as the increasing need of diversified telecommunication services boost the demand for high-speed network. To satisfy the ever-expanding demand, the telecommunication industry in the PRC has constantly invested in the construction of telecommunication network infrastructure.

The table below presents the historical and forecasted data indicating the development of telecommunication industry in the PRC.

Key indicators of telecommunication industry

	2011	2012	2013	2014	2015	2016	2017F	2018F	2019F	2020F
Telecommunication fixed asset investment *(RMB' billion)*	338.2	361.6	375.5	399.3	453.9	485.7	519.7	556.0	595.0	636.6
Popularization rate of telephone *(sets/100 persons)*	94.8	103.1	110.0	112.3	109.3	109.4	109.5	109.6	109.7	109.8
Popularization rate of Internet *(%)*	38.3	42.1	45.8	47.9	50.3	53.8	57.6	61.6	65.9	70.5
Subscribers of broadband Internet *(million)*	156.5	175.2	188.9	200.5	213.4	297.2	313.9	331.4	350.0	369.9

Source: MIIT; Ipsos research and analysis

Demand from fixed-line broadband communication network

A significant demand of communication cable is generated from the construction and upgrade of fixed-line communication networks. The construction of new networks primarily drives the demand of optical fiber cables, while new types of communication copper cables are still in great demand to upgrade retired "last-mile" network, especially in early-built school campuses, commercial buildings and residential compounds. The "last-mile" network is the final part of the telecommunication network to deliver network connectivity to end-users, which were mainly made up by communication copper cables. In consideration of high cost of optical fiber cables installation and technical difficulty to directly upgrade copper communication network to optical fiber network, communication copper cables are still widely used in the renovation.

Besides, as more telecommunication network operators enter into the fixed-line communication network market, more investment will be placed in fixed-line network construction. In 2016, China Radio and TV Network was eligible to provide Internet data transmission services and communication infrastructure services and thus became the fourth telecommunication network operator in the PRC. Thus, communication cables, as the key element in fixed-line broadband communication network, will embrace promising opportunity with more downstream players in the market.

Demand from mobile communication network

Since the 2G and 3G mobile network cannot meet the high-speed signal transmission requirement of 4G network, replacement of old mobile network was in urgent need, which fueled the promising growing demand for communication cables, especially the optical fiber cables in the past few years. Moreover, in order to expand the mobile network coverage to rural areas, new communication networks were built, which also generated significant demand for communication cables.

Recently, new applications on the mobile sets, such as high-definition video, live broadcasting (網絡直播), VR games and online shopping, have raised higher demand on the mobile network speed. Such emerging demand for high-speed mobile network has further driven the demand for constructing new backbone networks, upgrading the existing optical network and replacing communication copper cables to accommodate higher bandwidth.

Demand from structured cabling system products

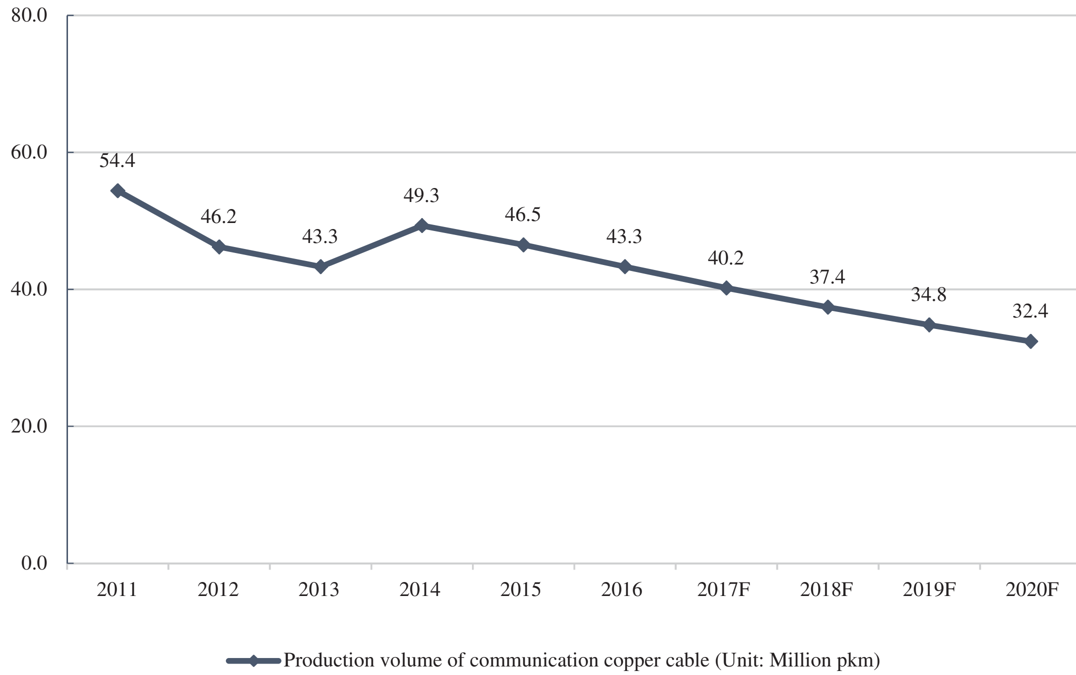
Communication cables have wide applications in structured cabling system products, playing an important role in the construction of intelligent buildings, smart home, and Internet Data Centers (IDC). With the rapid urbanization, China has become one of the largest markets of intelligent buildings as its market size reached about RMB794.9 billion (in terms of construction investment amount) in 2016, and is expected to maintain a CAGR of more than 15% during the period from 2014 to 2018. The development of smart home is another driver for high demand for structured cabling system products. In 2016, total sales revenue of the PRC's smart home market has already reached about RMB60.6 billion, and is forecasted to increase to about RMB139.6 billion by 2018 at a CAGR of 50.1%. The IDC market in the PRC was valued at about RMB71.5 billion in 2016 and is expected to reach RMB140 billion by 2018, growing at a CAGR of over 35% during the period.

To adequately support the fast-growing market of downstream industries, the demand for structured cabling system products will keep boosting, which will also thrive the communication cable market. In 2016, revenue of structured cabling system products reached about RMB5.8 million in the PRC.

Domestic supply of communication cable

The communication copper cable market is experiencing oversupply. The relatively low entry barriers results in large number of players in the market. On the other hand, the demand of communication copper cables has kept declining due to the big trend of "prioritizing optical fiber over copper" (光進銅退). As a result, a sustained decrease of communication copper cable production is witnessed. As shown in the chart below, the production volume of communication copper cable dropped from about 54.4 million pkm in 2011 to about 43.3 million pkm in 2016. It is expected to further reduce to about 32.4 million pkm in 2020. However, due to the high requirement for the application environment of optical fiber cable and the nature of communication copper cable to transmit both data and electricity, it is expected that communication copper cable will not be substantially replaced by optical fiber cable in the next five years.

Production volume of communication copper cable



Production value* of communication copper cable

	2011	2012	2013	2014	2015	2016E	2017F	2018F	2019F	2020F
Production value of communication copper cable *(RMB' million)*	24,874.5	18,711.4	16,521.7	17,585.6	14,412.6	12,531.1	12,120.7	11,609.1	11,228.0	10,494.3

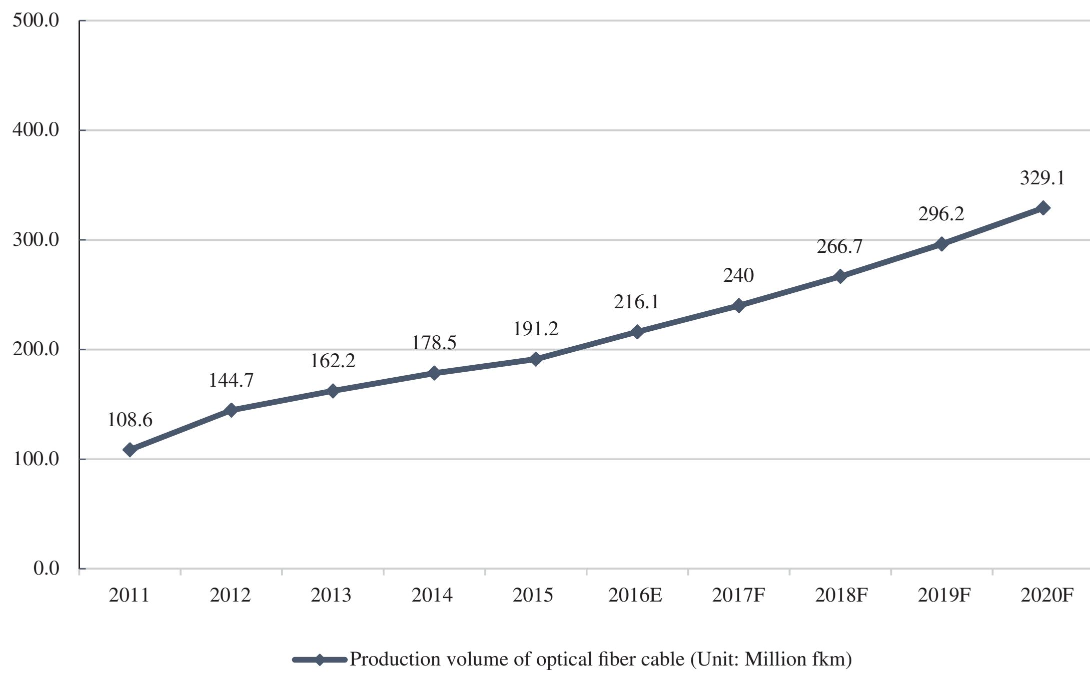
Source: MIIT; Ipsos research and analysis

Currently, the domestic supply and demand of optical fiber cable is balanced. Thanks to the great support from the PRC government and the ever-increasing demand from telecommunication network construction, the optical fiber cable market is booming. The chart below shows a rapid increase of production volume of optical fiber cable in the PRC from about 108.6 million fkm in 2011 to about 216.1 million fkm in 2016 at a CAGR of 14.7%. The production volume is projected to further increase to reach about 329.1 million fkm in 2020 at a CAGR of 11.1%.

* Production value refers to the value of total product produced

* The total produced products include not only products which are domestically sold, but also exports and inventory; hence, the total production value is higher than the domestic sales value.

Production volume of optical fiber cable



Production value of optical fiber cable

	2011	2012	2013	2014	2015	2016	2017F	2018F	2019F	2020F
Production value of optical fiber cable *(RMB' million)*	13,868.6	18,046.9	15,089.1	16,184.4	19,074.6	22,607.8	27,125.5	31,467.4	35,549.9	40,150.9

Source: *MIIT; Ipsos research and analysis*

Pricing trends of major raw materials

Copper

The table below sets out the historical and forecasted average prices of copper, the major raw material of communication copper cable in the PRC for the periods indicated.

Price trend of copper

	2011	2012	2013	2014	2015	2016	2017F	2018F	2019F	2020F
Copper *(RMB/ton)*	66,031	57,143	53,161	48,873	40,791	38,135	40,383	42,017	44,655	44,274

Source: *WIND, Oxford Economics, Ipsos research and analysis*

Copper-based materials account for approximately 70%-80% of the total production cost of communication copper cable. The historical statistics indicated that copper price decreased sharply from about RMB66,031 per ton in 2011 to about RMB38,135 per ton in 2016. The price drop reflects a signal of low demand and downturn in the global economy. In future, the copper price is expected to grow at a decent pace from 2017 to 2020, which is partly due to the market expectation of rising US demand under the Trump administration as well as the demand from the infrastructure investment in the PRC. It is expected that the selling price of communication copper cable is in line with the trend of copper price.

The copper industry is concentrated in China. In 2016, the top-5 copper suppliers had a combined market share of 91%.

Optical fiber and optical fiber preform

The table below sets out the historical and forecasted average prices of optical fiber and optical fiber preform for the periods indicated.

Price trend of optical fiber preforms and optical fiber

	2011	2012	2013	2014	2015	2016	2017F	2018F	2019F	2020F
Optical fiber *(RMB/fkm)*	71	68	52	48	55	60	66	70	74	76
Optical fiber preforms *(RMB/kg)*	985	920	799	790	860	913	950	973	981	985

Optical fiber is the core raw material of optical fiber cable, accounting for about 50% of the production cost of optical fiber cable. Thus, price fluctuation of optical fiber has a significant influence on the price of optical fiber cables. The raw material of optical fiber is optical fiber preform. The optical fiber price used to be strongly affected by overseas supply of optical fiber preform. For example, when anti-dumping tariffs were imposed on the optical fiber preform from Japan and the US, both being the major supplier countries, there was a shortage in optical fiber supply which in turn led to a sharp increase in price in 2015. Today, with progressing technology and expanding capacity of domestic optical fiber manufacturers, there are less reliance on imports. Domestic supply and demand has become the main factor to affect the optical fiber price.

The optical fiber price is expected to keep increasing till 2017. In the end of 2016, China Telecom has announced their big procurement plan of 35 million fkm of optical fiber cables. Similarly, in 2017, China Unicom announced the procurement of 58.3 million fkm of optical fiber cables with a total value of RMB3.6 billion. On the other hand, China Radio and TV Network, which has been just granted the network license, and became the 4th telecommunication network operator in the PRC, is expected to invest actively in network infrastructure production. In the circumstances, the demand for optical fiber cable is expected to boom starting from 2017. Besides, the PRC government has announced their decision to continue the imposition of anti-dumping tariffs on optical fiber from the US and European Union countries. The anti-dumping tariffs on optical fiber preforms from the US and Japan also has a high possibility to continue. With the exuberant market demand and an expected shortage in the supply of optical fiber and optical fiber preforms, a steady growth in the price of optical fiber in the next several years is to be expected.

The suppliers in optical fiber cable industry are dominated by a few players. The top 5 suppliers provided about 66% of optical fibers in 2016; In particular, Yangtze Optical Fiber and Cable Joint Stock Ltd., Co. (長飛光纖光纜股份有限公司), being a company listed on the Main Board of the Hong Kong Stock Exchange, is the largest optical fiber supplier in the PRC.

Other raw materials

The table below sets out the historical and forecasted average prices of other major raw materials used in optical fiber cable and communication copper cable production for the periods indicated.

Price trend of other raw materials

	2011	2012	2013	2014	2015	2016	2017F	2018F	2019F	2020F
PE *(RMB/ton)*	10,250	10,400	11,900	10,700	9,436	9,998	10,650	10,437	10,223	10,842
PVC *(RMB/ton)*	7,508	6,480	6,464	6,177	5,448	5,920	6,405	6,277	6,152	6,520
Steel *(RMB/ton)*	4,967	4,150	3,820	3,400	2,450	2,748	3,243	2,429	2,036	1,914
Aluminum *(RMB/ton)*	16,843	15,630	14,454	13,521	12,103	12,546	12,743	12,557	11,561	10,644

Source: WIND, Oxford Economics, Ipsos research and analysis

PE and PVC are insulation materials widely used in the communication cable production including both communication copper cables and optical fiber cables. The average prices of PE were relatively stable with a slight decline from about RMB10,250 per ton in 2011 to about RMB9,998 per ton in 2016. The PVC prices, on the other hand, experienced a continued decline from an average price of RMB7,508 per ton in 2011 to about RMB5,920 per ton in 2016. The downward PE and PVC pricing trend was mainly due to the drop in oil prices. PE and PVC prices are usually driven by factors like oil volatility, capacity utilization, inventories, compounds, additives, recycled material, imports, and currency valuation. But since they only account for about 15% of the raw material costs of communication copper cables and 20% to 30% for optical fiber cables, impact of the price fluctuation of PE and PVC on the production cost of the communication cable is not as significant as that of copper or optical fibers.

A small portion of the production cost of communication cable is on steel-based or aluminum-based materials which provides mechanical protection, allowing cables to withstand higher degree of stress. Based on the historical figures, the steel prices showed a declining trend. This could be the result of the increased global metal production, owing to rapid investment in capacity in the 2000s. On the other hand, lower energy prices have also helped reduce costs for mining and refining for metals such as steel and aluminum.

COMPETITIVE LANDSCAPE OF COMMUNICATION CABLE MARKET IN THE PRC

Currently in the PRC, there are over 500 communication copper cable manufacturers, yet only less than 30 manufacturers are able to produce high-end special communication copper cables. The biggest 10 manufacturers accounted for about 72.7% of the total communication copper cable market in 2016. There are over 100 optical fiber cable manufacturers in the PRC, but the optical fiber cable market is concentrated with top 10 manufacturers contributing about 89.7% of the total market share in terms of sales value in 2016.

Moving forward, the communication copper cable market is expected to further consolidate resulting from gradually decreasing demand and intensive competition. It is expected that high-end communication copper cable (such as category 6 and 6A cable) will gradually replace low-end ones with higher speed of data transmission. At the same time, communication copper cables will have to meet higher safety and environmental standards. Thus, large number of smaller communication copper cable manufacturers will be washed out while those manufacturers with stronger capital and technical capacities will be able to enlarge their market share.

As for the competitive landscape of optical fiber cable, with increasing number of new entrants, the competition of optical fiber cable market is estimated to be more intensive. To maintain the market position, optical fiber cable manufacturers will naturally integrate backwards to enhance profitability, such as introducing production capacity to manufacture optical fiber or even optical fiber preforms.

The tables below set out the market shares of the top 10 domestic manufacturers of communication copper cable and optical fiber cable respectively, in descending order in terms of sales revenue in 2016.

Top 10 domestic manufacturers of communication copper cable in 2016

Rank	Company	Headquarter location	Sales Revenue[4]	Market share	Key Products[5]
			RMB' million		
1	Jiangsu Trigiant Technology Co., Ltd. 俊知集團 (1300.HK)	Yixing	1,450.6	12.8%	Optical fiber cable, communication copper cables
2	Hengtong Optic-Electric Co., Ltd. 亨通集團 (600487.SH)	Suzhou	1,390.2	12.3%	Optical fiber cable, communication copper cables
3	Zhongli Science and Technology Group 江蘇中利集團 (002309.SZ)	Changshu	1,281.0	11.3%	Communication copper cables
4	Tongding Interconnection Information Co., Ltd. 通鼎集團有限公司 (002491.SZ)	Wujiang	895.6	7.9%	Optical fiber cable, communication copper cables
5	Jiangsu Zhongtian Technology Co., Ltd. 中天科技集團 (600522.SH)	Nantong	780.4	6.9%	Optical fiber cable, communication copper cables
6	Kingsignal Technology Co., Ltd. 深圳金信諾高新技術股份有限公司 (300252.SZ)	Shenzhen	665.7	5.9%	Optical fiber cable, communication copper cables
7	Zhejiang Zhaolong Cable Co., Ltd. 浙江兆龍線纜有限公司	Huzhou	651.0	5.8%	Communication copper cables
8	Futong Group Co., Ltd. 富通集團有限公司	Hangzhou	557.4	4.9%	Optical fiber cable, communication copper cables
9	Zhuhai Hansen Technology Co., Ltd. 珠海漢勝科技股份有限公司	Zhuhai	309.1	2.7%	Optical fiber cable, communication copper cables
10	Putian Group 普天線纜集團有限公司	Nanchang	248.5	2.2%	Optical fiber cable, communication copper cables
	Total		8,229.5	72.7%	

Source: *Ipsos research and analysis*

[4] Sales revenue of communication copper cables only

[5] Only communication cable products were listed out

Top 10 domestic manufacturers[6] of optical fiber cable in 2016

Rank	Company	Headquarter location	Sales Revenue[7]	Market share	Key Products[8]
			RMB' million		
1	Yangtze Optical Fibre And Cable Joint Stock Co., Ltd. 長飛光纖光纜股份有限公司 (06869.HK)	Wuhan	3,580.7	16.5 %	Optical fiber cable, communication copper cables
2	Jiangsu Zhongtian Technology Co., Ltd. 中天科技集團 (600522.SH)	Nantong	3,502.7	16.1%	Optical fiber cable, communication copper cables
3	Hengtong Optic-Electric Co., Ltd. 亨通集團 (600487.SH)	Suzhou	3,197.9	14.7%	Optical fiber cable, communication copper cables
4	FiberHome Technologies Group 烽火通信科技股份有限公司 (600498.SH)	Wuhan	2,223.4	10.2%	Optical fiber cable
5	Tongding Interconnection Information Co., Ltd. 通鼎集團有限公司 (002491.SZ)	Wujiang	1,763.9	8.1%	Optical fiber cable, communication copper cables
6	Shenzhen Sdg Information Co., Ltd. 深圳市特發信息股份有限公司 (000070.SZ)	Shenzhen	1,260.4	5.8%	Optical fiber cable
7	Zhuhai Hansen Technology Co., Ltd. 珠海漢勝科技股份有限公司	Zhuhai	1,236.6	5.7%	Optical fiber cable, communication copper cables
8	Futong Group Co., Ltd. 富通集團有限公司	Hangzhou	1,003.4	4.6%	Optical fiber cable, communication copper cables
9	Jiangsu Etern Co., Ltd. 江蘇永鼎股份有限公司 (600105.SH)	Suzhou	885.5	4.1%	Optical fiber cable, communication copper cables
10	Jiangsu Trigiant Technology Co., Ltd. 俊知集團 (1300.HK)	Wujiang	851.3	3.9%	Optical fiber cable, communication copper cables
	Total		19,505.8	89.7%	

Source: *Ipsos research and analysis*

6 Our market share in terms of revenue in China's optical fiber cable market was about 0.7% in 2016 and we were one of the top 20 optical fiber cable manufacturers in the PRC in terms of revenue in 2016.

7 Sales revenue of optical fiber cable only

8 Only communication cable products were listed out

We ranked the 10th communication copper cable manufacturer in the PRC in terms of revenue in 2016, with a market share of 2.2%. Our market share in terms of revenue in China's optical fiber cable market was about 0.7% in 2016 and we were one of the top 20 optical fiber cable manufacturers in the PRC in terms of revenue in 2016.

In addition to the backwards integration, certain communication cable manufacturers diversify their products portfolio to offer structured cabling system products. However, currently, foreign brands account for the largest market share in the structured cabling system products market in the PRC, attributing to two main reasons. Firstly, foreign companies usually have a higher brand awareness and brand reputation of better quality, benefiting from their higher branding investment. Fortunately, increasing number of domestic structured cabling system products providers have realized the importance of building brand reputation. Companies like Ship Group (浙江一舟電子科技股份), TC Smart System Group (天誠智能集團) and our Company have taken the lead to increase the investment in brand-building activities and have consequently harvested higher market shares. Moreover, foreign brands generally offer a better variety of products with higher technical content. Together with the rapid development of smart city and broadband infrastructure upgrading, structured cabling system products are required to be more differentiated and advanced to satisfy the more complicated context. Comparing with those mature foreign brands, most of the domestic players only package the cables and other accessories together and just provide single choice or a few choices of products. They have the problem of providing homogeneous products.

Major foreign players in structured cabling system products market in the PRC include CommScope Inc. (美國康普), Siemon (美國西蒙), Schneider Electric (施耐德電氣) and TCL-Legrand (TCL-羅格朗), while major domestic players in structured cabling system products market in the PRC include Chengdu Datang Communication Cable (成都大唐線纜有限公司), Tsinghua Tongfang (清華同方), Ship Group (浙江一舟電子科技股份), TC Smart System Group (天誠智能集團) and our Company.

Factors affecting the competition

The competitive landscape of the communication cable market is influenced by a combination of factors, including price, product performance record, pre-and after-sales service, technical innovation capabilities, sales network, production capacity, company credit, operational record, management personnel, etc., among which, the key factors are set out as below:

Procurement limit policy

Major telecommunications network operators in China have adopted a procurement limit policy, where a number of suppliers are selected in a project and the maximum percentage of total procurement allotted to a single supplier is generally limited to about 10% to 15%, no single supplier can dominate the market.

Price

Price is a key in the market competition. In the PRC communication cable market, all telecommunication network operators (namely, China Mobile, China Unicom, China Telecom and China Radio and TV Network) are adopting open tender in their centralized procurement. Price is a key criterion commonly assigned high weighting during the evaluation process. Qualified bidder offering the lowest price or price closer to the benchmark price has a higher chance to win the tender.

Product performance record

The performance record of the communication cable products is another key factor in the market competition. After installation, telecommunication network operators would track the product performance over long run. Repeated product malfunction may adversely affect the success of the suppliers in future biddings.

Pre-and after-sales service

On-site consultation and technical support as well as prompt response to clients' after-sales request play a significant role to clients' experience, which would further influence their future purchase decisions. For other non-operator clients who usually have less internal technical support, good pre-sale and after-sale service is even more important as they place heavier reliance on the suppliers to offer technical support.

Technical innovation capabilities

Along with the increasing concentration level of communication cable manufacturers, the competition among major manufacturers will be more intensive. Players with stronger research and development capabilities are more welcomed as they can provide higher value to downstream customers, such as developing differentiated products (e.g. high strength optical fiber cable to reduce maintenance cost, etc.). Moreover, innovation in manufacturing techniques and process to reduce manufacturing cost also help manufacturers reduce the product price and thus enhance competitiveness in the open bidding.

FUTURE OPPORTUNITIES AND THREATS OF COMMUNICATION CABLE INDUSTRY

Opportunities

China's ambitious broadband development plan will expedite the development of communication cable industry

The implementation of a series of governmental plans, including "Broadband China" strategy and "Internet Plus", is expected to continue generating demand for communication cables. The PRC government is dedicated to continue to provide subsidies to telecom investment massively in fiber infrastructure to expand accessibility and throughput. Since fiber network construction is brought up to national strategic level, along with great government support, it is expected that telecommunication network operators in the PRC will plan for continuous capacity growth, enhancing greater flexibility and expanding larger array of services to address these changes. The upstream communication cable manufacturers will thus be benefited.

Demand of optical fiber cables will remain high

The fixed-line broadband penetration rate in the PRC has exceeded the global average. However, there is still a large gap when compared with other developed countries. The telecom development between eastern and western China is imbalanced. To narrow the gap, the PRC government has made great effort to expand the broadband access coverage in rural and remote areas especially in Western China. Together with the coming 5G networks, the development of smart city, and the informatization construction in transportation and energy sectors, the demand for optical fiber cable is expected to remain at a high level.

Communication copper cables remain vital in key applications and stronger players will gain more market share

Communication copper cable will not be substantially replaced by optical fiber cable in the short run. In terms of physical attribution, communication copper cable is capable to transmit not only data but also electrical power, which is key to the application to horizontal network transmission and device end. Those communication copper cables, including data cables, local telephone cables, telephone and broadband wires and power cables are widely used in the communication server rooms, communication stations and high-rise buildings, serving as power supplies for communication low-voltage equipment systems. Benefiting from the 4G and 5G communication network construction, as well as the development of smart city and smart building, the demand for communication copper cables should remain at a high level, regardless of the shrinking trend of overall communication copper cable market. Communication copper cables also have an advantage in equipment cost. Optical fiber cable has its shortage in high requirements for application environment. Apart from the flexible usage of communication copper cable especially in old neighborhoods or business buildings built in the last century, the cost of maintenance for communication copper cable is also lower. Therefore, communication copper cable is still a necessity for many applications and markets.

The decreasing demand for the communication copper cable will instead bring opportunities to manufacturers with stronger capital and technical capabilities to eliminate smaller competitors and thus gain more market share. The best example is that China Telecom has chosen less suppliers in their recent centralized purchasing of communication copper cable as the total demand decreased. However, each of the winning suppliers got more allocated procurement amount than before.

Structured cabling system products market will flourish with a widened range of applications

A structured cabling system is a complete system of both optical fiber and communication copper cables and associated hardware, providing a comprehensive communication network construction package. It plays a key role in deepening the engagement of information technology and other industries, aligning with the "Internet Plus" concept. It is also an important basis for the realization of intelligent building, smart home, and big data storage.

The downstream markets of structured cabling system products are flourishing. The intelligent building market in the PRC has reached a size of about RMB794.9 million in 2016, smart home market of about RMB40.3 billion, and Internet Data Center (IDC) of about RMB51.86 billion. All of them have a promising forecast to grow at a high speed. In particular, the intelligent building development has become a key area for development by Ministry of Housing and Urban-Rural Development of the PRC (MOHURD, 中國住房和城鄉建設部), and was listed as a national strategic industry in the Outline for the Development of 2016-2020 Construction Industry Informatization (《2016-2020年建築業信息化發展綱要》).

The booming of the downstream markets will definitely benefit the prosperity of the structured cabling industry. Many players with foresights already have their strategic layout to provide structured cabling system products, including Hengtong Optic-Electric (亨通集團), TC Smart System Group (天誠智能集團), Ship Group (浙江一舟電子科技股份), and our Group.

In August 2016, the new version of Code for Engineering Design of Generic Cabling System (GB50311-2016,《綜合佈線系統工程設計規範》, the "**New Code**") was issued by Standardization Administration of the PRC (中國國家標準化管理委員會), being set up by the State Council of China to discharge administrative duties by undertaking unified management, supervision and overall coordination of standardization work in China, which standardized the cabling market and at the same time protected the market to grow in a healthy way. Together with other driving factors, such as Smart City, Internet of Things, and the coming 5G era, the New Code expands application areas for structured cabling system (e.g. surveillance system) and standardizes the components which must be included in a FTTH system, it is expected that structured cabling system products will have a widened range of application and should welcome its boom.

Meanwhile, telecommunications network operators are gradually shifting their construction focus to core network and backbone network, which are considered to be part of their core competency, while the construction of structured cabling systems is being taken care of by professional system construction companies. This creates significant demands for structured cabling system products from non-operator customers.

Challenges

Communication copper cable manufacturers have to face the big trend of prioritizing optical fiber over copper ("光進銅退")

Although communication copper cable will not be totally replaced by optical fiber cable, the trend of fiber-replacing-copper is irreversible given its physical limitation in the data transfer capacity and speed.

Communication copper cable manufacturers must keep vigilant of this big trend. The scope of copper cable usage needs to be extended to applications such as Power over Ethernet (PoE) technology, intelligent buildings, wireless access and sensor networks. Copper cable technology needs to evolve with the upgrading of server end access continuously. Those manufacturers who only produce communication copper cables might also consider to diversify their product line or even step into optical fiber cable production so as to respond to the shrinking communication copper cable market.

Supply chain consolidation will lead market share to concentrate on fewer big players

The optical fiber preform market in the PRC has not yet achieved a self-sufficient level. With the intensified competition in the optical fiber cable industry, manufacturers who used to focus on the production of optical fiber cable tend to integrate backwards to upstream optical fiber production. Some local players with adequate capital and experience start to expand their production lines to produce optical fiber cable by upgrading and reconstructing their existing production facilities, in order to improve their competitiveness and thus their comparative advantage.

By bringing in upstream resources and capacity, big players are able to expand their production lines to produce optical fiber, enhance flexibility and decrease reaction time. Thus, those manufacturers who produce fiber preform, optical fiber and cable have the most favourable position in the industry, while smaller players' profit will be squeezed.

Communication cable manufacturers might be subject to strong bargaining power from a few key and major customers

The major telecommunication network operators, namely China Mobile, China Unicom and China Telecom, are the key clients of most of the communication cable manufacturers. Their open-bid procurement for communication cables usually accounts for about 90% of their key suppliers' total sales amount of communication cables. This situation may not be favorable to the communication cable suppliers because these network operators may have stronger power to bargain for lower price and better terms, while suppliers have less control in these regards. Due to the industry nature, the dominance of the telecommunication network operators is expected to continue.

Our Group principally engages in the manufacturing and sale of communication cable products. This section sets out a summary of certain aspects of the laws and regulations that affect our business in the PRC. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to us.

FOREIGN INVESTMENT GUIDANCE

According to the Provisions on Guiding the Orientation of Foreign Investment (指導外商投資方向規定) (Order No. 346 of the State Council) (the "**Foreign Investment Orientation Provision**"), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, projects with foreign investment shall fall into four categories, namely encouraged, permitted, restricted and prohibited. The encouraged, restricted and prohibited projects for foreign investment shall be listed in the Catalog of Industries for Guiding Foreign Investment (2015 version) (外商投資產業指導目錄(2015年修訂)) (the "**Catalog**"), while any project not listed in the Catalog is deemed to be a permitted project for foreign investment.

According to the Catalog, which was jointly amended by the NDRC and the MOFCOM in March 2015 and came into effect on April 10, 2015, the manufacturing and sale of communication cable products falls into the category of industries in which foreign investment is permitted and foreign investors are permitted to make equity investment into such industry subject to the approval and registration of relevant PRC government authorities.

LAWS AND REGULATIONS RELATING TO MANUFACTURING AND SALE OF COMMUNICATION CABLE PRODUCTS IN THE PRC

Regulations Relating to Product Certification

Compulsory Product Certification

Pursuant to the Administrative Regulations on Compulsory Product Certification (強制性產品認證管理規定), which was promulgated on July 3, 2009 and became effective from September 1, 2009, to protect national security, prevent fraud, protect the health or safety of human beings, safeguard the life or health of animals and plants, and protect environment, products specified by the state may not be delivered, sold, imported or used in other business activities unless they are certified (hereinafter referred to as compulsory product certification), and labeled with certification mark.

For products that are subject to compulsory product certification, the state implements unified product catalogs (hereinafter referred to as catalogs), unified compulsory requirements, standards and compliance assessment procedures in technical specification, unified certification marks and unified charging standards. The catalogs are prepared and adjusted by the General Administration of Quality Supervision, Inspection and Quarantine (hereinafter referred to as AQSIQ) and the Certification and Accreditation Administration (hereinafter referred to as CNCA) in conjunction with relevant departments under the State Council, and issued jointly by AQSIQ and CNCA and implemented by them in conjunction with other related authorities.

Producers or sellers or importers of products included in the catalogs shall entrust certification authorities designated by CNCA (hereinafter referred to as certification authorities) to certify the products produced, sold or imported thereby. Some of our cable products such as PVC insulated sheathed wire and cable (聚氯乙烯絕緣無護套電線電纜), PVC insulated flexible cable and wire（聚氯乙烯絕緣軟電纜電線）and PVC insulated installation wires and shield wires (聚氯乙烯絕緣安裝用電線和屏蔽電線) are listed in the catalogs and subject to compulsory certification requirement.

CNCA applies unified format and contents of certificates for compulsory product certification (hereinafter referred to as certificates). Certificates are valid for 5 years. If certificates expire and need to be renewed, certification clients shall apply for it within 90 days prior to the expiry of such certificates. CNCA applies unified style and type of compulsory product certification marks (hereinafter referred to as certification marks). The certification marks shall be composed of basic pattern and labeling of certification category. The basic pattern is shown as "CCC", which is the English abbreviation of "China Compulsory Certification".

During the Track Record Period and as of the Latest Practicable Date, we complied with all compulsory certification requirements. For details of this compulsory certificate, please refer to the section headed "Business — Legal Compliance" in this prospectus.

Voluntary or Preferred Product Certification

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 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.

The product certification conducted by TLC certification center, which is the entity confirmed by MIIT as qualified in providing certification for telecommunication related enterprises, is a type of voluntary or preferred product certification. In order to meet the product quality requirements imposed by our clients, we have obtained numerous certificates from TLC certification center for our products including communication copper cables, optical fiber cables and structured cabling system products.

Laws and Regulations Relating to Environmental Protection

We are subject to a variety of PRC laws and regulations relating to environmental protection. The major environmental laws applicable to us include the Environmental Protection Law of the PRC (中華人民共和國環境保護法), Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), Law of the PRC on Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), Law of the PRC on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) and Law of the PRC 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). These laws set out regulations governing the prevention and control of air, water, noise and solid 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 governmental 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.

Pursuant to the PRC Environmental Impact Assessment Law (中華人民共和國環境影響評價法), which was promulgated on October 28, 2002, became effective on September 1, 2003, and was amended on July 2, 2016, an entity undertaking any construction project must submit an environmental impact study report to the relevant government authority setting forth the impact that the proposed construction project may have on the environment and the measures to prevent or mitigate the impact prior to commencement of construction of the relevant project. No enterprise may commence its construction project without the approval of the relevant environmental protection authorities.

In accordance with the Administrative Regulations on the Environmental Protection of Construction Projects (建設項目環境保護管理條例), which was promulgated on November 29, 1998 and became effective on the same date, an entity undertaking any construction project shall, upon completion of a construction project, file an application with the competent department of environmental protection administration that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for acceptance checks on completion of matching construction of environmental protection facilities required for the said construction project. The said construction project may only formally go into production or be delivered for use when the matching construction of the environmental protection facilities required for the construction project has passed acceptance checks. For construction projects that are built in phases, go into production or are delivered for use in phases, acceptance checks for their corresponding environmental protection facilities shall be conducted in phases accordingly.

Laws and Regulations Relating to Product Quality

The Law of the PRC on Product Quality (中華人民共和國產品質量法) (the "**PRC Product 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 PRC Product Quality Law, industrial products that impose possible health or safety threats to human beings must comply with relevant national and industry standards. Production and sales of industrial products that are inconsistent with such standards and requirements are prohibited. The State Council is authorized to promulgate specific administrative measures with respect to the matter.

Violation of the PRC 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 fines in accordance with the particular circumstances. In serious circumstance, business license will be revoked or criminal offense will be charged. Enterprise and persons directly responsible for the offenses may be subject to criminal liability.

Laws and Regulations Relating to Tender and Bidding

Pursuant to the Law of the PRC on Tender and Bidding (中華人民共和國招標投標法), which was promulgated by the Standing Committee of the National People's Congress on August 30, 1999 and came into effect on January 1, 2000, a bid must be invited for the following construction engineering project if it is carried out in the PRC and meet certain criteria, including the engineering exploration, design, construction and supervision of project, as well as procurement of important equipment and materials relating to construction works: large scale infrastructure or public utility projects concerning public safety or public interests, and projects funded by the State, and projects using loans or aid funds from international organizations or governments of other countries, or receiving the loans. No company or individual is permitted to evade the bidding process by splitting a project for which a bid must 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 process in stages as required without prejudicing the integrity and continuity of the project.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY IN THE PRC

Copyright

Pursuant to the Law of the PRC on Copyright (中華人民共和國著作權法) (the "**Copyright Law**"), which was amended on February 26, 2010 and became effective from April 1, 2010. Copyrights include personal rights such as the right of publication and right of authorship as well as property rights such as the right of reproduction and right of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or disseminating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

Trademark

Pursuant to the Law of the PRC on Trademark (中華人民共和國商標法) (the "**Trademark Law**"), which was revised on August 30, 2013 and became effective from May 1, 2014, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. According to the Trademark Law, using a trademark that is identical with or similar to a registered trademark on the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Patent

Pursuant to the Law of the PRC on Patent (中華人民共和國專利法) (the "**Patent Law**"), which was revised on December 27, 2008 and with effect from October 1, 2009, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, manufacture, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names of China (中國互聯網絡域名管理辦法), which was promulgated on November 5, 2004 and with effect from December 20, 2004, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. The principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Furthermore, the domain name holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

LAWS AND REGULATIONS RELATING TO LABOR PROTECTION IN THE PRC

According to the Labor Law of the PRC (中華人民共和國勞動法) (Order No. 28 of the President) (the "**Labor Law**"), which was promulgated by the Standing Committee of the National People's Congress on July 5, 1994, came into effect on January 1, 1995 and was amended on August 27, 2009, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national rules and standards on labor safety and health, provide labor safety and health education for workers, prevent labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labor Contract Law (勞動合同法) (Order No. 65 of the President), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law (勞動合同法實施條例) (Order No. 535 of the State Council), which was promulgated on September 18, 2008 and became effective since the same day, regulate both parties to a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated under the Labor Contract Law and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employee after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the Labor Contract Law and subsisting within the validity period thereof shall continue to be honored. With respect to a circumstance where a labor relationship has already been established prior to the enactment of the Labor Contract Law but no formal contract has been made, a written labor contract shall be entered into within one month from the effective date of the Labor Contract Law.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), the Regulations on Work Injury Insurance (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例) and the Trial Measures on Employee Maternity Insurance of Enterprises (企業職工生育保險試行辦法), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance (社會保險法) (No. 35 of the President), which was promulgated on October 28, 2010 and became effective on July 1, 2011, has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

According to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) (Order No. 262 of the State Council), which was promulgated and became effective on April 3, 1999, and was amended on March 24, 2002, housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall belong to the individual employee.

The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center. With respect to companies who violate the above regulations and fail to process housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees, such companies shall be ordered by the housing provident fund administration center to complete such procedures within a designated period. Those who fail to process their registrations within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When companies breach these regulations and fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration center shall order such companies to pay up within a designated period, and may further apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.

LAWS AND REGULATIONS RELATING TO TAX IN THE PRC

Income Tax

According to the PRC EIT Law, and the Implementation Rules to the PRC EIT Law (中華人民共和國企業所得稅法實施條例) (the "**Implementation Rules**"), which was promulgated by the State Council on December 6, 2007 and became effective from January 1, 2008, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of 25%. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of 10%.

Income Tax in Relation To Dividend Distribution

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes 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) (the "**Arrangement**") on August 21, 2006. According to the Arrangement, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) promulgated by the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局) (the "**State Administration of Taxation**") became effective on February 2, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reach a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Pursuant to the Administrative Measures for Non-resident Taxpayers to Enjoy Treatments under Tax Treaties (非居民納税人享受税收協定待遇管理辦法) (the "**Administrative Measures**"), which was promulgated on August 27, 2015 and became effective on November 1, 2015, any non-resident taxpayer satisfying conditions for enjoying the favorable tax benefits under the tax arrangements shall enjoy the treatment under tax arrangements on their own when filling a tax return or making withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

Business Tax

According to the Interim Regulations on Business Tax (營業稅暫行條例), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 5, 2008 and with the latest amendment came into effect from January 1, 2009, and the Detailed Implementing Rules on the Interim Regulations on Business Tax (營業稅暫行條例實施細則), which was promulgated by the Ministry of Finance (the MOF) and the State Administration of Taxation (the SAT) on December 25, 1993 and came into effect on the same day, amended on May 22, 1997, December 15, 2008 and October 28, 2011 respectively and with the latest amendment came into effect from November 1, 2011, business tax is imposed on income derived from the furnishing of specified services and transferring of immovable property or intangible property at rates ranging from 3% to 20%, depending on the activity.

Value-added Tax

According to the Interim Regulations on Value-added Tax (增值稅暫行條例), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 5, 2008 and February 6, 2016 and the Detailed Implementing Rules of the Interim Regulations on Value-added Tax (增值稅暫行條例實施細則) (Order No. 65 of the MOF), which was promulgated by the MOF and came into effect on December 25, 1993, and was amended on December 15, 2008 and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax. The tax rate of 17% or 13% shall be levied on general taxpayers selling or importing various goods; the tax rate of 17% shall be levied on the taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (營業稅改徵增值稅試點方案) (Cai Shui 2011 No. 110), which was promulgated by the MOF and the SAT, the State began to launch taxation reforms in a gradual manner with effect from January 1, 2012, whereby the collection of value-added tax in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-Added Taxes in lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知), which was promulgated by the MOF and the SAT On March 23, 2016 and became effective from May 1, 2016, since May 1, 2016, the government will collect value-added tax in lieu of business tax on a trial basis nationwide, and all business tax payers in industries such as construction industries, real estate industries, financial industries and living service industries, etc. shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE IN THE PRC

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the "**Foreign Exchange Administration Rules**"), which was promulgated by the State Council of the PRC on January 29, 1996 and became effective from April 1, 1996 and was amended on January 14, 1997 and August 1, 2008. Under the Foreign Exchange Administration Rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant governmental authorities (if necessary).

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (Hui Fa [2014] 37) (the "**Circular No. 37**"), which is promulgated on July 14, 2014 and became effective from the same day, before a domestic resident contributes its legally owned onshore or offshore assets and equity into a special purpose vehicle, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE, and in the event of change of basic information such as the individual shareholder, name, operation term, etc, or if there is a capital increase, decrease, equity transfer or swap, merger, spin-off or other amendment of the material items, the domestic resident shall complete foreign exchange alteration registration formality for offshore investment. The special purpose vehicle is defined as "offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of investment and financing"; "Round Trip Investments" (返程投資) refer to "the direct investment activities carried out by a domestic resident directly or indirectly via an special purpose vehicle, i.e., establishing a foreign-invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests". In addition, according to the procedural guidelines as attached to the Circular No. 37, the principle of review has been changed to "the domestic individual resident is only required to register the special purpose vehicle directly established or controlled (first level)". In accordance with the Circular No. 37, Ms. Wang and Mr. Zhao, both of whom are domestic residents, are required to conduct foreign exchange registration for offshore investment, which have been completed in accordance with PRC laws in November 2016.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (the "**Circular No. 13**") (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), which was promulgated on February 13, 2015 and became effective on June 1, 2015, foreign exchange registration for domestic direct investment and foreign exchange registration for overseas direct investment will be directly reviewed and handled by banks in accordance with the Circular No. 13 and the Operating Guidelines For Direct Investment-related Foreign Exchange Business (直接投資外匯業務操作指引) (which is an appendix to the Circular 13), and SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via the aforesaid banks.

Pursuant to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (the "**Circular No. 16**") (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知), which was promulgated on June 9, 2016 and became effective from the same date, discretionary settlement of foreign exchange receipts under capital accounts (資本項目外匯收入意願結匯) means that the foreign exchange receipts under capital accounts (including foreign exchange capitals, foreign debts, and repatriated funds raised through overseas listing) to which the application of discretionary settlement has been expressly prescribed in the relevant policies may be settled with banks according to the actual need of domestic institutions for business operations. Where the current regulations contain any restrictive provisions on the settlement of foreign exchange receipts under capital accounts of domestic institutions, such provisions shall prevail. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to balance of payments.

Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (Revised in 2009)

Under the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (Revised in 2009) (the "**M&A Rules**") (關於外國投資者併購境內企業的規定), which was jointly promulgated by the MOFCOM and other PRC governmental authorities on August 8, 2006, become effective on September 8, 2006, and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise (the "**equity merger**"); or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or the foreign investor purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise (the "**asset merger**"). According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

OUR CORPORATE HISTORY

The history of our Group can be traced back to 2001 when Ms. Wang, being an executive Director, chairlady of our Board and one of our Controlling Shareholders, established our major operating subsidiary, Putian Cable, in Jiangxi Province, the PRC. Since the establishment of Putian Cable, we provide a wide range of communication copper cables and optical fiber cables to customers in the telecommunication industry and structured cabling system products to customers in a variety of industries.

The past experience of our Controlling Shareholders has contributed significantly to the establishment and development of our Group's business. Ms. Wang, our chairlady and chief executive officer, has over 25 years of experience in the communication cable industry. In 2002, Ms. Wang steered our business into the communication cable market to capture the opportunity brought by the accelerated construction of telecommunication infrastructure in the PRC. In 2005, benefiting from her understanding of the industry trend that optical fiber cables will gradually replace the dominant position of copper cables, we expanded our business into the production of optical fiber cables. In 2012, while we had gained significant penetration into telecommunications network operator customers, Ms. Wang sensed the opportunity to expand our business into structured cabling market to meet their diversified demands. Thanks to our first mover advantage, we were then able to expand our customer base to non-operator customers smoothly and efficiently. Mr. Zhao joined our Group in 2001 and has over 15 years of experience in the production and sales in the telecommunications industry. Prior to joining our Group, Mr. Zhao worked as an officer at the regulatory division of the Administration for Industry and Commerce of Nanchang City for almost 15 years who was responsible for execution of relevant laws, rules and regulations relating to commodity trading markets in Nanchang. We believe that Mr. Zhao is well positioned to lead our operation and management by combining and leveraging on his experience in the government and in the industry. Under the leadership of both Ms. Wang and Mr. Zhao, we have successfully achieved a fast growth in our business.

Milestones in our business development

The following is a summary of the milestones in our business development:

Year	Event
2001	Putian Cable was established in the PRC.
	We established our first production facility in High-tech District of Nanchang.
	We commenced producing copper cables.
2005	We commenced producing optical fiber cables.
2008	We were awarded Dry Type Loose Sheathing Optical Fiber Cable recognized as Key New Products (乾式鬆套光纖光纜(重點新產品)) by Jiangxi Provincial Department of Science and Technology (江西省科學技術廳).

Year	Event
2009	We were awarded Top 10 Suppliers (十佳供應商) in terms of Execution of Contracts of Year 2008 by Shenzhen Branch of China Telecommunications Corporation (中國電信深圳分公司).
2014	We commenced constructing our Yaohu Factory.
	We were awarded Professional, Specialized and New SME in Jiangxi Province of Year 2014 (2014年江西省專精特新中小企業) by SME Bureau of Jiangxi Province (江西省中小企業局).
2016	We were awarded Top Brand Products of Comprehensive Cabling System of Enterprises in Chinese Intelligent Architectural Industry of Year 2015 (2015年度中國智慧建築行業企業綜合佈線系統TOP品牌產品) by Intelligent Building Magazine (《智能建築》雜誌社).
2016	We were awarded Integrity Co-built Unit of Year 2016 (2016年度誠信共建單位) by Jiangxi Channel of www.xfrb.com.cn (消費日報網江西頻道).
2016	We were awarded Top 10 ELV Industry Brands of Year 2015 in China (2015年度中國弱電行業十大品牌企業) by www.cnywlm.com (中國弱電運維聯盟網) and www.rdyww.com (弱電運維網).
2016	We were awarded Top 20 ELV Operation and Maintenance Industry Service Enterprises of Year 2016 in China (2016年中國弱電運維行業服務企業20強) by www.cnywlm.com (中國弱電運維聯盟網).

Our Group members

Our Company was incorporated on August 19, 2016 in the Cayman Islands as an exempted company with limited liability in anticipation of the Listing. As at the Latest Practicable Date, we have nine subsidiaries, namely, Putian Investment, Putian Group HK, Jiangxi Tianyuan, Putian Cable, Jiangxi Optical, Jiangxi Recycle, Jiangxi Building, Jiangxi Changxun and Putian Cable (Shanghai).

The following sets forth the corporate development of each member of our Group since their respective dates of incorporation. We also underwent certain reorganization steps in contemplation of the Listing, particulars of which are set forth in the paragraph headed "Reorganization" below.

Putian Investment

Putian Investment was incorporated in the BVI on August 31, 2016 to act as the intermediate holding company of our Group. Putian Investment is authorized to issue a maximum of 10,000 shares of a single class of US$1.00 each. Putian Investment allotted and issued 10,000 shares to our Company on August 31, 2016 at par value. As such, Putian Investment becomes our wholly-owned subsidiary.

Since its incorporation, Putian Investment has been an investment holding company.

Putian Group HK

Putian Group HK, an indirect wholly-owned subsidiary of our Company, was incorporated in Hong Kong with limited liability on September 20, 2016. Upon its incorporation, Putian Group HK allotted and issued 10,000 shares credited as fully paid to Putian Investment as subscriber.

Since its incorporation, Putian Group HK has been an investment holding company.

Jiangxi Tianyuan

Jiangxi Tianyuan was established in the PRC as a wholly foreign owned enterprise on December 8, 2016 with an initial registered capital of RMB10,000,000 which will be fully paid by Putian Group HK by November 30, 2026. Since its establishment, Jiangxi Tianyuan has been wholly-owned by Putian Group HK.

Since its incorporation, Jiangxi Tianyuan has been an investment holding company.

Putian Cable

Putian Cable was established in the PRC on March 21, 2001 with an initial registered capital of RMB3,000,000. Upon its incorporation, Putian Cable was held as to 99% by Ms. Wang and 1% by Mr. Ye Fanxiu, one of our senior management.

On September 10, 2001, Mr. Ye Fanxiu and Jiangxi Hongyuan Communication Accessories Co., Ltd.* (江西宏遠通信設備有限公司) ("**Jiangxi Hongyuan**") entered into a share transfer agreement, pursuant to which, Mr. Ye Fanxiu agreed to transfer to Jiangxi Hongyuan 1% of the equity interest in Putian Cable at a consideration of RMB30,000. On the same day, Ms. Wang, Jiangxi Hongyuan and Jiangxi Building entered into a share transfer agreement, pursuant to which, Ms. Wang agreed to transfer to (i) Jiangxi Building 83.3% of the equity interest in Putian Cable at a consideration of RMB2,500,000, and (ii) Jiangxi Hongyuan 15.7% of the equity interest in Putian Cable at a consideration of RMB470,000. The transfers were registered by the competent PRC government authority on September 29, 2001. Such transfers were properly and legally completed. Upon completion of such transfers, Putian Cable was held as to 83.3% by Jiangxi Building and 16.7% by Jiangxi Hongyuan. Jiangxi Hongyuan was held by Ms. Wang and Jiangxi Gaoke Shudian Communication Co., Ltd* (江西高科數電通信有限公司) before its deregistration in September 2017.

With the approval of the PRC government authority dated October 17, 2001, Jiangxi Building transferred 50% equity interest in Putian Cable to Hong Kong Kingo Industrial Company (香港景光實業公司) ("**Kingo Industrial**") at a consideration of US$185,000. Kingo Industrial is an Independent Third Party. The transfer was registered by the competent PRC government authority on November 2, 2001. Such transfer was properly and legally completed. Upon completion of such transfer, Putian Cable became a sino-foreign joint venture which was held as to 33.3% by Jiangxi Building, 50% by Kingo Industrial and 16.7% by Jiangxi Hongyuan.

On October 17, 2001, the registered capital of Putian Cable was approved by the competent PRC government authority to be increased from RMB3,000,000 to RMB6,000,000 and such increase in the registered capital was wholly contributed by Jiangxi Building and was fully paid up on November 7, 2001. Putian Cable was then held as to 66.7% by Jiangxi Building, 25% by Kingo Industrial and 8.3% by Jiangxi Hongyuan in accordance with their respective contribution to the registered capital of Putian Cable.

In 2006, Jiangxi Hongyuan entered into a share transfer agreement with Jiangxi Building, pursuant to which Jiangxi Hongyuan agreed to transfer its 8.3% equity interest in Putian Cable to Jiangxi Building at a consideration of RMB500,000. The transfer was approved by the competent PRC government authority on October 25, 2006 and registered by the competent PRC government authority on December 15, 2006. Such transfer was properly and legally completed. Upon completion of such transfer, Putian Cable was held as to 75% by Jiangxi Building and 25% by Kingo Industrial.

On December 15, 2006, the registered capital of Putian Cable was increased from RMB6,000,000 to RMB20,000,000 and such increase in the registered capital was contributed by Jiangxi Building and Kingo Industrial, respectively, in accordance with their then corresponding equity interest ratio of Putian Cable and was fully paid up on December 27, 2006.

On May 25, 2009, Kingo Industrial entered into a share transfer agreement with Jiangxi Building, pursuant to which, Kingo Industrial agreed to transfer its 25% equity interest in Putian Cable to Jiangxi Building at a consideration of RMB5,000,000. The transfer was approved by the competent PRC government authority on June 24, 2009 and registered by the competent PRC government authority on July 24, 2009. Such transfer was properly and legally completed. Upon completion of such transfer, Putian Cable was wholly owned by Jiangxi Building.

In 2012 and 2013, Jiangxi Building made a series of increases in the registered capital of Putian Cable as follows:

Date of settlement	**Increase in registered capital**	**Date of the new business licence**
April 1, 2012	From RMB20,000,000 to RMB30,000,000	April 5, 2012
January 15, 2013	From RMB30,000,000 to RMB40,000,000	January 16, 2013
April 8, 2013	From RMB40,000,000 to RMB50,000,000	April 12, 2013
June 7, 2013	From RMB50,000,000 to RMB61,000,000	June 8, 2013
July 19, 2013	From RMB61,000,000 to RMB71,000,000	July 22, 2013

On September 18, 2013, Jiangxi Building entered into a share transfer agreement with Ms. Wang and Mr. Zhao, pursuant to which, Jiangxi Building agreed to transfer its 51% and 49% equity interest in Putian Cable to Ms. Wang and Mr. Zhao, respectively. These transfers were registered by the competent PRC government authority on September 30, 2013. Such transfers were properly and legally completed.

On November 19, 2013, the registered capital of Putian Cable was increased from RMB71,000,000 to RMB101,000,000 and such increase in registered capital was contributed by Ms. Wang and Mr. Zhao and was fully paid up on November 18, 2013.

The source of various capital injections into Putian Cable during 2001 to 2013 came from the personal fund of Ms. Wang and Mr. Zhao which was mainly generated from their personal savings.

On December 30, 2016, Ms. Wang, Mr. Zhao, Putian Cable and Sensation Investment entered into a share transfer agreement, pursuant to which Sensation Investment agreed to acquire 3% equity interest in Putian Cable from Mr. Zhao at a consideration of RMB6,780,000 which was determined based on the assessed value of the equity interests in Putian Cable as of October 31, 2016 and after arm's length negotiation between the transaction parties. The transfer was approved by the competent PRC government authority on January 17, 2017 and registered by the competent PRC government authority on January 22, 2017. Such transfer was properly and legally completed. Sensation Investment is an Independent Third Party.

In January 2017, Jiangxi Tianyuan, Ms. Wang, Mr. Zhao, Sensation Investment and Putian Cable entered into a share purchase agreement, pursuant to which, Jiangxi Tianyuan agreed to acquire from Ms. Wang and Mr. Zhao 51% and 46% equity interest in Putian Cable respectively at an aggregate consideration of RMB97,970,000 which was based on the then registered capital of Putian Cable. The transfer was registered by the competent PRC government authority on March 1, 2017 and filed with the relevant electronic system operated by MOFCOM on March 17, 2017. Such transfer was properly and legally completed.

Pursuant to an equity transfer agreement dated March 21, 2017 among Jiangxi Tianyuan, Putian Group HK, Sensation Investment and Putian Cable, and an instruction letter issued by Sensation Investment dated March 27, 2017, Putian Group HK acquired 3% of the equity interest of Putian Cable from Sensation Investment in consideration of and exchange for 300,000 new Shares allotted and issued by our Company to Ms. Chan at the direction of Sensation Investment. The transfer was registered by the competent PRC government authority on March 21, 2017 and filed with the relevant electronic system operated by MOFCOM on March 22, 2017. Such transfer was properly and legally completed.

Since its incorporation, Putian Cable has been principally engaged in the production and sales of communication copper cables, optical fiber cables and structured cabling system products.

Jiangxi Optical

Jiangxi Optical was established in the PRC on December 27, 2010 with an initial registered capital of RMB20,000,000 fully paid up on November 1, 2011. Upon its incorporation, Jiangxi Optical was owned as to 95% by Ms. Wang and 5% by Mr. Zhao.

On November 12, 2012, the registered capital of Jiangxi Optical was increased from RMB20,000,000 to RMB30,000,000 which was wholly contributed by Mr. Zhao and Jiangxi Optical was then owned as to 63.3% by Ms. Wang and 36.7% by Mr. Zhao.

On December 26, 2013, Ms. Wang entered into a share transfer agreement with Putian Cable, pursuant to which, Ms. Wang agreed to transfer her 46.33% equity interest in Jiangxi Optical to Putian Cable. On the same day, Mr. Zhao entered into a share transfer agreement with Putian Cable, pursuant to which, Mr. Zhao agreed to transfer his 19.67% equity interest in Jiangxi Optical to Putian Cable. These transfers were registered by the competent PRC government authority on January 6, 2014. Such transfers were properly and legally completed. Upon completion of such transfers, Jiangxi Optical was held as to 17% by Ms. Wang, 66% by Putian Cable and 17% by Mr. Zhao.

On October 13, 2016, Ms. Wang entered into a share transfer agreement with Putian Cable, pursuant to which, Ms. Wang agreed to transfer her 17% equity interest in Jiangxi Optical to Putian Cable. On the same day, Mr. Zhao entered into a share transfer agreement with Putian Cable, pursuant to which, Mr. Zhao agreed to transfer his 17% equity interest in Jiangxi Optical to Putian Cable. These transfers were registered by the competent PRC government authority on October 18, 2016. Such transfers were properly and legally completed. Upon completion of such transfers, Jiangxi Optical was wholly owned by Putian Cable.

Since its incorporation, Jiangxi Optical has been principally engaged in the sales of optical fiber cables.

Jiangxi Recycle

Jiangxi Recycle was established in the PRC with limited liability on October 11, 2011 with an initial registered capital of RMB6,000,000 fully paid up on October 9, 2011. Upon its incorporation, Jiangxi Recycle was owned as to 10% by Ms. Wang and 90% by Mr. Zhao.

On October 31, 2014, Mr. Zhao entered into a share transfer agreement with Putian Cable, pursuant to which, Mr. Zhao agreed to transfer his 90% equity interest in Jiangxi Recycle to Putian Cable. On the same day, Ms. Wang entered into a share transfer agreement with Putian Cable, pursuant to which, Ms. Wang agreed to transfer her 10% equity interest in Jiangxi Recycle to Putian Cable. These transfers were registered by the competent PRC government authority on November 5, 2014. Such transfers were properly and legally completed. Upon completion of such transfers, Jiangxi Recycle was wholly owned by Putian Cable.

Since its incorporation, Jiangxi Recycle has been a dormant company.

Jiangxi Building

Jiangxi Building was established in the PRC with limited liability on November 17, 1999 with an initial registered capital of RMB5,000,000. Upon its incorporation, Jiangxi Building was held as to 95% by Ms. Wang and 5% by Ms. Fang Jiying, an Independent Third Party.

On October 31, 2001, the registered capital of Jiangxi Building was increased from RMB5,000,000 to RMB8,000,000. Jiangxi Building was then owned as to 96.9% by Ms. Wang and 3.1% by Ms. Fang Jiying.

On September 9, 2014, Ms. Wang entered into a share transfer agreement with Mr. Zhao, pursuant to which, Ms. Wang agreed to transfer her 24% equity interest in Jiangxi Building to Mr. Zhao. On the same day, Ms. Wang entered into a share transfer agreement with Putian Cable, pursuant to which, Ms. Wang agreed to transfer her 47.88% equity interest in Jiangxi Building to Putian Cable.

On the same day, Ms. Fang Jiying entered into a share transfer agreement with Putian Cable, pursuant to which Ms. Fang Jiying agreed to transfer her 3.1% equity interest in Jiangxi Building to Putian Cable. These transfers were registered by the competent PRC government authority on September 11, 2014. Such transfers were properly and legally completed. Upon completion of such transfers, Jiangxi Building was held as to 51% by Putian Cable, 25% by Ms. Wang and 24% by Mr. Zhao.

On July 1, 2016, Ms. Wang entered into a share transfer agreement with Putian Cable, pursuant to which, Ms. Wang agreed to transfer her 25% equity interest in Jiangxi Building to Putian Cable. On the same day, Mr. Zhao entered into a share transfer agreement with Putian Cable, pursuant to which, Mr. Zhao agreed to transfer his 24% equity interest in Jiangxi Building to Putian Cable. These transfers were registered by the competent PRC government authority on July 5, 2016. Such transfers were properly and legally completed. Upon completion of such transfers, Jiangxi Building was wholly owned by Putian Cable.

Since its incorporation, Jiangxi Building has been principally engaged in the sales of structured cabling system products.

Jiangxi Changxun

Jiangxi Changxun was established in the PRC with limited liability on November 11, 2014 with an initial registered capital of RMB20,000,000 which shall be fully paid up by Putian Cable before November 1, 2021. Upon its incorporation, Jiangxi Changxun was held as to 10% by Ms. Wang and 90% by Putian Cable.

On September 29, 2016, Ms. Wang and Putian Cable entered into a share transfer agreement, pursuant to which Ms. Wang agreed to transfer her 10% equity interest in Jiangxi Changxun to Putian Cable at a consideration of RMB2,000,000. Such transfer was registered by the competent PRC government authority on October 18, 2016. Such transfer was properly and legally completed. Upon completion of such transfer, Jiangxi Changxun was wholly owned by Putian Cable.

Since its incorporation, Jiangxi Changxun has been a dormant company.

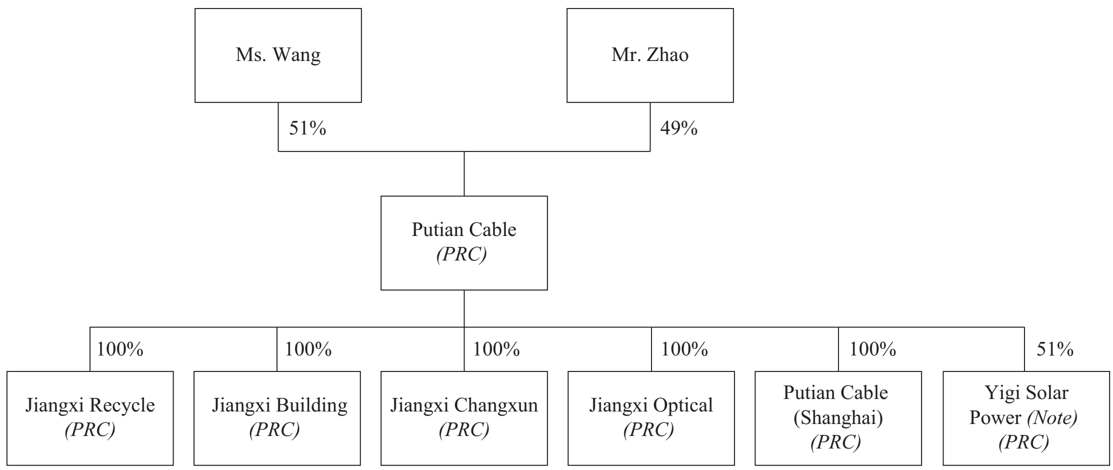
Putian Cable (Shanghai)

Putian Cable (Shanghai) was established in the PRC with limited liability on March 30, 2015 with an initial registered capital of RMB30,000,000 which shall be fully paid up by Putian Cable before March 16, 2020. Since its incorporation, Putian Cable (Shanghai) has been wholly owned by Putian Cable.

Since its incorporation, Putian Cable (Shanghai) has been principally engaged in sales of structured cabling system products.

REORGANIZATION

Our Group underwent the Reorganization prior to the Listing to rationalize our Group's structure in preparation for the Listing. Set out below is the corporate structure of our Group immediately prior to the Reorganization:



Note: Yigi Solar Power was acquired by Putain Cable from two Independent Third Parties and a relative of Ms. Wang in December 2014 at an aggregate consideration of RMB2,550,000. The net asset value, revenue and profit of Yigi Solar Power upon acquisition was RMB5,000,000, nil and nil, respectively. Such transfers were properly and legally completed.

The Reorganization involves the following steps:

1. Incorporation of our Company

Our Company was incorporated as an exempted company in the Cayman Islands on August 19, 2016 with limited liability with an authorized share capital of US$10,000 divided into 10,000 shares of par value US$1.00 each. Upon its incorporation, one share was subscribed at the subscription price of US$1.00 by NovaSage Incorporations (Cayman) Limited and was transferred to Arcenciel Capital on the same date. On the same day, 5,099 shares and 4,900 shares were allotted and issued to Arcenciel Capital and Point Stone Capital, respectively.

2. Incorporation of Putian Investment

Putian Investment was incorporated in the BVI on August 31, 2016 with limited liability and was authorized to issue a maximum of 10,000 shares of a single class of par value of US$1.00 each. Since its incorporation, it has been wholly owned by our Company.

3. Incorporation of Putian Group HK

Putian Group HK was incorporated in Hong Kong with limited liability on September 20, 2016. Upon its incorporation, Putian Group HK allotted and issued 10,000 shares credited as fully paid to Putian Investment as subscriber. After the aforesaid issue and allotment, Putian Group HK was wholly owned by Putian Investment.

4. Disposal of Yigi Solar Power

With the registration by the competent PRC government authority on October 12, 2016, Putian Cable transferred its 51% equity interest in Yigi Solar Power to an Independent Third Party and a relative of Ms. Wang at an aggregate consideration of RMB2,550,000. Yigi Solar Power was dormant prior to these transfers and its net asset value, revenue and loss upon completion of these transfers was RMB5,000,000, nil and RMB5,000, respectively. These transfers were legally completed on October 12, 2016.

5. Incorporation of Jiangxi Tianyuan

Jiangxi Tianyuan was incorporated in the PRC on December 8, 2016 with limited liability. Upon its incorporation, the total registered capital of Jiangxi Tianyuan was RMB10,000,000, which shall be fully paid by Putian Group HK by November 30, 2026.

6. Transfer of 3% equity interest in Putian Cable from Mr. Zhao to Sensation Investment

Pursuant to the share transfer agreement dated December 30, 2016, Mr. Zhao transferred 3% equity interest in Putian Cable to Sensation Investment at a consideration of RMB6,780,000 which was determined with reference to the assessed value of the net assets of Putian Cable as of October 31, 2016 according to the valuation report dated November 11, 2016 by an independent valuer. In view of Ms. Chan facilitating the steps of the Reorganisation by converting Putian Cable into a sino-foreign owned enterprise, after arm's length negotiation between us, we agreed to set the consideration slightly below the assessed value. Accordingly, Putian Cable became a sino-foreign owned enterprise. Such transfer was legally completed on January 22, 2017.

7. Transfer of 51% and 46% equity interest in Putian Cable from Ms. Wang and Mr. Zhao respectively to Jiangxi Tianyuan

In January 2017, Ms. Wang and Mr. Zhao transferred 51% and 46% equity interest in Putian Cable respectively to Jiangxi Tianyuan at an aggregate consideration of RMB97,970,000 which was determined based on the then registered capital of Putian Cable. Such transfer was legally completed on March 17, 2017. The then registered capital of Putian Cable was used for determining the consideration of this transfer since it was an intra-group transfer, which differed from the transfer of 3% equity interest in Putian Cable by Mr. Zhao to an Independent Third Party as stated in step 6 above.

8. Re-denomination of shares of our Company

On March 27, 2017, the authorized share capital of our Company was increased by HK$380,000 by the creation of 38,000,000 Shares of par value of HK$0.01 each so that immediately following the increase, the authorized share capital of our Company became the aggregate of US$10,000 divided into 10,000 shares of par value of US$1.00 each and HK$380,000 divided into 38,000,000 Shares of par value of HK$0.01 each.

Following the aforesaid increase, Point Stone Capital and Arcenciel Capital subscribed for 3,822,000 and 3,978,000 Shares of HK$0.01 each at par respectively which were allotted and issued as fully paid up. Following the aforesaid allotment and issue, our Company repurchased all of the 4,900 and 5,100 issued shares of US$1.00 each from Point Stone Capital and Arcenciel Capital respectively at a price of US$1.00 for each share out of the proceeds from the aforesaid issue of new Shares of HK$0.01 each to Point Stone Capital and Arcenciel Capital. All of the repurchased 10,000 shares of US$1.00 each were canceled and the authorized but unissued share capital of our Company was diminished by the cancelation of all of the unissued shares of US$1.00 par value each of our Company.

Accordingly, the authorized share capital of our Company became HK$380,000 divided into 38,000,000 Shares and the issued share capital of our Company became HK$78,000 divided into 7,800,000 Shares.

9. Acquisition of Putian Cable by Putian Group HK

Pursuant to an equity transfer agreement made on March 21, 2017 among Jiangxi Tianyuan, Putian Group HK, Sensation Investment and Putian Cable, and an instruction letter issued by Sensation Investment dated March 27, 2017, Putian Group HK acquired 3% of the equity interest of Putian Cable from Sensation Investment in consideration of and exchange for 300,000 new Shares allotted and issued by the Company to Ms. Chan at the direction of Sensation Investment.

On March 27, 2017, 972,000 Shares and 928,000 Shares were allotted and issued to Arcenciel Capital and Point Stone Capital respectively at par value, after which Arcenciel Capital and Point Stone Capital held 4,950,000 Shares and 4,750,000 Shares, respectively.

As a result, upon the allotment and issue of Shares to Ms. Chan on March 27, 2017, Arcenciel Capital, Point Stone Capital and Ms. Chan respectively hold 49.5%, 47.5% and 3% of the issued share capital of our Company.

PRE-IPO INVESTMENT

Background of the Pre-IPO Investors

1. Ms. Chan Man Kuen Laura

Ms. Wang came to know Ms. Chan through introduction by a mutual friend in 2015. Ms. Wang understood that Ms. Chan also has experience in investment and had kept in touch with Ms. Chan after the encounter. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Ms. Chan has experience in corporate administration. Save for her investment in our Company, Ms. Chan did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective associates and is an Independent Third Party as at the Latest Practicable Date.

As at the Latest Practicable Date, Ms. Chan did not hold any directorship in public companies whose securities are listed on any securities market in Hong Kong or overseas. Her previous directorships in companies listed on the Stock Exchange are set out below:

Company	Position	Duration
China Ground Source Energy Limited (stock code: 8128)	Independent non-executive director	February 6, 2009 to August 10, 2011
Natural Dairy (NZ) Holdings Limited (formerly known as China Jin Hui Mining Corporation Limited) (stock code: 462)	Independent non-executive director	January 16, 2009 to April 1, 2014

Ms. Chan's investment

Please refer to steps 6 and 9 of the Reorganization above for the details of the Pre-IPO Investment by Ms. Chan.

Upon completion of the equity transfer and the allotment and issue of Shares in steps 6 and 9 of the Reorganization, our Company was held as to 49.5% by Arcenciel Capital, 47.5% by Point Stone Capital and 3% by Ms. Chan.

Our Directors confirmed that we commenced the negotiation with Ms. Chan regarding the Pre-IPO Investment in the second half of 2016 and we agreed with Ms. Chan to determine the consideration with reference to the assessed value of the net asset of Putian Cable (the "**Assessed Value**") as of October 31, 2016 according to the valuation report dated November 11, 2016 by an independent valuer. In view of Ms. Chan facilitating the steps of the Reorganisation by converting Putian Cable into a sino-foreign owned enterprise, after arm's length negotiation between us, we agreed to set the consideration slightly below the Assessed Value. The consideration of RMB6,780,000 was fully paid by Ms. Chan through Sensation Investment on March 20, 2017. Ms. Chan had not been granted any special rights pursuant to the equity transfer agreement or any other agreement in relation to her investment in our Group.

2. Mr. Zheng Yushuang

Ms. Wang and Mr. Zhao came to know Mr. Zheng through introduction by a mutual friend in 2008 and remained as acquaintances since then. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Zheng is a merchant and a private investor in Hong Kong. Save for his investment in our Company, Mr. Zheng did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective associates and is an Independent Third Party as at the Latest Practicable Date.

Mr. Zheng's investment

Pursuant to the equity transfer agreement dated March 31, 2017 between Mr. Zheng and Point Stone Capital, Mr. Zheng acquired from Point Stone Capital 400,000 Shares representing 4% of the then issued share capital of our Company at the consideration of RMB9,820,000.

Our Directors confirmed that we commenced the negotiation with Mr. Zheng regarding the Pre-IPO Investment in early 2017 and after arm's length negotiation, we agreed with Mr. Zheng to determine the consideration based on the Assessed Value. The consideration of RMB9,820,000 was fully paid by Mr. Zheng on March 31, 2017. Mr. Zheng had not been granted any special rights pursuant to the equity transfer agreement or any other agreement in relation to his investment in our Group.

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Ms. Chan and Mr. Zheng have invested in our Group because they appreciate our prospect and growth potential.

Upon completion of the investment by Mr. Zheng, our Company was held as to 49.5% by Arcenciel Capital, 43.5% by Point Stone Capital, 3% by Ms. Chan and 4% by Mr. Zheng.

Ms. Chan and Mr. Zheng will hold 2.25% and 3% respectively of the enlarged issued share capital of our Company after completion of the Share Offer (assuming that the Over-allotment Option is not exercised). As neither Ms. Chan or Mr. Zheng is a substantial shareholder or core connected person of our Company under the Listing Rules, the Shares held by Ms. Chan and Mr. Zheng will be considered as part of the public float for the purposes of Rule 8.08(1)(a) of the Listing Rules.

We believe that the Pre-IPO Investment would strengthen and broaden our Shareholders' base and serve as an endorsement of our operation, performance and prospects.

As at the Latest Practicable Date, the proceeds from the Pre-IPO Investment have been retained by Mr. Zhao.

Summary

The following table sets forth a summary of the Pre-IPO Investment:

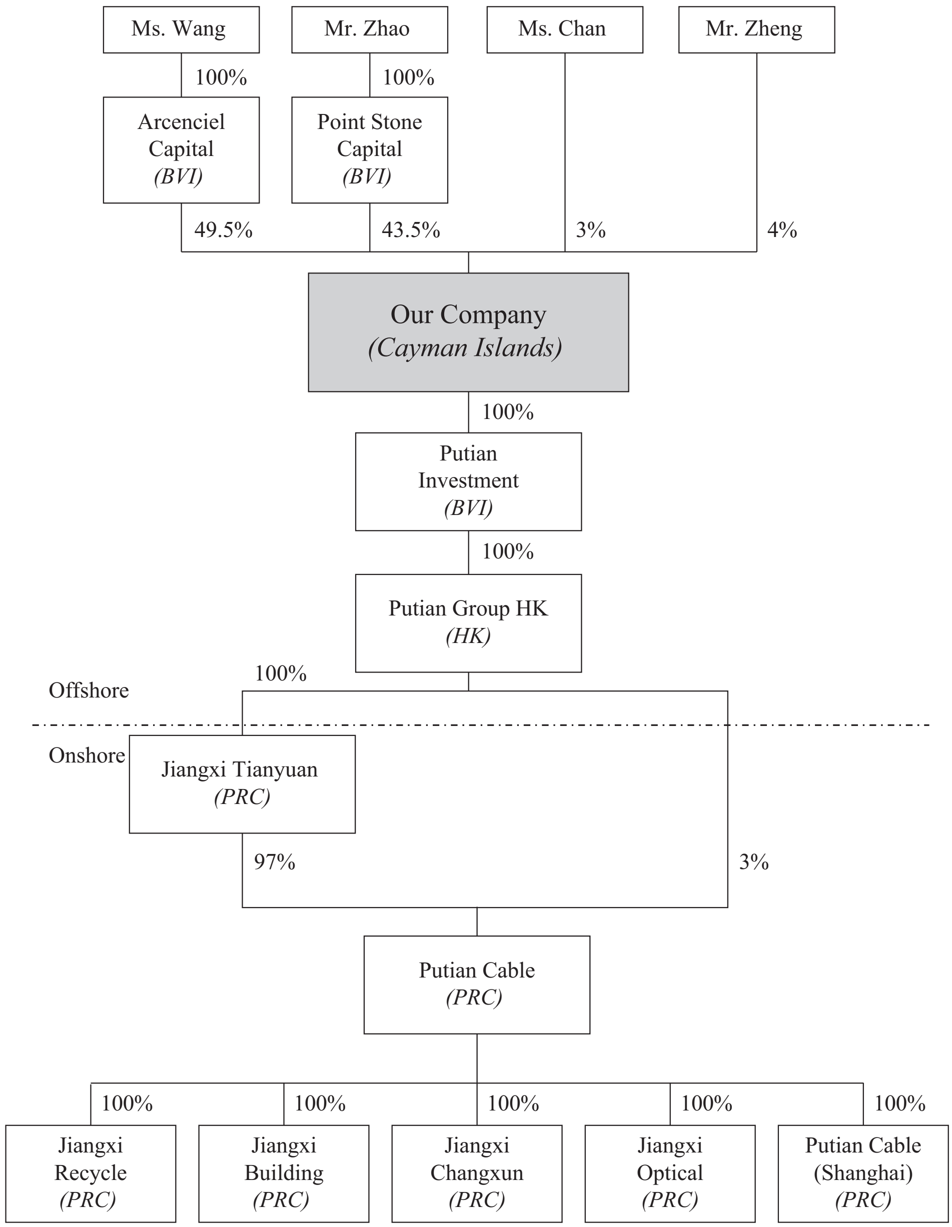
Investor	Ms. Chan	Mr. Zheng
Date of relevant agreement	December 30, 2016	March 31, 2017
Amount of consideration	RMB6,780,000	RMB9,820,000
Irrevocable settlement date of consideration	March 20, 2017	March 31, 2017
Total number of Shares held by the relevant investor after the Capitalisation Issue	24,750,000	33,000,000
Cost per Share paid	Approximately HK$26.70 per Share before the Capitalisation Issue	Approximately HK$29.01 per Share before the Capitalisation Issue
	Approximately HK$0.32 per Share after the Capitalisation Issue	Approximately HK$0.35 per Share after the Capitalisation Issue
Discount to the Offer Price	Approximately 56.16% to the Offer Price assuming the Offer Price of HK$0.73, being the mid-point of the Offer Price range	Approximately 52.05% to the Offer Price assuming the Offer Price of HK$0.73, being the mid-point of the Offer Price range
Use of proceeds from the Pre-IPO Investment	To be retained by Mr. Zhao	

Investor	Ms. Chan	Mr. Zheng
Benefit from the Pre-IPO Investment	The Pre-IPO Investment by Ms. Chan facilitated the steps of the Reorganization by converting Putian Cable into a sino-foreign owned enterprise. Our Directors are of the view that our Group can benefit from the Pre-IPO Investment by Ms. Chan as it not only served as an endorsement of our Group's operation, performance and prospects and broadened our Shareholders' base, Ms. Chan's investment also facilitated our Group to reorganise our structure in preparation for the Listing as the conversion of Putian Cable into a sino-foreign owned enterprise is one of the essential steps for the Reorganization	Our Directors are of the view that our Group can benefit from the Pre-IPO Investment by Mr. Zheng as it served as an endorsement of our Group's operation, performance and prospects and broadened our Shareholders' base
Shareholding in our Company before the Listing	3%	4%
Shareholding upon the Listing	2.25%	3%
Lock-up period	–	12 months from the Listing Date

Sole Sponsor's confirmation

The Sole Sponsor is of the view that the Pre-IPO Investment is in compliance with the Interim Guidance on Pre-IPO Investments pursuant to the Guidance Letters HKEX-GL-29-12 and HKEX-GL-43-12 issued by the Stock Exchange, since the consideration under the last tranche of the Pre-IPO Investment was irrevocably settled on March 31, 2017, which was more than 28 clear days before the date of the first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing.

The shareholding structure of our Group upon completion of the Reorganization and the Pre-IPO Investment is set out below:



M&A RULES

For details of the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (“關於外國投資者併購境內企業的規定”), please see the section headed “Regulatory Overview — Laws and Regulations Relating to Foreign Exchange in the PRC” in this prospectus.

As advised by our PRC legal advisors, (i) the 3% equity interests transfer in Putian Cable from Mr. Zhao to Sensation Investment constitutes an equity merger under the M&A Rules and has been granted with approval and registration by the competent PRC governmental authorities in accordance with the M&A Rules, and (ii) the 97% equity interests transfer in Putian Cable from Mr. Zhao and Ms. Wang to Jiangxi Tianyuan and the 3% equity interests transfer in Putian Cable from Sensation Investment to Putian Group HK do not constitute an equity or asset merger under the M&A Rules since Putian Cable has become a sino-foreign owned enterprise instead of a domestic enterprise when the transfers of the equity interests took place and therefore such equity interests transfers are not subject to governmental approvals in accordance with the M&A Rules. Nevertheless, the equity interests transfers are registered with competent PRC governmental authorities in accordance with applicable PRC regulations such as the Provisions on the Change of Shareholders of Foreign-invested Enterprises (外商投資企業投資者股權變更的若干規定).

CIRCULAR NO. 37

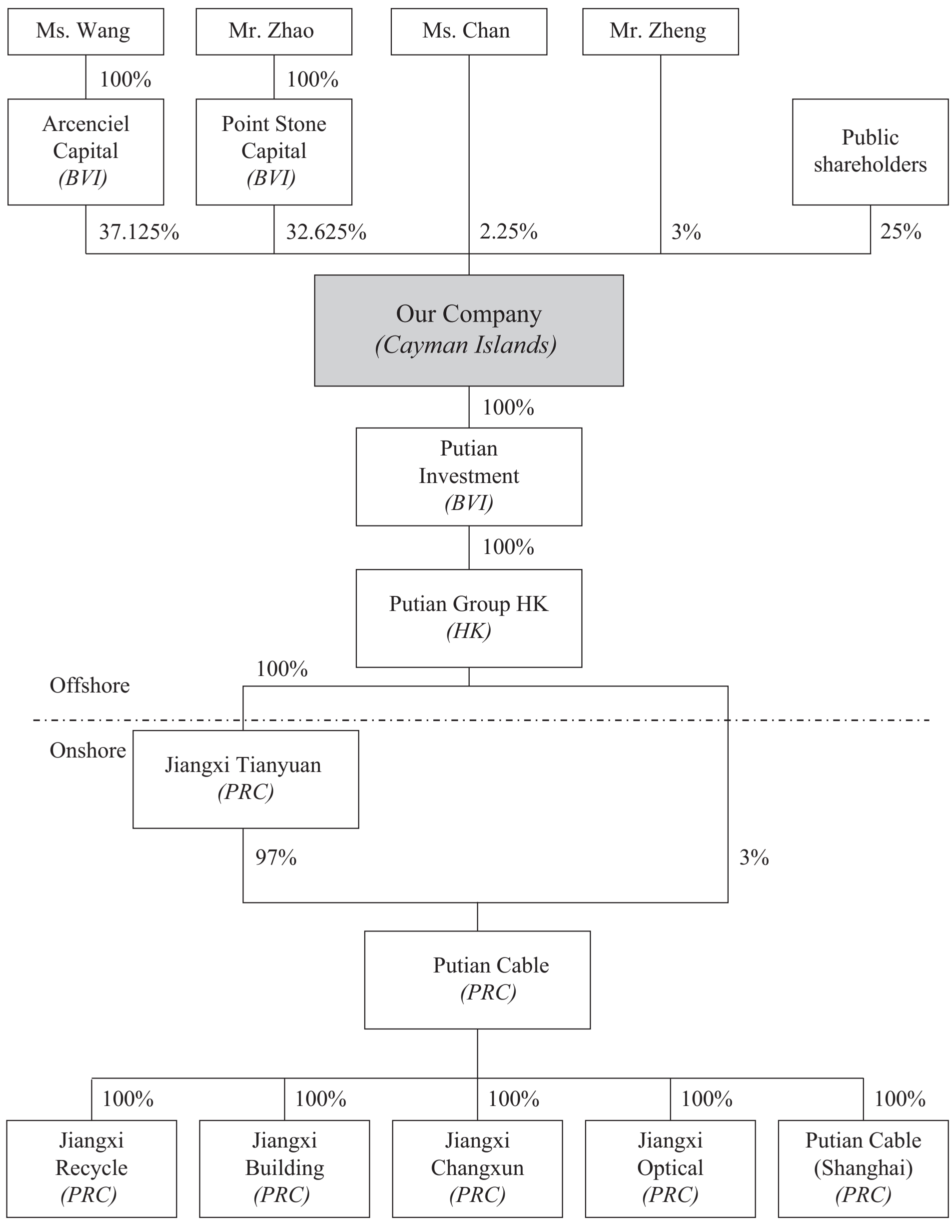
For details of the Circular on the Management of Offshore Investment and Financing and Round-Trip Investment by Domestic Residents through Special Purpose Vehicles (“關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知”) (“**Circular 37**”), please see the section headed “Regulatory Overview — Laws and Regulations Relating to Foreign Exchange in the PRC” in this prospectus.

Our PRC legal advisers confirmed that Ms. Wang and Mr. Zhao, both of whom are domestic residents under Circular 37, have completed the offshore investment foreign exchange registration in accordance with PRC laws in November 2016.

INCREASE IN AUTHORIZED SHARE CAPITAL OF OUR COMPANY AND THE CAPITALISATION ISSUE

Pursuant to the written resolutions of the Shareholders passed on October 21, 2017, the authorized share capital of our Company was increased from HK$380,000 to HK$30,000,000 by the creation of 2,962,000,000 new Shares. Our Company will also issue 815,000,000 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company. Details of the Shareholders’ written resolutions are referred to in the paragraph headed “3. Resolutions in writing of all Shareholders passed on October 21, 2017” in Appendix V to this prospectus.

The following chart sets out our shareholding and corporate structure immediately upon completion of the Capitalisation Issue and the Share Offer (assuming that the Over-allotment Option and the options under the Share Option Scheme are not exercised):



Note: Together with the Shares held by Ms. Chan and Mr. Zheng, public Shareholders will hold approximately 30.25% of the enlarged issued share capital of our Company after completion of the Share Offer (assuming that the Over-allotment Option and the options under the Share Option Scheme are not exercised).

OVERVIEW

We are a well-established and fast growing communication cable manufacturer and structured cabling system product provider based in Jiangxi Province, the PRC. Our communication cable products include a wide range of optical fiber cables and communication copper cables, which are mainly used by major telecommunications network operators in the PRC for network construction and maintenance. According to the Ipsos Report, we were ranked 10th among PRC communication copper cable manufacturers in terms of sales revenue of communication copper cables in 2016. In addition, we started providing structured cabling system products in 2012 to major telecommunications network operators and non-operator customers. Our structured cabling system products primarily include optical and copper jumper wires and connection and distribution components such as distribution frames, wiring closets, as well as data and audio modules and faceplates. We believe we are one of the most diversified suppliers in our industry in the PRC. Moreover, our strong research and development capabilities have enabled us to continuously develop new products and upgrade our existing products. We have received various awards and recognitions. For example, we have consecutively been recognized as a New High-tech Enterprise by Jiangxi Provincial Department of Science and Technology since 2006.

We have been shortlisted as one of the designated cable suppliers by a number of major telecommunications network operators in the PRC through their centralized and local procurement bidding or tendering processes for many years, which we believe, was primarily attributable to our superior product quality, constant availability, responsive customer services and competitive prices. Leveraging on our strong and long-term business relationship with a number of major telecommunications network operators in the PRC, we have achieved a solid market position in the markets in which we compete. We have also successfully expanded our customer base to non-operator customers through providing structured cabling system products.

Benefiting from our competitive advantages and the promising industry trend in the PRC according to the Ipsos Report, we experienced significant growth during the Track Record Period. Our revenue increased from RMB270.8 million in 2014 to RMB361.7 million in 2015, which further increased to RMB467.9 million in 2016, representing a CAGR of 31.4%. Our revenue increased from RMB120.8 million for the four months ended April 30, 2016 to RMB165.1 million for the four months ended April 30, 2017. Our net profit increased from RMB17.8 million in 2014 to RMB34.4 million in 2015, which further increased to RMB52.1 million in 2016, representing a CAGR of 71.1%. Our profit increased from RMB12.4 million for the four months ended April 30, 2016 to RMB15.4 million for the four months ended April 30, 2017. Our total assets increased from RMB250.1 million as at December 31, 2014 to RMB291.6 million as at December 31, 2015 and further to RMB326.6 million as at December 31, 2016, representing a CAGR of 14.3%. Our total assets further increased to RMB322.4 million as at April 30, 2017.

According to Ipsos Report, in 2008, the PRC government initiated a strategy to further promote the use of optical fiber cable (“光進銅退”). Moving forward, with sustained market demand and government support, the optical fiber cable is expected to record a promising growth.

However, due to the higher cost of optical fiber cables installation and the technical difficulty to directly upgrade copper communication network to optical fiber network, communication copper cables are still frequently used to upgrade communication network, especially in those schools, residential compounds and commercial buildings which are originally covered by communication copper cables. Moreover, due to the high requirement for the application environment of optical fiber cable and the nature of communication copper cable to transmit both data and electricity, it is expected that communication copper cable will not be substantially replaced by optical fiber cable in the next five years.

According to Ipsos Report, it is expected that high-end communication copper cable (such as category 6 and 6A cable) will gradually replace low-end ones with higher speed of data transmission. At the same time, communication copper cables will have to meet higher safety and environmental standards. Thus, large number of smaller communication copper cable manufacturers will be washed out while those manufacturers with stronger capital and technical capacities will be able to enlarge their market share.

In view of the communication cable market prospect, during the Track Record Period, we increased our optical fiber cable production capacity. The weighted average designed production capacity increased from 661,000 fkm in 2014 to 1,218,000 fkm in 2016. The increased production capacity has enabled us to capture market opportunities and maintain our competitive position in our industry. During the Track Record Period, the contribution of revenue from the sales of optical fiber cables increased from 22.6% in 2014 to 34.0% for the four months ended April 30, 2017. The proportion of revenue contributed from the sales of communication copper cable decreased from 71.8% in 2014 to 47.2% for the four months ended April 30, 2017.

On the other hand, we entered the structured cabling market in 2012, as we believe, based on our industry insights, that this segment has substantial growth potential. Since then, growing our structured cabling business has been an important strategic focus for us. We offer extensive and high-quality structured cabling system products to satisfy diverse demands of our customers in various application scenarios covering commercial buildings, smart residential compounds, and security systems. During the Track Record Period, the contribution of revenue from the sales of structured cabling system products increased from 5.6% in 2014 to 18.8% for the four months ended April 30, 2017.

Going forward, we will allocate more resources to expand our optical fiber cable production. We are currently constructing our second production site, Yaohu Factory, the first phase of which is expected to be completed in the second half of 2017. With the addition of four production lines for optical fiber cables, we anticipate that our aggregate annual production capacity for optical fiber cables will reach 5.6 million fkm at that time.

In addition, we plan to expand into the upstream optical fiber production business to further improve our position in the value chain of our industry. For details, please refer to the section headed "Business — Production — Expansion Plan" in this prospectus.

However, in case we cannot anticipate and effectively respond to customers' changing demand and preferences, to anticipate and respond to the changes in the competitive landscape, our business, financial conditions, results of operations and prospects may be materially and adversely affected. For details, please refer to the section headed "Risk Factors — Risks Relating to our Business — We may not be able to continuously refine our product mix, or continue to offer high quality new products and services, which will materially and adversely affect our ability to achieve our expansion plans." in this prospectus. Further, if we cannot expand our production capabilities as we expect or cannot carry out our upstream vertical expansion plan into the optical fiber production as we expect, our business, prospects and growth strategies would be materially and adversely affected. For details, please refer to the section headed "Risk Factors — Risks Relating to our Business — We may not be able to carry out our production capacity expansion plans as we expect." and "Risk Factors — Risks Relating to our Business — We may not be able to carry out our upstream vertical expansion plan into the optical fiber production as we expect." in this prospectus.

Products and Production

We manufacture optical fiber cables, communication copper cables and structured cabling system products in our Aihu Factory located in Jiangxi Province, the PRC.

We primarily manufacture and sell optical fiber cables and communication copper cables with various standard specifications that are widely used in the telecommunication industry. We also design and produce specialized optical fiber cables. In addition, we provide customers with structured cabling system products consisting of optical and copper jumper wires primarily produced by us and connection and distribution components procured from third parties.

As of April 30, 2017, our production facility, Aihu Factory, had a total gross floor area of 21,758.5 square meters, with a total production capacity of 1.2 million fkm for optical fiber cables, 1.7 million pkm for communication copper cables and 9.6 million units for structured cabling system products. During the Track Record Period, we added one production line for optical fiber cables and two production lines for communication copper cables. The increased production capacity has enabled us to capture market opportunities and maintain our competitive position in our industry. We are currently constructing our second production site, Yaohu Factory, the first phase of which is expected to be completed in the second half of 2017. With the addition of four production lines for optical fiber cables, we anticipate that our aggregate annual production capacity for optical fiber cables will reach 5.6 million fkm at that time. We plan to use the net proceeds from the Share Offer to construct the second phase of our Yaohu Factory to include production facilities for optical fibers. See "Business — Production — Expansion Plan" in this prospectus for further details.

Customers

We sell substantially all of our optical fiber cables and communication copper cables and a significant portion of our structured cabling system products to major telecommunications network operators in the PRC. Revenue generated from sales to major telecommunications network operators in the PRC (including their respective local subsidiaries or branches) in aggregate represented 91.4%, 90.2%, 91.4% and 92.4% of our total revenue in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. For the same periods, our largest customer, which is a major telecommunications network operator, contributed 47.7%, 53.1%, 56.8% and 56.6% of our total revenue, respectively. We also sell a considerable portion of our structured cabling system products to non-operator customers, which are primarily communication system solution providers and construction contractors.

OUR STRENGTHS

Stable and long term relationships with major customers

Over years of operations, we have established and maintained stable and long term relationships with a number of major telecommunications network operators in the PRC, which are our major customers. During the Track Record Period and up to the Latest Practicable Date, we were shortlisted as one of the designated cable suppliers by a number of major telecommunications network operators in the PRC through the public bidding and tendering processes under their centralized and local procurement. In particular, we were awarded as one of the "Top Ten Outstanding Suppliers" by China Telecom. Moreover, we were shortlisted again by China Unicom as one of the winning suppliers during its 2017-2018 centralized procurement tendering for optical fiber cables. We were ranked 15th and 13th respectively, among 25 winning suppliers for regular optical fiber cables and 15 winning suppliers for ribbon optical fiber cables nationwide. As of the Latest Practicable Date, we had maintained four and fifteen years of business relationships with two of major telecommunication network operators, respectively, which generated over 90% of our revenue during the Track Record Period. We believe that our ability to secure and maintain stable and long-term business relationships with our major customers is one of the key factors driving our success.

A wide range of product offerings bringing substantial growth potential

We offer a wide range of optical fiber cable and communication copper cable products to meet the diverse demands of our customers. As of April 30, 2017, we offered three main categories of optical fiber cables which are sub-divided into 38 types of optical fiber cables and 40 types of communication copper cables. In addition, we also provide our customers with various structured cabling system products, which are widely used in a variety of industries, such as transportation, energy, government agencies, finance and real estate industries. We believe that our diversified customer base brought by our extensive product coverage brings us substantial growth potential and relieves our reliance on the major telecommunications network operators to some extent.

We entered the structured cabling market in 2012, as we believe, based on our industry insights, that this segment has substantial growth potential. Since then, growing our structured cabling business has been an important strategic focus for us. We offer extensive and high-quality structured cabling system products to satisfy diverse demands of our customers in various application scenarios covering commercial buildings, smart residential compounds, and security systems. Our extensive experience in the production, research and development of cable products has helped us develop and provide diversified structured cabling system products to cater to our customers' various needs. As such, we have been recognized as one of the top suppliers of structured cabling system products in the PRC. We were awarded as one of the top structured cabling brands in the PRC for 2015 and 2016 by China Intelligent Building Magazine (《智能建築》雜誌社). Our revenue from sales of structured cabling system products increased from RMB15.3 million in 2014 to RMB35.5 million in 2015, which further increased to RMB57.1 million in 2016, representing a CAGR of 93.2%. Our revenue from sales of structured cabling system products increased from RMB11.3 million for the four months ended April 30, 2016 to RMB31.0 million for the four months ended April 30, 2017. We believe that we have first mover advantage in the structured cabling industry and are well positioned to grow in this emerging and promising market in the PRC. For details of the structural cabling market growth, please refer to the section headed "Industry Overview" in this prospectus.

Superior product quality supported by robust quality control procedures

We employ strict quality control procedures throughout our operations as we believe product quality is the core competency of manufacturing companies. Over the years of our operations, we have gained extensive knowledge and experience in quality control to ensure that our products consistently meet with or even exceed the relevant national and industry standards. We believe that our superior product quality and our in-depth understanding of the telecommunications industry have enabled us to successfully expand our customer base, which, in turn, has contributed to the growth in our business and total revenue.

To ensure that our products are of reliable quality with stable performance, we have implemented robust quality control procedures covering various aspects of our operations from procurement, production to product testing procedures. We perform quality control inspection upon our purchase of raw materials, at different stages of the manufacturing process and on our finished products. We have followed the ISO 9001:2008 standards for product quality control and adopted a compliance process policy to ensure strict adherence to the ISO 9001:2008 standards in each production process. We have a quality control team consisting of 11 employees as of April 30, 2017. Thanks to our quality control measures implemented throughout the entire production process, we are able to achieve stable performance and quality metrics for our products. We have received awards and recognitions for our product quality from various parties. For example, we were awarded an Outstanding Unit for Standardized Production by the Management Committee of Nanchang High-tech Industrial Development Zone in 2012. We believe our continuous implementation of strict quality control and safety standards will enable us to maintain the quality of our products and enhance our brand awareness.

Strong commitment to product innovation and customer services underpinned by in-depth understanding of the industry

Leveraging on our in-depth understanding of the industry, we have been continuously introducing new products with different functions. We believe our strong research and development capabilities are one of the key factors for our sustainable development and business success. We have a dedicated research and development team focusing on research, development and testing of our new products. Since 2006, we have undertaken 19 research projects to promote product innovation. In 2008, our dry loose tube optical fiber cable (乾式鬆套光纖光纜) was recognized as a key innovative product by Jiangxi Provincial Department of Science and Technology (江西省科學技術廳). In 2011 and 2015, we obtained funding from the national SME Technology Innovation Fund (科技型中小企業技術創新基金) under the Ministry of Science and Technology of the PRC to support our development of a new type of communication cable. As a result of our research and development achievements and continued efforts on technology advancement, we have been certified by Jiangxi Provincial Department of Science and Technology as a New High-tech Enterprise since 2006. As of the Latest Practicable Date, we had obtained 26 utility model patents (實用新型專利) and six software copy rights in the PRC and also had 14 pending patent applications in the PRC. For details of these patents and copyrights, see Appendix V — "Statutory and General Information." In addition, we have also entered into cooperation agreements with Jiangxi Science & Technology Normal University (江西科技師範大學) since 2009 to further enhance our research and development capabilities. Pursuant to our cooperation agreements with the university, they would give technical support to us when needed. The university would also provide our employees training and access to the university library; as well as consultation to us at discounted price.

We believe that our responsive 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 they have gained extensive knowledge and thorough understanding of our industry, products and customers. As of the Latest Practicable Date, we maintained sales representatives in 24 cities nationwide to promote our products and provide dedicated customer service and support. In addition, we have implemented a full set of policies to collect customers' responses, monitor customer satisfactions, address customers' inquiries and better understand customers' needs. We believe these measures will help us continuously improve our customers' satisfaction.

Visionary senior management, experienced execution team and strong execution capabilities

Our senior management possess in-depth understanding of the industry trends and extensive expertise in our business operations. Under the leadership of our two executive Directors, Ms. Wang and Mr. Zhao, we have successfully achieved a fast growth in our business.

Ms. Wang, our chairlady and chief executive officer, has over 25 years of experience in the communication cable industry. Her understanding and vision with respect to our industry has led us to capture a number of opportunities in the communication cable industry to expand our business. For example, in 2002, Ms. Wang steered our business into the communication cable market to capture the opportunity brought by the accelerated construction of telecommunication infrastructure in the PRC. In 2005, benefiting from her understanding of the industry trend that optical fiber cables will gradually replace the dominant position of copper cables, we expanded our business into the production of optical fiber cables. In 2012, while we had gained significant penetration into telecommunications network operator customers, Ms. Wang sensed the opportunity to expand our business into structured cabling market to meet their diversified demands. Thanks to our first mover advantage, we were then able to expand our customer base to non-operator customers smoothly and efficiently. With our knowledge, experience and brand awareness gained from serving customers in telecommunications industry, we successfully captured the opportunity when demands from non-operator customers significantly increased as telecommunications network operators are gradually shifting their construction focus to core network and backbone network.

Mr. Zhao joined our Group in 2001 and has over 15 years of experience in the production and sales in the telecommunications industry. Prior to joining our Group, Mr. Zhao worked as an officer at the regulatory division of the Administration for Industry and Commerce of Nanchang City for almost 15 years responsible for execution of relevant laws, rules and regulations relating to commodity trading markets in Nanchang. We believe that Mr. Zhao is well positioned to lead our operation and management by combining and leveraging on his experience in the government and in the industry. Our visionary and experienced management team under the leadership of Ms. Wang and Mr. Zhao has contributed significantly to our business success. See "Directors, senior management and employees" for further details.

We focus on the development of our talent pool and view our management and staff as our most valuable assets. We provide inhouse and external training programs to develop and broaden expertise and skills of our employees. Furthermore, we have implemented a market-oriented human resource system to motivate our employees effectively. We are committed to providing our employees with competitive compensation and a congenial workplace. Our corporate culture has enabled us to attract and retain experienced and skilful management and employees to contribute to our sustainable success.

OUR STRATEGIES

Our objective is to strengthen and improve our market position in the PRC. We intend to achieve our objective by implementing business strategies with the following key aspects.

Increase market shares in optical fiber cables through increasing production capacity and further strengthening customer relationships

We operate in a fast-growing industry, which has brought us increased demands for our products. In August 2013, the PRC government announced the plan to promote the "Broadband China" strategy aiming to expand full broadband coverage across the nation's rural and urban areas by 2020. We believe that this strategy will drive significant growth of broadband and telecommunications networks and information technology and that the telecommunications network operators will continue to invest in the construction and upgrading of information networks. We expect this to bring significant demand for optical fiber cables as they are the backbone of connecting broadband and telecommunications networks and services. Therefore, we plan to capture this opportunity through expanding production capacity of optical fiber cables. We are currently constructing our second production site, Yaohu Factory. Upon the completion of the construction of the first stage of our Yaohu Factory in the second half of 2017, we anticipate four new production lines for optical fiber cables to be in place, which will increase our annual production capacity for optical fiber cables to 5.6 million fkm from 1.2 million fkm as of April 30, 2017. Our increased production capacity will enable us to satisfy our customers' increasing demands for optical fiber cables and further expand our customer base. In the meantime, we will carefully manage our production capacity expansion to match the demands for our products to maintain high production capacity utilization rate.

To achieve continuous business growth, we intend to increase market share through strengthening our relationships with key customers, in particular major telecommunications network operators in the PRC, and increasing penetration of our products through continuous upgrading and development of new products. Meanwhile, we plan to acquire new customers through increased marketing efforts, such as appointing additional sales representative and increasing our sales staff.

Refine our product mix by focusing on the segments with high growth potential and profit margins

In 2014, 2015 and 2016 and the four months ended April 30, 2017, the gross profit margin for our optical fiber cables was 24.4%, 24.8%, 26.4% and 26.9%, respectively, and the gross profit margin for our structured cabling system products was 33.3%, 35.9%, 38.1% and 35.6%, respectively, which were higher than our overall gross profit margin of 19.0%, 21.8%, 23.8% and 25.1%, respectively. We have increased our allocation of resources to the production of optical fiber cables and structured cabling system products during the Track Record Period. For example, we added a second production line for optical fiber cables in 2015, and had sales representatives in 24 cities nationwide to promote our structured cabling system products. As a result of our increased input, revenue from sales of optical fiber cables increased from RMB61.1 million in 2014 to RMB162.3 million in 2016, representing a CAGR of 63.0%, and revenue from sales of structured cabling system products increased from RMB15.3 million in 2014 to RMB57.1 million in 2016, representing a CAGR of 93.2%. Revenue from sales of optical fiber cables increased from RMB47.0 million for the four months ended April 30, 2016 to RMB56.1 million for the four months ended April 30, 2017, and revenue from sales of structured cabling system products increased from RMB11.3 million for the four months ended April 30, 2016 to RMB31.0 million for the four months ended April 30, 2017.

According to the Ipsos Report, (i) optical fiber cables will gradually replace the dominant position of communication copper cables in the telecommunications networks industry in the long run; and (ii) market demands for structured cabling system products are expected to grow as an increasing number of enterprises will acquire structured cabling system to improve the functionality of their intranet and IT centers.

Considering the historical financial performance and taking into account the market trends and anticipations as set out in the paragraphs above, we plan to continue to prioritize our resources and efforts by focusing on the production of optical fiber cables and the development of structured cabling market, which we believe will enable us to further strengthen our market position and capture the potential growth opportunities.

According to Ipsos Report, in August 2016, the new version of Code for Engineering Design of Generic Cabling System (GB50311-2016,《綜合佈線系統工程設計規範》, the "**New Code**") was issued by Standardization Administration of the PRC (中國國家標準化管理委員會), being set up by the State Council of China to discharge administrative duties by undertaking unified management, supervision and overall coordination of standardization work in China, which standardized the cabling market and at the same time protected the market to grow in a healthy way. Together with other driving factors, such as Smart City, Internet of Things, and the coming 5G era, the New Code expands application areas for structured cabling system (e.g. surveillance system) and standardizes the components which must be included in a FTTH system, structured cabling system products will have a widened range of application and the demand for structured cabling system products will increase. In view of this market trend, we plan to use part of the net proceeds from the Share Offer to enhance our structured cabling system product production equipment and to purchase new production equipment with advanced production techniques as complement to our existing production equipment so as to enable us to produce high-end structured cabling system products (such as MPO optical fiber jumper wires, compared to low-end products, with a more complicated design, more cores and smaller size, which can be applied in structured cabling systems requiring highly-densed optical fiber circuit environment (高密度集成光纖線路環境) (i.e. the environment suitable for data processing, signal relay and concentrated transmission of signal)), diversify our product types, increase the utilization rate of our existing production equipment as well as improve the quality of our structured cabling system products. Although our existing structured cabling system product production equipment can undergo certain production procedures for high-end products, such as cutting cables, assembling components, curing and crimping, we need the new production equipment with high precision level for grinding, testing of the smoothness of component surface and testing of power loss of components for the production of high-end products. As of the Latest Practicable Date, no capital expenditure was incurred for the enhancement of the existing production facilities together with the purchase of new production equipment. The estimated total capital expenditure will be approximately RMB17.6 million which will be fully funded by the proceeds from the Share Offer. With these new production equipment, we can on the one hand continue our production for low-end structured cabling system products, and on the other hand, produce high-end products to meet the diversified demand in the structured cabling system product market. Given that these new production equipment have to be used together with our existing production facilities in the structured cabling system product production procedures, it is expected that there will not be an increase in the production capacity but the utilization rate of our structured cabling system product production facilities will be increased. Based on the increasing market demand for structured cabling system products, we believe that there will be sufficient product demand for our production facilities. As of the Latest Practicable Date, we won seven tenders for the structured cabling system products and based on the tender documents, the total sales amount is expected to be approximately RMB50.0 million. Since none of the existing production facilities will become obsolete as a result of this enhancement plan, none of our property, plant and equipment is subject to impairment. We also plan to use part of the net proceeds from the Share Offer to settle the partial payment for the four optical fiber cable production lines which are expected to be put into use in the second half of 2017. We believe that the abovementioned measures will enable us to further strengthen our market position and capture the potential growth opportunities.

Expand our business into the production of optical fibers through backward vertical integration

Supported by our extensive industry experience, and enhanced financial position following our Share Offer, we plan to expand into the upstream optical fiber production business to further improve our position in the value chain of our industry. For details, please refer to the section headed "Business — Production — Expansion Plan" in this prospectus. Optical fiber production, as the upstream sector, provides the most essential raw material for optical fiber cable manufacturers. We plan to use the net proceeds from the Share Offer to commence the construction of the production lines for optical fibers in the second phase of our Yaohu Factory in 2017. We believe that, by integrating upstream resources and capacity, we will be in a better position to secure steady supplies of optical fibers for our production of optical fiber cables. We expect our capability of producing optical fibers will enable us to further increase our profit margin and enhance our competitiveness in the bidding or tendering processes, thus enabling us to capture more value in the optical fiber cable production value chain.

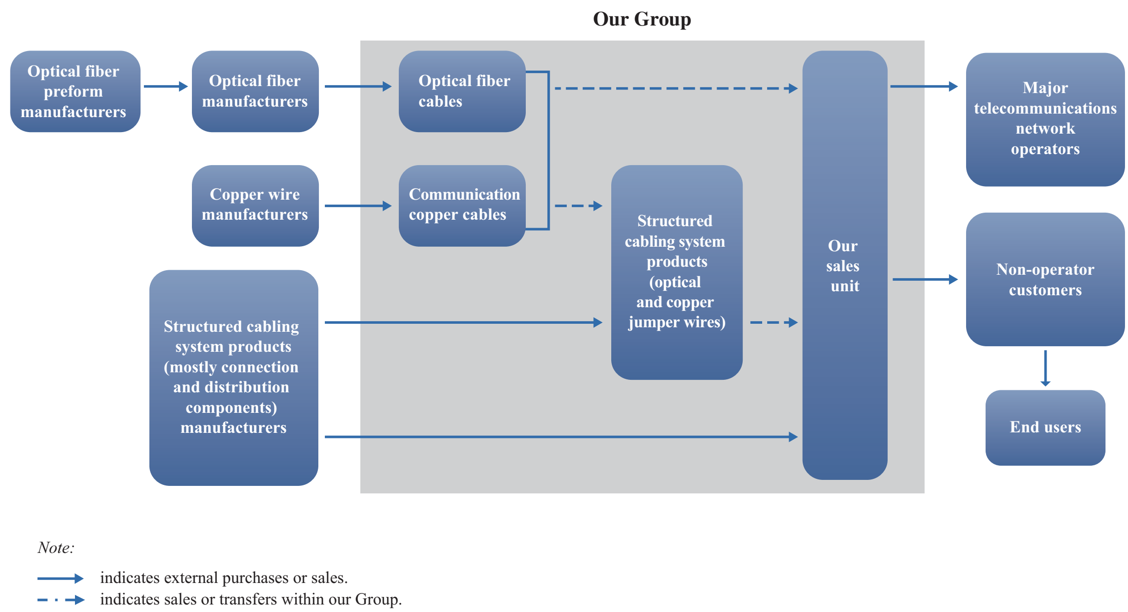
Expand our product offerings and strengthen our research and development capabilities

While we will continue to seek to strengthen our market position with our existing products, we will constantly study and identify industry trends through cooperating with our customers, universities and research institutions with an aim to (i) developing new products or new applications to diversify our product portfolio and capture potential market opportunities; and (ii) upgrading or improving the quality of our existing products to enhance the competitiveness of our products. In order to achieve our research and development objective, we plan to expand and upgrade the facilities of our (a) optical fiber material laboratory (光纖材料實驗室); (b) production performance test laboratory (生產運行測試實驗室); and (c) application environment test laboratory (出廠環境測試實驗室). We also plan to use part of the net proceeds from the Share Offer to finance the construction of a research and development center. For details of our plan to construct the research and development center and to upgrade our production performance test laboratory and application environment test laboratory, please refer to the section headed "Business — Research and Development" in this prospectus. For details of our expected capital expenditure on the research and development center and the laboratories, please refer to the section headed "Future Plans and Proposed Use of Proceeds" in this prospectus. In addition, we plan to further strengthen our research and development capabilities by retaining additional research and development talents, forming a technology guidance committee, and establishing a post-doctoral station.

We believe that, with the above mentioned measures in place, we will be able to further enhance our research and development capabilities and strengthen our market competitiveness in the industry.

OUR BUSINESS MODEL

We provide a wide range of optical fiber cables and communication copper cables primarily to customers in the telecommunications industry and structured cabling system products to customers in a variety of industries. The following diagram illustrates the value chain of the industry that we operate in.



Sales Generation

Sales to Major Telecommunications Network Operators

Substantially all of our optical fiber cables and communication copper cables and a significant portion of our structured cabling system products are sold to major telecommunications network operators in the PRC. Since 2004, these major telecommunications network operators have gradually adopted centralized procurement policies, under which each of the operators publicly announces its procurement plans and solicit tenders. Suppliers that participate in the public bidding and tendering processes, including us, submit tender documents to be selected by the telecommunications network operators. We also participate in public bidding and tendering processes hosted by the local subsidiaries or branches of major telecommunications network operators in the PRC. See "— Customers, Sales and Marketing — Our Customers" for more details about the public bidding and tendering processes.

Sales to Non-operator Customers

We also sell our structured cabling system products to non-operator customers, which are primarily communication system solution providers and construction contractors. We sell our structured cabling system products through the bidding and tendering process and the contracts negotiated with our customers. We also cooperate with non-operator customers in the bidding and tendering process hosted by local government authorities or enterprises and we will then provide our structured cabling system products in the projects they win through the bidding and tendering process.

Procurement and Production

We formulate our annual production plans based on the product specifications set out in the framework agreements with our customers. Our production plans specify the raw materials required, product models and specifications, production amounts, and time for delivery in the production process. We then formulate our annual procurement plans in accordance with our production plans, and formulate more detailed monthly plans based on our actual production and sales activities. We usually negotiate the time of delivery with our suppliers based on our actual needs. For details about our production process, production time for each critical process, production machineries and technologies, please see "— Production."

Delivery and After-sales Service

Pursuant to the terms of our agreement with customers, we are usually required to deliver our products through third party logistics companies to the destinations specified by our customers. The transportation costs are generally included as part of the price stipulated in the purchase orders. Generally, we arrange the delivery of our products to our customers based on their instructions.

We typically offer a maintenance period of 12 to 36 months after the sale for our products. For the details of our after-sales services, please see "— Customers, Sales and Marketing — Customer Services."

OUR PRODUCTS

We primarily manufacture and sell optical fiber cables and communication copper cables with various standard specifications that are widely used in the telecommunications industry. We also design and produce special optical fiber cables tailored to meet our customers' demands. For example, we provide optical fiber cables with specialized sheathing material to deter ants or rats from damaging the cables, and we also offer FTTH cables with non-bending sensitive optical fibers and halogen-free flame-retardant sheathing material, which are well-fit for indoor applications.

In addition, we also provide customers with structured cabling system products, which are used in wiring systems within buildings for information transmission. We also provide our customers with technical support and post-installment testing of the structured cabling system products we provide.

We manage our business by types of products, and review our results of operations in three primary reporting segments, namely, optical fiber cables, communication copper cables, and structured cabling system products. The following table sets forth the distribution of our revenue by type of products for the periods indicated.

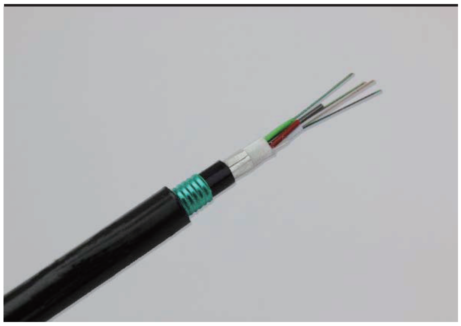
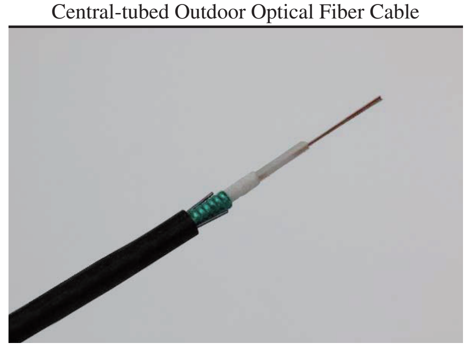
	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Optical fiber cables	61,102	22.6	112,550	31.1	162,342	34.7	46,994	38.9	56,120	34.0
Communication copper cables	194,397	71.8	213,718	59.1	248,472	53.1	62,420	51.7	77,939	47.2
Structured cabling system products	15,271	5.6	35,458	9.8	57,105	12.2	11,347	9.4	31,003	18.8
Total	270,770	100.0	361,726	100.0	467,919	100.0	120,761	100.0	165,062	100.0

Optical Fiber Cables

Optical fiber cables are either single or bundled optical fibers, which are solid strands of hair-thin, high quality glass, coated with sheathing material. The sheathing material varies to suit different installation conditions, such as indoor installation, direct burial, duct or underwater installations, to protect the optical fibers from pressure and the surroundings and to ensure transmission quality and durability of our optical fiber cables. Strength members such as steel or glass fibers are also used in the production of optical fiber cables to enhance their strength and durability. Our optical fiber cables are widely used in the construction of telecommunications network, railway communication network, and broadcast and television networks. The wide range of our optical fiber cables can satisfy various complicated installation conditions, including but not limited to direct burial, duct, aerial or underwater installations.

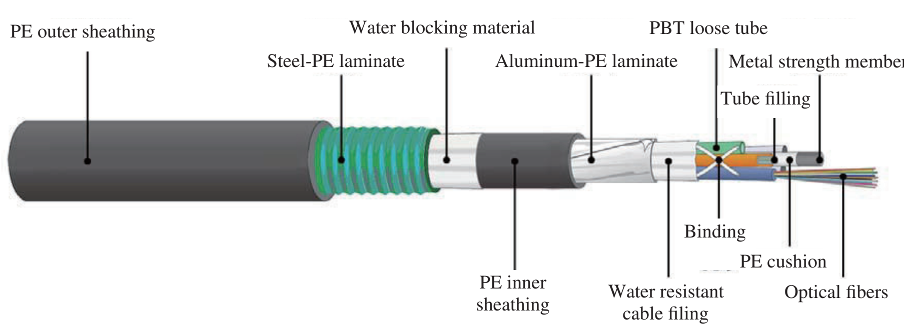
As of April 30, 2017, we offered three main categories of optical fiber cables which are sub-divided into 38 types, including optical fiber cables used indoors with up to 144 cores and optical fiber cables used outdoors with up to 576 cores. In addition, we provide specialized optical fiber cables based on our customers' demands.

The pictures below illustrate samples of our optical fiber cable products for each main category:

Stranded Outdoors Optical Fiber Cables	Central-tubed Optical Fiber Cables
Loose Tube Stranded Optical Fiber Cables for Outdoor Direct Burial	Central-tubed Outdoor Optical Fiber Cable
	

Butterfly Optical Fiber Cable
Butterfly Optical Fiber Cable with Non-metal Strength Member


The picture below illustrates the structure of our loose tube stranded optical fiber cables, which is a typical type of optical fiber cable used in outdoor environments.



Our stranded outdoor optical fiber cables contain a core comprising of a center strength member and S-Z stranded loose tubes, with aluminum-PE or steel-PE complex sheathing. The core is filled with water-retardant cable filling or bounded with water-block binding. Stranded outdoor optical fiber cables have a high dense of optical fibers and are of strong impact-resistance, and can be easily welded for installation, rendering it especially suitable for junction networks and access networks. Our dry loose tube optical fiber cable, recognized as a key innovative product by Jiangxi Provincial Department of Science and Technology in 2008, is an innovative product developed based on the traditional gel-filled optical fiber cables.

Our central-tubed optical fiber cables are enhanced with metal or non-metal strength members, which are usually parallel steel wire-PE sheathing and dual sheath steel tape armored sheathing. Central-tubed optical fiber cables are light in weight and moderate in hardness, and can be used in temperatures ranging from -40 °C to 60 °C.

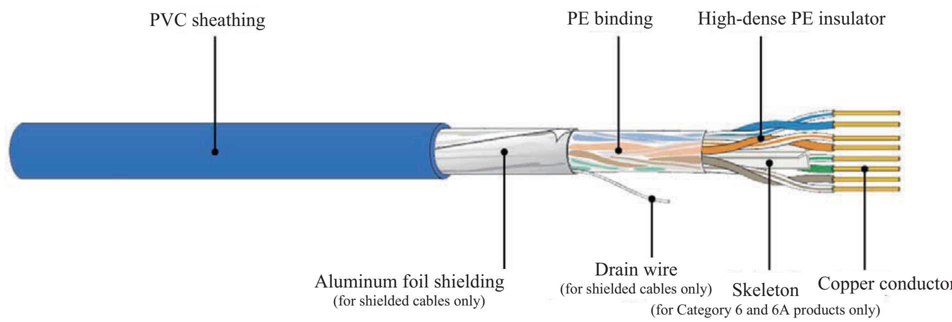
Our butterfly optical fiber cables contain two steel or non-metal strength members, and are used for the connection between optical network users and FTTH networks.

All of our optical fiber cables are sold to independent third parties and primarily to major telecommunications network operators in the PRC. Our revenue from sales of optical fiber cables amounted to RMB61.1 million, RMB112.6 million, RMB162.3 million and RMB56.1 million in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. The following table sets forth the total sales volume and the average price (excluding value-added tax) of our major optical fiber cable products for the periods indicated. The actual sale price of our optical fiber cable products varies due to special orders from customers under specific projects.

	For the year ended December 31,						For the four months ended April 30,			
	2014		2015		2016		2016		2017	
	Sales volume	Average price	Sales volume	Average price	Sales volume	Average price	Sales volume	Average price	Sales volume	Average price
	(fkm'000)	*(RMB/fkm)*	*(fkm'000)*	*(RMB/fkm)*	*(fkm'000)*	*(RMB/fkm)*	*(fkm'000)*	*(RMB/fkm)*	*(fkm'000)*	*(RMB/fkm)*
							(unaudited)			
Loose tube stranded optical fiber cables	414.9	121	753.2	127	1,013.2	144	318.1	134.6	317.2	159.2
Central-tubed optical fiber cables	22.1	291	31.0	284	24.8	297	8.1	312.1	7.0	311.2
Butterfly optical fiber cables	16.0	284	34.7	236	35.8	240	7.5	221.9	15.5	221.4

Communication Copper Cables

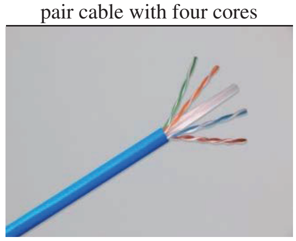
Communication copper cables are conductive copper wires bundled in insulation and sheathing materials, through which electric signals are transmitted. The insulation and sheathing materials differ depending on the environment in which the cables are to be deployed. For example, communication copper cables for outdoor applications generally need to be protected from challenging environmental conditions, such as contamination from water, temperature changes, construction works or animal damages. The picture below illustrates the structure of communication copper cables.



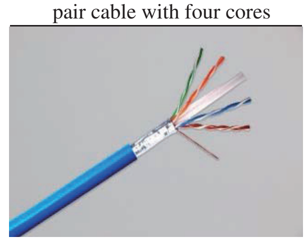
We primarily produce and sell four categories of communication copper cables, namely, data cables, local telephone cables, telephone and broadband wires, and power cables, samples of each category are illustrated in the pictures below:

Data Cables

Category 6 unshielded twisted pair cable with four cores

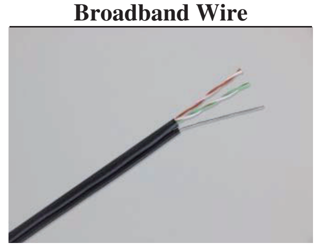


Category 6 shielded twisted pair cable with four cores



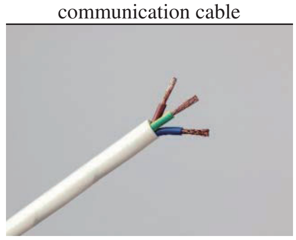
Local Telephone Cable

Telephone and Broadband Wire

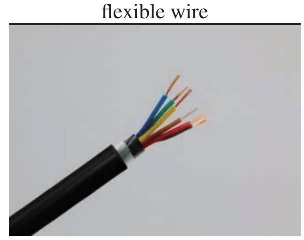


Power Cables

Flame retardant flexible communication cable



LSZH flame resistant flexible wire



Our data cables include 15 types of standardized products used both indoors and outdoors with two to 100 cores. The wide range of our data cable products can adapt to various complicated installation conditions. Our products have received certification from the TLC Certification Center and Underwriter Laboratories Inc. under various standards.

Our local telephone cables are used in urban and suburban areas to transmit audio signals in analog and digitized forms. Our local telephone cables can be used under various installation conditions, including direct burial, duct or aerial installation.

Our telephone and broadband wires are used in indoor telephone wiring systems to connect end-users to the local telephone network and transmit audio signals, as well as for broadband wiring to transmit digital signals. Our telephone and broadband wires can be used both indoors and outdoors under various installation conditions, including duct and aerial installation.

Our power cables include flame retardant flexible communication cables and security and alarm cables. Flame retardant flexible communication cables are used in the communication server rooms and power distribution systems at communication stations and high-rise buildings, and can be used under various installation conditions, including direct burial, duct or aerial installation. Security and alarm cables are used in security and alarm systems to transmit video, audio and control signals and other data.

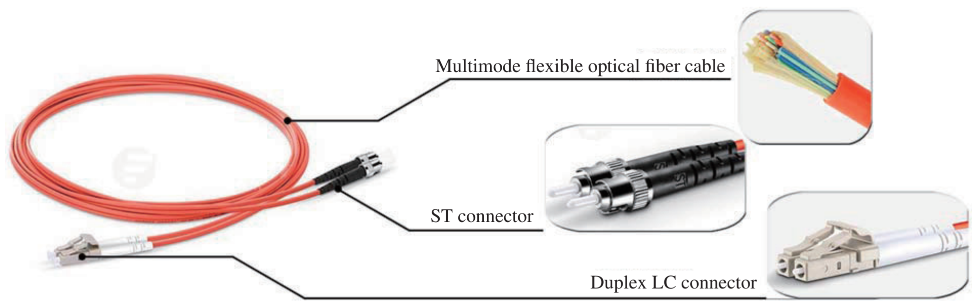
All our communication copper cable products are sold to independent third parties and primarily to major telecommunications network operators in the PRC. Our revenue from sales of communication copper cables amounted to RMB194.4 million, RMB213.7 million, RMB248.5 million and RMB77.9 million in 2014, 2015, 2016 and the four months ended April 30, 2017, respectively. The following table sets forth the total sales volume and the average price (excluding value-added tax) of our major communication copper cable products for the periods indicated.

	For the year ended December 31,						For the four months ended April 30,			
	2014		2015		2016		2016		2017	
	Sales volume	Average price	Sales volume	Average price	Sales volume	Average price	Sales volume	Average price	Sales volume	Average price
	(pkm'000)	*(RMB/pkm)*	*(pkm'000)*	*(RMB/pkm)*	*(pkm'000)*	*(RMB/pkm)*	*(pkm'000)*	*(RMB/pkm)*	*(pkm'000)*	*(RMB/pkm)*
							(unaudited)			
Data cables	466.6	272.0	711.0	228.2	930.1	218.0	233.2	216.8	251.1	258.1
Local telephone cables	123.2	180.4	99.6	157.9	81.2	150.5	21.7	154.0	21.5	177.6
Telephone and broadband wires	161.6	279.8	141.6	249.8	116.5	232.5	32.1	237.5	22.6	267.5
Power cables	–	953.6	0.3	1,147.2	6.0	1,074.9	0.8	1,171.6	2.7	1,211.3

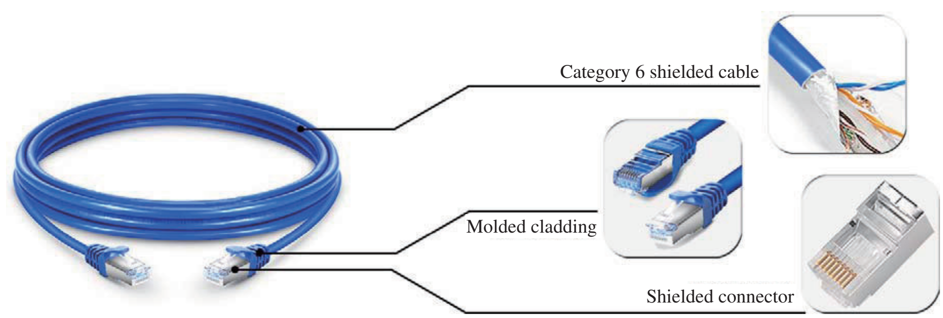
Structured Cabling System Products

Structured cabling system products are components of the wiring system, including optical fiber-based cabling system and copper-based cabling system, within buildings for information transmission. The pictures below illustrate the structure of our key structured cabling system products.

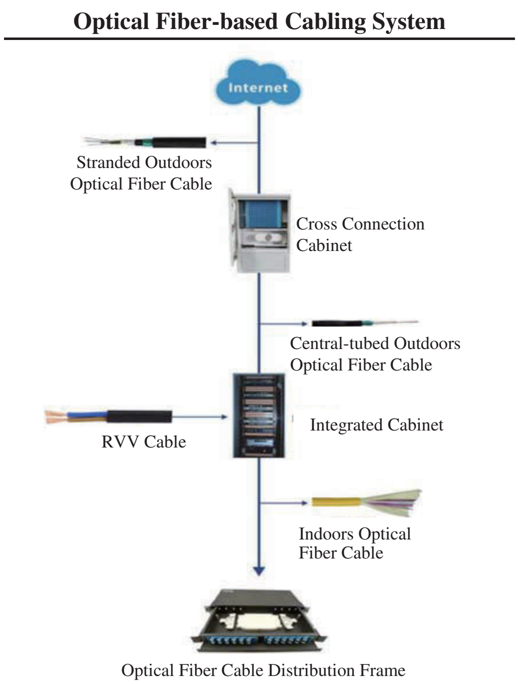
LC-ST Multimode Flexible Optical Jumper Cable

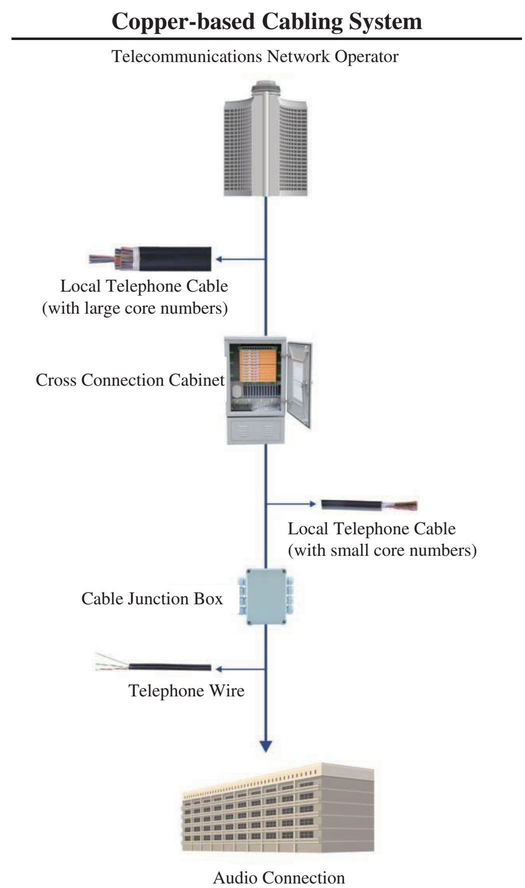


Category 6 Shielded Jumper Cable

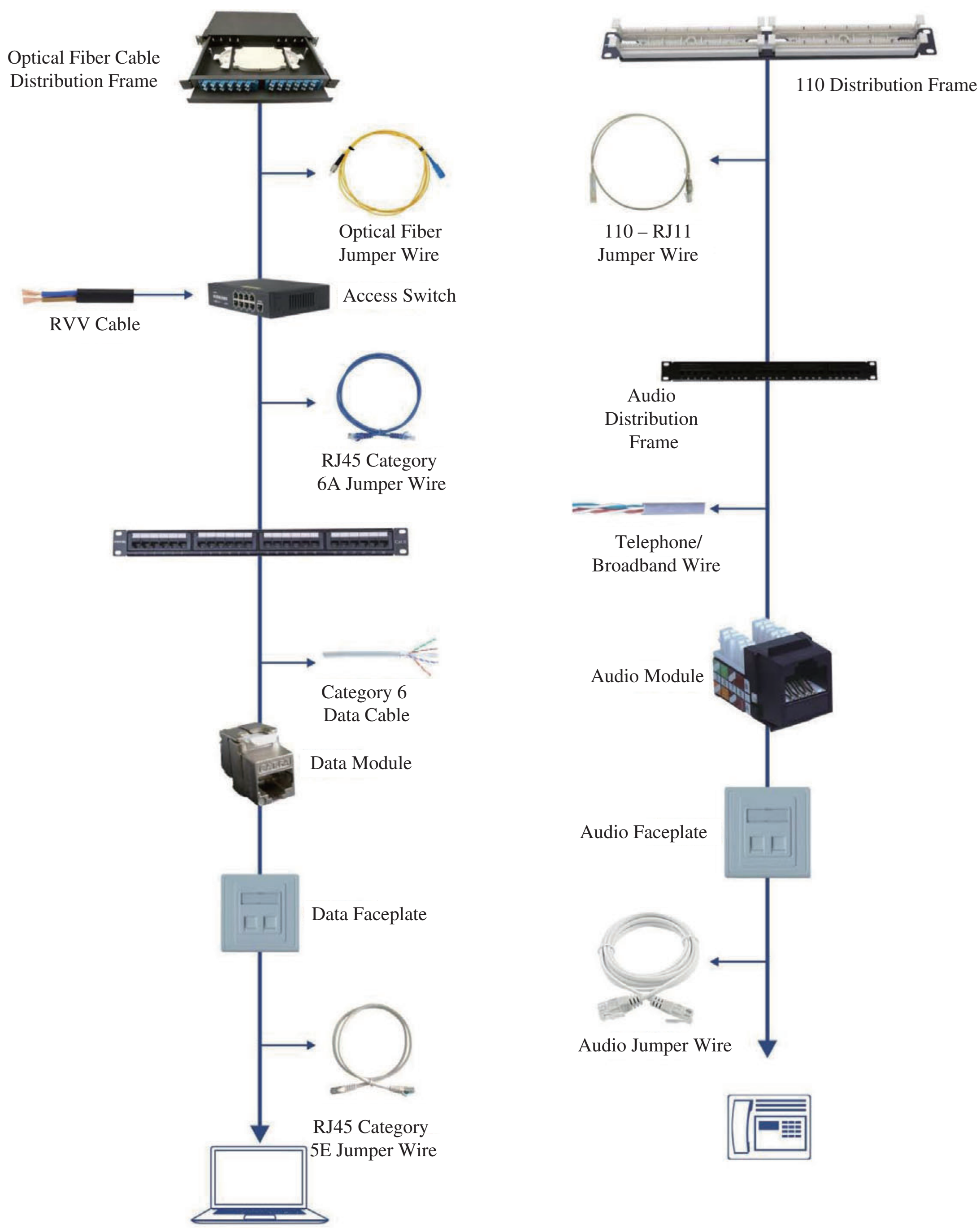


The following pictures illustrate optical fiber-based cabling system and copper-based cabling system.





The pictures below illustrate how our structured cabling system products are integrated into the information transmission system.



PRODUCTION

Overview

Optical fiber cables are produced primarily from optical fibers that are bounded and encased together. The primary raw materials used in the production of optical fiber cables are optical fibers and packaging materials, as well as other ancillary materials such as tube fillings, steel tapes, and aluminum-PE laminates.

Communication copper cables are produced primarily from copper wires that are bundled and then coated in insulation and sheathing materials. The primary raw materials used in the production of communication copper cables are copper wires, insulation materials and sheathing materials.

Structured cabling system products include optical and copper jumper wires and relevant connection and distribution components. Optical and copper jumper wires are primarily produced by us by assembling communication copper cables or optical fiber cables produced by us and relevant connection parts procured from independent third party suppliers. We also sell connection and distribution components, such as distribution frames, wiring closets, audio and data modules and faceplate and few optical and copper jumper wires procured from independent third party suppliers.

The following description sets forth the production process of optical fiber cables, communication copper cables and structured cabling system products.

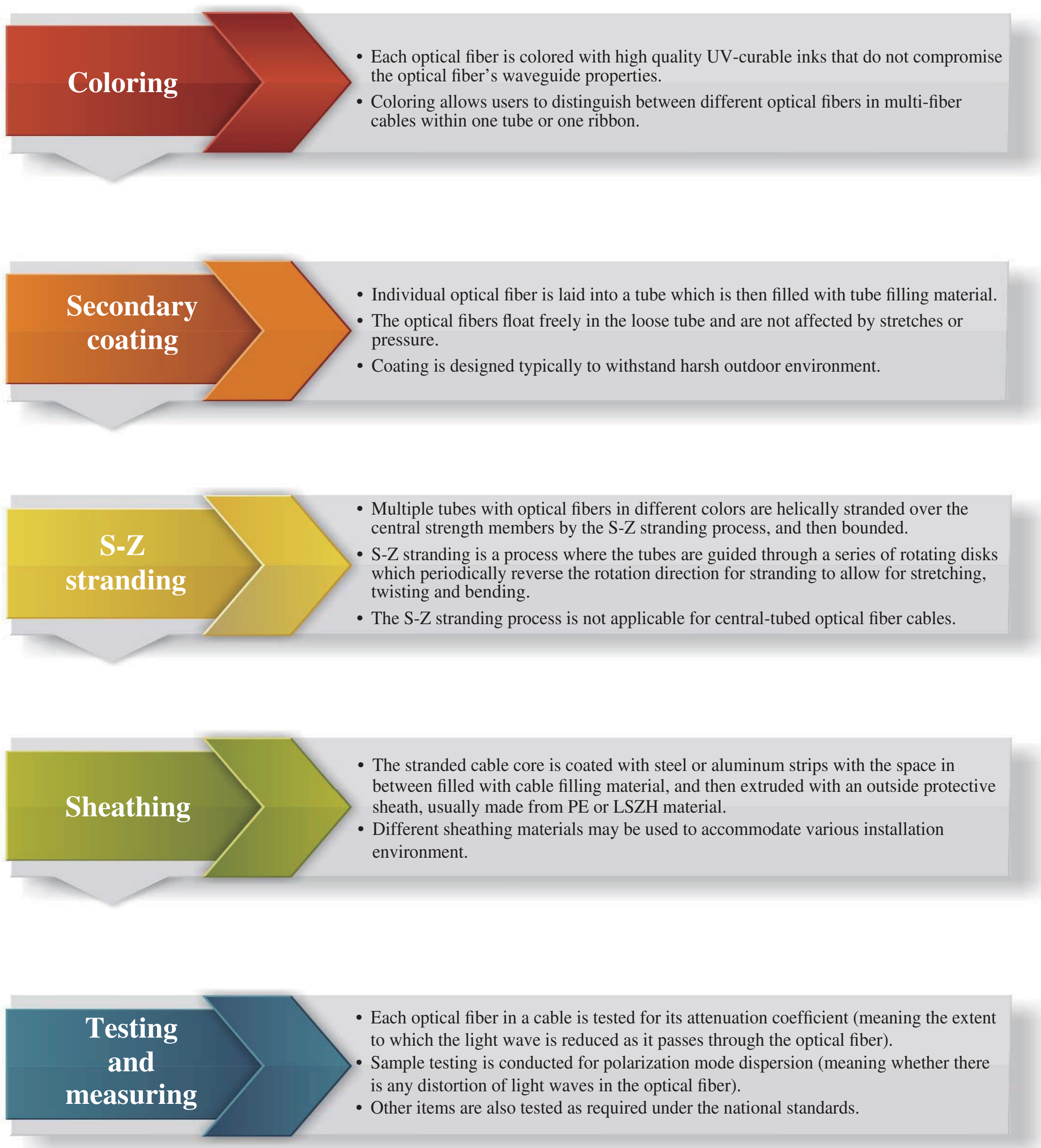
Production Process

Optical Fiber Cables

Optical fiber cables are made from either single-mode or multi-mode optical fibers. We primarily produce and sell stranded outdoors optical fiber cables, central-tubed optical fiber cables and butterfly optical fiber cables, with different production processes.

Our production of optical fiber cables primarily involves (i) optical fiber coloring, (ii) secondary coating of individual or multiple colored optical fibers, (iii) stranding the tube or fillers around a central strength member, (iv) sheathing, and (v) testing and measuring.

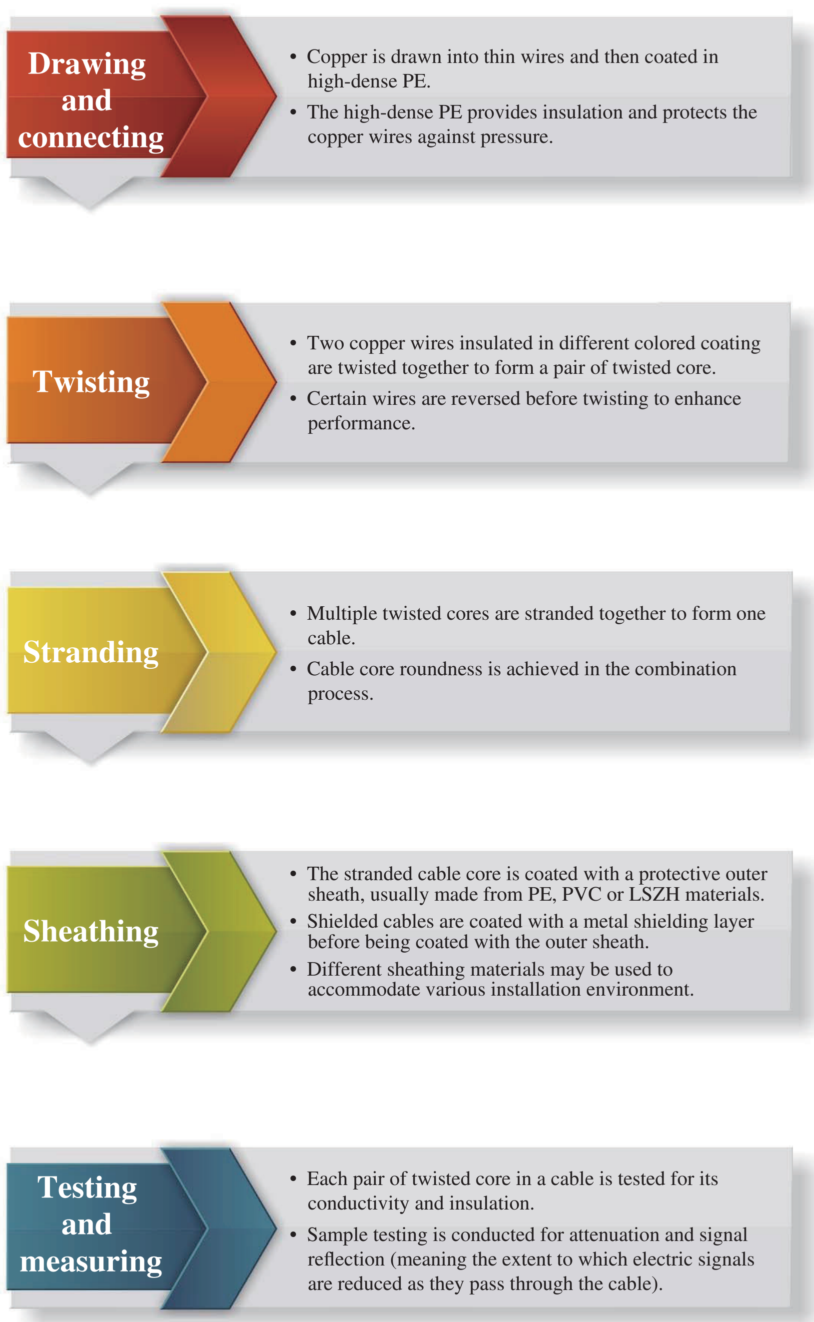
The following chart illustrates the primary production processes for our optical fiber cables.



Communication Copper Cables

Our production of communication copper cables primarily involves (i) drawing and connecting the copper wires, (ii) twisting the connected copper wires to form paired cores, (iii) stranding the twisted pair cores copper wires, (iv) sheathing, and (v) final testing and measuring.

The following chart illustrates the primary production processes for our communication copper cables.



Structured Cabling System Products

Our optical jumper wires and copper jumper wires are produced by assembling optical fiber cables or communication copper cables together with corresponding connection parts.

Our production of optical jumper wires primarily involves (i) cutting the optical fiber cable into desired lengths for various products, (ii) peeling the outer sheathing from the ends of the optical fiber cable to reveal the inner cores, (iii) attaching a ceramic ferrule to the optical fiber core using adhesive materials, (iv) attaching the corresponding connection parts to the optical fiber cable, and (v) final testing and measuring for various performance indicators.

Our production of copper jumper wires primarily involves (i) cutting the communication copper cable into desired lengths for various products, (ii) peeling the outer sheathing of the communication copper cables to reveal the inner cores, (iii) attaching the corresponding connection parts to the communication copper cable, (iv) wrapping and fixing the connection parts and the communication copper cable with molded plastic material, and (v) final testing and measuring for various performance indicators.

We purchase connection and distribution components, such as distribution frames, wiring closets, audio and data modules and faceplates, from third party suppliers. Certain of these connection and distribution components are manufactured in accordance with the technical specifications provided by us, while others are standardized products.

Production Facilities and Capacities

As of April 30, 2017, our production facility, Aihu Factory, had a total gross floor area of 21,758.5 square meters and a total production capacity of 1.2 million fkm for optical fiber cables, 1.7 million pkm for communication copper cables, and 9.6 million units for structured cabling system products. Our Aihu Factory comprises production plants, storage and warehouse areas and research and development laboratories. As of April 30, 2017, we had 19 production lines, including three production lines for optical fiber cables, eight production lines for communication copper cables and eight assembling lines for our structured cabling system products. As of April 30, 2017, we had a production team of 170 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,									For the four months ended April 30,					
	2014			2015			2016			2016			2017		
	Weighted average designed production capacity [1]	Actual standardized production volume [2]	Utilization rate (%)	Weighted average designed production capacity [1]	Actual standardized production volume [2]	Utilization rate (%)	Weighted average designed production capacity [1]	Actual standardized production volume [2]	Utilization rate (%)	Weighted average designed production capacity [1]	Actual standardized production volume [2]	Utilization rate (%)	Weighted average designed production capacity [1]	Actual standardized production volume [2]	Utilization rate (%)
											(unaudited)				
Optical fiber cables (fkm'000)	661	489	74.0	1,155	836	72.4	1,218[3]	1,011	83.0	402.1	320.5	79.7	381.8	279	73.1
Communication copper cables (pkm'000)	1,729	791	45.8	1,857	938	50.5	1,728[3]	1,125	65.1	570	311	54.5	557	310	55.6
Structured cabling system products (units '000)	9,823	700	7.1	9,823	1,613	16.4	9,630[3]	2,639	27.4	3,178	516.6	16.3	3,017	1,141	37.8

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 the number of production days (i.e. excluding public holidays in the PRC) for 2014, 2015, 2016 and the four months ended April 30, 2017, which were 306 days, 306 days, 300 days and 94 days, respectively, 99 days for the four months ended April 30, 2016. 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 (i) 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 (ii) divided by the number of months during such period.

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

(3) Since the number of production days in 2016 was 300 days, which were six days less than those in 2014 and 2015, the weighted average designed production capacity showed an overall decrease, save for optical fiber cables given that we added one production line which commenced operation in March 2015 which increased our optical fiber cable production capacity in 2015 and 2016.

We have continuously upgraded our production facilities. So, we have also continuously expanded our production capacity through adding production lines as well as improving our production efficiency. We are currently constructing our second production site, Yaohu Factory, the first phase of which is expected to be completed in the second half of 2017. With the addition of four production lines for optical fiber cables, our designed production capacity for optical fiber cables is expected to reach 5.6 million fkm.

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 such national and international standards, to avoid unexpected stoppage and to maximize production efficiency. 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. 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 fiber cables: fiber coloring machine, secondary coating production line, fiber ribboning machine, slotted core extruding production line, stranding production line and sheathing production line;

- Communication copper cables: series connection production line, pair twist machine, stranding production line, and sheathing production line; and

- Structured cabling system products: wire cutting machine, coiling machine, strip cutting machine, curing machine, pressure welding machine, grinding machine, and injection molding machine.

All of our production machinery and equipment are purchased and owned by us. We regularly examine and maintain our production and testing equipment. Our engineering and technology personnel upgrade our equipment from time to time to achieve higher production efficiency and product quality. As of the Latest Practicable Date, most of our key production equipment had a remaining production life of over five years.

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

- Optical fiber cables: optical fiber coloring technology, loose tube preparation technology, S-Z stranding technology, and sheathing gel filling technology;
- Communication copper cables: drawing — annealing — insulation technology, pair twist technology, stranding technology, and sheathing technology; and
- Structured cabling system products: cabling cutting and pealing, fiber cutting and adhesion removal, adhesion solidification technology, end surface polishing, injection molding technology, assembling and welding technology.

Expansion Plan

Supported by our extensive industry experience and enhanced financial position following our Share Offer, we plan to (i) increase our existing production capacity of optical fiber cables; and (ii) expand into the upstream optical fiber production business to further improve our position in the value chain of our industry.

(i) Expanding our existing production facilities:

Given that (i) the utilization rate of our optical fiber cable production lines had already reached 83% in 2016; (ii) the demand for optical fiber cables in the PRC in the coming years is expected to continue to grow; and (iii) the existing limited optical fiber cable production capacity may limit our competitiveness and success rate to win tender and to obtain more orders, our Directors are of the view that we should expand our optical fiber cables production lines so as to capture the market demand. We plan to use part of the net proceeds from the Share Offer to settle the partial payment of the four optical fiber cables production lines.

The followings summarize the details of these four optical fiber cables production lines:

Location:	The four optical fiber cables production lines will locate in our Yaohu Factory which are expected to have a total gross floor area of 18,898.4 square meters.
Expected year of completion of the construction:	Second half of 2017
Expected year of commencement of production:	Second half of 2017

Expected aggregate annual production capacity:	4.4 million fkm
Capital expenditure:	As of the Latest Practicable Date, we have incurred capital expenditure of RMB4.1 million for the construction of the four optical fiber cable production lines. We estimate that the total capital expenditure for the construction of the four optical fiber cable production lines will be approximately RMB23.6 million, of which RMB4.1 million has been paid by our internal resources while the remaining balance of RMB19.2 million will be funded from the net proceeds of the Share Offer and RMB0.2 million will be paid by our internal resources by the end of 2018.
Estimated investment payback period:	approximately one year (which is estimated based on the estimated total capital expenditure for the construction of the four optical fiber cable production lines and the estimated annual gross profit to be generated by these new production lines)
Estimated breakeven point:	when our production of optical fiber cables reaches not less than 6,300 fkm each month
Proposed source of labour:	We will recruit general workers from the labour market in Nanchang. Based on our long-term operation experience in Nanchang, we understand that the supply of this kind of workers is rather stable in Nanchang and we expect that we would not encounter much difficulty in sourcing this kind of labour for the operation of our four new optical fiber cable production lines.
Proposed source of raw materials:	In January 2017, we entered into a framework agreement with one of our top five suppliers and major optical fiber suppliers during the Track Record Period with a term of three years, under which the supplier guaranteed to provide us with no less than 5.0 million fkm of optical fiber each year and such amount will be sufficient to satisfy the expected aggregate annual production capacity of our four new optical fiber cable production lines.

During the Track Record Period, the utilization rate of our optical fiber cable production capacity was 74.0%, 72.4%, 83.0% and 73.1%, respectively. Moreover, being a well-established optical fiber cable manufacturer with long term relationship with our major customers, we expect that the increase in demand for our optical fiber cable products will be greater than that for the PRC optical fiber cable market in general.

In June 2017, we have been selected by Customer A as one of their optical fiber cable suppliers in 2017-2018 under their centralized procurement. According to the tender award confirmation, the total sales amount of optical fiber cables in 2017-2018 will amount to approximately RMB330.0 million, representing approximately two times of our revenue generated from the total sales of optical fiber cables in 2016. Based on the total sales amount of RMB330.0 million under the tender award confirmation, we estimated that the sales volume to Customer A in each of the years ending December 31, 2017 and 2018 will be approximately 0.83 million fkm and approximately 2.48 million fkm, respectively with sales value of approximately RMB83 million and approximately RMB248 million, respectively. Accordingly, the sales order from Customer A is expected to account for approximately 40% of our expanded optical fiber cable production capacity in 2018. Together with the demand from our other customers for optical fiber cables, we expect that there will be sufficient product demand for the expanded optical fiber cable production facilities.

In addition, revenue derived from the sales of optical fiber cables increased by 84.2% from RMB61.1 million in 2014 to RMB112.6 million in 2015 and further by 44.2% to RMB162.3 million in 2016. Revenue derived from the sales of optical fiber cables increased by 19.4% from RMB47.0 million for the four months ended April 30, 2016 to RMB56.1 million for the four months ended April 30, 2017. We expect that the market demand for optical fiber cables in the PRC will continue to increase as a result of the favorable government policy. We will also make use of sales representatives in 24 cities nationwide to promote our products so as to expand our customer base. For example, we will organize seminars and conferences from time to time to promote our brand awareness so as to increase our market share. Based on the above, we expect that we will have sufficient demand to support and absorb the increased production capacity of our four new optical fiber cable production lines.

(ii) Upstream vertical expansion to optical fiber production:

Optical fiber production, as the upstream sector, provides the most essential raw material for optical fiber cable manufacturers. We plan to use part of the net proceeds from the Share Offer to commence the construction of the production lines for optical fibers in the second phase of our Yaohu Factory in late 2017 (the "**New Production Facilities**"). For details of our use of proceeds, please refer to the section headed "Future Plans and Proposed Use of Proceeds". We expect that there will be two optical fiber drawing towers and four production lines. As of the Latest Practicable Date, we were in the course of negotiating with a PRC optical fiber manufacturer for the purchase of optical fiber production facilities and the future supply of optical fiber preform.

In 2012, we conducted a feasibility study (the "**Feasibility Study**"), which was concluded in May 2017, relating to the optical fiber production, which included, amongst others, studies on: (i) domestic demand for optical fiber and optical fiber cables; (ii) environmental and investment requirements for optical fiber production facilities; (iii) supply of raw materials for the production of optical fiber; (iv) estimated production costs of optical fiber; (v) estimated investment to be involved; (vi) production procedures of optical fiber; (vii) estimated productivity of the New Production Facilities; and (viii) sensitivity analysis. Based on the results of the Feasibility Study, we believe we possess the necessary expertise and skills to expand into the optical fiber production business.

Based on the Feasibility Study, it is expected that:

(i) we can recover all our investment in the New Production Facilities in approximately two years;

(ii) based on the expected annual production capacity of the New Production Facilities and the estimated demand for optical fiber to produce optical fiber cables in 2019, our optical fiber production, upon commencement of production in 2019, will provide sufficient optical fiber for our optical fiber cable production, which will help reduce the supplier concentration risk of our Group; and

(iii) with the New Production Facilities, assuming that the New Production Facilities will be fully utilized, we will be able to save over 20% of our production costs for each unit of optical fiber cable (to be produced with optical fiber produced by the New Production Facilities) which is estimated based on: (a) our historical average purchase cost per unit of optical fiber during the four months ended April 30, 2017; (b) the average purchase cost per unit of optical fiber in the market according to Ipsos Report; and (c) the estimated average production cost for optical fiber produced by the New Production Facilities (such average production cost is estimated based on the optical fiber preform purchase cost, other raw material purchase cost, staff cost, depreciation expenses and other miscellaneous costs).

We believe that compared with other optical fiber cable manufacturers who do not produce optical fiber by themselves, the stable supply of optical fiber would provide us with more flexibility to fix our production plan. We are of the view that it will be in the best interest of our Company and our Shareholders, as a whole, to expand upstream to optical fiber production. We plan to purchase the optical fiber production facilities from a leading optical fiber manufacturer in the PRC, which is also an optical fiber preform manufacturer. We believe that after we purchase the production facilities from this manufacturer, we can have their technical support and a stable supply of raw material for optical fiber production.

The followings summarize the details of the New Production Facilities:

Location:	the New Production Facilities will locate in our Yaohu Factory and are expected to have a total gross floor area of 14,580 square meters.
Expected year of commencement of the construction:	By the end of 2017
Expected year of order of optical fiber drawing towers and other powering facilities:	By the mid of 2018
Expected year of completion of the construction and order of ancillary production facilities:	By the end of 2018
Expected year of completion of production facilities installation and testing:	by early 2019
Expected year of commencement of production:	by early 2019
Expected annual production capacity:	3.4 million fkm
Capital expenditure:	As of the Latest Practicable Date, we have not yet incurred any capital expenditure for construction of the New Production Facilities as we expect to commence construction of the New Production Facilities in the fourth quarter of 2017. We estimate that the total capital expenditure for the construction of the New Production Facilities will be approximately RMB108.4 million, of which RMB64.9 million will be funded from the net proceeds of the Share Offer by the end of 2018, while the remaining balance of approximately RMB43.5 million will be settled by 2020 from our internal resources.

Estimated investment payback period:	approximately two years (which is estimated based on the estimated total capital expenditure for the construction of the New Production Facilities and the estimated annual production costs that we can save by using the optical fiber produced by the New Production Facilities and assuming that the New Production Facilities will be fully utilized).
Proposed management of the production and source of labour:	Our New Production Facilities will be managed by our professional team to be led by Mr. Chen and our Technical Specialists and supported by our experienced technical team. In addition, we will also recruit new technical staff to expand our technical team through recruitment programs in various universities and colleges. We will recruit general workers from the labour market in Nanchang. Based on our long-term operation experience in Nanchang, we understand that the supply of this kind of workers is rather stable in Nanchang and we expect that we would not encounter much difficulty in sourcing this kind of labour for the operation of our four new optical fiber cable production lines.
Proposed source of raw materials:	To ensure that we will have a stable source of raw materials, as of the Latest Practicable Date, we were in the course of negotiating with a PRC optical fiber manufacturer ("**Manufacturer A**") for the purchase of optical fiber production facilities and the future supply of optical fiber preform. As of the Latest Practicable Date, we were also in negotiation with two other manufacturers for the purchase of production facilities and the future supply of optical fiber preform. In case our negotiation with Manufacturer A does not materialize, we will still be able to source production facilities and raw materials for our optical fiber production from these two manufacturers. Our Directors confirmed that we will purchase optical fiber production facilities from the manufacturer on the condition that it will also provide a sufficient supply of optical fiber preform for our future production of optical fibers.

Note: As the optical fibers to be produced with the New Production Facilities are intended for use by our Group, and not for external sales, there will not be any market price for such optical fibers produced and therefore the breakeven period would be irrelevant.

As advised by our PRC legal advisors, before we can commence the operation of such production facilities, we should pass the completion inspections relating to fire control, environmental protection, construction project quality and other approvals or permits required by relevant laws and regulations, Furthermore, as advised by our PRC legal advisors, no other licences and/or approvals are required for our Group to legally produce and sell optical fibers in the PRC.

In order to facilitate our expansion plan to construct the New Production Facilities, we have appointed Mr. Chen Bing Yan (陳炳炎), aged 77, as our Chief Engineer for the period from March 2017 to February 2020, who is responsible for supervising the construction of the New Production Facilities and providing professional advice to our Group, in particular, with reference to and relating to the Feasibility Study. Mr. Chen has over 25 years of experience in optical fiber and optical fiber cable industry. Mr. Chen obtained a degree in Electrical Engineering from Shanghai Jiao Tong University in 1962. Over the past 25 years, Mr. Chen had acted as the chief engineer, director or technical consultant for a number of communication companies, optical fiber companies and optical fiber cable companies in the PRC. For example, in 2000, Mr. Chen had acted as the technical supervisor of Hengtong Optic-Electric Co., Ltd (亨通集團), being one of the world's top-10 optical fiber producers in 2016, for the construction of its optical fiber factory. From 2007 to 2014, Mr. Chen had acted as the chief engineer of Jiangsu Nanfang Communication Technology Co., Ltd. (江蘇南方通信科技有限公司), being a company listed on the Stock Exchange in 2016. From 2011 to 2015, Mr. Chen had acted as the chief engineer of Jiangsu QibaoGuangdian Group Co., Ltd. (江蘇七寶光電集團有限公司) as well as the chief engineer of its optical fiber and optical fiber cable factories. He has also acted as the chief engineer of Sino Fiber Optical Technology (Hunan) Co., Ltd. (中光通信科技(湖南)有限公司) in which he is responsible for the overall management in relation to the production, research and development and technical support to optical fiber preform, optical fiber and optical fiber cable since 2015 and Jiangsu Fuchunjiang Guangdian Co., Ltd. (江蘇富春江光電有限公司) since 2016.

In September 2017, Mr. Chen was granted the Honorary Award for 40 Years Industry Expert* (行業專家四十年榮譽獎) awarded by China Electronic Equipment Industry Association — Electronic Cable & Wire Bureau* (中國電器工業協會電線電纜分會), China Association of Communication Enterprise — Communication Cable and Optical Fiber Cable Professional Committee* (中國通信企業協會通信電纜光纜專業委員會) and China Electronic Components Association — Optical Wire & Cable and Optical Device Bureau* (中國電子元件行業協會光電線纜及光器件分會).

In addition to Mr. Chen, as of the Latest Practicable Date, three experienced technical specialists (the "**Technical Specialists**") confirmed that they will join our Group to lead the management of our New Production Facilities with Mr. Chen. All of them have more than four years of experience in the industry and are degree holders.

Based on the results of the Feasibility Study coupled with the rich experience and valuable knowledge of Mr. Chen and our experienced Technical Specialists in the industry, we believe that we will be able to expand into the upstream optical fiber production business to further improve our position in the value chain of our industry.

Based on the estimated annual production capacity of the New Production Facilities and the estimated annual production capacity of our enlarged optical fiber cable production facilities, it is expected that at least approximately 60% of our optical fiber demand can be satisfied by our in-house production. We believe that compared with other optical fiber cable manufacturers who do not produce optical fiber by themselves, the stable supply of optical fiber would provide us with more flexibility to fix our production plan. It is expected that with the New Production Facilities to provide optical fiber supplies, we will be able to save over 20% of our production costs for each unit of optical fiber cable (to be produced with optical fibers to be produced by the New Production Facilities) assuming our optical fiber production capacity be fully utilized. We expect that the production capacity of optical fiber would be fully utilized upon commencement of production based on the expected production of optical fiber cables.

The sales volume of our optical fiber cables increased from 452,985 fkm in 2014 to 818,905 fkm in 2015, and further increased to 1,073,880 fkm in 2016. The sales volume of our optical fiber cables increased from 333,669 fkm for the four months ended April 30, 2016 to 339,812 fkm for the four months ended April 30, 2017. We expect that the market demand for optical fiber cables in the PRC will continue to increase as a result of the favourable government policy. Given that we intend to use the optical fiber we produce for the production of our optical fiber cable, it is expected that there would be sufficient demand for our optical fiber.

Our upstream vertical expansion plan is subject to uncertainties and risks which may materially and adversely affect our results of operations and growth prospects of our optical fiber production business. For details of the major risks associated with our upstream vertical expansion plan, please refer to the section headed "Risk Factors — Risk Relating to our Business — We may not be able to carry out our upstream vertical expansion plan into the optical fiber production as we expect" in this prospectus.

RAW MATERIALS, INVENTORIES AND SUPPLIERS

Raw Materials and Inventories

We procure various raw materials from third-party suppliers located in the PRC for the production of our products. The table below sets forth the major raw materials for our products.

Products	Raw materials
Optical fiber cables	Optical fibers, PE and other sheathing materials, steel and aluminum
Communication copper cables	Copper wires, insulation materials, sheathing materials
Structured cabling system products	Optical fiber cables, communication copper cables, distribution and connection components

The principal raw material used to produce optical fiber cables is optical fibers, which represented 42.6%, 43.5%, 49.8% and 49.1% of total production costs for our optical fiber cable products in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively.

The principal raw material used to produce communication copper cables is copper wires, which represented 71.7%, 70.9%, 70.8% and 73.5% of total production costs for our communication copper cable products in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively.

The principal raw material used to produce structured cabling system products is communication cables which are produced by us and represented 59.7%, 55.6%, 47.5% and 56.2% of total production costs for the structured cabling system products we produced in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. We procure the relevant distribution and connection components and assemble them with our communication cables.

Pursuant to our agreements with customers, the prices of our communication copper cables are adjusted based on the prices of copper, which is the key raw material for the production of communication copper cables. Therefore, we are able to pass the fluctuations in copper prices to our customers. Although we generally do not have such price adjustment mechanism in our sales agreements for optical fiber cables and structured cabling system products, during the Track Record Period, some of our customers would adjust the prices of optical fiber cables when there was a substantial fluctuation in raw material prices. See "Financial Information — Significant Factors Affecting Our Results of Operations — Availability and Cost of Raw Materials" for a sensitivity analysis on the fluctuations in raw material costs.

Suppliers

We procure all of our raw materials within the PRC. We maintain business relationships with 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. However, we currently purchase a significant majority of copper wires and optical fibers from a limited number of suppliers to capitalize on economies of scale. In particular, our purchase from our largest copper wire supplier represented 37.1%, 34.0%, 29.1% and 28.4% of our total purchases in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively, and our purchase from our largest optical fiber suppliers represented 6.5%, 8.9%, 11.4% and 12.0% of our total purchases in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. We believe that we are not dependent on any particular supplier for our key raw materials.

We have established and implemented procedures for the selection and evaluation of our raw material suppliers. Our procurement department is in charge of short-listing new suppliers to our qualified supplier list upon approval by our management. When selecting a qualified supplier, a number of factors, namely the offer price, product quality, production capacity, payment terms, the timing of delivery as well as market reputation will be considered. Our qualified supplier list will be reviewed on an annual basis. The suppliers' performance in the past year will be considered and any supplier whose performance falls below our required standard will be removed from the list.

Our key raw materials are optical fibers and copper wire. We entered into a binding framework agreement with our largest copper supplier, Supplier A, setting forth, among other things, quality specifications, pricing methodologies, quantity of the raw materials, delivery schedules and payment terms. Under the framework agreement, we may place purchase orders based on our production needs on a monthly basis. The purchase orders typically set forth the amount or quantity, quality specifications, unit prices and delivery terms.

The major terms of the framework agreement are summarized as follows:

Term:	January 31, 2017 to December 31, 2017
Price:	To be determined based on the market price of cooper and processing fees involved
Settlement method:	By telegraphic transfer
Purchase order:	Purchase orders should be placed every month prior to the 25th day of the last month
Inspection upon receipt:	Goods will be inspected in terms of their quantity and quality upon delivery

Although there was no renewal clause provided in the agreement, based on our long-term relationship with Supplier A and similar agreement was renewed during the Track Record Period, we believe that an agreement with similar terms and conditions will be entered into with Supplier A upon expiry of the existing agreement.

We have also entered into a long-term framework agreement regarding the supply of optical fibers from 2017 to 2019 with Supplier D, which was one of our two major optical fiber suppliers during the Track Record Period, to ensure that we can source stable and high quality optical fibers in a timely manner and at favorable prices.

The major terms of this long-term framework agreement are summarized as follows:

Term:	January 18, 2017 to December 31, 2019
Amount to be supplied:	Not less than 5.0 million fkm of optical fibers per year
Purchase order:	To make purchase orders by each transaction to the supplier
Others:	The supplier commits to prioritize our demand for optical fibers and ensure sufficient supply and timely delivery to us and in case of non-conformity of product quality, they will arrange free replacement

Although there was no renewal clause provided in the agreement, based on our long-term relationship with Supplier D, we believe that an agreement with similar terms and conditions will be entered into with Supplier D upon expiry of the existing agreement.

During the Track Record Period and up to the Latest Practicable Date, there had been no material breach by any of our suppliers of any of our long-term supply agreements.

For products sold to the major telecommunications network operators in the PRC under the relevant tenders, we are often required to name the suppliers for raw materials in our tender documents, and we may only select from these named suppliers. A majority of our regular suppliers are usually on the list of suppliers acceptable to the major telecommunications network operators.

We have maintained stable relationships with our suppliers. Our business relationships with our key suppliers have been on average over seven years. We did not encounter any material disruption of business as a result of a shortage of raw materials during the Track Record Period and we do not expect any significant difficulties in procuring raw materials for our production.

Purchases from our top five suppliers together represented 66.4%, 64.3%, 65.9% and 64.4% of our total purchases in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively, and our purchases from the largest supplier represented 37.1%, 34.0%, 29.1% and 28.4%, respectively, of our total purchases for the corresponding year. To the best knowledge of our Directors, none of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued share capital after the Share Offer held any interest in any of our five largest suppliers during the Track Record Period. The following table sets forth our purchases from our five largest suppliers in the periods indicated and the percentages of our purchase from each of them to our total purchases for that period.

	For the year ended December 31, 2014					
	Background of the major supplier	Major products purchased	Purchase	% of our Group's total purchase	Years of relationship (up to the Latest Practicable Date)	Major settlement method
			(RMB'000)	*(%)*		
Supplier A	Being principally engaged in copper mining as well as dressing, smelting and processing, extraction and processing of the precious metal in the PRC and a company listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange.	Copper wires	79,320	37.1	15	By telegraphic transfer
Supplier B	Being a copper product manufacturer and provider in the PRC and has been established for more than 10 years.	Copper wires	29,953	14.0	7	By telegraphic transfer
Supplier C	Being an optical fiber and optical fiber cable manufacturer and provider in the PRC and one of its shareholders is a company listed on the Shenzhen Stock Exchange and another shareholder is a company listed on the Main Board of the Stock Exchange.	Optical fibers	13,956	6.5	8	By telegraphic transfer
Supplier D	Being a telecommunication product manufacturer and provider in the PRC and a company listed on the Shanghai Stock Exchange	Optical fibers	9,436	4.4	4	By telegraphic transfer
Supplier E	Being a manufacturer and provider of insulation materials, sheathing materials, plastic products, etc. in the PRC and has been established for more than 15 years.	PE and other sheathing materials	9,383	4.4	7	By telegraphic transfer
Total			142,048	66.4		

	For the year ended December 31, 2015					
	Background of the major supplier	Major products purchased	Purchase	% of our Group's total purchase	Years of relationship (up to the Latest Practicable Date)	Major settlement method
			(RMB'000)	*(%)*		
Supplier A	Being principally engaged in copper mining as well as dressing, smelting and processing, extraction and processing of the precious metal in the PRC and a company listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange.	Copper wires	90,347	34.0	15	By telegraphic transfer
Supplier B	Being a copper product manufacturer and provider in the PRC and has been established for more than 10 years.	Copper wires	26,064	9.8	7	By telegraphic transfer
Supplier D	Being a telecommunication product manufacturer and provider in the PRC and a company listed on the Shanghai Stock Exchange.	Optical fibers	23,643	8.9	4	By telegraphic transfer
Supplier C	Being an optical fiber and optical fiber cable manufacturer and provider in the PRC and one of its shareholders is a company listed on the Shenzhen Stock Exchange and another shareholder is a company listed on the Main Board of the Stock Exchange.	Optical fibers	19,518	7.3	8	By telegraphic transfer
Supplier F	Being a manufacturer and provider of cable sheathing materials in the PRC and has been established for more than 9 years.	PE and other sheathing materials	11,331	4.3	9	By telegraphic transfer
Total			170,903	64.3		

	For the year ended December 31, 2016					
	Background of the major supplier	Major products purchased	Purchase	% of our Group's total purchase	Years of relationship (up to the Latest Practicable Date)	Major settlement method
			(RMB'000)	*(%)*		
Supplier A	Being principally engaged in copper mining as well as dressing, smelting and processing, extraction and processing of the precious metal in the PRC and a company listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange.	Copper wires	97,330	29.1	15	By telegraphic transfer
Supplier B	Being a copper product manufacturer and provider in the PRC and has been established for more than 10 years.	Copper wires	47,686	14.3	7	By telegraphic transfer
Supplier D	Being a telecommunication product manufacturer and provider in the PRC and a company listed on the Shanghai Stock Exchange.	Optical fibers	38,237	11.4	4	By telegraphic transfer
Supplier C	Being an optical fiber and optical fiber cable manufacturer and provider in the PRC and one of its shareholders is a company listed on the Shenzhen Stock Exchange and another shareholder is a company listed on the Main Board of the Stock Exchange.	Optical fibers	23,479	7.0	8	By telegraphic transfer
Supplier G	Being a manufacturer and provider of copper cables, insulation materials, auxiliary materials, plastic products, etc. in the PRC and has been established for more than 15 years.	PE and other sheathing materials	13,797	4.1	3	By telegraphic transfer
Total			220,529	65.9		

	For the four months ended April 30, 2017					
	Background of the major supplier	Major products purchased	Purchase	% of our Group's total purchase	Years of relationship (up to the Latest Practicable Date)	Major settlement method
			(RMB'000)	*(%)*		
Supplier A	Being principally engaged in copper mining as well as dressing, smelting and processing, extraction and processing of the precious metal in the PRC and a company listing on the Main Board of the Stock Exchange and the Shanghai Stock Exchange.	Copper wires	34,937	28.4	15	By telegraphic transfer
Supplier I *(Note)*	Being an optical fiber and optical fiber cable manufacturer and provider in the PRC and one of its group members is a company listed on the Shenzhen Stock Exchange.	Optical fibers and metal wires	14,840	12.0	8	By telegraphic transfer
Supplier B	Being a copper product manufacturer and provider in the PRC and has been established for more than 10 years.	Copper wires	14,550	11.8	7	By telegraphic transfer
Supplier D	Being a telecommunication product manufacturer and provider in the PRC and a company listing on the Shanghai Stock Exchange.	Optical fibers	10,145	8.2	4	By telegraphic transfer
Supplier H	Being a manufacturer and provider of telecommunication products in the PRC and has been established for 3 years.	Optical fiber jumpers, modules and distribution frames	4,919	4.0	1	By telegraphic transfer
Total			79,391	64.4		

Note: Upon Supplier I's acquisition of certain equity interest in Supplier C, Supplier C became a subsidiary of Supplier I in December 2016.

The following tables set forth our purchases from our major suppliers of copper wire being one of our major raw materials, during the Track Record Period and the percentages of our purchases from each of them to our total purchases of copper wire for that period.

	For the year ended December 31, 2014	
	RMB'000	*% of total purchases*
Supplier A	79,320	65.3
Supplier B	29,953	24.7
Total	109,273	90.0

	For the year ended December 31, 2015	
	RMB'000	*% of total purchases*
Supplier A	90,347	71.1
Supplier B	26,064	20.5
Total	116,411	91.6

	For the year ended December 31, 2016	
	RMB'000	*% of total purchases*
Supplier A	97,330	67.1
Supplier B	47,686	32.9
Total	145,016	100.0

	For the four months ended April 30, 2017	
	RMB'000	*% of total purchases*
Supplier A	34,937	70.6
Supplier B	14,550	29.4
Total	49,487	100.0

The following tables set forth our purchase from our major suppliers of optical fiber, being one of our major raw materials, during the Track Record Period and the percentages of our purchases from each of them to our total purchases of optical fiber for that period.

	For the year ended December 31, 2014	
	RMB'000	*% of total purchases*
Supplier C	13,956	59.7
Supplier D	9,436	40.3
Total	23,392	100.0

	For the year ended December 31, 2015	
	RMB'000	*% of total purchases*
Supplier D	23,643	54.8
Supplier C	19,518	45.2
Total	43,161	100.0

	For the year ended December 31, 2016	
	RMB'000	*% of total purchases*
Supplier D	38,237	67.8
Supplier C	18,184	32.2
Total	56,421	100.0

	For the four months ended April 30, 2017	
	RMB'000	*% of total purchases*
Supplier I	12,328	54.9
Supplier D	10,145	45.1
Total	22,473	100.0

Supplier concentration

Our top five suppliers accounted for 66.4%, 64.3%, 65.9% and 64.4% of our total purchases in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. In particular, 37.1%, 34.0%, 29.1% and 28.4% of our total purchases were attributable to our largest supplier for the corresponding year/ period. Due to our supplier concentration, we are subject to risks associated with the availability of raw materials used in the production of our products and the volatility in their prices. For details, please refer to the section headed “Risk Factors — Risk Relating to our Business — We procure our key raw materials from a limited number of suppliers and we are subject to risks associated with the availability of raw materials used in the production of our products and the volatility in their prices.” in this prospectus. Despite such supplier concentration, our Directors consider that our business model is sustainable and we are capable of maintaining our revenue in the future after taking into account the following factors:

- According to Ipsos Report, the suppliers in our industry are dominated by a few players. For optical fiber cable, the top five suppliers provided about 66% of optical fibers in 2016; while for communication copper cable, the top five suppliers provided about 91% of copper wires in 2016. Given the market landscape in the PRC, our Directors are of the view that it is unlikely to break off reliance on these major suppliers entirely.

- We have maintained good relationship with our suppliers, in particular, our business relationships with our top five suppliers have been on average over seven years. During the Track Record Period, we did not encounter any material disruption of business as a result of a shortage of raw materials and we do not expect any significant difficulties in procuring raw materials for our production.

- We plan to use part of the net proceeds from the Share Offer to expand to optical fiber production, which provides the most essential raw material for optical fiber cable manufacturers. For details of our expansion plan, please refer to the paragraph headed “Expansion” in this section. We believe that with the New Production Facilities to provide optical fiber, our reliance on suppliers of optical fiber can be substantially reduced.

- During the Track Record Period, our purchases from the top five suppliers only accounted for an insignificant portion of their total sales. In addition, given that two of our major suppliers, namely Supplier A and Supplier D with whom we entered into framework agreement or long-term agreement are state-owned enterprises with large scale operation, our Directors are of the view that in case we need to purchase any further raw materials from these suppliers, they have sufficient capacity to meet our demand.

- During the Track Record Period, we entered into a framework agreement with our largest copper wire supplier, Supplier A. Pursuant to the framework agreement, we could place purchase orders based on our production needs on a monthly basis. In light of our long-term relationship of more than 15 years with Supplier A and absence of any difficulty in sourcing raw materials from them, we believe that Supplier A will continue to supply sufficient raw materials to us in the future.

- During the Track Record Period, we entered into a long-term framework agreement with one of our top five suppliers and major optical fiber suppliers, namely Supplier D, with a term of three years, under which the supplier guaranteed to provide us with no less than 5.0 million fkm of optical fiber each year and such amount will be sufficient to satisfy the expected aggregate annual production capacity of our four new optical fiber cable production lines.

Inventory Management

In order to keep a safety level of inventory and minimize the risk of excessive inventories, we generally maintain an inventory level of raw materials, semi-finished products and finished products that are sufficient to satisfy the purchase orders the delivery due dates of which are within the next 45 days. We will review our inventory levels from time to time.

We closely monitor inventory of both our raw materials and products. Upon receipt of raw materials, our inventory management staff will inform our quality control department to conduct quality inspection. In case of any non-conformity, the faulty items will be passed to our procurement department for liaising with relevant suppliers for return or replacement. Our inventory management staff will also conduct quantity checking against purchase orders and the result of such checking will be reviewed and approved by the manager of our logistics department. In case of any discrepancy in quantity, an inspection report will be submitted to our procurement department for following up with relevant suppliers. After production, our production department will prepare product checklists on a daily basis for our inventory management staff to conduct quantity checking before moving the products into the warehouse. After the stock taking, our quality control department will conduct quality inspection on our products in stock. Any non-conformed products will be disposed of upon approval by our management.

In addition, our inventory management department will conduct a comprehensive stock taking of both our raw materials and products on a monthly basis to avoid under or over stocking. Led by our finance department and cooperated by all other departments, an annual stock taking will be done by the end of every year to analyze our overall inventory status throughout the year.

CUSTOMERS, SALES AND MARKETING

Our Customers

Our customers for optical fiber cables and communication copper cables are primarily major telecommunications network operators in the PRC. Our end customers for structured cabling system products include major telecommunications network operators in the PRC, as well as non-operator customers, which are primarily communication system solution providers and construction contractors. We had 33, 81, 184 and 140 active customers (which refer to customers who purchased our products during the Track Record Period) in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively, all of which were independent third parties. As of the Latest Practicable Date, substantially all of our customers were located within the PRC.

Sales to major telecommunications network operators in the PRC (including their respective local subsidiaries or branches) in aggregate represented 91.4%, 90.2%, 91.4% and 92.4% of our total revenue in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. For the same periods, our largest customer, one of these major telecommunications network operators, contributed 47.7%, 53.1%, 56.8% and 56.6% of our total revenue, respectively. See "Risk Factors — Risks Relating to Our Business — We are subject to risks of significant fluctuations or deterioration of financial performance due to our customer concentration." The following table sets forth the contribution to our total revenue by our five largest customers in terms of sales made in the relevant period.

Set out below is a breakdown of our revenue by major customers:

	Background of the major customer	Major products sold	For the year ended December 31, 2014 Revenue	% of our Group's total revenue	Years of relationship (up to the Latest Practicable Date)	Major settlement method
			(RMB'000)	*(%)*		
Customer A	Being one of the major telecommunication network operators in the PRC, a company listed on the Shanghai Stock Exchange and the holding company of a company which is listed on the Main Board of the Stock Exchange and New York Stock Exchange.	Communication copper cables and optical fiber cables	129,050	47.7	4	By telegraphic transfer
Customer B	Being one of the major telecommunication network operators in the PRC and the holding company of a company which is listed on the Main Board of the Stock Exchange and New York Stock Exchange and a company which is listed on the Main Board of the Stock Exchange.	Communication copper cables, optical fiber cables and structured cabling system products	114,000	42.1	15	By telegraphic transfer
Customer C	Being an internet access provider and a company listed on the Shanghai Stock Exchange. It has been established for more than 30 years, with more than 38,000 employees according to its published annual results.	Communication copper cables, optical fiber cables and structured cabling system products	7,124	2.6	3	By telegraphic transfer
Customer D	Being a communication equipment manufacturer and provider and has been established for more than 15 years.	Communication copper cables and structured cabling system products	4,655	1.7	3	By telegraphic transfer
Customer E	Being one of the major telecommunication network operators in the PRC and the holding company of a company which is listed on the Main Board of the Stock Exchange and New York Stock Exchange.	Communication copper cables	4,524	1.7	7	By telegraphic transfer
Total			259,353	95.8		

	Background of the major customer	Major products sold	For the year ended December 31, 2015 Revenue	% of our Group's total revenue	Years of relationship (up to the Latest Practicable Date)	Major settlement method
			(RMB'000)	*(%)*		
Customer A	Being one of the major telecommunication network operators in the PRC and a company listed on the Shanghai Stock Exchange and the holding company of a company which is listed on the Main Board of the Stock Exchange and New York Stock Exchange.	Communication copper cables, optical fiber cables and structured cabling system products	191,938	53.1	4	By telegraphic transfer
Customer B	Being one of the major telecommunication network operators in the PRC and the holding company of a company which is listed on the Main Board of the Stock Exchange and New York Stock Exchange and a company which is listed on the Main Board of the Stock Exchange.	Communication copper cables, optical fiber cables and structured cabling system products	134,472	37.1	15	By telegraphic transfer
Customer C	Being an internet access provider and a company listed on the Shanghai Stock Exchange. It has been established for more than 30 years, with more than 38,000 employees according to its published annual results.	Communication copper cables, optical fiber cables and structured cabling system products	14,361	4.0	3	By telegraphic transfer
Customer F	Being a software developer and service provider. It has been established for more than 5 years	Communication copper cables, optical fiber cables and structured cabling system products	4,416	1.2	2	By telegraphic transfer
Customer G	Communication system solution provider and construction contractor. It has been established for more than 20 years	Communication copper cables, optical fiber cables and structured cabling system products	2,573	0.7	3	By telegraphic transfer
Total			347,760	96.1		

	Background of the major customer	Major products sold	For the year ended December 31, 2016		Years of relationship (up to the Latest Practicable Date)	Major settlement method
			Revenue	% of our Group's total revenue		
			(RMB'000)	*(%)*		
Customer A	Being one of the major telecommunication network operators in the PRC, a company listed on the Shanghai Stock Exchange and the holding company of a company which is listed on the Main Board of the Stock Exchange and New York Stock Exchange.	Communication copper cables, optical fiber cables and structured cabling system products	265,939	56.8	4	By telegraphic transfer
Customer B	Being one of the major telecommunication network operators in the PRC and the holding company of a company which is listed on the Main Board of the Stock Exchange and New York Stock Exchange and a company which is listed on the Main Board of the Stock Exchange.	Communication copper cables, optical fiber cables and structured cabling system products	161,239	34.5	15	By telegraphic transfer
Customer C	Being an internet access provider and a company listed on the Shanghai Stock Exchange. It has been established for more than 30 years, with more than 38,000 employees according to its published annual results.	Communication copper cables, optical fiber cables and structured cabling system products	5,600	1.2	3	By telegraphic transfer
Customer I	Being a communication system solution provider and construction contractor and a company listed on the Shenzhen Stock Exchange. It has been established for more than 15 years, with more than 800 employees according to its published annual results.	Communication copper cables, optical fiber cables and structured cabling system products	3,566	0.8	2	By telegraphic transfer
Customer H	Being a communication equipment distributor and has been established for more than 5 years.	Communication copper cables, optical fiber cables and structured cabling system products	3,523	0.7	2	By telegraphic transfer
Total			439,867	94.0		

	Background of the major customer	Major products sold	For the four months ended April 30, 2017 Revenue	% of our Group's total revenue	Years of relationship (up to the Latest Practicable Date)	Major settlement method
			(RMB'000)	*(%)*		
Customer A	Being one of the major telecommunication network operators in the PRC and a company listed on the Shanghai Stock Exchange and the holding company of a company which is listed on the Main Board of the Stock Exchange and New York Stock Exchange.	Communication copper cables, optical fiber cables and structured cabling system products	93,461	56.6	4	By telegraphic transfer
Customer B	Being one of the major telecommunication network operators in the PRC and the holding company of a company which is listed on the Main Board of the Stock Exchange and New York Stock Exchange and a company which is listed on the Main Board of the Stock Exchange.	Communication copper cables, optical fiber cables and structured cabling system products	58,761	35.6	15	By telegraphic transfer
Customer J	Being a communication system solution provider and has been established for about 20 years.	Communication copper cables	2,131	1.3	2	By telegraphic transfer
Customer I	Being a communication system solution provider and construction contractor and a company listed on the Shenzhen Stock Exchange. It has been established for more than 15 years, with more than 800 employees according to its published annual results.	Communication copper cables, optical fiber cables and structured cabling system products	785	0.5	2	By telegraphic transfer
Customer H	Being a communication equipment distributor and has been established for more than 5 years.	Communication copper cables, optical fiber cables and structured cabling system products	755	0.5	2	By telegraphic transfer
Total			155,893	94.5		

Since our establishment in 2001, we have maintained a stable relationship with the major telecommunications network operators. We have sold our products to more than 20 provincial subsidiaries of these major telecommunications network operators, including subsidiaries in Guangdong Province, Inner Mongolia Autonomous Region, Jiangxi Province, Beijing, Fujian Province, Jiangsu Province, Guangxi Province, Hainan Province, Jilin Province, Henan Province and Sichuan Province.

During the same periods, revenue from our five largest customers represented 95.8%, 96.1%, 94.0% and 94.5%, respectively, of our total revenue, while the largest customer contributed 47.7%, 53.1%, 56.8% and 56.6%, respectively, of our total revenue in the corresponding periods. To the best knowledge of our Directors, none of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after the Share Offer held any interest in any of our five largest customers during the Track Record Period.

Customer concentration

Sales to our top five customers represented 95.8%, 96.1%, 94.0% and 94.5% of our total revenue in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. In particular, 47.7%, 53.1%, 56.8% and 56.6% of our total revenue was attributable to our largest customer for the corresponding year/ period. Due to our customer concentration, we are subject to risks of significant fluctuations or declines in revenues. For details, please refer to the section headed "Risk Factors — Risk Relating to our Business — We are subject to risks of significant fluctuations or deterioration of financial performance due to our customer concentrations" in this prospectus. Despite such customer concentration, our Directors consider that our business model is sustainable and we are capable of maintaining our revenue in the future after taking into account the following factors:

- According to Ipsos Report, our industry is dominated by the major telecommunication network operators. In 2016, the major telecommunication network operators accounted for about 82% and about 61% of the total volume demand for optical fiber cable and communication copper cable, respectively in the PRC. Sales to major telecommunications network operators in the PRC (including their respective local subsidiaries or branches) in aggregate represented 91.4%, 90.2%, 91.4% and 92.4% of our total revenue in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively. Given the market landscape in the PRC, our Directors are of the view that it is unlikely to break off reliance on these major customers entirely.

- Over years of operations, we have established and maintained stable and long term relationships with a number of major telecommunications network operators in the PRC, which are our major customers. During the Track Record Period and up to the Latest Practicable Date, we were shortlisted as one of the designated cable suppliers by a number of major telecommunications network operators in the PRC through the public bidding and tendering processes under their centralized and local procurement. In particular, we were awarded as one of the "Top Ten Outstanding Suppliers" by China Telecom. Moreover, we were shortlisted again by China Unicom as one of the winning suppliers during its 2017-2018 centralized procurement tendering for optical fiber cables. We were ranked 15th and 13th respectively, among 25 winning suppliers for regular optical fiber cables and 15 winning suppliers for ribbon optical fiber cables nationwide. As of the Latest Practicable Date, we had maintained four and fifteen years of business relationships with two of major telecommunication network operators, respectively, which generated over 90% of our revenue during the Track Record Period. We believe that our ability to secure and maintain stable and long-term business relationships with our major customers is one of the key factors in maintaining our revenue in the future.

- Based on our industry insights, we entered the structured cabling market in 2012. We offer extensive and high-quality structured cabling system products to satisfy diverse demands of our customers in various application scenarios. We believe that we have first mover advantage in the structured cabling industry and are well positioned to grow in this emerging and promising market in the PRC and are able to expand our customer base to non-operator customers smoothly and efficiently. In addition, we have established sales department at both our headquarters and our subsidiary, Putian Cable (Shanghai). Putian Cable (Shanghai) is designated for the sales of our products to our non-operator customers through our sales representatives in 24 cities nationwide. We believe that our entering into the structured cabling market and our effort to promote sales to our non-operator customers will help reduce our customer reliance.

Sales and Distribution

We sell our products to end customers through our own sales personnel. With our professional technical support and development team, experienced sales personnel and efficient logistics team, we possess deep understanding about our customers, which have enabled us to serve our customer effectively and maintain long-term relationships with them.

We establish sales department at both our headquarters and our subsidiary, Putian Cable (Shanghai). Putian Cable (Shanghai) is designated for the sales of our products to our non-operator customers through our sales representatives in 24 cities nationwide. The sales department at our headquarters, on the other hand, is mainly responsible for the sales of all our products to our major telecommunications network operator customers.

As of April 30, 2017, we had 65 employees in our sales functions, 18 of whom were designated for the sales of our communication copper cable and optical fiber cable products, and 47 were designated for the sales of our structured cabling system products. Sales staff designated for our optical fiber cable and communication copper cable products represented a relatively small percentage of our total sales personnel, primarily because our customer base for these products are relatively concentrated and we have established stable long-term relationships with our major customers.

Substantially all of our sales to major telecommunications network operators and certain of our sales to non-operator customers are made through our participation in public bidding and tendering processes hosted by these customers. The following table sets forth, for the periods indicated, the number of tenders we submitted and the number of tenders in which we were successfully selected by our customers.

	For the year ended December 31,									For the four months ended April 30,			After the Track Record Period and up to the Latest Practicable Date		
	2014			2015			2016			2017					
	Number of tenders submitted	Number of tenders selected by customers	Success rate	Number of tenders submitted	Number of tenders selected by customers	Success rate	Number of tenders submitted	Number of tenders selected by customers	Success rate	Number of tenders submitted	Number of tenders selected by customers	Success rate	Number of tenders submitted	Number of tenders selected by customers	Success rate
Major telecommunications network operators															
Centralized procurement	8	2	25.0%	1	1	100.0%	8	6	75.0%	2	2	100.0%	2	2	100.0%
Local procurement	17	12	70.6%	21	11	52.4%	20	11	55.0%	4	2	50.0%	10	6	60.0%
Non-operator customers	5	3	60.0%	8	2	25.0%	8	2	25.0%	2	0	0.0%	1	0	0.0%
Total	30	17	56.7%	30	14	46.7%	36	19	52.8%	8	4	50.0%	13	8	61.5%

During the Track Record Period and up to the Latest Practicable Date, in order to better understand the competitive landscape of the industry, such as tender size, market demand and tender rules, we would generally submit tenders that we were invited to attend and this strategy resulted in fluctuation in our tender success rate during the period.

For the major telecommunications network operators, after we have been selected as their suppliers through public bidding and tendering, we generally enter into framework agreement (the "**Framework Sales Agreements**") with them, incorporating the terms from our tender documents. The major terms of the Framework Sales Agreement are summarised in the paragraph headed "Sales to Major Telecommunications Network Operators" in this section below. We will then receive detailed purchase orders (the "**Purchase Orders**") from the local subsidiaries or branches of these operator customers under the Framework Sales Agreement from time to time.

For those non-operator customers, after we have been selected as their suppliers through public bidding and tendering, our non-operator customers generally enter into sales agreements (the "**Sales Agreements**", together with the Purchase Orders, collectively, the "**Sales Contracts**") to place order with us, and the terms of which are determined based on our tender documents. For those non-operator customers who do not have public bidding and tendering, the sales agreements with them are negotiated by our sales personnel and then reviewed and approved by our sales department. Given that the Sales Contracts are to place orders with us and we generally deliver products to our customers within 15 to 30 days upon receipt of the Sales Contracts, the number of uncompleted Sales Contracts and the total contract sums of these uncompleted contracts and the amount of unrecognised revenue were insignificant.

We have entered into written Sales Contracts with each of our customers. The Sales Contracts provide product specifications, prices, delivery schedules and other commercial terms. Our production departments produce, test and deliver the products specified in the approved Sales Contracts. Our sales department coordinates with our production department and closely monitors the production and delivery status of products under the Sales Contracts.

Sales to Major Telecommunications Network Operators

Substantially all of our optical fiber cables and communication copper cables and a significant portion of our structured cabling system products are sold to the major telecommunications network operators in the PRC. Since 2004, the major telecommunications network operators in the PRC have gradually implemented centralized procurement policies, under which each of the operators publicly announces their procurement plans and solicits tenders. Such announcements usually include the total amounts of each type of products it will procure over a period of 12 to 24 months, with detailed product specifications. Suppliers that participate in the bidding and tendering processes, including us, submit the bidding documents, which are typically required to include product specifications and pricing, the manufacturer's qualifications, production capacities, raw material prices, the suppliers from which such raw materials are to be sourced, transportation costs, related service fees and insurance cost, and other requisite information. Applicants are considered and selected by these major telecommunications network operators, generally based on product quality, product performance, brand reputation, operating track records, prices and after-sale support. We generally enter into Framework Sales Agreements with our telecommunications network operator customers, incorporating the terms from our tender documents, when we are selected as their supplier. The major terms of the Framework Sales Agreements are summarized as follows:

Term:	Normally one to two years, or will be effective until the next bidding is announced
Amount to be purchased:	The amount to be purchased under the Framework Sales Agreement is in accordance with our tender documents and the actual amount to be purchased is based on the amount set out in each Purchase Order made by our customers
Price:	Based on the terms under the tendering and bidding
Delivery:	We will be responsible for the transportation fees and details of delivery method and timing will be set out in the Purchase Order
Product maintenance period:	One to three years

The total sales amount provided in a Framework Sales Agreement is on an estimated basis and will be subsequently assigned by our customer to its local subsidiaries or branches. We will then receive detailed Purchase Orders from these local subsidiaries or branches under the Framework Sales Agreements from time to time.

The term of our Framework Sales Agreements with telecommunications network operator customers generally ranges from one to two years. Such centralized public bidding and tendering process may not be held by the major telecommunications network operators every year. In the year in which a telecommunications network operator does not hold a public bidding and tendering, it generally continues to place purchase orders for additional amounts on the same terms as specified in the existing framework agreement awarded in its last centralized procurement bidding and tendering process.

Generally, the headquarters of the major telecommunications network operators formulate their procurement plans and conduct centralized public bidding and tendering processes based on their corresponding planned construction level of infrastructure network. As such, each major telecommunications network operator's total procurement varies each year. Usually, a significant majority of their annual demands are fulfilled through the centralized procurement bidding and tendering process. Local subsidiaries or branches of these major telecommunications network operators may host their own public bidding and tendering processes for the remaining demands, or, subject to a certain cap, purchase such additional amount on the same terms and at the prices set forth in the original framework agreements. In addition, the local subsidiaries of these major telecommunications network operators may host their own public bidding and tendering processes for the procurement of supplies outside the scope of their respective centralized procurements. We participate in these public bidding and tendering process to generate sales from these local subsidiaries of the major telecommunications network operators.

We generally require the major telecommunications network operators to make 80% to 90% for initial payment in accordance with the issued invoices. We generally receive such initial payment within three months from issuance of invoice, with the remaining sum being settled in the following six to seven months.

Sales to Non-operator Customers

We also sell our structured cabling system products to non-operator customers, primarily, communication system solution providers and construction contractors. We established a subsidiary, Putian Cable (Shanghai), to target a broad range of communication system solution providers and construction contractors in the PRC for our structured cabling system products. Our sales representatives in 24 cities nationwide are responsible for local marketing and promotional activities. We market to local government agencies and major corporations in the selected industries for being included on their supplier panel for structured cabling system products. We then supply our products to communication system solution providers and construction contractors, who are awarded contracts by these local government authorities and enterprises, and establish long-term cooperative relationships with these providers and contractors. As of April 30, 2017, we were on the supplier panel of over 13 customers covering various major sectors, including transportation, energy, government authorities, finance and real estate. We also participate in bidding and tendering processes hosted by communication system solution providers and construction contractors to sell our structured cabling system products. In 2016 and during the four months ended April 30, 2017, we sold our structured cabling system products to 117 and 32 non-operator customers, respectively. We also sell a small portion of our optical fiber cables and communication copper cables to non-operator customers.

Delivery and Transportation

We deliver our products to the destinations specified by our customers in the Sales Agreements for non-operator customers or, in case of sales under a Framework Agreement, in the relevant Purchase Orders for the major telecommunication network operators. We usually include transportation costs when setting the prices in the Sales Contracts.

Pricing Strategies

We set prices of our products based on various factors, including but not limited to the type of the customer, cost of the product, market demands and competition status. For our sales made to the major telecommunications network operators, we primarily consider market competition and prices offered by our competitors when setting our price, with reference to the cost for our products. For sales made to other customers, we set our prices primarily based on our production cost plus our desired profit margin. We also adjust prices on our communication copper cables upon the changes in the prices of key raw materials. Although we generally do not have such price adjustment mechanism in our sales agreements for optical fiber cables and structured cabling system products, during the Track Record Period, some of our customers would adjust the prices of optical fiber cables when there was a substantial fluctuation in raw material prices. In addition, product specifications, including technical requirements, are another key factor affecting the pricing of a specific product. Tailored products subject to specific customer requirements are generally more expensive than standardized products, due to special raw materials required, unique manufacturing process or additional research efforts.

Customer Services

We typically offer our customers a maintenance period of 12 to 36 months. Our product warranty usually does not cover normal wear and tear. Due to the vigorous quality control measures implemented during our entire production process and the on-site product inspection by us together with our customers upon the delivery of our products, we rarely receive claims of material quality defects from our customers. During the Track Record Period, we did not have any significant product liability claim and the volume of defective products that were subject to the repair or replacement policy was minimal.

We provide extensive after-sales services to our customers. Our staff are required to respond and conduct on-site examination within hours upon our receipt of a customer service request relating to the quality of our products and coordinate with our technical team to diagnose and resolve the relevant technical issues. We continue to offer our customers replacement and repair services for up to 15 years after the expiration of the warranty period, and charge our customers for the actual cost incurred for the replacement and repair of our products that are not caused by product defects. Our sales and customer service team is available 24 hours a day and 7 days a week to respond to customer inquiries and service requests in a timely manner through various channels. Customer complaints are referred to relevant departments for solutions, and our sales and customer service team follow up with the relevant complaint closely until it is resolved. We also conduct annual customer surveys to collect feedback as to our products and services and better understand the changing needs of our customers. During the Track Record Period and up to the Latest Practicable Date, we had not received any customer complaint that had a material adverse effect on our business and results of operations.

Marketing

Our sales department formulates a general marketing and promotion plan every year. The annual plan usually sets out guidelines for marketing and promotion activities for the coming year. To promote our products and attract market attention, we have been actively participating in industry exhibitions and fairs where we can present our products by way of holding conferences and in brochures. We also launch advertising campaigns on the internet on both our official website and other industry-related websites maintained by third parties.

We generally adopt the prices agreed with our customers in the relevant agreements. Therefore, we do not provide any additional rebate or discount to our customers for promotional purpose.

QUALITY CONTROL

We put great emphasis on the quality control of our products as we believe it is crucial to our sustainable market position and future improvement. As of April 30, 2017, we had a quality control team comprising 11 employees.

Quality Control Procedures

Our quality control procedures cover all aspects of our operations from procurement and production to product testing and after-sale customer services. Our quality control system analyzes the factors affecting our product quality, production efficiency and raw material utilization rates and aims to solve any problems to ensure the effectiveness of our quality control.

Our designated quality control personnel conduct quality inspection on the raw materials we receive, and only those raw material passing our tests are admitted into our inventory. Work-in-progress is tested and labeled after each production process, and only those passing our quality control tests may enter the next production process. Finished products are tested in terms of structure as well as electricity and mechanical performances to ensure that the quality of our products meets with the requirements of our customers. Any non-performing products can be traced back to their raw materials with our labeling and in our production record keeping system.

Raw Materials

To ensure the quality of raw materials procured, our quality control department will conduct quality inspection on materials upon receipt. In case of any non-conformity, the faulty items will be passed to our procurement department for liaising with relevant suppliers for return or replacement.

Production Monitoring

We have implemented a series of procedures to guide the production of each product. In order to provide our customers with quality products in a timely manner, managers of each of our workshops will review production plans and closely monitor our daily production progress and cooperate with our quality control team to conduct quality inspection on our products. We strictly follow the ISO 9001:2008 standards for our product quality control and implement stringent quality inspection procedures in each key step of our production process. We have also implemented procedures for the maintenance of our production equipment to avoid any unexpected adverse impact on our product quality as a result of machine failure.

Product Testing

We have advanced testing equipment and technologies that ensures the quality and reliability of our products. We test each of our end products to ensure they satisfy the specifications and requirements requested by our customers prior to the delivery to them.

Our product testing procedures cover the geometric, physical and optical properties of our products. We test our optical fiber cables in different aspects, including, amongst others, attenuation, spectral width, dispersion, reflectance, diameters and concentricity. We test our communication copper cables for their impedance, attenuation, crosstalk and diameters. As a result of our use of advanced testing equipment and the implementation of our stringent quality control measures during the entire production process, we believe that the defect rates of our finished products are relatively low. We also have specific packing and delivery instructions for each product to ensure the safety and quality of our products during transportation.

As of April 30, 2017, we had obtained six certificates from TLC Certification Center for the production, quality control and compliance with relevant technical standards of our optical fiber cables, communication copper cables and structured cabling system products. These certifications cover most of our major products. TLC Certification Center is an affiliate subordinated to the PRC Ministry of Industry and Information Technology and is currently an entity confirmed by MIIT as qualified in providing certification for telecommunications related enterprises in the PRC.

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

RESEARCH AND DEVELOPMENT

We believe that research and development capability is one of our key competitive strengths and our research and development activities have enhanced our current technologies and processes, improved the quality of our products and made our production processes more efficient, which has further improved our innovative capabilities and increased our market competitiveness. We have continuously upgraded our production technologies and processes by leveraging our research and development capabilities to improve our operating efficiency and production capacity. As of April 30, 2017, we had 31 research and development staff members, with a team head, namely Mr. Huang Guangnian who has more than 15 years of experience in the research and development in our industry and 16 of our research and development staff members are degree holders. For details of Mr. Huang's profile, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

We have established a strong research and development platform. In particular, we have applied for patent right for our electric distribution frame and structured cabling system, and have registered six software copyrights relating to our structured cabling systems. For details of these applications and registration, including, among others, date of application and date of registration, please refer to the section headed "10. Intellectual property rights of our Group" in Appendix V to this prospectus.

We believe that research and development is crucial to our future growth and success, and have therefore entered into cooperation agreements with Jiangxi Science & Technology Normal University since 2009 to further enhance our research and development capabilities. Pursuant to our cooperation agreements with the university, they would give technical support to us when needed. The university would also provide our employees training and access to the university library, as well as consultation to us at discounted price. We have also established three laboratories, namely the optical fiber materials laboratory, the production performance testing laboratory, and the application environment testing laboratory to test our raw materials, work-in-progress and finished products, respectively. These laboratories are jointly responsible for all testing and experimental work for our research and development activities. The supervisors of these laboratories have an average working experience of over 10 years in our industry. We plan to further strengthen our research and development capabilities by expanding and enhancing the facilities of these laboratories.

During the Track Record Period, we completed 14 research and development projects and as of the Latest Practicable Date, we had nine on-going projects on the research and development of a wide range of optical fiber cable products and components for structured cabling system products. Our research and development expenses amounted to RMB8.6 million, RMB11.7 million, RMB15.4 million and RMB5.6 million in 2014, 2015 and 2016 and the four months ended April 30, 2017, respectively, representing 3.2%, 3.2%, 3.3% and 3.4%, respectively, of our total revenue for the respective periods.

We plan to use part of the net proceeds from the Share Offer to finance the construction of our research and development center. The following summarises the construction plan of our research and development center:

Location:	The research and development center will be located in Yaohu Factory, with a total gross floor area of 1,000 m^2
Expected year of commencement of construction:	The fourth quarter of 2017
Expected year of commencement of operation:	Second half of 2018

Capital expenditure:	As of the Latest Practicable Date, we have not yet incurred any capital expenditure for construction of our research and development center as we expect to commence the construction in the fourth quarter of 2017. We estimate that the total capital expenditure for the construction of our research and development center will be approximately RMB3 million.
Major Functions:	The main functions of the research and development center include electric and mechanical testing, system simulation and performance testing of the products that are under our research and development projects so as to enhance our quality control. Compared with our existing laboratories which are located separately and mainly used for some routine standard testing, such as length testing, geometric parameters testing of core diameters and coating diameters, etc., the new research and development center will provide a centralized venue with advance equipment and experienced personnel to perform both routine standard testing and modelling testing for the research and development of our optical fiber, optical fiber cable, communication copper cables and structured cabling system products.

We also plan to use part of the net proceeds from the Share Offer to expand and enhance the facilities of our optical fiber materials laboratory. The following summarises the expansion and enhancement plan of our optical fiber materials laboratory, production performance test laboratory and application environment test laboratory:

Expected year of commencement of expansion and enhancement:	The fourth quarter of 2017
Expected year of completion of expansion and enhancement:	Second half of 2018

Capital expenditure:

As of the Latest Practicable Date, we have not yet incurred any capital expenditure for the expansion and enhancement of our optical fiber materials laboratory, production performance test laboratory and application environment test laboratory as we expect to commence the expansion and enhancement in the fourth quarter of 2017.

We estimate that the total capital expenditure for the expansion and enhancement of our optical fiber materials laboratory, production performance test laboratory and application environment test laboratory will be approximately RMB3.5 million, RMB2.4 million and RMB1.2 million, respectively.

Key items to be expanded and enhanced:

We will enhance our existing optical fiber material laboratory, production performance test laboratory and application environment test laboratory in accordance with ISO 17025 standard so as to achieve the accreditation criteria for the competence of testing and calibration laboratory under the China National Accreditation Service.

To expand and enhance our optical fiber material laboratory, we plan to purchase various types of testers, such as fiber dispersion characteristic tester, optical characteristic tester and geometric characteristic tester; and other instruments, such as spectrometer and membrane measuring instrument.

To expand and enhance our production performance test laboratory, we plan to purchase various type of testers and instruments such as optical fiber parameter tester, digital filter, high-end core optical switch, optical time domain reflectometer and microscope.

To expand and enhance our application environment test laboratory, we plan to purchase various types of testers and instruments, such as temperature tester, hydrochloric acid rain and fog tester, heat aging tester and vertical combustion test equipment.

We also plan to use an aggregate of approximately RMB2.5 million for purpose of general equipment and cooperation with colleges and universities.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 26 registered utility model patents and six software copyrights registered in the PRC, as well as 14 patent applications pending in the PRC for technologies relating to optical fiber cable and communication copper cable products and our structured cabling system products. We believe that our patents allow us to improve our cable production process, improve effluent quality and save costs.

We recognize the importance of protecting and enforcing our intellectual property rights. As of the Latest Practicable Date, we had registered or applied for the registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. To safeguard our intellectual property rights, we include confidentiality provisions in our employment contracts with our employees which require our employees to keep all information relating to our transactions, operation, management, technology and skills, etc confidential during the course of employment and within two years after resignation. Also, there is a provision in our employment contracts that all technical know-how, skills, techniques, research and development results developed and used during the course of employment and all relevant intellectual property rights incidental thereto belong to our Group. We were not aware of any material infringement of our intellectual property rights as of the Latest Practicable Date and we believe that we have taken reasonable measures to prevent infringement of our intellectual property rights. We are not aware of any pending or threatened claims against us relating to the infringement of intellectual property rights owned by third parties. Details of our registered intellectual property rights which we consider as material to our business are set out in the section headed "Statutory and General Information — Further Information About our Business — Intellectual Property Rights of our Group" in Appendix V to this prospectus.

AWARDS AND RECOGNITIONS

The table below sets forth some of our major awards and recognitions.

Awards/ Recognitions	Issuing Entity	Year of Receipt
2016 Top 20 ELV Operation and Maintenance Industry Service Enterprises in China (2016年中國弱電運維行業服務企業20強)	www.rdyww.com 中國弱電運維聯盟網	2016
2015 Top 10 ELV Industry Brands in China (2015年度中國弱電行業十大品牌企業)	www.rdyww.com 中國弱電運維聯盟網	2016
Integrity Co-built Unit (誠信共建單位)	www.xfrb.com.cn Jiangxi Channel 消費日報網江西頻道	2016

Awards/ Recognitions	Issuing Entity	Year of Receipt
China Intelligent Building Industry Intelligent Domestic Systems Top Brand Products for 2015 and 2016 (2015年度、2016年度中國智能建築行業企業綜合佈線系統TOP品牌產品)	Intelligent Building Magazine 《智能建築》雜誌社	2016 and 2017
Professional, Specialized and New Small and Medium-Sized Enterprises in Jiangxi Province (江西省專精特新中小企業)	Small and Medium-sized enterprises Bureau of Commission of Industry and Information Technology of Jiangxi Province 江西省中小企業局	2014
Outstanding Unit for Standardized Production (標準化先進工作單位)	Management Committee of Nanchang High-tech Industrial Development Zone 南昌高新技術產業開發區管理委員會	2012
Nanchang High-Tech Industrial Development Zone Annual Advanced Enterprise (南昌國家高新技術產業開發區年度先進企業)	Management Committee of Nanchang High-Tech Industrial Development Zone 南昌高新技術產業開發區管理委員會	2009
Top 10 Outstanding Supplier (十佳供應商)	China Telecommunications Corporation 中國電信	2008
Dry loose tube optical fiber cable recognized as a Key Innovative Products 乾式鬆套光纖光纜 (重點新產品)	Jiangxi Provincial Department of Science and Technology 江西省科學技術廳	2008
New High-tech Enterprise (高新技術企業)	Jiangxi Provincial Department of Science and Technology 江西省科學技術廳	Since 2006

COMPETITION

The industry in which we operate is highly competitive. We compete with our competitors primarily in terms of product offerings and quality, price, and customer services.

For our optical fiber cable products, we compete with both domestic and international manufacturers, including Hengtong Optic-electric Co., Ltd., Futong Group, Jiangsu Zhongtian Technology Co., Ltd., Fiber Home Technologies Group, Tongding Group Co., Ltd., Corning Inc., Shin-Etsu Chemical Co., Ltd., Furukawa Electric Co., Ltd., Sumitomo Electric Industries and Fujikura Ltd.

For our communication copper cables products, we compete primarily with domestic suppliers, including Hengtong Optic-electric Co., Ltd., Futong Group, Jiangsu Tongding Optic-electric Co., Ltd., Jiangsu Etern Co., Ltd. and Zhongli Group. We ranked the tenth among over 500 communication copper cable manufacturers in the PRC in terms of sales revenue in 2016.

For our structured cabling system products, we compete with both domestic and international manufacturers, including Nanjing Telege Co., Ltd., TC Smart Systems Group, Yizhou Group Co., Ltd., Datang Telecom Technology Co., Ltd., CommScope, Siemon, Schneider Electric, TCL-legrand and Panduit.

For details of competitive landscape of communication cable market in the PRC, see "Industry Overview" in this prospectus.

EMPLOYEES

As of April 30, 2017, we had 349 full-time employees in total. The following table sets forth our full-time employees by function.

	As of April 30, 2017	
	Number of employees	**% of total**
Manufacturing	162	46.4
Sales	67	19.2
Operation management	45	12.9
Research and development	31	8.9
Finance	13	3.7
Quality control	11	3.2
Transportation and logistics	20	5.7
Total	349	100.0

We have designed an evaluation system to assess the performance of our employees annually, which provides the basis for our decisions on salary increases, bonuses and promotions. We believe that our employees have received competitive salaries and bonuses. Under applicable PRC laws and regulations, we are required to make social insurance and housing provident fund contributions for our employees. As of the Latest Practicable Date, we had entered into labor contracts with all our employees as required by PRC labor laws and regulations. Save as otherwise disclosed under the paragraph headed "Legal Compliance" in this section, we believe that we have complied with relevant national and local labor and social welfare laws and regulations in the PRC in all material respects.

In addition, our employees are represented by a labor union with respect to labor disputes and other employee matters. The 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 material 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 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 training to help our employees improve their sales and marketing skills.

We recruit our employees based on the demands of our different departments. We currently recruit our employees primarily through on-campus recruiting programs and posting advertisements on recruitment websites.

INSURANCE

We do not carry any business interruption insurance and this is in line with the industry practice in the PRC. Please see "Risk Factors — Risks Relating to Our Business — We have limited insurance coverage for our business and properties."

ENVIRONMENTAL AND SAFETY MATTERS

We place great emphasis on occupational health and safety. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material workplace safety or health incidents, and there were no claims for personal or property damages against us that would, individually or in aggregate, cause a material adverse effect on our business operations or financial conditions.

We are subject to environmental protection laws and regulations promulgated by the PRC Government. See "Regulatory Overview — Laws and Regulations Relating to Manufacturing and Sale of Communication Cable Products in the PRC — Laws and Regulations Relating to Environmental Protection". We are committed to operating in compliance with applicable environmental laws and regulations. We have formulated guidelines setting forth our environmental operation control system and our internal environmental management procedures. During the Track Record Period and up to the Latest Practicable Date, there was no penalty or fine imposed, or complaint made, against us for environmental protection issues that would, individually or in aggregate, have a material adverse impact on our business operations or financial conditions.

We have formulated and implemented a safety code to ensure production safety and the health of our employees. Our production and administrative personnel is required to record and handle accidents in accordance with our internal policies. During the Track Record Period and up to the Latest Practicable Date, we did not have any material production safety or health incidents that would, individually or collectively, have any material adverse impact on our business operation or financial conditions.

As advised by our PRC legal adviser, Jingtian & Gongcheng, as of the Latest Practicable Date, save as disclosed under the paragraph headed "Legal Compliance" in this section, we had been in compliance with all applicable PRC laws and regulations on environmental protection and health and work safety in all material respects.

OUR PROPERTIES

We occupy certain properties in the PRC 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.

Owned Properties

As of the Latest Practicable Date, we owned two parcels of land ("**Putian Land**" and "**Changtian Land**") and the land use rights of these two parcels of land have been granted by the local government, respectively, to two of our subsidiaries, Putian Cable and Jiangxi Optical for industrial use. For details, please refer to the section headed "Appendix III — Property Valuation Report" in this prospectus. As of the Latest Practicable Date, we have obtained the land use rights certificates of both parcels of lands and the land use rights of these two parcels of land were subject to charges by bank.

Putian Land

Putian Land, with a registered site area of approximately 38,969.51 square meters, comprises, according to the property valuation report as "Appendix III" to this prospectus, an industrial complex with (i) five blocks of buildings with a total gross floor area of approximately 23,285.55 square meters and (ii) ancillary structures with a total gross floor area of approximately 7,665.82 square meters. The expiry date of land use rights of the Putian Land is June 30, 2053.

The five blocks of buildings on Putian Land include one laboratory building as well as four factory buildings, namely, our production site, Aihu Factory. As advised by our PRC legal adviser, Jingtian & Gongcheng, we have obtained the ownership certificates for these five blocks of buildings for non-residential use and we are entitled to the full legal rights to occupy and use these properties within the prescribed scope of land subject to the charges created on these five blocks of buildings.

The ancillary structures on Putian Land include (i) one block of building which is used as a logistic warehouse and cargo distribution facility and is classified as a temporary building under the PRC laws ("**Temporary Building**"); and (ii) one block of building used as a canteen and other ancillary structures mainly comprising guard rooms and warehouses ("**Other Ancillary Structures**"). As advised by our PRC legal advisor, Jingtian & Gongcheng, (a) we have been granted with required approval for the Temporary Building and we are entitled to occupy and use this building until the expiry date on July 17, 2018, and (b) we did not obtain required construction planning permits and/or construction commencement permits or apply for completion inspections for Other Ancillary Structures. As none of these buildings are used for production purposes, our Directors are of the view that none of these buildings will, individually or in aggregate, have any material adverse effect on our business operation or financial positions. In addition to the Temporary Building, we also have sufficient areas that can be used as warehouses in the five blocks of buildings on Putian Land, all of which have been granted ownership certificates for non-residential use. Our Directors confirmed that upon expiry of the usage rights in July 2018, we will cease to occupy and use the Temporary Building and the cessation of such usage will not have any material adverse impact on our logistics arrangement.

Changtian Land

Changtian Land, with a registered site area of approximately 66,623.00 square meters, currently comprises an irregular-shaped parcel of land planned to be developed into an industrial complex which will primarily include our second production site, Yaohu Factory. For details of our construction plan of the Yaohu Factory, please refer to the paragraph headed "Business — Our Strategies" and the section headed "Future Plan and Proposed Use of Proceeds" in this prospectus. The expiry date of land use rights of the Changtian Land is April 22, 2063.

As of the Latest Practicable Date, most of the construction work located on the Changtian Land has been completed. As advised by our PRC legal adviser, Jingtian & Gongcheng, we have obtained relevant construction approvals from the local government for the aforementioned construction work-in-progress and have passed required environmental impact reviews and required fire control review to commence the construction. We have complied with the applicable laws and regulations in relating to the construction work-in-progress in all material aspects.

Leased Properties

As of the Latest Practicable Date, we leased 12 properties from Independent Third Parties to provide accommodation to our staffs who are on business trips and as the offices of Putian Cable (Shanghai). As of the Latest Practicable Date, the lessors had not provided the building certificates and the consents from the landlords (where applicable). As advised by our PRC legal advisers, if the lessors fail to obtain these documents, the validity of these lease agreements may be affected and we may have to cease the use of the properties. Given that these properties are not for the operation of our business, we believe that in case of cessation of the use of these properties, our business and financial condition will not be materially and adversely affected.

As of the Latest Practicable Date, we leased one property from an Independent Third Party to use as the office of Putian Cable (Shanghai). The lessor obtained the landlord's authorisation to lease this property. However, as of the Latest Practicable Date, we had not filed the lease with the property administrative authority for registration. As advised by our PRC legal adviser, despite of such failure, the lease is legal and valid and we can continue to occupy and use the property in accordance with the lease.

LEGAL COMPLIANCE

We may be involved, from time to time, in legal proceedings arising from the ordinary course of our operations. As of the Latest Practicable Date, neither our Group nor our Directors were involved 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 business operations or financial conditions.

The following table summarizes the non-compliances of our Group during the Track Record Period:

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequences and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
1.	The calculation basis adopted by our Group to make contribution to the social insurance plans for our employees during the Track Record Period was different from the one required under the relevant PRC laws and regulations. We had not made sufficient contributions to our employees' social insurance plans during the Track Record Period under the applicable PRC laws and regulations.	The non-compliances were not wilful and were solely due to (i) the inadvertent oversight of the handling staff of our human resources department; and (ii) absence of professional advice at the material time.	Our Group adopted and used a standardized amount, extracted from the competent local government authorities in Nanchang and Shanghai as our calculation basis for social insurance, which is not exactly the same as the calculation basis required by the relevant laws and regulations which use the prior year Group's total employees' average salaries as the base amount. For Putian Cable (Shanghai), the under-paid amount for social insurance was nil, RMB146,000 and RMB117,000 for the three years ended December 31, 2016, respectively and RMB241,000 for the four months ended April 30, 2017. For other PRC Group members, there was an under-paid amount for social insurance of RMB981,000, RMB1.08 million and RMB1.06 million, respectively for the three years ended December 31, 2016 and RMB293,000 for the four months ended April 30, 2017.	We have taken the following rectification actions: • As of the Latest Practicable Date, we were in the course of preparing the application to the relevant competent authorities to adjust the calculation basis of the social insurance. Upon confirmation, we will inform our employees the calculation basis and will make appropriate contributions accordingly.	• For Putian Cable (Shanghai), the competent government authority confirmed in writing that it had paid the pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance since May 2015 according to their requirements; and the payment status as of April 2017 was normal and there was no outstanding payment. Since the date of incorporation to May 4, 2017 (being the date of issuance of the confirmation letter), Putian Cable (Shanghai) complied with all laws and regulations in respect of social insurance in all material aspects and there was no penalty record relating to social insurance. • For other PRC Group members, the competent government authorities have been notified of the calculation basis adopted by our Group. They have approved of such calculation basis and confirmed that our payments for the social insurance were sufficient. Furthermore, we have obtained all the relevant confirmations from the competent government authorities to confirm (i) the calculation basis adopted by our Group for social insurance and their payments; (ii) there was no omission to declare, late payment of, omission to pay or evasion to make contribution to the social insurance; and (iii) there was no breach of any other relevant laws or regulations relating to social insurance.

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequences and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
			According to the relevant laws and regulations and as advised by our PRC legal advisers, we may be ordered to make further contributions (if any) based on the calculation basis required under the relevant PRC laws and regulations for social insurance plans within a specified time. If we fail to do so within such specified time, we will be charged a late fee at the rate of 0.05% of the total outstanding social insurance balance per day, counting from the date of delay. If we fail to make any of the payments required, the relevant government authorities may apply to the PRC courts to enforce their orders and compel us to make the payments required, as well as to impose on us a fine ranging between one and three times of the outstanding social insurance balance.	• Our human resources and administrative department will prepare relevant supplemental employment contracts to be entered into with our existing employees so as to ensure compliance with the abovementioned contribution requirements. We will also revise our existing employment contracts so as to ensure the compliance for our new employees. • Our company secretary, Ms. Lai Yeung Fun, will be responsible to oversee the work of compliance to ensure compliance with the relevant laws and regulations, including, amongst others, reviewing and confirming the monthly contribution to be made by us before declaration and contributions. • Our Controlling Shareholders have entered into a deed of indemnity whereby they have agreed to indemnify our Group, subject to the terms and conditions of the deed of indemnity, in respect of any liabilities and losses which may arise as a result of any non-compliance our Group with the applicable laws, rules or regulations on or before the date on which the Share Offer becomes unconditional.	• Our PRC legal advisers is of the opinion that the likelihood of our Group being pursued and punished is relatively low. • Based on the above, the Reporting Accountants considered the under-paid amount immaterial for Putian Cable (Shanghai) and no provision is made for the Track Record Period. For other PRC Group members, the Reporting Accountants considered it is not necessary to make any provisions in respect of such under-paid amount. Based on the above, we believe that there is no material impact on our operation and financial position.

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequences and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
2.	The calculation basis adopted by our Group to make contribution to the housing provident funds for our employees during the Track Record Period is different from the one required under the relevant PRC laws and regulations. We had not made sufficient contributions to our employees' housing provident funds during the Track Record Period under the applicable PRC laws and regulations.	The non-compliances were not wilful and were solely due to (i) the inadvertent oversight of the handling staff of our human resources department; and (ii) absence of professional advice at the material time.	Our Group adopted and used a standardized amount, extracted from the competent local government authorities in Nanchang and Shanghai as our calculation basis for housing provident funds, which is not exactly the same as the calculation basis required by the relevant laws and regulations authorities which use the prior year Group's total employees' average salaries as the base amount. For Putian Cable (Shanghai), the under-paid amount for housing provident fund was nil, RMB32,000 and RMB19,000, respectively for the three years ended December 31, 2016, and RMB65,000 for the four months ended April 30, 2017. For other PRC Group members, there was an under-paid amount for housing provident funds of RMB693,000, RMB844,000 and RMB980,000, respectively for the three years ended December 31, 2016 and RMB340,000 for the four months ended April 30, 2017.	We have taken the following rectification actions: • As of the Latest Practicable Date, we were in the course of preparing the application to the relevant competent authorities to adjust the calculation basis of the housing provident fund. Upon confirmation, we will inform our employees the calculation basis and will make appropriate contributions accordingly.	• For Putian Cable (Shanghai), the competent government authority confirmed in writing that the status of the housing provident fund account of Putian Cable (Shanghai) was normal as of April 2017. Since the opening of its housing provident funds account, it had complied with all laws and regulations in respect of housing provident funds in all material aspects and there was no record of any administrative penalty by the authority. • For other PRC Group members, the competent government authorities have been notified of the calculation basis adopted by our Group. They have approved of such calculation basis and confirmed that our payments for the housing provident funds were sufficient. Furthermore, we have obtained the relevant confirmations from the competent government authorities to confirm (i) the calculation basis adopted by our Group for housing provident funds and their payments; (ii) there was no omission to declare, late payment of, omission to pay or evasion to make contribution to the housing provident funds; and (iii) there was no breach of any other relevant laws or regulations relating to housing provident funds.

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequences and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
			According to the relevant laws and regulations and as advised by our PRC legal advisers, we may be ordered to make further contributions (if any) based on the calculation basis required under the relevant PRC laws and regulations for housing provident funds within a specified time, and if we fail to do so, the relevant government authorities may apply to the PRC courts to enforce their orders and compel us to make the payments required.	• Our human resources and administrative department will prepare relevant supplemental employment contracts to be entered into with our existing employees so as to ensure compliance with the abovementioned contribution requirements. We will also revise our existing employment contracts so as to ensure compliance for our new employees. • Our company secretary, Ms. Lai Yeung Fun, will be responsible to oversee the work of compliance to ensure compliance with the relevant laws and regulations, including, amongst others, reviewing and confirming the monthly contribution to be made by us before declaration and contributions. • Our Controlling Shareholders have entered into a deed of indemnity they have agreed to indemnify our Group, subject to the terms and conditions of the deed of indemnity, in respect of any liabilities and losses which may arise as a result of any non-compliance by our Group with the applicable laws, rules or regulations on or before the date on which the Share Offer becomes unconditional.	• Our PRC legal advisers is of the opinion that the likelihood of the Group being pursued and punished is relatively low. • Based on the above, the Reporting Accountants considered the under-paid amount immaterial for Putian Cable (Shanghai) and no provision is made for the Track Record Period. For other PRC Group members, the Reporting Accountants considered it not necessary to make any provisions in respect of such under-paid amount. Based on the above, we believe that there is no material impact on our operation and financial position.

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequences and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
3.	Putian Cable had not applied with competent environmental protection authorities for, and passed the completion inspection on corresponding environmental protection requirements for our Aihu Factory before commencement of operation of such production facility pursuant to the Administrative Regulations on the Environmental Protection of Construction Projects (建設項目環境保護管理條例).	The non-compliance was not wilful and was solely due to (i) the inadvertent oversight of the handling staff of the administrative department of our Company; and (ii) absence of professional advice at the material time.	As advised by our PRC legal advisers, we may be required to suspend the operations of our Aihu Factory and may be subject to fines of no more than RMB100,000 for our failure to apply for such completion inspection.	To rectify the non-compliance, we had applied for the completion inspection for the environmental facilities for our Aihu Factory. As advised by our PRC legal advisers, on June 13, 2017, the competent government authority issued an environmental protection inspection completion letter to us, confirming that (i) our Aihu Factory had complied with the environmental completion inspection conditions; (ii) there was no objection raised by the public during the notice period; (iii) the rectification actions have been completed; and (iv) hence, we passed the environmental completion inspection. Our company secretary, Ms. Lai Yeung Fun, is responsible for overseeing the compliance work to ensure compliance with relevant legal requirements in the PRC on an ongoing basis and we will seek professional legal advice as and when necessary.	As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this incident. As advised by our PRC legal advisers, as we have already passed the required environmental completion inspection, the chances that we will be penalized for failure to timely apply for and pass such completion inspection with competent environmental protection authorities are low.

In addition to the business licence (營業執照) which is required for each of our Group members, as of the Latest Practicable Date, we also obtained the following licences and/or permits for the operation of our business:

Company name	Licences/permit	Issuing authority	Date of issuance	Expiry date
Putian Cable	Group Company Registration Certificate (企業集團登記證)	Jiangxi Administration Bureau for Industry and Commerce (江西省工商行政管理局)	March 5, 2015	No expiry date
	Registration Form for Foreign Trade Operator (對外貿易經營者備案登記表)	Nanchang Municipal Bureau of Commerce (南昌市商務局)	May 6, 2015	No expiry date
	Customs Declaration Registration Certificate (Entity) (海關報關單位註冊登記證書)	Gaoxin Representative Office of Nanchang Customs Department (南昌海關駐高新技術產業開發區辦事處)	May 8, 2015	No expiry date
	Self-handling Customers Declaration Registration Certificate (Entity) (自理報檢單位備案登記證明書)	Nanchang Gaoxin Representative Office of Jiangxi Entry-Exit Inspection and Quarantine Bureau (江西出入境檢驗檢疫局南昌高新區辦事處)	April 28, 2008	No expiry date
	Registration Certificate for Operator of Recycling of Renewable Resources (再生資源回收經營者備案登記證明)	Nanchang Economic and Trade Bureau (南昌市經濟貿易局)	August 10, 2010	No expiry date
	3 certificates for China Compulsory Certification (中國國家強制性產品認證證書)	China Quality Certification Center (中國質量認證中心)	April 21, 2016	April 21, 2021
	National Industrial Product Production Licence (全國工業產品生產許可證)	Jiangxi Quality Technology Supervisory Bureau (江西省質量技術監督局)	September 28, 2017	September 27, 2022
	Nanchang Pollutant Emission Licence (南昌市污染物排放許可證)	Nanchang Environmental Protection Bureau (南昌市環境保護局)	July 26, 2017	June 2018
Jiangxi Optical	Registration Certificate for Operator of Recycling of Renewable Resources (再生資源回收經營備案登記證書)	Economic Development Bureau of Nanchang Gaoxin Management Committee (南昌市高新技術產業開發區管理委員會經濟發展局)	May 3, 2012	No expiry date
Jiangxi Recycle	Registration Certificate for Operator of Recycling of Renewable Resources (再生資源回收經營備案登記證書)	Economic Development Bureau of Nanchang Gaoxin Management Committee (南昌市高新技術產業開發區管理委員會經濟發展局)	May 7, 2012	No expiry date

As advised by our PRC legal advisers, Jingtian & Gongcheng, as of the Latest Practicable Date, we had obtained all the material licenses, approvals and permits from appropriate regulatory authorities necessary for our business operations as disclosed in this prospectus in the PRC and complied with all the applicable PRC laws and regulations in relation to our business and operations in all material respects save as disclosed under the paragraph headed "Legal Compliance" in this section. See "Regulatory Overview" for the details of the relevant laws and regulations. During the Track Record Period, we were not imposed any administrative or regulatory penalty for violations of PRC laws and regulations from national or local authorities that would, individually or in aggregate, have a material adverse effect on our business operations or financial conditions.

RISK MANAGEMENT

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.

The following table sets forth certain information regarding our Directors and our senior management:

Name	Age	Present position in our Company	Date of joining our Group	Appointment date as Director/ senior management	Roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Ms. Wang Qiuping (王秋萍)	53	Chairlady, chief executive officer and executive Director	March 2001	August 19, 2016	Responsible for the overall business management and strategic planning of our Group	Spouse of Mr. Zhao, mother of Ms. Zhao Moge and sister-in-law of Mr. Ye Fanxiu
Mr. Zhao Xiaobao (趙小寶) (alias Zhao Baohua (趙保華))	52	Executive Director	June 2001	May 17, 2017	Responsible for the overall sales of our Group	Spouse of Ms. Wang, father of Ms. Zhao Moge and brother-in-law of Mr. Ye Fanxiu
Ms. Zhao Moge (趙默格)	28	Executive Director	July 2011	May 17, 2017	Responsible for the overall operation and finance of our Group	Daughter of Ms. Wang and Mr. Zhao
Independent Non-executive Directors						
Ms. Cheng Shing Yan (鄭承欣)	42	Independent non-executive Director	October 2017	October 21, 2017	Responsible for overseeing the management of our Group independently	Nil
Mr. Liu Guodong (劉國棟)	40	Independent non-executive Director	October 2017	October 21, 2017	Responsible for overseeing the management of our Group independently	Nil
Mr. Xie Haidong (謝海東)	45	Independent non-executive Director	October 2017	October 21, 2017	Responsible for overseeing the management of our Group independently	Nil

Name	Age	Present position in our Company	Date of joining our Group	Appointment date as Director/ senior management	Roles and responsibilities	Relationship with other Directors and senior management
Senior Management						
Mr. Zeng Haowen (曾浩文)	46	Production director	February 2006	March 2011	Overseeing the overall production of our Group	Nil
Mr. Huang Guangnian (黄光年)	41	Research and development director	February 2007	February 2012	Research and development and quality management of our Group	Nil
Ms. Zhou Zhi (周治)	40	Chief business officer of business center	September 2004	July 2012	Overall sales strategies and planning of our Group	Nil
Mr. Ye Fanxiu (葉反修)	55	Procurement and logistics director	September 2008	September 2013	Overall procurement and logistics operation of our Group	Brother-in-law of Ms. Wang and Mr. Zhao
Ms. Lai Yeung Fun (黎樣歡)	38	Financial controller and company secretary	April 2017	April 2017	Responsible for financial reporting, financial planning, internal control and corporate secretarial practices and procedures of our Group	Nil

DIRECTORS

Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors.

Our Board's main functions include the approval of our overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company as well as overseeing the corporate governance functions of our Company.

Executive Directors

Ms. Wang Qiuping (王秋萍), aged 53, is an executive Director, the chairlady of the Board and chief executive officer of our Company responsible for the overall business management and strategic planning of our Group. Ms. Wang is also the founder of our Group and one of our Controlling Shareholders. Before the establishment of our Group, Ms. Wang worked in the Jiangxi Province Communication and Electric Cable Factory* (江西省通信電纜廠) from 1984 to 1991, with her last position responsible for advertising. In November 1999, Ms. Wang set up Jiangxi Building, which has been principally engaged in the sales of structured cabling system products since its incorporation. Save for Jiangxi Optical, Ms. Wang is a director of each of our subsidiaries. Ms. Wang is also a supervisor of Jiangxi Optical. Ms. Wang has been the deputy to the People's Congress of Nanchang City (南昌市人大代表) since October 2016.

Ms. Wang obtained a diploma in basic theory of Marxism* (馬列主義基礎理論) from Jiangxi Normal University (江西師範大學) in the PRC in December 1986. She received the following awards:

Date of award	Award	Issuing authority
February 2005	Advanced Individual of Nanchang High-tech Zone for Year of 2004* (2004年度南昌高新區先進個人)	Working Committee of Nanchang High-tech Industrial Development Zone of the Communist Party of China* (中共南昌高新技術產業開發區工委) Management Committee of Nanchang High-tech Industrial Development Zone* (南昌高新技術產業開發區管理委員會)
April 2005	Labor Model of Nanchang City* (南昌市勞動模範)	People’s Government of Nanchang City (南昌市人民政府)
March 2006	Advanced Individual of Nanchang High-tech Zone for Year of 2005* (2005年度南昌高新區先進個人)	Working Committee of Nanchang High-tech Industrial Development Zone of the Communist Party of China* (中共南昌高新技術產業開發區工委) Management Committee of Nanchang High-tech Industrial Development Zone* (南昌高新技術產業開發區管理委員會)
March 2006	“March 8” Hongqishou of Nanchang City* (南昌市「三八」紅旗手)	Women Federation of Nanchang City* (南昌市婦女聯合會)

Date of award	Award	Issuing authority
February 2009	Advanced Individual of Nanchang High-tech Industrial Development Zone for Year of 2008* (2008年度南昌高新技術產業開發區先進個人)	Working Committee of Nanchang High-tech Industrial Development Zone of the Communist Party of China* (中共南昌高新技術產業開發區工委) Management Committee of Nanchang High-tech Industrial Development Zone* (南昌高新技術產業開發區管理委員會)
March 2009	Female entrepreneurial leader of Nanchang City for Year of 2008* (2008年度南昌市女創業帶頭人)	Federation of Trade Unions of Nanchang City* (南昌市總工會)
November 2012	Outstanding Entrepreneur of 20th Anniversary of the Establishment of Nanchang High-tech Industrial Development Zone* (南昌高新技術產業開發區建區20週年優秀企業家)	Working Committee of Nanchang High-tech Industrial Development Zone of the Communist Party of China* (中共南昌高新技術產業開發區工委) Management Committee of Nanchang High-tech Industrial Development Zone* (南昌高新技術產業開發區管理委員會)
December 2012	Outstanding Individual for Employment and Entrepreneurship of the City* (全市就業創業優秀個人)	People's Government of Nanchang City (南昌市人民政府)

Ms. Wang is the spouse of Mr. Zhao, the mother of Ms. Zhao Moge and the sister-in-law of Mr. Ye Fanxiu.

Mr. Zhao Xiaobao (趙小寶) (alias Zhao Baohua (趙保華)) , aged 52, is an executive Director responsible for the overall sales of our Group. He joined our Group in June 2001. Mr. Zhao is a director of each of Putian Cable and Jiangxi Optical and a supervisor of Jiangxi Building.

Mr. Zhao has more than 15 years of experience in the production and sales in the telecommunications industry. Before joining our Group, he had worked as an officer at the regulatory division of the Administration for Industry and Commerce of Nanchang City from 1984 to 1999, responsible for the execution of relevant laws, rules and regulations relating to commodity trading markets in Nanchang.

Mr. Zhao obtained a diploma in business administration management* (工商行政管理) from Wuhan University (武漢大學) in the PRC in July 1992.

Mr. Zhao is the spouse of Ms. Wang, the father of Ms. Zhao Moge and the brother-in-law of Mr. Ye Fanxiu.

Ms. Zhao Moge (趙默格), aged 28, is an executive Director responsible for the overall operation and finance of our Group.

Ms. Zhao joined our Group in July 2011 and had held various positions. She first started working for our Group as an administrative executive responsible for administrative matters. She became an accounting assistant in May 2012 and was promoted to accounting manager with responsibility for managing and overseeing the daily operation of accounting department in July 2014. In April 2015, she became a general manager of Putian Cable (Shanghai) responsible for the marketing and sales in the PRC market. Ms. Zhao is a director of Putian Cable and a supervisor of Putian Cable (Shanghai).

Ms. Zhao obtained a bachelor of engineering from Nanchang University (南昌大學) in the PRC in June 2011.

Ms. Zhao is the daughter of Ms. Wang and Mr. Zhao.

Independent non-executive Directors

Ms. Cheng Shing Yan (鄭承欣), aged 42, was appointed as an independent non-executive Director on October 21, 2017. She is the chairlady of the audit committee and a member of each of the remuneration committee and nomination committee.

Ms. Cheng has over 19 years of experience in financial management, accounting and auditing. Since April 2016, Ms. Cheng joined the group of Sanroc International Holdings Limited ("**Sanroc**"), whose shares are listed on the Main Board (stock code: 1660), as chief financial officer and company secretary. Prior to joining Sanroc, she had gained working experiences in various business services companies and certified public accountant firms including the following:

Period of services	Name of entity	Last position held
From January 2004 to December 2008	Ernst & Young Business Services Ltd.	Manager
From March 2009 to July 2010	Baker Tilly Hong Kong Business Services Limited	Manager
From November 2010 to April 2016	SHINEWING (HK) CPA Limited	Senior audit manager

Ms. Cheng was appointed as an executive director of Sanroc in April 2017 and an independent non-executive director of China Shenghai Food Holdings Company Limited, a company listed on the Main Board (stock code: 1676) in July 2017.

Ms. Cheng obtained a master of arts in international accounting from City University of Hong Kong in November 2003. She became a member of the Hong Kong Institute of Certified Public Accountants in July 2003 and a fellow member of Association of Chartered Certified Accountants in December 2005. Ms. Cheng has also been elected as an associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in June 2017.

Mr. Liu Guodong (劉國棟), aged 40, was appointed as an independent non-executive Director on October 21, 2017. He is the chairman of the remuneration committee and a member of each of the audit committee and nomination committee.

Mr. Liu has more than 12 years of experience in the optical research field. He has been a professor of Jiangxi Science & Technology Normal University (江西科技師範大學) (formerly known as Jiangxi Science & Technology Normal College* (江西科技師範學院) since December 2004. He has served as the executive director (常務理事) and secretary-general of Optical Society of Jiangxi Province* (江西省光學學會) from 2004 until now. He served as a member of Biomedical Photonics Committee of China Optical Society* (中國光學學會生物醫學光子學專業委員會) from August 2009 to August 2013. He served as a member of Optoelectronic Technology Committee of China Optical Society* (中國光學學會光電技術專業委員會) from September 2007 to September 2011. From October 2006 to October 2010, Mr. Liu served as a member of editorial board for "Applied Optics". Mr. Liu served as the vice chairman of the National Optical Youth Academic Forum* (全國光學青年學術論壇) from December 2009 to December 2013. Mr. Liu received the following awards:

Date of award	Award	Issuing authority
February 2006	The First Prize of Beijing Science and Technology Award* (北京市科學技術獎一等獎)	People's Government of Beijing City (北京市人民政府)
May 2007	The Third Prize of Natural Science of Jiangxi Province Award* (江西省自然科學獎三等獎)	People's Government of Jiangxi Province (江西省人民政府)
December 2008	Outstanding Scientific and Technological Worker of the Fifth Science and Technology Association of Jiangxi Province* (江西省第五屆科學技術協會優秀科技工作者)	Jiangxi Science and Technology Association* (江西省科學技術協會)

Date of award	Award	Issuing authority
December 2008	Second Level Candidate of "521" Academic and Technical Leaders of Nanchang City* (南昌市"521"學術技術帶頭人第二層次人選)	People's Government of Nanchang City (南昌市人民政府)
July 2009	Candidate of BaiQianWan Talents Program for the New Century of Jiangxi Province* (江西省新世紀百千萬人才工程人選)	Department of Human Resources and Social Security of Jiangxi Province* (江西省人力資源和社會保障廳)
August 2009	The Third Prize of Scientific and Technological Achievement of Jiangxi Province Award* (江西省高等學校科技成果獎第三等獎)	Department of Education of Jiangxi Province* (江西省教育廳)
November 2011	The fourth batch of "Hongcheng Distinguished Experts" of Nanchang City* (南昌市第四批"洪城特聘專家")	People's Government of Nanchang City (南昌市人民政府)
February 2012	Jiangxi Province Graduate Teaching Achievement Award (江西省研究生教學成果獎)	Department of Education of Jiangxi Province* (江西省教育廳)
May 2012	The Third Prize of Jiangxi Science and Technology Progress Award* (江西省科學技術進步獎三等獎)	People's Government of Nanchang City (南昌市人民政府)
July 2013	The Third Batch of Candidates for Ganpun Talents 555 Project* (贛鄱英才555工程第三批人選)	Leadership Working Group for Talents of CPC Jiangxi Provincial Party Committee* (中共江西省委人才工作領導小組)
May 2014	The Youth Medal of Jiangxi* (江西青年五四獎章)	Youth Association of Jiangxi Province* (江西省青年聯合會)

Mr. Liu obtained a doctorate degree in optical science and engineering (光學工程) from Tsinghua University (清華大學) in the PRC in January 2004.

Mr. Xie Haidong (謝海東), aged 45, was appointed as independent non-executive Director on October 21, 2017. He is the chairman of the nomination committee and a member of each of the audit committee and remuneration committee.

Mr. Xie is currently an associate professor of Finance Department of School of Economics and Management of Nanchang University* (南昌大學經濟管理學院). He also serves as a director of the eighth board of Council of Finance of Jiangxi Province* (江西省金融學會). From November 2009 to November 2012, Mr. Xie served as a special researcher of Development Research Center of the People's Government of Jiangxi Province* (江西省政府發展研究中心). From September 2010 to December 2016, Mr. Xie served as deputy director of Industrial Economics Research Institute of Central China Economic and Social Development Research Center of Nanchang University* (南昌大學中國中部經濟社會發展研究中心產業經濟研究所). From 2013 to 2015, Mr. Xie served as a consulting expert in relation to issuance of corporate bond for Reform and Development Commission of Jiangxi Province* (江西省發展與改革委員會). Prior to the aforesaid, he worked for enterprise investigation team of Statistics Bureau of Jiangxi Province* (江西省統計局) from January 2000 to December 2004. He was a business director of Jiangxi Branch of business department of Kunwu Jiuding Investment Management Co., Ltd.* (昆吾九鼎投資管理有限公司), a wholly-owned subsidiary of Jiangxi Zhong Jiang Real Estate Co., Ltd. (江西中江地產股份有限公司) (currently known as Kunwu Jiuding Investment Holdings Co., Ltd., 昆吾九鼎投資控股股份有限公司), whose shares are listed on Shanghai Stock Exchange (stock code: 600053) and principal business includes investment management and investment consulting, from February 2011 to October 2011. He was a guest associate professor in the department of finance at University of Notre Dame in the United States from August 2014 to May 2015. Mr. Xie received the following awards:

Date of award	Award	Issuing authority
December 1999	The Collective First Prize of the Successful Subject of Statistical Research and Analysis of Jiangxi Province for Year of 1999* (1999年度江西省統計科研與分析研究中標課題集體一等獎)	Statistics Bureau of Jiangxi Province* (江西省統計局) Statistics Association of Jiangxi Province* (江西省統計學會)
December 2000	The First Prize of the Ninth of Outstanding Achievement of Social Science of Jiangxi Province* (江西省第九屆社會科學優秀成果獎一等獎)	United Association of Social Science of Jiangxi Province* (江西省社會科學學會聯合會)
August 2003	Pioneer Worker for Year of 2002 of Statistics Bureau of Jiangxi Province* (江西省統計局2002年度先進工作者)	Statistics Bureau of Jiangxi Province* (江西省統計局)

Date of award	Award	Issuing authority
March 2004	Pioneer Worker for Year of 2003 of Statistics Bureau of Jiangxi Province* (江西省統計局2003年度先進工作者)	Statistics Bureau of Jiangxi Province* (江西省統計局)
December 2011	Advanced Individual for Teaching Morale and Custom for Year of 2011 of School of Economics and Management of Nanchang University* (南昌大學經濟與管理學院2011年度師德帥風先進個人獎)	School of Economics and Management of Nanchang University* (南昌大學經濟與管理學院)
November 2014	Nomination for Outstanding Teaching Quality Award of Nanchang University* (南昌大學授課質量優秀提名獎)	Academic Affairs office of Nanchang University (南昌大學教務處) Teaching Supervision and Evaluation Office of Nanchang University* (南昌大學教學督導與評估辦公室) Modern Educational Technology Center of Nanchang University* (南昌大學現代教育技術中心)

Mr. Xie graduated from Nanchang University (南昌大學) in the PRC with a bachelor of economics degree in July 1994. He further earned a master of economics degree from Jiangxi University of Finance and Economics (江西財經大學) in the PRC in June 2002 and a doctorate degree in political economics from Shanghai University of Finance and Economics (上海財經大學) in the PRC in January 2007.

Save as disclosed above, each of our Directors confirms with respect to himself/herself that: (i) he/she has not held any directorships in the last three years in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of our Company; (iii) he/she does not hold any positions in our Company or other members of our Group; (iv) there is no other information that should be disclosed for him/her pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and (vi) there are no other matters that need to be brought to the attention of holders of securities of our Company.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business.

Mr. Zeng Haowen (曾浩文), aged 46, is the production director of our Group responsible for overseeing the overall production of our Group.

Mr. Zeng has over 25 years of working experience in the field of cable and wire. Mr. Zeng joined our Group in February 2006 and first served as a manager of production department before he was promoted to the current position in March 2011. Prior to joining our Group, Mr. Zeng worked for Jiangxi Fan Ya Electric Wire and Cable Co., Ltd* (江西泛亞電線電纜有限公司) from August 1991 to January 2006, and he last served as the person in charge of the maintenance section of equipment department.

Mr. Zeng obtained a diploma in mold design and manufacturing (模具設計與制造) from Jiangxi Science & Technology Normal University (江西科技師範大學) in the PRC in January 2013. He obtained the qualification as safety management associate* (安全管理人員) from Administration of Work Safety of Nanchang City (南昌市安全生產監督管理局) in August 2015. He also obtained the qualifications as electric welder (電焊工) and bench worker (鉗工) from Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國勞動和社會保障部) in April 2001 and May 2004 respectively.

Mr. Huang Guangnian (黃光年), aged 41, is the research and development director of our Group responsible for the research and development and quality management of our Group. He joined our Group in February 2007.

Mr. Huang has over 15 years of working experience in the field of research and development. Prior to joining our Group, Mr. Huang worked in the technology department of Jiangxi Province Nanchang Telecommunications and Equipments Factory* (江西省南昌電信器材廠) from 2001 to 2006, and he was responsible for product development. He was awarded Second Prize of Outstanding New Product of Jiangxi Province for Year of 2003* (2003年江西省優秀新產品二等獎) by Economic and Trade Commission of Jiangxi Province* (江西省經濟貿易委員會) in 2004.

Mr. Huang obtained a diploma in applied computer (計算機應用) from Jiangxi Radio & TV University (江西廣播電視大學) in the PRC in June 1997. He obtained the preliminary professional qualification as assistant engineer from Career Title Reform Leading Group Office of De An County* (德安縣職稱改革領導小組辦公室) in November 2000 and was appointed as assistant engineer of Jiangxi Province De An Cement Factory* (江西省德安水泥廠) from February 2001 to February 2004.

Ms. Zhou Zhi (周治), aged 40, is a chief business officer of business center of our Group responsible for overall sales strategies and planning of our Group.

Ms. Zhou joined our Group in September 2004 and first served as a manager of sales department and was promoted to the current position in July 2012. Prior to joining our Group, Ms. Zhou worked as a sales officer at the grid information group of Taihao Technology Company Limited* (泰豪科技股份有限公司) from 1999 to August 2004, responsible for sales. Ms. Zhou obtained a diploma in engineering and civil communication* (工程與民用通訊) from Jiangxi Radio & TV University (江西廣播電視大學) in the PRC in June 1999.

Mr. Ye Fanxiu (葉反修), aged 55, is a procurement and logistics director of our Group responsible for overall procurement and logistics operation of our Group.

Mr. Ye has over 27 years of experience in electronic industry. He joined our Group in September 2008, and he first served as procurement and logistics manager and was promoted to the current position in September 2013. Prior to joining our Group, he worked for Jiangxi Electronic Equipment Factory* (江西電子儀器廠) from October 1981 to July 2000, and he last served as chief controller of production division responsible for overseeing the production process of electronic equipment.

Mr. Ye obtained a diploma in journalism from Jiangxi University (江西大學) in the PRC in July 1990. Mr. Ye is the brother-in-law of Ms. Wang and Mr. Zhao.

Ms. Lai Yeung Fun (黎樣歡), aged 38, was appointed as the financial controller in April 2017 and company secretary of our Company in May 2017. She is responsible for financial planning and reporting, internal control, and overall corporate secretarial matters of our Group.

Ms. Lai has over 13 years of experience in financial management, accounting and auditing work. Ms. Lai worked in Nexia Charles Mar Fan & Co. from July 2003 to December 2004, and she last served as senior audit assistant. She worked in PricewaterhouseCoopers Ltd from January 2005 to October 2009, and her last position was senior associate. She served as the company secretary of China Grand Forestry Green resources Group Limited (currently known as China Sandi Holdings Ltd.), whose shares are listed on the Main Board (stock code: 910) and principal business was forestry business, from March 2010 to September 2010. She then joined Kingston Securities Limited in September 2010 and served as senior accounting manager until April 2011. She worked in Champ Universe Limited, a wholly owned subsidiary of Media Asia Group Holdings Limited, an entertainment service provider in Asia whose shares are listed on the GEM (stock code: 8075), from August 2011 to August 2016, and she last served as deputy financial controller. Ms. Lai then joined TFI Digital Media Limited in August 2016 and served as financial controller until April 2017.

Ms. Lai graduated from the City University of Hong Kong with a bachelor of business administration degree in accountancy in November 2003. She became a member of Association of Chartered Certified Accountants in June 2009. She is a member of Hong Kong Institute of Certified Public Accountants.

COMPANY SECRETARY

Ms. Lai Yeung Fun (黎樣歡) was appointed as our company secretary on May 17, 2017. Please refer to Ms. Lai's biography as disclosed in "Senior Management" above.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We place high value on our corporate governance practice and our Board believes that a good corporate governance practice can improve accountability and transparency for the benefit of our Shareholders. Our Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules as our code on corporate governance. The Board will also review and monitor the practices of our Company from time to time with an aim to maintain and improve high standards of corporate governance practices. We will comply with the code provisions of the CG Code after the Listing, except for the deviation set out below:

Provision A.2.1

Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing.

Ms. Wang is the chairlady of our Board and our chief executive officer. Although this deviates from the practice under provision A.2.1 of the CG Code, where it provides that the two positions should be held by two different individuals, as Ms. Wang has considerable and extensive knowledge and experience in the industry and in enterprise operation and management in general, our Board believes that it is in the best interest of our Company and the Shareholders as a whole to continue to have Ms. Wang as the chairlady of our Board so that our Board can benefit from her knowledge of the business and her capability in leading our Board in the long term development of our Group. From a corporate governance point of view, the decisions of our Board are made collectively by way of voting and therefore the chairman should not be able to monopolize the voting of our Board. Our Board considers that the balance of power between our Board and our senior management can still be maintained under the current structure. Our Board shall review the structure from time to time to ensure appropriate action is taken should the need arise.

BOARD COMMITTEES

Our Board has established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit committee

We established an audit committee on October 21, 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The duties of our audit committee include, without limitation, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of our financial statements, our annual report and accounts and our half-year report, and reviewing significant financial reporting judgments contained therein; and (c) reviewing our financial controls, internal control and risk management systems.

Our audit committee consists of three independent non-executive Directors, namely, Ms. Cheng Shing Yan, Mr. Liu Guodong and Mr. Xie Haidong. Ms. Cheng Shing Yan who has accounting expertise as required by the Listing Rules is the chairlady of the audit committee.

Remuneration committee

We established a remuneration committee on October 21, 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code. The duties of our remuneration committee, under the principle that no Director should be involved in deciding his own remuneration, include, without limitation, (a) making recommendations to our Board on our policy and structure for the remuneration of all of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (b) making recommendations to our Board on the remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments, and making recommendations to our Board of the remuneration of our independent non-executive Directors; and (c) reviewing and approving our management's remuneration proposals with reference to our Board's corporate goals and objectives.

Our remuneration committee consists of Mr. Liu Guodong, Ms. Cheng Shing Yan and Mr. Xie Haidong. Mr. Liu Guodong is the chairman of the remuneration committee.

Nomination committee

We established a nomination committee on October 21, 2017 with written terms of reference in compliance with paragraph A.5 of the CG Code. The duties of our nomination committee include, without limitation, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors; and (d) making recommendations to our Board on the appointment or re-appointment of our Directors and succession planning for our Directors, in particular the chairman and the chief executive.

Our nomination committee consists of Mr. Xie Haidong, Ms. Cheng Shing Yan and Mr. Liu Guodong. Mr. Xie Haidong is the chairman of the nomination committee.

DIRECTORS' REMUNERATION

The aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Group to the Directors was RMB357,000, RMB369,000, RMB368,000 and RMB121,000 for the three years ended December 31, 2016 and the four months ended April 30, 2017, respectively. It is estimated that under the arrangements currently in force, the aggregate emoluments payable to the Directors for the year ending December 31, 2017 will be approximately RMB1,359,000. We will maintain relevant liability insurance for our Directors in accordance with paragraph A.1.8 of the CG Code.

During the Track Record Period, the five highest paid individuals of our Group included two Directors, namely Ms. Wang and Mr. Zhao, whose remunerations are included in the aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Group to the relevant Directors set out above. The aggregate amount of fees, salaries, allowances, discretionary payments, bonuses and contribution to pension schemes paid by our Group to the five highest paid individuals (excluding our Directors) was RMB465,000, RMB489,000, RMB496,000 and RMB161,000 for the three years ended December 31, 2016 and the four months ended April 30, 2017, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, the Directors or the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

During the Track Record Period, none of our Directors waived any emoluments.

Save as disclosed above, no other payments have been paid or are payable in respect of during the Track Record Period to the Directors or the five highest paid individuals of our Group.

EMPLOYEES

For details of the employees of our Group, including staff benefits and incentive plans provided our Group, please refer to the section headed "Business — Employees" in this prospectus.

COMPLIANCE ADVISER

We have appointed SPDB International Capital Limited as our compliance adviser on October 21, 2017 pursuant to Rule 3A.19 of the Listing Rules to advise us in the following circumstances in accordance with Rule 3A.23 of the Listing Rules:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of us of unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

MISCELLANEOUS

As at the Latest Practicable Date, save as disclosed above: (i) our Directors did not hold other positions in our Company or other members of our Group; (ii) none of our Directors or senior management has held any directorship in any listed company in the last three years; (iii) none of our Directors or senior management has any relationship with any Director, senior management, substantial shareholder or Controlling Shareholder of our Company; (iv) none of the courses attended by our Directors or senior management was distance learning or online courses.

Save as disclosed in the section headed “Relationship with Controlling Shareholders” in this prospectus, none of our Directors have any interests in any business apart from the business of our Group which competes or is likely to compete, either directly or indirectly, with the business of our Group.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

You should read the following discussion and analysis with our combined financial information, including the notes thereto included in the Accountants' Report set out in Appendix I to this prospectus. The combined financial information has been prepared in accordance with HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

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 2014, 2015 and 2016 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 combined basis.

OVERVIEW

We are a well-established and fast growing communication cable manufacturer and structured cabling system product provider based in Jiangxi Province, the PRC. Our communication cable products include a wide range of optical fiber cables and communication copper cables, which are mainly used by major telecommunications network operators in the PRC for network construction and maintenance. According to the Ipsos Report, we were ranked 10th among PRC communication copper cable manufacturers in terms of sales revenue of communication copper cables in 2016. In addition, we started providing structured cabling system products in 2012 to major telecommunications network operators and non-operator customers. Our structured cabling system products primarily include optical and copper jumper wires and connection and distribution components such as distribution frames, wiring closets, as well as data and audio modules and faceplates. We believe we are one of the most diversified suppliers in our industry in the PRC. Moreover, our strong research and development capabilities have enabled us to continuously develop new products and upgrade our existing products. We have received various awards and recognitions. For example, we have consecutively been recognized as a New High-tech Enterprise by Jiangxi Provincial Department of Science and Technology since 2006.

We experienced significant growth during the Track Record Period. Our revenue increased from RMB270.8 million in 2014 to RMB361.7 million in 2015, and further increased to RMB467.9 million in 2016, representing a CAGR of 31.4%, and increased by 36.7% from RMB120.8 million for the four months ended April 30, 2016 to RMB165.1 million for the four months ended April 30, 2017. Our net profit increased from RMB17.8 million in 2014 to RMB34.4 million in 2015, and further increased to RMB52.1 million in 2016, representing a CAGR of 71.1%, and increased by 23.6% from RMB12.4 million for the four months ended April 30, 2016 to RMB15.4 million for the four months ended April 30, 2017. Our total assets increased from RMB250.1 million at December 31, 2014 to RMB291.6 million at December 31, 2015 and further to RMB326.6 million at December 31, 2016, representing a CAGR of 14.3%. Our total assets decreased to RMB322.4 million at April 30, 2017.

BASIS OF PRESENTATION

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 HKFRS. The financial information of our Group is presented in Renminbi.

Upon completion of the Reorganization as detailed in the section headed "History, Reorganization and Group Structure", our Company has become the holding company of the companies now comprising our Group on March 27, 2017. The holding company has not been involved in any business and does not meet the definition of a business. Accordingly, the combined financial statements have been prepared based on those of Putian Cable using the predecessor carrying amounts.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period and the combined statements of financial position as at December 31, 2014, 2015 and 2016 and April 30, 2017 are prepared using the then carrying amounts in the financial statements of companies comprising our Group as if the current group structure had been in existence throughout the Track Record Period.

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 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 the PRC from which we derived substantially all of our revenue. State-owned enterprises dominate the PRC's telecommunications industry. As such, government initiatives and investments are key factors of demand for our products. In August 2013, the PRC government announced the plan to promote "Broadband China" strategy which aims to expand to full broadband coverage across the nation's rural and urban areas by 2020. We believe this strategy has greatly encouraged and will further encourage the growth of broadband and telecommunications networks and information technology. As a result, we believe that the telecommunications operators will continue to invest in the construction and upgrade of information networks, which will further bring forth the great potential for the growth of our business as optical fiber cables are the backbone of connecting broadband and telecommunications networks and services. Major telecommunications network operators are the major customers for optical fiber cable suppliers in the PRC, including us. In 2014, 2015 and 2016 and for the four months ended April 30, 2017, two of the major telecommunications network operators in the PRC contributed 89.8%, 90.2%, 91.3% and 92.2% of our total revenue, respectively, being our top two customers during the Track Record Period. These 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 revenue.

Customer demand for optical fiber cables in the PRC is expected to continue to grow steadily in general, driven by continued government initiatives and investments. According to the Ipsos Report, from 2011 to 2016, the sales volume of optical cable nationwide increased from about 112.5 million fkm to about 207.7 million fkm at a CAGR of about 13.0%. The steady increase was primarily driven by the strong demand as a result of government's initiative. Moving forward, the market growth will continue at a CAGR of about 9.7% from 2017 to 2020. The sales volume is estimated to reach about 303.2 million fkm in 2020, according to the Ipsos Report.

According to the Ipsos Report, demand of structured cabling system products, as an application of communication cable products, is expected to show promising potential. Structured cabling system products play a key role in deepening the engagement of information technology and other industries and providing an important basis for the realization of intelligent building, smart home and big data storage, according to the Ipsos Report. In 2016, the demand of structured cabling system products reached about RMB5.8 billion in the PRC, according to the Ipsos Report.

According to Ipsos Report, although communication copper cables are experiencing a gradual replacement by optical fiber cables in the telecommunications network construction, communication copper cables are still frequently used to upgrade communication network, given the higher cost of optical fiber cables installation and the technical difficulty to directly upgrade copper communication network to optical network especially in the schools, residential compounds and commercial buildings which are originally covered by communication copper cables.

Partially driven by increasing customer demand and our extensive product coverage, our total revenue increased from RMB270.8 million in 2014 to RMB361.7 million in 2015 and further to RMB467.9 million in 2016. And our revenue increased from RMB120.8 million for the four months ended April 30, 2016 to RMB165.1 million for the four months ended April 30, 2017. As a competitive optical fiber cables manufacturer and one of top 10 communication copper cables manufacturers in the PRC with approximately 0.7% and 2.2% market share in terms of total sales revenue for optical fiber cables and communication copper cables in 2016, and one of the early adopters holding a strong position in the emerging structured cabling system products market, according to the Ipsos Report, we believe we are well positioned to further benefit from the increasing customer demand in the PRC.

Availability and Cost of Raw Materials

We purchase various raw materials for our production, see "Business — Raw Materials, Inventories and Suppliers". Cost of raw materials is the largest component of our cost of sales in 2014, 2015, 2016 and for the four months ended April 30, 2017, representing approximately 90.4%, 89.9%, 90.3% and 91.2%, respectively, which has a substantial impact on our results of operations.

The principal raw material used to produce optical fiber cables is optical fibers, which accounted for 42.6%, 43.5%, 49.8% and 49.1% of total cost of sales for our optical fiber cables in 2014, 2015 and 2016 and for the four months ended April 30, 2017, respectively. The principal raw material used to produce communication copper cables is copper wires, which accounted for 71.7%, 70.9%, 70.8% and 73.5% of total cost of sales for our communication copper cables in 2014, 2015 and 2016 and for the four months ended April 30, 2017, respectively. The principal raw material used to produce structured cabling system products is communication cables, which accounted for 59.7%, 55.6%, 47.5% and 56.2% of total cost of sales for structured cabling system products we produced in 2014, 2015 and 2016 and for the four months ended April 30, 2017, respectively.

The following table sets forth the sensitivity analysis on the fluctuation in raw material costs during the Track Record Period, which illustrates the hypothetical effects on the gross profit for each product with 5%, 10% and 15% increase or decrease in the raw material costs. The basis of the range of percentage changes used in the sensitively fluctuation is to cover the range of price fluctuation of raw materials during the Track Record Period. As the maximum price fluctuation of raw materials for each line of product during the Track Record Period was within 15% and no significant price fluctuation of raw materials are expected in the future according to the Ipsos Report, the Directors of the Group believe that the range of price fluctuation of raw materials is well covered in the sensitivity analysis. Because a number of assumptions have been applied, this sensitivity analysis is for illustration only, and actual results may differ from those illustrated below.

	Change in gross profit for the year caused by change in raw material costs by		
	+/– 5%	**+/– 10%**	**+/– 15%**
	(in RMB thousands)		
2014			
Optical fiber cables	–/+75	–/+149	–/+224
Communication copper cables [1]	+/–231	+/–463	+/–694
Structured cabling system products	–/+473	–/+946	–/+1,418
2015			
Optical fiber cables	–/+81	–/+162	–/+243
Communication copper cables [1]	+/–554	+/–1,108	+/–1,662
Structured cabling system products	–/+1,066	–/+2,133	–/+3,199
2016			
Optical fiber cables	–/+63	–/+125	–/+189
Communication copper cables [1]	+/–743	+/–1,486	+/–2,229
Structured cabling system products	–/+1,688	–/+3,376	–/+5,065
For the four months ended April 30, 2017			
Optical fiber cables	+/–4	+/–7	+/–11
Communication copper cables [1]	+/–239	+/–479	+/–718
Structured cabling system products	–/+964	–/+1,928	–/+2,892

Note:

(1) We prepared the sensitivity analysis based on the assumptions that the selling price of copper cables will change by 78% if the cost of copper wires changes by 100% in line with the figures stated in the Ipsos Report and such pricing co-relation was in line with the performance of the Group during the Track Record Period. Based on this assumption and combined with the multiplier effect by the gross profit margin, the change impacted in the revenue of copper cables exceeds the one in its cost of sales when the cost of raw materials fluctuated within the range of percentage changes used in the sensitivity analysis. Therefore the gross profit of communication copper cables increases as raw material costs increase.

Furthermore, the availability of key raw materials also has a significant impact on our business and results of operations. Our key raw materials are optical fibers and copper wires. We currently purchase a significant majority of optical fibers and copper wires from a limited number of suppliers to capitalize on economies of scale. In particular, our purchase from our largest supplier represented 37.1%, 34.0%, 29.1% and 28.4% of our total purchases in 2014, 2015 and 2016 and for the four months ended April 30, 2017, respectively, and our purchase from our largest optical fiber suppliers represented 6.5%, 8.9%, 11.4% and 12.0% of our total purchases in 2014, 2015 and 2016 and for the four months ended April 30, 2017, respectively. For more details, see "Business — Raw Materials, Inventories and Suppliers — Suppliers." 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.

Production Capacity and Operating Efficiency

The continuous growth of our revenue and market share depends to a large extent on our ability to expand our production capacity. As of April 30, 2017, our production capacity is 1.2 million fkm for optical fiber cables, 1.7 million pkm for communication copper cables and 9.6 million units for structured cabling system products. We are currently constructing our second production site, the Yaohu Factory. Upon the completion of the first phase of our Yaohu Factory, which is expected to be in the second half of 2017, our designed product capacity for optical fiber cables is expected to reach 5.6 million fkm.

Our financial performance is also related to our operating efficiency. 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 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.

Product Mix

As of April 30, 2017, we offered three main categories at optical fiber cables which are sub-divided into 38 types of optical fiber cables and 40 types of communication copper cables. The extensive product coverage can satisfy clients' demands in various application areas and also bring us substantial potential for further growth. Our product mix and any change to such mix due to our business strategy, market conditions, customer demand and other factors may affect our revenue and profitability over time.

Our results of operations have been and will continue to be affected by our product mix . The profitability of our products varies across our product categories, Our structured cabling system products generally have higher gross profit margins than optical fiber cables and communication copper cables while the optical fiber cables generally have higher gross profit margins than communication copper cables. Changes in product mix have in the past affected, and are expected to continue to affect, our results of operations. Revenue from sales of optical fiber cables represented 22.6%, 31.1%, 34.7% and 34.0%, revenue from sales of communication copper cables represented 71.8%, 59.1%, 53.1% and 47.2%, and revenue from sales of structured cabling system products represented 5.6%, 9.8%, 12.2% and 18.8% in 2014, 2015 and 2016 and for the four months ended April 30, 2017, of our total revenue respectively. We plan to continue monitoring industry trends and allocate our resources among different business segments accordingly.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our combined 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 recognized in profit or loss when our products are delivered at the customers' premises or collected by the customer which is taken to be the point in time when customer has accepted the goods and the related risks and rewards of ownership have been transferred.

Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes as described below, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings and structures	20 years
Plant and machinery	10 years
Motor vehicles	5 years
Leasehold improvement	Over lease term
Furniture, fixtures and office equipment	3-5 years

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are stated at cost less any recognized impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognized in profit or loss on disposal.

Borrowing Costs

Borrowing costs directly attributed to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents 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.

Impairment loss on loans and receivables

An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. We base the estimates on the aging of the receivable balance, debtor's credit-worthiness, and historical write-off experience.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Income tax

Income taxes for the year/period comprise current tax and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognized at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Current income taxes are recognized in profit or loss, except to the extent that the tax relates to items recognized outside of profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

Deferred tax is recognized in profit or loss, except when it relates to items recognized outside of profit or loss, in which case the tax is also recognized either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Current tax assets and current tax liabilities are presented in net if, and only if,

- the Group has the legally enforceable right to set off the recognized amounts; and

- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth the combined statements of profit or loss and other comprehensive income of our Group with line items in absolute amounts and as percentages of total revenue for the periods indicated.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Revenue	270,770	100.0	361,726	100.0	467,919	100.0	120,761	100.0	165,062	100.0
Cost of sales	(219,283)	(81.0)	(282,836)	(78.2)	(356,559)	(76.2)	(91,542)	(75.8)	(123,685)	(74.9)
Gross profit	51,487	19.0	78,890	21.8	111,360	23.8	29,219	24.2	41,377	25.1
Other income and other gains, net	191	0.1	238	0.1	105	–	41	–	19	–
Selling and distribution expenses	(9,611)	(3.5)	(13,709)	(3.8)	(17,154)	(3.7)	(4,752)	(3.9)	(6,197)	(3.8)
Administrative expenses	(15,892)	(5.9)	(20,801)	(5.8)	(28,880)	(6.1)	(8,922)	(7.4)	(14,549)	(8,8)
Finance costs	(5,188)	(1.9)	(4,036)	(1.1)	(2,287)	(0.5)	(742)	(0.6)	(770)	(0.5)
Profit before income tax expenses	20,987	7.8	40,582	11.2	63,144	13.5	14,844	12.3	19,880	12.0
Income tax expense	(3,199)	(1.2)	(6,224)	(1.7)	(11,045)	(2.4)	(2,409)	(2.0)	(4,512)	(2.7)
Profit and total comprehensive income for the year/period	17,788	6.6	34,358	9.5	52,099	11.1	12,435	10.3	15,368	9.3
Attributable to:										
Owners of the Company	17,788	6.6	34,368	9.5	52,102	11.1	12,435	10.3	15,368	9.3
Non-controlling interests	–	–	(10)	–	(3)	–	–	–	–	–
	17,788	6.6	34,358	9.5	52,099	11.1	12,435	10.3	15,368	9.3

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue by Products

Our revenue is mainly derived from sales of optical fiber cables, communication copper cables and structured cabling system products, which represents our three reportable segments, respectively. The table below sets out a breakdown of sales by products in our three reportable segments for the periods indicated.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Optical fiber cables	61,102	22.6	112,550	31.1	162,342	34.7	46,994	38.9	56,120	34.0
Communication copper cables	194,397	71.8	213,718	59.1	248,472	53.1	62,420	51.7	77,939	47.2
Structured cabling system products	15,271	5.6	35,458	9.8	57,105	12.2	11,347	9.4	31,003	18.8
Total	270,770	100.0	361,726	100.0	467,919	100.0	120,761	100.0	165,062	100.0

Our main products are optical fiber cables and communication copper cables. We also derived revenue to a lesser extent from sale of structured cabling system products, which primarily consists of optical and copper jumper wires, as well as distribution and connection components.

Revenue represents the sales amount less value added tax ("**VAT**"). Our total revenue increased by 33.6% from RMB270.8 million in 2014 to RMB361.7 million in 2015 and further increased by 29.4% to RMB467.9 million in 2016. Our total revenue increased by 36.7% from RMB120.8 million for the four months ended April 30, 2016 to RMB165.1 million for the four months ended April 30, 2017.

Optical Fiber Cables

Revenue derived from the sales of optical fiber cables increased by 84.2% from RMB61.1 million in 2014 to RMB112.6 million in 2015 and further by 44.2% to RMB162.3 million in 2016. Revenue derived from the sales of optical fiber cables increased by 19.4% from RMB47.0 million for the four months ended April 30, 2016 to RMB56.1 million for the four months ended April 30, 2017. We expect that the market demand for optical fiber cables in the PRC will continue to increase as a result of the favorable government policy. The sales volume of our optical fiber cables increased from 452,985 fkm in 2014 to 818,905 fkm in 2015, and further increased to 1,073,880 fkm in 2016. The sales volume of our optical fiber cables increased from 333,669 fkm for the four months ended April 30, 2016 to 339,812 fkm for the four months ended April 30, 2017.

In order to meet the increasing market demand of the optical fiber cable in the PRC, we have continuously upgraded our production facilities. We have also continuously expanded our production capacity through adding production lines as well as increasing our production efficiencies. There are four new optical fiber cable production lines to be commenced in the second half of 2017. In addition, we plan to use the net proceeds from the Share Offer to construct our new production facility and to purchase relevant equipment, further expanding our production capacity. See "Future Plans and Proposed Use of Proceeds" for further details.

Supported by our rich industry experience and enhanced capital generation capabilities, we plan to expand into the upstream optical fiber production in order to gain more value in the optical cable production value chain. Optical fiber production as the upstream sector provides the most essential raw material to optical fiber cable manufacturers. We plan to use part of the net proceeds from the Share Offer to commence the construction of the production lines for optical fibers in the second phase of our Yaohu Factory in late 2017. We believe by bringing in upstream resources and capacity, we are expected to be able to secure steady supplies of optical fibers for our production and improve our profitability.

Communication Copper Cables

Revenue derived from the sales of communication copper cables increased by 9.9% from RMB194.4 million in 2014 to RMB213.7 million in 2015 and further by 16.3% to RMB248.5 million in 2016. Revenue derived from the sales of communication copper cables increased by 24.9% from RMB62.4 million for the four months ended April 30, 2016 to RMB77.9 million for the four months ended April 30, 2017. Our sales volume of communication copper cables was 751,484 pkm, 952,465 pkm and 1,133,771 pkm in 2014, 2015 and 2016, respectively. For the years ended December 31, 2014, 2015 and 2016 and for the four months ended April 30, 2016 and 2017, 91.4%, 90.2%, 91.4%, 91.7% and 92.4% of our revenue was awarded from telecommunications network operators in the PRC, respectively. The sales volume of our communication copper cables increased from 287,787 pkm for the four months ended April 30, 2016 to 297,930 pkm for the four months ended April 30, 2017.

The continuous increase in revenue from 2014 to 2016 was mainly due to the increase in sales volume of our communication copper cables, which was partially offset by a slight decrease in the selling price of communication copper cables, as a result of the decreased price of the copper wires we purchased from 2014 to 2016. The revenue for the four months ended April 30, 2017 increased when compared to the revenue for the four months ended April 30, 2016, which was primarily due to the increase in average selling price and sales volume.

Structured cabling system products

We have offered extensive and high-quality structured cabling system products to satisfy demands in various applications covering commercial buildings, smart residential compounds, security and security systems. We procure the connection components from independent third party suppliers. We have been awarded as one of the 2015 and 2016 top ten structured cabling brands in the PRC by China Intelligent Building Magazine (《智能建築》雜誌社).

Revenue derived from the sales of structured cabling system products increased significantly by 132.2% from RMB15.3 million in 2014 to RMB35.5 million in 2015, and further by 61.1% to RMB57.1 million in 2016. Revenue derived from the sales of structured cabling system products increased by 173.2% from RMB11.3 million for the four months ended April 30, 2016 to RMB31.0 million for the four months ended April 30, 2017. The continuous increase in revenue was primarily due to the significant increase in number of customers for structured cabling system products as a result of our continuous efforts to expand our customer base. According to the Ipsos Report, with the rapid urbanization, China has become one of the largest markets of intelligent buildings as its market size reached about RMB794.9 billion (in terms of construction investment) in 2016, and is expected to maintain a CAGR of more than 15% during the period from 2014 to 2018. The developing smart home is another field with high demand for structured cabling system products.

Revenue by Geography

We sell substantially all of our products to customers in the PRC. In 2014 and 2015, we also sold limited amount of products to customers located in certain overseas markets but we will focus our selling and marketing efforts in the PRC.

Revenue by Customers

Our revenue is mainly derived from sales of optical fiber cables, communication copper cables and structured cabling system products to telecommunications network operators. A small portion of our revenue is awarded through non-operators by end users such as enterprises in transportation, energy, government agencies, finance and real estate industries. The table below sets out a breakdown of sales by customers for the periods indicated.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Revenue from telecommunications network operators	247,574	91.4	326,410	90.2	427,538	91.4	110,712	91.7	152,566	92.4
Revenue from non-operators	23,196	8.6	35,316	9.8	40,381	8.6	10,049	8.3	12,496	7.6
Total	270,770	100.0	361,726	100.0	467,919	100.0	120,761	100.0	165,062	100.0

Cost of Sales

Cost of sales includes (i) raw material costs, (ii) packing costs, (iii) depreciation expenses, (iv) other manufacturing costs and (v) salaries and welfare expenses associated with the production of our products.

The table below sets out a breakdown of our cost of sales by nature of expenses in absolute amounts and as percentages of total cost of sales for the periods indicated.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for and percentages)									
							(unaudited)			
Raw materials costs	198,137	90.4	254,303	89.9	322,114	90.3	81,261	88.8	112,818	91.2
Packing costs	5,010	2.3	6,519	2.3	8,168	2.3	2,365	2.6	2,603	2.1
Depreciation expenses	6,122	2.8	7,963	2.8	8,596	2.4	2,866	3.1	2,891	2.3
Salaries and welfare expenses	6,180	2.8	8,468	3.0	9,463	2.7	2,817	3.1	2,943	2.4
Other manufacturing costs, including:										
Water and electricity expenses	1,991	0.9	2,808	1.0	3,334	1.0	1,114	1.2	1,001	0.8
Maintenances expenses	1,008	0.4	1,291	0.5	2,267	0.6	747	0.8	637	0.5
Sundries	835	0.4	1,484	0.5	2,617	0.7	372	0.4	792	0.7
Total	219,283	100.0	282,836	100.0	356,559	100.0	91,542	100.0	123,685	100.0

Our raw materials consist of copper wires, optical fibers, PE sheathing materials and PE insulation materials, PVC sheathing materials and PVC insulation materials and other materials. The table below sets out a breakdown of our raw materials costs by type of raw materials for the periods indicated.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for and percentages)									
							(unaudited)			
Copper wires	120,634	60.9	133,828	52.6	162,029	50.3	38,294	47.1	59,102	52.4
Optical fibers	21,531	10.9	40,916	16.1	63,449	19.7	17,237	21.2	21,495	19.0
PE sheathing materials and PE insulation materials	21,237	10.7	29,057	11.4	34,205	10.6	9,022	11.1	11,768	10.4
PVC sheathing materials and PVC insulation materials	12,866	6.5	14,945	5.9	18,630	5.8	4,809	5.9	5,601	5.0
Others, including:										
Aluminium tapes	4,154	2.1	6,925	2.7	7,847	2.4	2,236	2.8	2,652	2.3
Filling gel	3,120	1.6	5,279	2.1	6,026	1.9	1,845	2.3	1,869	1.7
Cross skeleton	3,155	1.6	3,101	1.2	3,708	1.2	1,156	1.4	772	0.7
Iron wire	2,619	1.3	4,257	1.7	5,239	1.6	1,477	1.8	1,817	1.6
Steel tapes	1,369	0.7	3,259	1.3	4,588	1.4	1,069	1.3	1,939	1.7
PBT	2,075	1.0	3,819	1.5	4,045	1.3	1,422	1.8	1,102	1.0
Others	5,377	2.7	8,917	3.5	12,348	3.8	2,694	3.3	4,701	4.2
Total raw materials costs	198,137	100.0	254,303	100.0	322,114	100.0	81,261	100.0	112,818	100.0

Our raw material costs increased by 28.3% from RMB198.1 million in 2014 to RMB254.3 million in 2015, and by 26.7% further to RMB322.1 million in 2016. The increase was primarily due to the increase in sales volume of our optical fiber cables and communication copper cables and the increased price of optical fiber we procured from our suppliers from 2014 to 2016. The increase in our raw material costs was offset by the decrease in the purchase price of copper wires, the key raw materials for our production of communication copper cables. Our raw material costs increased by 38.8% from RMB81.3 million for the four months ended April 30, 2016 to RMB112.8 million for the four months ended April 30, 2017. The increase was primarily due to the increased price of optical fiber and copper wires we procured from our suppliers and the increase in sales volume of our optical fiber cables and communication copper cables.

Our depreciation expenses were incurred for our property, plant, and equipment used directly for our production activities. Our depreciation of property, plant and equipment were RMB6.1 million, RMB8.0 million, RMB8.6 million, RMB2.9 million and RMB2.9 million, respectively, for the years ended December 31, 2014, 2015 and 2016 and for the four months ended April 30, 2016 and 2017. The increase in our depreciation expenses in 2015 was primarily due to the purchase of more production facilities as a result of our expansion of production capacity.

Salaries and welfare expenses represented primarily wages incurred for workers responsible for the production of our communication copper cables and optical fiber cables, and the structured cabling system products. Our salaries and welfare expenses was RMB6.2 million, RMB8.5 million, and RMB9.5 million, respectively, for the years ended December 31, 2014, 2015 and 2016. Our salaries and welfare expenses increased by 4.4% from RMB2.8 million for the four months ended April 30, 2016 to RMB2.9 million for the four months ended April 30, 2017. The increase in salaries and welfare expenses was primarily due to the increase in average salaries for our workers responsible for the production of our products.

Our packing costs increased during the Track Record Period primarily due to the growth of our sales, especially the increased sales of structured cabling system products. Our other manufacturing costs such as utility expenses and maintenance fee of production facilities increased during the Track Record Period primarily due to the growth of our production capacity for the increased demand from our customers.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by each of our three reportable segments for the periods indicated.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Optical fiber cables	14,938	24.4	27,965	24.8	42,836	26.4	11,813	25.1	15,097	26.9
Communication copper cables	31,464	16.2	38,191	17.9	46,760	18.8	12,836	20.6	15,241	19.6
Structured cabling system products	5,085	33.3	12,734	35.9	21,764	38.1	4,570	40.3	11,039	35.6
Total	51,487	19.0	78,890	21.8	111,360	23.8	29,219	24.2	41,377	25.1

Our gross profit margin for optical fiber cables increased from 24.4% for the year ended December 31, 2014 to 24.8% for the year ended December 31, 2015, and further increased to 26.4% for the year ended December 31, 2016, primarily due to the increase in gross profit margin for our major products, such as loose tube stranded optical fiber cables due to the increase in our selling price of the loose tube stranded optical fiber cables outpaced the increase in its cost. Our gross profit margin for optical fiber cables increased from 25.1% for the four months ended April 30, 2016 to 26.9% for the four months ended April 30, 2017, primarily due to the increase in gross profit margin for our major products, such as loose tube stranded optical fiber cables due to the increase in our selling price of the loose tube stranded optical fiber cables outpaced the increase in its cost.

Our gross profit margin for communication copper cables increased from 16.2% for the year ended December 31, 2014 to 17.9% for the year ended December 31, 2015, and further to 18.8% for the year ended December 31, 2016, primarily due to the decrease in our cost of sales for communication copper cables as a result of the decreased price in copper wires. Our gross profit margin for communication copper cables decreased from 20.6% for the four months ended April 30, 2016 to 19.6% for the four months ended April 30, 2017, primarily due to the increase in our cost of sales for communication copper cables outpaced the increase in selling price of communication copper cables.

Our gross profit margin for structured cabling system products increased from 33.3% for the year ended December 31, 2014 to 35.9% for the year ended December 31, 2015, and further increased to 38.1% for the year ended December 31, 2016, primarily due to the decreased price of raw materials while the selling price maintained stable. Our gross profit margin for structured cabling system products decreased from 40.3% for the four months ended April 30, 2016 to 35.6% for the four months ended April 30, 2017, which was primarily due to the increased portion of structured cabling system products were the connection and distribution components, which have lower gross profit margin than optical and copper jumper wires.

Other Income

Other income consists of bank interest income, government grants, gain on disposal of property, plant and equipment and gain on disposal of a subsidiary and others.

The following table sets forth a breakdown of the key components of our other income in absolute amounts and as percentages of total other income for the periods indicated.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Bank interest income	55	28.8	68	28.6	36	34.3	16	39.0	5	26.3
Government grants	25	13.1	170	71.4	7	6.7	–	–	18	94.7
Gain on disposal of property, plant and equipment	105	55.0	–	–	–	–	–	–	–	–
Gain on disposal of a subsidiary	–	–	–	–	13	12.4	–	–	–	–
Exchange gain/(loss), net	–	–	–	–	3	2.9	–	–	(8)	(42.1)
Others	6	3.1	–	–	46	43.8	25	61.0	4	21.1
Total	191	100.0	238	100.0	105	100.0	41	100.0	19	100.0

Bank interest income mainly represents interest on our bank deposits. Government grants mainly represent various subsidies from governments, such as research and development subsidies. We disposed some property, plant and equipment in 2014 and we disposed a subsidiary, Jiangxi Yigi Solar Power Co., Ltd ("**Yigi Solar Power**") in 2016.

Selling and Distribution Expenses

Selling and distribution expenses consist of salaries and welfare expenses for our selling and marketing staff, transportation fees, advertising expenses, entertainment and traveling expenses, tendering and related fees and other selling expenses. We incurred selling and distribution expenses of RMB9.6 million, RMB13.7 million, and RMB17.2 million in 2014, 2015 and 2016, respectively, accounting for 3.5%, 3.8%, and 3.7%, respectively, of total revenue for the corresponding periods. We incurred selling and distribution expenses of RMB4.8 million and RMB6.2 million for the four months ended April 30, 2016 and 2017, respectively, accounting for 3.9% and 3.8% of total revenue for the corresponding periods. The following table sets forth a breakdown of the key components of our selling and distribution expenses in absolute amounts and as percentages of total selling and distribution expenses for the periods indicated.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Salaries and welfare expenses	1,939	20.2	3,023	22.1	4,052	23.6	1,128	23.7	1,794	28.9
Transportation fee	5,232	54.4	7,177	52.4	8,989	52.4	2,690	56.6	3,365	54.3
Advertising expenses	364	3.8	1,427	10.3	1,511	8.8	172	3.6	144	2.3
Entertainment and traveling expenses	667	6.9	958	7.0	1,326	7.7	283	6.0	487	7.9
Tendering and related fees	853	8.9	523	3.8	422	2.5	176	3.7	48	0.8
Others	556	5.8	601	4.4	854	5.0	303	6.4	359	5.8
Total	9,611	100.0	13,709	100.0	17,154	100.0	4,752	100.0	6,197	100.0

Salaries and welfare expenses increased from 2014 to 2016 primarily due to (i) the increase in the number of our selling and marketing personnel, and (ii) the increase in salaries for our selling and marketing staff. Salaries and welfare expenses increased from the four months ended April 30, 2016 to the four months ended April 30, 2017 primarily due to the increase in number of our selling and marketing personnel. Similarly, the entertainment and traveling expenses increased during the Track Record Period also due to our enhanced marketing efforts.

Transportation fee increased during the Track Record Period primarily due to the increased sales volume of our products.

Advertising expenses increased from 2014 to 2016 primarily due to the increased exhibition fee in connection with the promotional activities for our structured cabling system products, which is in line with our strategic plan.

Tendering and related fees decreased from 2014 to 2016 primarily due to the decreasing number of tenders submitted to major telecommunications network operators' centralized procurement in 2015 compared with that in 2014, the cost of which was generally higher than the cost of tenders submitted for other procurement. Tendering and related fees decreased from the four months ended April 30, 2016 to the four months ended April 30, 2017 primarily due to the fewer tenders we submitted to our customers.

Administrative Expenses

Administrative expenses consist of salary and welfare expenses for our general and administrative personnel, research and development expenses, depreciation expenses, amortization of prepaid land lease, traveling and entertainment expenses, listing fee in connection with this Share Offer, other tax expenses and others.

We incurred administrative expenses of RMB15.9 million, RMB20.8 million, and RMB28.9 million in 2014, 2015 and 2016, respectively, accounting for 5.9%, 5.8%, and 6.2%, respectively, of total revenue for the corresponding periods. We incurred administrative expenses of RMB8.9 million and RMB14.5 million for the four months ended April 30, 2016 and 2017, respectively, accounting for 7.4% and 8.8% of total revenue 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 administrative expenses.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Salaries and welfare expenses	2,921	18.4	3,710	17.8	4,573	15.8	1,374	15.4	1,805	12.4
Research and development expenses	8,604	54.1	11,730	56.4	15,422	53.4	5,187	58.1	5,577	38.3
Depreciation expenses	422	2.7	581	2.8	960	3.3	316	3.6	303	2.1
Amortization of prepaid land lease	289	1.8	289	1.4	289	1.0	96	1.1	96	0.7
Traveling and entertainment expenses	443	2.8	670	3.2	845	2.9	197	2.2	423	2.9
Listing fee	–	–	–	–	1,904	6.6	–	–	4,784	32.9
Other tax expenses	1,706	10.7	2,142	10.3	2,467	8.6	1,169	13.1	400	2.7
Others[1]	1,507	9.5	1,679	8.1	2,420	8.4	583	6.5	1,161	8.0
Total	15,892	100.0	20,801	100.0	28,880	100.0	8,922	100.0	14,549	100.0

Note:

(1) Others mainly include professional fee, auditor fee, rental and premise expense.

Administrative expenses (excluding listing fee), as a percentage of our total revenue, generally remained stable during the Track Record Period.

Salaries and welfare expenses increased during the Track Record Period primarily due to the hire of additional 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 expenses primarily consist of salaries for our research and development personnel and materials consumed for the research and development. We incurred research and development expenses of RMB8.6 million, RMB11.7 million, and RMB15.4 million in 2014, 2015 and 2016, respectively, accounting for 3.2%, 3.2%, and 3.3%, respectively, of total revenue for the corresponding periods. We incurred research and development expenses of RMB5.2 million and RMB5.6 million for the four months ended April 30, 2016 and 2017, respectively, accounting for 4.3% and 3.4% of total revenue for the corresponding periods. The following table sets forth a breakdown of the components of our research and development expenses for the periods indicated, in absolute amounts and as percentages of research and development expenses.

	Year ended December 31,						Four months ended April 30,			
	2014		2015		2016		2016		2017	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)									
							(unaudited)			
Salaries	2,122	24.7	2,476	21.1	2,759	17.9	654	12.6	768	13.8
Material consumed	5,095	59.2	7,882	67.2	10,660	69.1	3,989	76.9	4,256	76.3
Other research expenses	1,387	16.1	1,372	11.7	2,003	13.0	544	10.5	553	9.9
Total	8,604	100.0	11,730	100.0	15,422	100.0	5,187	100.0	5,577	100.0

Research and development expenses increased during the Track Record Period primarily due to our research project on developing new types of optical fiber cables and communication copper cables. We did not capitalize the research and development expenses incurred during the Track Record Period because most of the expenses were related to research activities towards the preliminary and planned investigations undertaken with the prospect of gaining new technical knowledge on improvement and enhancement of production of our products. The expenditures on development activities were 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 was always short. Accordingly, our Directors believe that our research and development expenditures are not qualified for capitalization since they cannot predict whether the future cash flow generated from our research and development activities could recover the costs incurred. Therefore, research costs were recognized as expenses when they were incurred during the Track Record Period.

Depreciation expenses increased from 2014 to 2016 primarily due to the purchase of vehicles and office furniture, which is in line with the business expansion.

Other tax expenses include stamp duty, real estate tax and other taxes. Other tax expenses increased from 2014 to 2016 primarily due to our increased sales as certain tax rate are based on the sales volume. Other tax expenses decreased for the four months ended April 30, 2017 because PRC tax authority ceased to levy price adjustment fund and flood prevention security fund in second half of 2016.

Finance Costs

Finance costs during the Track Record Period consist of interest charge on bank borrowings repayable within one year. Our finance costs decreased from RMB5.2 million in 2014 to RMB4.0 million in 2015, primary due to the decrease in interest amount as a result of the decreased bank borrowings in 2015. Our finance costs decreased from RMB4.0 million in 2015 to RMB2.3 million in 2016, primarily due to the decrease in interest amount of our bank borrowings as a result of the replacement of bank borrowings with higher interest rate by bank borrowings with lower interest rate in 2016. Our finance costs for the four months ended April 30, 2017 remained relatively stable, compared with the corresponding period in 2016.

Income Tax Expenses

Income tax expenses primarily represent the income tax charged on our PRC entities. Entities located in the PRC are subject to a statutory income tax rate of 25.0%. Our subsidiary, Putian Cable, was recognized as a High and New Technology Enterprise and is entitled to a preferential income tax rate of 15.0% for 2014, 2015 and 2016. We were awarded the High and New Technology Enterprise Certificate in November 2016 and we are entitled to a preferential income tax rate of 15.0% for 2017, 2018 and 2019 as the certificate is effective for three years.

Our income tax expenses also includes deferred tax expenses arising from the timing differences between accounting and taxable profits, and certain qualified tax deduction relating to our research and development activities.

The effective tax rate for the Group was 15.2%, 15.3%, 17.5% and 22.7% in 2014, 2015 and 2016 and for the four months ended April 30, 2017, respectively. The increase in effective tax rate of the Group was due to the establishment of Putian Cable (Shanghai) in 2015 with an income tax rate of 25%. In addition, the increased effective tax rate of the Group for the four months ended April 30, 2017 was also due to the increased listing fee, with majority of which are non-deductible expense.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four Months Ended April 30, 2017 Compared to Four Months Ended April 30, 2016

Revenue

Our revenue increased by 36.7% from RMB120.8 million for the four months ended April 30, 2016 to RMB165.1 million for the four months ended April 30, 2017, which was primarily due to the analysis below.

- Revenue from optical fiber cables increased by 19.4% to RMB56.1 million for the four months ended April 30, 2017, from RMB47.0 million for the four months ended April 30, 2016, primarily due to the increase in average selling price and slight increase in sales volume.

- Revenue from communication copper cables increased by 24.9% to RMB77.9 million for the four months ended April 30, 2017, from RMB62.4 million for the four months ended April 30, 2016, primarily due to the increase in average selling price and slight increase in sales volume.

- Revenue from structured cabling system products increased by 173.2% to RMB31.0 million for the four months ended April 30, 2017, from RMB11.3 million for the four months ended April 30, 2016, primarily due to the substantial increase in sales volume, offset by the decrease in average selling price.

Cost of sales

Cost of sales increase by 35.1% from RMB91.5 million for the four months ended April 30, 2016 to RMB123.7 million for the four months ended April 30, 2017, primarily due to our business growth. Cost of sales as a percentage of our revenue decreased from 75.8% for the four months ended April 30, 2016 to 74.9% for the four months ended April 30, 2017, which was primarily due to our prioritized product mix.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 41.6% from RMB29.2 million for the four months ended April 30, 2016 to RMB41.4 million for the four months ended April 30, 2017 and our gross profit margin increased from 24.2% for the four months ended April 30, 2016 to 25.1% for the four months ended April 30, 2017.

Other income

Other income decreased by 53.7% from RMB41,000 for the four months ended April 30, 2016 to RMB19,000 for the four months ended April 30, 2017, primarily due to the decrease in bank interest income.

Selling and distribution expenses

Selling and distribution expenses increased by 30.4% from RMB4.8 million for the four months ended April 30, 2016 to RMB6.2 million for the four months ended April 30, 2017, primarily due to (i) a RMB0.7 million increase in transportation fees as a result of the increase of customer orders and (ii) a RMB0.7 million increase in salaries and welfare expenses for our selling and marketing staff, reflecting our strengthened marketing efforts. Selling expenses as a percentage of our revenue remained stable, which was 3.9% for the four months ended April 30, 2016 as compared to 3.8% for the four months ended April 30, 2017.

Administrative expenses

Administrative expenses increased by 63.1% from RMB8.9 million for the four months ended April 30, 2016 to RMB14.5 million for the four months ended April 30, 2017, primarily due to (i) a RMB0.4 million increase in salaries and welfare expenses as a result of the hire of additional administrative personnel and the increased average salaries; (ii) a RMB0.4 million increase in research and development expenses as a result of our strengthened efforts on researching project on developing new type of products and improving our production efficiency and (iii) a RMB4.8 million increase in listing fee in connection with the Share Offer. Administrative expenses as a percentage of our revenue increased from 7.4% for the four months ended April 30, 2016 to 8.8% for the four months ended April 30, 2017.

Research and development expenses increased by 7.5% from RMB5.2 million for the four months ended April 30, 2016 to RMB5.6 million for the four months ended April 30, 2017, primarily due to (i) a RMB0.1 million increase in salaries due to the hire of more research and development personnel and (ii) a RMB0.3 million increase in material consumed in relation to research and development a result of our strengthened efforts on researching project on developing new type of products and improving our production efficiency.

Finance costs

Finance costs for the four months ended April 30, 2016 and for the four months ended April 30, 2017 remained relatively stable.

Profit before income tax expense

As a result of the foregoing, profit before tax increased by 33.9% from RMB14.8 million for the four months ended April 30, 2016 to RMB19.9 million for the four months ended April 30, 2017. Profit before tax as a percentage of our revenue decreased from 12.3% for the four months ended April 30, 2016 to 12.0% for the four months ended April 30, 2017.

Income tax expense

Our income tax expenses increased by 87.3% from RMB2.4 million for the four months ended April 30, 2016 to RMB4.5 million for the four months ended April 30, 2017, primarily due to the increase in profit before income tax expense. Our effective tax rate was 16.2% and 22.7%, respectively, for the four months ended April 30, 2016 and 2017.

Profit attributable to owners of the Company

As a result of the foregoing, profit attributable to owners of our Company increased by 23.6% from RMB12.4 million for the four months ended April 30, 2016 to RMB15.4 million for the four months ended April 30, 2017. Profit attributable to owners of our Company as a percentage of our revenue decreased from 10.3% for the four months ended April 30, 2016 to 9.3% for the four months ended April 30, 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 29.4% from RMB361.7 million in 2015 to RMB467.9 million in 2016, which was primarily due to continuous increase in customer demand driven by continued government initiatives and investments, further expansion of production capacity and our strengthened efforts to enhance our market position and capture the potential growth in structured cabling system products markets.

- Revenue from optical fiber cables increased by 44.2% to RMB162.3 million in 2016, from RMB112.6 million in 2015, primarily due to substantial growth in sales volume and increase in average selling price.

- Revenue from communication copper cables increased by 16.3% to RMB248.5 million in 2016, from RMB213.7 million in 2015, primarily due to the increase in sales volume supported by additional two production lines launched in July 2015 and January 2016, respectively, offset by the slight decrease of average selling price as the result of further decrease in copper wires price.

- Revenue from structured cabling system products increased by 61.1% to RMB57.1 million in 2016, from RMB35.5 million in 2015, primarily due to further expansion of customer base as a result of continuous marketing efforts made by the Group.

Cost of sales

Cost of sales increased by 26.1% from RMB282.8 million in 2015 to RMB356.6 million in 2016, primarily due to our business growth. Cost of sales as a percentage of our revenue decreased from 78.2% in 2015 to 76.2% in 2016, which was primarily due to further enhanced product mix with higher portion of revenue generated from optical fiber cables and structured cabling system products, which attained higher gross margin than communication copper cables.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 41.2% from RMB78.9 million in 2015 to RMB111.4 million in 2016 and our gross profit margin increased from 21.8% in 2015 to 23.8% in 2016.

Other income

Other income decreased by 55.9% from RMB238,000 in 2015 to RMB105,000 in 2016, primarily due to a RMB163,000 decrease in government grants.

Selling and distribution expenses

Selling and distribution expenses increased by 25.1% from RMB13.7 million in 2015 to RMB17.2 million in 2016, primarily due to (i) a RMB1.8 million increase in transportation fees which was in line with our business growth, and (ii) a RMB1.0 million increase in salaries and welfare expenses for our selling and marketing personnel, reflecting our strengthened marketing efforts. Selling expenses as a percentage of our revenue remained stable, which was 3.8% in 2015 as compared to 3.7% in 2016.

Administrative expenses

Administrative expenses increased by 38.8% from RMB20.8 million in 2015 to RMB28.9 million in 2016, primarily due to (i) a RMB3.7 million increase in research and development expenses as a result of our strengthened efforts on developing new type of products and improving our production efficiency and (ii) a RMB1.9 million increase in listing fee in connection with the Share Offer. Administrative expenses as a percentage of our revenue increased from 5.8% in 2015 to 6.2% in 2016.

Research and development expenses increased by 31.5% from RMB11.7 million in 2015 to RMB15.4 million in 2016, primarily due to (i) a RMB0.3 million increase in salaries due to the hire of additional research and development personnel and (ii) a RMB2.8 million increase in material consumed in relation to research and development.

Finance costs

Finance costs decreased by 43.3% from RMB4.0 million in 2015 to RMB2.3 million in 2016, primarily due to decrease in interest charge on banking borrowing as a result of the replacement of bank borrowings with higher interest rate by bank borrowings with lower interest rate in 2016.

Profit before income tax expense

As a result of the foregoing, profit before income tax expense increased by 55.6% from RMB40.6 million in 2015 to RMB63.1 million in 2016. Profit before income tax expense as a percentage of our revenue increased from 11.2% in 2015 to 13.5% in 2016.

Income tax expense

Our income tax expense increased by 77.5% from RMB6.2 million in 2015 to RMB11.0 million in 2016, primarily due to the increase in profit before income tax expense.

Profit attributable to owners of the Company

As a result of the foregoing, profit attributable to owners of our Company increased by 51.6% from RMB34.4 million in 2015 to RMB52.1 million in 2016. Profit attributable to owners of our Company as a percentage of our revenue increased from 9.5% in 2015 to 11.1% in 2016.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue

Our revenue increased by 33.6% from RMB270.8 million in 2014 to RMB361.7 million in 2015, which was primarily due to the increasing customer demand for our products and our expansion of production capacity to fulfil such demand.

- Revenue from optical fiber cables increased by 84.2% to RMB112.6 million in 2015, from RMB61.1 million in 2014, primarily driven by the substantial growth in sales volume as a new production line for optical fiber cables was put in use from March 2015 and a slight increase in average selling price.

- Revenue from communication copper cables increased by 9.9% to RMB213.7 million in 2015, from RMB194.4 million in 2014, primarily due to the increase in sales volume, offset by the decrease in average selling price as the result of decrease in copper wires price.

- Revenue from structured cabling system products increased by 132.2% to RMB35.5 million in 2015, from RMB15.3 million in 2014, primarily due to the expansion of customer base as a result of our marketing efforts.

Cost of sales

Cost of sales increased by 29.0% from RMB219.3 million in 2014 to RMB282.8 million in 2015, primarily due to our business growth. Cost of sales as a percentage of our revenue decreased from 81.0% in 2014 to 78.2% in 2015, which was primarily due to the fact that a larger portion of revenue was generated from optical fiber cables and structured cabling system products which have a higher profit margin.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 53.2% from RMB51.5 million in 2014 to RMB78.9 million in 2015 and our gross profit margin increased from 19.0% in 2014 to 21.8% in 2015.

Other income

Other income increased by 24.6% from RMB191,000 in 2014 to RMB238,000 in 2015, primarily due to a RMB145,000 increase in government grants, partially offset by absence of a RMB105,000 in gain on disposal of property, plant and equipment recorded in 2014.

Selling and distribution expenses

Selling and distribution expenses increased by 42.6% from RMB9.6 million in 2014 to RMB13.7 million in 2015, primarily due to (i) a RMB1.9 million increase in transportation fee in line with our business growth and (ii) a RMB1.1 million increase in salaries and welfare expenses for our selling and marketing personnel and (iii) a RMB1.0 million increase in advertising expenses, reflecting our strengthened marketing efforts. Selling expenses as a percentage of our revenue remained stable, which was 3.5% in 2014 as compared to 3.8% in 2015.

Administrative expenses

Administrative expenses increased by 30.9% from RMB15.9 million in 2014 to RMB20.8 million in 2015, primarily due to a RMB3.1 million increase in research and development expenses. Administrative expenses as a percentage of our revenue remained relatively stable.

Research and development expenses increased by 36.3% from RMB8.6 million in 2014 to RMB11.7 million in 2015, primarily due to (i) a RMB0.4 million increase in salaries due to the hire of additional research and development personnel and (ii) a RMB2.8 million increase in material consumed in relation to research and development.

Finance costs

Finance costs decreased by 22.2% from RMB5.2 million in 2014 to RMB4.0 million in 2015, primarily due to a RMB0.6 million decrease in interest charge on bank borrowing repayable within one year as a result of our decreased borrowings in 2015.

Profit before income tax expense

As a result of the foregoing, profit before income tax expense increased by 93.4% from RMB21.0 million in 2014 to RMB40.6 million in 2015. Profit before income tax expense as a percentage of our revenue increased from 7.8% in 2014 to 11.2% in 2015.

Income tax expense

Our income tax expense increased by 94.6% from RMB3.2 million in 2014 to RMB6.2 million in 2015, primarily due to the increase in profit before income tax expense.

Profit attributable to owners of the Company

As a result of the foregoing, profit attributable to owners of our Company increased by 93.2% from RMB17.8 million in 2014 to RMB34.4 million in 2015. Profit attributable to owners of our Company as a percentage of our revenue increased from 6.6% in 2014 to 9.5% in 2015.

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 borrowings. As of December 31, 2014, 2015 and 2016 and April 30, 2017, we had cash and cash equivalents of RMB7.6 million, RMB11.1 million, RMB14.3 million and RMB7.0 million, respectively, which consisted of bank balances and cash on hand. As of August 31, 2017, we had unutilized banking facilities of approximately RMB2.0 million.

Taking into account our cash generated from operating activities, the net proceeds we expect to receive from this Share Offer and our credit facilities maintained with banks, our Directors are of the opinion that we will have available sufficient working capital for our operations for at least the 12 months following the date of this prospectus. Save as disclosed in this section, we currently do not expect any significant changes in the mix and the relative costs of our capital resources. Save as disclosed in this section, as of the date of this prospectus, we do not have any other definitive external financing plan.

Further, our Directors confirmed that we had no material defaults in payment of our trade and bills payables and bank borrowings, or breaches of financial covenants during the Track Record Period.

Cash Flows Analysis

The following table sets forth our cash flows for the periods indicated.

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	(in RMB thousands)				
				(unaudited)	
Net cash generated from operating activities	20,419	38,191	48,044	11,814	897
Net cash used in investing activities	(20,208)	(35,693)	(4,417)	(1,141)	(2,139)
Net cash (used in)/generated from financing activities	(937)	952	(40,369)	(15,556)	(6,076)
Net (decrease)/increase in cash and cash equivalents	(726)	3,450	3,258	(4,883)	(7,318)
Cash and cash equivalents at the beginning of the year/period	8,329	7,603	11,053	11,053	14,311
Effect of foreign exchange rate changes	–	–	–	–	10
Cash and cash equivalents at the end of the year/period	7,603	11,053	14,311	6,170	7,003

Net Cash Generated from Operating Activities

For the four months ended April 30, 2017, net cash generated from operating activities was RMB0.9 million, which primarily consisted of profit before income tax expense of RMB19.9 million, as adjusted for items with no operating cash effect and non-operating items, which mainly included depreciation of property, plant and equipment of RMB3.3 million, finance costs of RMB0.8 million and amortization of prepaid land lease payment of RMB0.1 million. Additional factor that contributed to our cash generated from operating activities included RMB1.7 million decrease in deposits, prepayment and other receivables as a result of procurement arrangement and RMB1.3 million increase in accruals, deposits received and other payables as a result of increased provision of payment to listing agents, offset by (i) RMB4.4 million increase in trade and bills receivables as a result of our general business growth and the increased sales of our products; (ii) RMB6.0 million increase in inventories as a result of the business growth; (iii) RMB9.9 million decrease in trade and bills payables as a result of the increased sales of our products; and (iv) RMB5.8 million profits tax paid, which were the result of the continued growth of our business.

For the four months ended April 30, 2016, net cash generated from operating activities was RMB11.8 million, which primarily consisted of profit before income tax expense of RMB14.8 million, as adjusted for items with no operating cash effect and non-operating items, which mainly included depreciation of property, plant and equipment of RMB3.3 million, finance costs of RMB0.7 million and amortization of prepaid land lease payment of RMB0.1 million. Additional factor that contributed to our cash generated from operating activities included RMB4.8 million decrease in trade and bills receivables and RMB14.1 million increase in trade and bills payables due to the continued growth of our business, offset by (i) RMB8.0 million increase in deposits, prepayment and other receivables as a result of increased procurement of raw materials; (ii) RMB11.5 million increase in inventories as a result of the business growth; (iii) RMB2.8 million decrease in accruals, deposits received and other payables; and (iv) RMB3.8 million profits tax paid, which were the result of the continued growth of our business.

In 2016, net cash generated from operating activities was RMB48.0 million, which primarily consisted of profit before income tax expense of RMB63.1 million, as adjusted for items with no operating cash effect and non-operating items, which mainly included depreciation of property, plant and equipment of RMB9.7 million, finance costs of RMB2.3 million and amortization of prepaid land lease payment of RMB0.3 million. Additional factor that contributed to our cash generated from operating activities included RMB15.6 million increase in trade and bills payables due to the continued growth of our business and RMB1.3 million increase in accruals, deposits received and other payables as a result of increased payables for acquisition of property, plant and equipment, offset by (i) RMB1.4 million increase in inventories as a result of the business growth; (ii) RMB27.7 million increase in trade and bills receivables as a result of the increased sales of our products; (iii) RMB6.0 million increase in deposits, prepayment and other receivables as a result of increased procurement of raw materials; and (iv) RMB8.9 million in profits tax paid, which were the result of the continued growth of our business.

In 2015, net cash generated from operating activities was RMB38.2 million, which primarily consisted of profit before income tax expense of RMB40.6 million, as adjusted for items with no operating cash effect and non-operating items, which mainly included depreciation of property, plant and equipment of RMB8.6 million, finance costs of RMB4.0 million and amortization of prepaid land lease payment of RMB0.3 million. Additional factor that contributed to our cash generated from operating activities included RMB2.1 million decrease in deposits, prepayments and other receivables due to the decreased prepayments to our suppliers in 2015 as a result of the procurement arrangement, offset by (i) RMB3.3 million increase in inventories as a result of the business growth; (ii) RMB10.2 million increase in trade and bills receivables as a result of the increased sales of our products; and (iii) RMB3.8 million in profits tax paid, which were the result of the continued growth of our business.

In 2014, net cash generated from operating activities was RMB20.4 million, which primarily consisted of profit before income tax expense of RMB21.0 million, as adjusted for items with no operating cash effect and non-operating items, which mainly included depreciation of property, plant and equipment of RMB6.6 million, finance costs of RMB5.2 million and amortization of prepaid land lease payment of RMB0.3 million. Additional factor that contributed to our cash generated from operating activities included RMB11.8 million increase in trade and bills payables due to the continued growth of our business and RMB4.6 million increase in accruals, deposits received and other payables as a result of increased payables for acquisition for property, plant and equipment, offset by (i) RMB10.6 million increase in inventories as a result of the business growth; (ii) RMB18.1 million increase in trade and bills receivables as a result of the increased sales of our products; and (iii) RMB2.3 million in profits tax paid, which were the result of the continued growth of our business.

Net Cash Used in Investing Activities

For the four months ended April 30, 2017, net cash used in investing activities was RMB2.1 million, which primarily consisted of purchase of property, plant and equipment, RMB2.1 million in connection with production, offset by interest income received in the amount of approximately RMB5,000.

For the four months ended April 30, 2016, net cash used in investing activities was RMB1.1 million, which primarily consisted of purchase of property, plant and equipment and RMB1.6 million in connection with production, offset by proceeds on disposal of property, plant and equipment in the amount of RMB0.4 million and interest income received in the amount of approximately RMB16,000.

In 2016, net cash used in investing activities was RMB4.4 million, which primarily consisted of (i) purchase of property, plant and equipment of RMB7.2 million and (ii) RMB0.3 million prepayments of property, plant and equipment, offset by (i) proceeds on disposal of a subsidiary, in the amount of RMB2.6 million, (ii) proceeds on disposal of property, plant and equipment in the amount of approximately RMB0.5 million, and (iii) interest income received in the amount of approximately RMB36,000.

In 2015, net cash used in investing activities was RMB35.7 million, which primarily consisted of purchase of property, plant and equipment of RMB35.7 million in connection with production, offset by interest income received in the amount of approximately RMB68,000.

In 2014, net cash used in investing activities was RMB20.2 million, which primarily consisted of (i) purchase of property, plant and equipment of RMB17.9 million and (ii) acquisition of a subsidiary, in the amount of RMB2.6 million, offset by (i) proceeds on disposal of property, plant and equipment in the amount of RMB204,000, and (ii) interest income received in the amount of approximately RMB55,000.

Net Cash (Used in)/Generated from Financing Activities

For the four months ended April 30, 2017, net cash used in financing activities was RMB6.1 million, which primarily consisted of (i) repayment of bank borrowings of RMB7.3 million, (ii) interest paid for bank borrowings in the amount of RMB0.8 million, and (iii) repurchase of share capital in the amount of RMB66,000, offset by (i) proceeds from bank borrowings of RMB4.3 million, (ii) RMB2.3 million decrease in amounts due to a director/shareholders, and (iii) issue of share capital in the amount of RMB86,000.

For the four months ended April 30, 2016, net cash used in financing activities was RMB15.6 million, which primarily consisted of (i) repayment of bank borrowings of RMB29.1 million, and (ii) interest paid for bank borrowings in the amount of RMB0.7 million, offset by (i) proceeds from bank borrowings of RMB11.8 million, and (ii) RMB2.4 million increase in amount due to a director.

In 2016, net cash used in financing activities was RMB40.4 million, which consisted of (i) repayment of bank borrowings of RMB63.5 million, (ii) RMB40.9 million decrease in amount due to a director and (iii) interest paid for bank borrowings in the amount of RMB2.3 million, partially offset by (i) proceeds from bank borrowings of RMB66.3 million, and (ii) issue of share capital in the amount of RMB66,000.

In 2015, net cash generated from financing activities was RMB952,000, which consisted of (i) proceeds from bank borrowings of RMB88.2 million, and (ii) RMB30.6 million increase in amount due to a director to ensure our sufficient cash flow to maintain business operations, partially offset by (i) repayment of bank borrowings of RMB113.9 million; and (ii) interest paid for bank borrowings in the amount of RMB4.0 million.

In 2014, net cash used in financing activities was RMB937,000, which consisted of (i) repayment of bank borrowings of RMB80.7 million, (ii) interest paid for bank borrowings in the amount of RMB5.2 million, and (iii) increased of restricted cash pledged in the amount of RMB500,000, partially offset by (i) proceeds from bank borrowings of RMB81.0 million, (ii) RMB4.4 million increase in amount due to a director to ensure our sufficient cash flow to maintain business operations.

NET CURRENT ASSETS

As of December 31, 2014, 2015, 2016 and April 30, 2017, we had net current assets of RMB55.9 million, RMB64.5 million, RMB118.9 million and RMB38.4 million, respectively. 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 April 30,	As of August 31,
	2014	2015	2016	2017	2017
	(in RMB thousands)				
					(unaudited)
Current assets					
Prepaid land lease payment	289	289	289	193	193
Inventories	36,879	40,212	41,582	47,631	66,193
Trade and bills receivables	107,960	118,171	145,864	150,235	154,691
Deposits, prepayments and other receivables	4,795	2,649	8,627	7,272	10,999
Amount due from a director	–	–	4,335	–	–
Amount due from a non-controlling interest shareholder	4,894	4,757	–	–	–
Restricted cash	500	470	480	480	–
Cash and cash equivalents	7,603	11,053	14,311	7,003	5,432
Total current assets	162,920	177,601	215,488	212,814	237,508
Current liabilities					
Trade and bills payables	21,016	20,431	35,990	26,126	50,439
Accruals, deposits received and other payables	7,961	8,393	9,676	10,941	12,505
Amounts due to a director/shareholders	5,917	36,563	–	91,311	7,294
Provision for taxation	1,214	2,497	2,962	1,020	3,068
Bank borrowings	70,928	45,240	48,000	44,998	69,914
Total current liabilities	107,036	113,124	96,628	174,396	143,220
Net current assets	55,884	64,477	118,860	38,418	94,288

Our current assets consist primarily of inventories, trade and bills receivables, deposits, prepayments and other receivables, cash and cash equivalents and amount due from a non-controlling interest shareholder. Our current liabilities consist primarily of trade and bills payables, bank borrowings, accruals, deposits received and other payables, amounts due to a director/shareholders and provision for taxation. Our amounts due to a director/shareholders increased from nil as of December 31, 2016 to RMB91.3 million as of April 30, 2017 was due to the Group Reorganization. In January 2017, Ms. Wang and Mr. Zhao transferred 51% and 46% equity interest in Putian Cable respectively to Jiangxi Tianyuan at an aggregate consideration of RMB97,970,000 which was determined based on the then registered capital of Putian Cable. As of April 30, 2017, we had an aggregate outstanding amount of RMB91.3 million due to our shareholders which comprised (i) an amount due to our shareholders of RMB97,970,000 which was fully settled on July 31, 2017 by using (a) the proceeds from borrowings from two Independent Third Parties in an amount of RMB50.0 million and (b) cash flow from our operating activities. For details of the borrowing from two Independent Third Parties, please see "— Statement of Indebtedness"; and (ii) an amount due from our shareholders of RMB6,659,000. Our net current assets, being the difference between total current assets and total current liabilities remained positive during the Track Record Period.

Our net current assets increased by RMB8.6 million, or 15.4%, from RMB55.9 million as of December 31, 2014 to RMB64.5 million as of December 31, 2015. Such increase was mainly attributable to the increase in trade and bills receivables and inventories while the current liabilities remained stable.

Our net current assets increased significantly by RMB54.4 million, or 84.3% from RMB64.5 million as of December 31, 2015 to RMB118.9 million as of December 31, 2016. Such increase was mainly attributable to the increased trade and bills receivables, amount due from a director, deposits, prepayments and other receivables, and decrease in current liabilities primarily due to repayment to a director.

Our net current assets decreased by RMB80.4 million, or 67.7% from RMB118.9 million as of December 31, 2016 to RMB38.4 million as of April 30, 2017. Such decrease was mainly attributable to the increase in amounts due to a director/shareholders, which primarily arose from the Group Reorganization. The amounts due to shareholders arising from the Group Reorganisation was fully settled on July 31, 2017.

Our net current assets further increased by RMB55.9 million, or 145.4% from RMB38.4 million as of April 30, 2017 to RMB94.3 million as of August 31, 2017. Such increase was mainly attributable to the increase in inventory by RMB18.6 million primarily due to business growth and a decrease of amount due to shareholders by RMB84.0 million primarily due to repayment of amounts due to shareholders, partially offset by increase of bank borrowings of RMB24.9 million.

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 periodically. We believe maintaining appropriate levels of inventories can help us produce and deliver our products on a timely basis without adversely affecting our liquidity. For details of our inventory management, see "Business — Raw Materials, Inventories and Suppliers — Inventory management".

The following table sets forth a summary of our inventories balance at the dates indicated.

	As of December 31,			As of April 30,
	2014	**2015**	**2016**	**2017**
	(in RMB thousands)			
Raw materials	7,234	15,194	16,390	24,167
Work-in-progress	4,237	4,023	–	–
Finished goods	25,408	20,995	25,192	23,464
Total	36,879	40,212	41,582	47,631

Our inventories increased from RMB36.9 million as of December 31, 2014 to RMB40.2 million as of December 31, 2015 and to RMB41.6 million as of December 31, 2016, and further to RMB47.6 million as of April 30, 2017. The increase in inventories was in line with our business growth.

As of the Latest Practicable Date, approximately RMB46.2 million, accounting for 96.9% of the inventory as of April 30, 2017 was consumed or sold.

The following table sets forth average inventory turnover days for the periods indicated.

	Year ended December 31,			Four months ended April 30,
	2014	**2015**	**2016**	**2017**
Average inventory turnover days[1]	53	50	42	43

Note:

(1) Average inventory turnover days are based on the average balance of inventories 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 four months ended April 30 is 120 days.

The average inventory turnover days from 2014 to 2015 remained stable. The decrease in our average inventory turnover days from 2015 to 2016 was primarily due to less customer orders in the end of 2016 as a result of the different PRC public holidays schedule in January and February of 2016 and 2017. Our average inventory turnover days for the four months ended April 30, 2017 remained relatively stable, compared to that for 2016.

Trade and Bills Receivables

The following table sets forth our trade and bills receivables as of the dates indicated.

	As of December 31,			As of April 30,
	2014	**2015**	**2016**	**2017**
	(in RMB thousands)			
Trade receivables	107,960	118,171	145,864	149,935
Bills receivables	–	–	–	300
Total	107,960	118,171	145,864	150,235

Our trade and bills receivables primarily consist of receivables from our customers for sales of our products. We generally require major telecommunications network operators to make 80% to 90% initial payment in accordance with the issued invoices. We generally receive such initial payment within three months from issuance of invoice, with the remaining receivables being settled in the following six to seven months. The credit term of non-operators is normally 30 days. We may grant a longer credit term up to one year to major customers with good payment history. Normally, we do not obtain collateral from our customers.

Our trade and bills receivables increased from RMB108.0 million as of December 31, 2014 to RMB118.2 million as of December 31, 2015 to RMB145.9 million as of December 31, 2016, and further increased to RMB150.2 million as of April 30, 2017. This increase was primarily due to our general business growth and the increased sales of our products.

The following table sets forth an aging analysis of our trade and bills receivables net of impairments for doubtful debts as of the dates indicated, based on the invoice date.

	As of December 31,			As of April 30,
	2014	**2015**	**2016**	**2017**
	(in RMB thousands)			
0 to 30 days	39,679	47,501	49,845	47,275
31 to 60 days	30,727	44,123	62,728	52,184
61 to 90 days	16,453	13,757	10,547	19,797
91 to 180 days	19,463	8,058	18,455	26,277
181 to 365 days	1,603	4,619	3,122	3,792
Over 365 days	35	113	1,167	910
Total trade and bills receivables	107,960	118,171	145,864	150,235

The substantial majority of our trade and bills receivables as of December 31, 2014, 2015 and 2016 and April 30, 2017 had ages of less than 180 days. As of December 31, 2014, 2015 and 2016 and April 30, 2017, 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 individually once we prove that the recovery becomes remote. As of December 31, 2014, 2015 and 2016 and April 30, 2017, we had trade and bills receivables past due of RMB35,000, RMB113,000, RMB1.2 million and RMB1.1 million, representing 0.03%, 0.1%, 0.8% and 0.8% of our trade and bills receivables as of December 31, 2014, 2015 and 2016 and April 30, 2017, respectively. The management assessed at each of the reporting date whether there was objective evidence that trade and bills receivables were impaired. Our Group would provide for individual receivable that were considered to be impaired based on management assessment performed at each reporting period end.

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 April 30,
	2014	2015	2016	2017
	(in RMB thousands)			
Neither past due nor impaired	107,925	118,058	144,697	149,095
Overdue for less than 1 year	–	78	1,167	1,030
Overdue for over 1 year but less than 2 years	35	–	–	110
Overdue for over 2 years	–	35	–	–
	107,960	118,171	145,864	150,235

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 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.

As of the Latest Practicable Date, approximately RMB146.2 million, accounting for 97.3% of our trade and bills receivables that were outstanding as of April 30, 2017 were settled.

The following table sets forth our trade and bills receivables turnover days for the periods indicated.

	Year ended December 31,			Four months ended April 30,
	2014	2015	2016	2017
Average trade and bills receivables turnover days[(1)]	133	114	103	108

Note:

(1) Average trade and bills receivables turnover days are based on the average balance of trade and bills receivables divided by revenue 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 four months ended April 30 is 120 days.

Average trade and bills receivables turnover days decreased from 133 days for the year ended December 31, 2014 to 114 days for the year ended December 31, 2015 and further decreased to 103 days for the year ended December 31, 2016, primarily due to our increase in sales portion of customers with a shorter credit period. The increase in our average trade and bills receivables turnover days for the four months ended April 30, 2017 was primarily due to our increase in sales portion of telecommunications network operators who had a longer credit period.

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 April 30,
	2014	2015	2016	2017
	(in RMB thousands)			
Other receivables	211	182	537	379
VAT receivables	93	221	35	441
Advance to suppliers	3,136	290	4,000	–
Deposits	1,193	1,686	2,290	2,952
Prepayments	162	270	1,765	3,500
Total	4,795	2,649	8,627	7,272

Our deposits, prepayments and other receivables during the Track Record Period comprised of (i) advances to suppliers, (ii) deposits made to our customers, (iii) VAT receivables and (iv) other deposits, prepayments and receivables.

Our deposits, prepayments and other receivables decreased from RMB4.8 million as of December 31, 2014 to RMB2.6 million as of December 31, 2015. The decrease was primarily due to a decrease of advance to suppliers from RMB3.1 million as of December 31, 2014 to RMB0.3 million as of December 31, 2015 as a result of the procurement arrangement that we made less advance to our suppliers in 2015. The decrease was partially offset by (i) an increase of RMB108,000 in prepayments, and (ii) an increase of RMB493,000 in deposits made to our customers.

Our deposits, prepayments and other receivables increased from RMB2.6 million as of December 31, 2015 to RMB8.6 million as of December 31, 2016. The increase was primarily due to an increase of RMB3.7 million in advance to suppliers as a result of our increased procurement of raw materials in preparation of expected production expansion and an increase of RMB1.5 million of prepayments.

Our deposits, prepayments and other receivables decreased from RMB8.6 million as of December 31, 2016 to RMB7.3 million as of April 30, 2017. The decrease was primarily due to RMB4.0 million decrease in advance to suppliers as a result of the procurement arrangement, partially offset by RMB1.7 million increase in prepayments and RMB0.7 million increase in deposits.

Amount due from a Non-controlling Interest Shareholder

As of December 31, 2014, 2015 and 2016 and April 30, 2017, the amount due from a non-controlling interest shareholder were RMB4.9 million, RMB4.8 million, nil and nil, respectively. The amount due from a non-controlling interest shareholder of our subsidiary, namely, Mr. Wang Qing Yun, was not trade related, and the balance was unsecured, interest-free and repayable on demand. The balance was not consolidated to our financial statements since 2016 because we disposed of the subsidiary, Yigi Solar Power, in 2016.

Trade and Bills Payables

The following table sets forth our trade and bills payables as of the dates indicated.

	As of December 31,			As of April 30,
	2014	**2015**	**2016**	**2017**
	(in RMB thousands)			
Trade payables	19,189	20,431	31,381	25,288
Bills payables	1,827	–	4,609	838
Total	21,016	20,431	35,990	26,126

During the Track Record Period, our trade and bills payables represented primarily amount incurred for the purchase of raw materials and finished products from independent third parties.

Our trade and bills payables increased from RMB20.4 million as of December 31, 2015 to RMB36.0 million as of December 31, 2016 primarily due to the increased purchase of raw materials. Our trade and bills payables decreased from RMB36.0 million as of December 31, 2016 to RMB26.1 million as of April 30, 2017. The decrease was primarily due to the acceptance and settlement of the matured bills. We generally have credit period of 30 to 90 days from our 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 April 30.
	2014	2015	2016	2017
	(in RMB thousands)			
0 – 30 days	16,969	19,217	28,099	19,853
31 – 60 days	1,949	1,214	4,079	5,239
61 – 90 days	1,827	–	–	93
91 – 180 days	–	–	3,773	898
181 – 365 days	–	–	39	6
Over 365 days	271	–	–	37
Total	21,016	20,431	35,990	26,126

The following table sets forth our trade payables turnover days for the periods indicated.

	Year ended December 31,			Four months ended April 30,
	2014	2015	2016	2017
Average trade and bills payable turnover days(1)	25	27	29	30

Note:

(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 four months ended April 30 is 120 days.

Average trade and bills payables turnover days remained stable during the Track Record Period.

As of the Latest Practicable Date, all trade and bills payables that were outstanding as of April 30, 2017 was settled.

Accruals, Deposits Received and Other Payables

Our accrues, deposits received and other payables consist of (i) payables for acquisition of property, plant and equipment, (ii) accrued wages and staff benefits, (iii) accrual, (iv) receipt in advance, (v) VAT payables, (vi) other tax payables and tax surcharges and (vii) other payables. As of December 31, 2014, 2015 and 2016 and April 30, 2017, our accruals, deposits received and other payables were RMB8.0 million, RMB8.4 million, RMB9.7 million and RMB10.9 million, respectively.

The following table sets forth a breakdown of accrued expenses and other payables as of the dates indicated.

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	(in RMB thousands)			
Payables for acquisition of property, plant and equipment	106	611	1,819	211
Accrued wages and staff benefits	1,475	1,910	2,399	1,624
Accrual	2,487	2,582	2,723	6,398
Receipt in advance	1,505	132	1,574	1,762
VAT payables	1,740	2,365	175	29
Other tax payables and tax surcharges	477	619	355	84
Other payables	171	174	631	833
Total	7,961	8,393	9,676	10,941

Our accruals, deposits received and other payables increased from RMB8.4 million as of December 31, 2015 to RMB9.7 million as of December 31, 2016, primarily due to an increase in payables for acquisition of property, plant and equipment in connection with purchase of production equipment and an increase in receipt in advance from our customers due to our business growth. Our accruals, deposits received and other payables increased from RMB9.7 million as of December 31, 2016 to RMB10.9 million as of April 30, 2017. The increase was primarily due to an increase of RMB3.7 million in accrual as a result of increase provision of payment to listing agents, partially offset by a decrease of RMB1.6 million in payables for acquisition of property, plant and equipment.

CAPITAL EXPENDITURE

Our capital expenditures were RMB17.9 million, RMB35.8 million, RMB7.2 million and RMB2.1 million in 2014, 2015 and 2016 and for the four months ended April 30, 2017, respectively. Our capital expenditures mainly represent our additions to property, plant and equipment.

The capital expenditure incurred in 2014, 2015 and 2016 and for the four months ended April 30, 2017 was primarily due to the purchase of production equipment and construction in progress in connection with our production capacity expansion.

As part of our continued growth strategy, we expect our capital expenditure is approximately RMB118.9 million by the year ended December 31, 2018, including (i) the acquisition of property, plant and equipment for the production expansion of optical fiber cables amounted to approximately RMB23.6 million; (ii) the acquisition of property, plant and equipment for the expansion of existing production facilities of structured cabling system products amounted to approximately RMB17.6 million; (iii) the acquisition of production line of optical fiber amounted to approximately RMB64.9 million; and (iv) research and development expenses amounted to approximately RMB12.9 million. Approximately RMB114.3 million will be funded by net proceeds received from this Share Offer and approximately RMB4.6 million has been incurred as of the Latest Practicable Date. The remaining balance for the acquisition of production line of optical fiber, in an amount of approximately RMB43.5 million, will be settled by the year ended December 31, 2020, which is expected to be funded by cash flow generated from our operations and external financing if necessary. For details, see "Business — Production — Expansion Plan" and "Future Plans and Proposed Use of Proceeds" of this prospectus.

As at the date of this prospectus, no agreement had been entered into in connection with the potential acquisition. Save as disclosed in this section, 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.

The table below sets forth capital commitments as of the dates indicated.

	As of December 31,			As of April 30,
	2014	**2015**	**2016**	**2017**
	(in RMB thousands)			
Capital expenditure of the Group contracted for but not provided in the Financial Information in respect of:				
Acquisition of property, plant and equipment	20,057	6,952	3,600	3,600
Total	20,057	6,952	3,600	3,600

Operating Lease Commitments

Our operating lease commitment were mainly for the lease of our sales representative offices and warehouses in the PRC.

The table below sets forth operating lease commitments as of the dates indicated.

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	(in RMB thousands)			
Within 1 year	138	293	632	728
In the second to fifth year, inclusive	–	1,068	799	972
After 5 years	–	–	–	–
Total	138	1,361	1,431	1,700

CONTINGENT LIABILITIES AND GUARANTEES

As of December 31, 2014, 2015 and 2016 and April 30, 2017, we did not record any significant contingent liabilities, guarantees or any litigations against us. We confirm that, as of the Latest Practicable Date, there have been no material changes to our contingent liabilities.

INDEBTEDNESS

Bank Borrowings

During the Track Record Period, we borrowed short-term bank borrowings repayable within one year, with effective interest rates ranging from 4.75% to 5.65% per annum.

The table below sets forth the breakdown of our bank borrowings as of the dates indicated.

	As of December 31,			As of April 30,
	2014	2015	2016	2017
	(in RMB thousands)			
Secured bank borrowings	70,928	39,970	45,000	44,998
Unsecured bank borrowings	–	5,270	3,000	–
Total	70,928	45,240	48,000	44,998

As of April 30, 2017, we had unutilized banking facilities of approximately RMB10.0 million.

Statement of Indebtedness

As of August 31, 2017, being the latest practicable date for purpose of indebtedness statement in this prospectus, we had total outstanding borrowing in the amount of approximately RMB127.2 million, details of which are set forth in the table below.

	(in RMB thousands)
Secured bank borrowings:	
Repayable within one year	69,914
Other borrowings:	
Repayable in two to five years	50,000
Amount due to a director	7,294
Total	127,208

As of August 31, 2017, we had approximately RMB2.0 million in unutilized banking facilities. We believe that we will be able to utilize the undrawn bank facilities by following the customary procedures of the relevant lending banks and are not subject to unusual restrictions or conditions. The bank borrowings are secured by personal guarantees from substantial shareholders and legal charges over the personal properties owned by substantial shareholders and family member of substantial shareholders of the Group. These borrowings will either be repaid prior to the Listing, or if they are to subsist after the Listing, the relevant banks and/or guarantee agencies will release the above guarantees and security, and replace them with corporate guarantees or replacement security given by one or more members of our Group prior to the Listing.

We obtained additional borrowings from Independent Third Parties in an amount of approximately RMB50.0 million to repay the amount due to controlling shareholders resulting from the acquisition of equity interest in Putian Cable by Jiangxi Tianyuan. The Group borrowed from Independent Third Parties instead of banks because it would be more flexible in negotiating with a lender other than banks in terms of time spent and quality of collateral required. We entered into two unguaranteed loan agreements with two Independent Third Parties, Ms. Zhou Weihua and Ms. Zhao Chunchun, on July 29, 2017, pursuant to which Ms. Zhou Weihua agrees to provide a loan to the Group in a principal amount of RMB20.0 million and Ms. Zhao Chunchun agrees to provide a loan to the Group in a principal amount of RMB30.0 million. Our Directors confirmed that Ms. Wang came to know Ms. Zhou Weihua through introduction of a mutual friend and Ms. Wang came to know Ms. Zhao Chunchun through introduction by a family member of Ms. Zhao Chunchun who is also a friend of Ms. Wang. The fixed interest rate of the loans is 8.16% per annum and the Group shall repay the loans in one instalment and pay the accrued interest on the maturity date, June 30, 2019. The interest started to accrue on July 31, 2017, the date on which the Group received the proceeds of the loans. Under both loan agreements, the Group undertakes that it shall not change the use of the proceeds without creditor's prior approval and guarantees that the loan is senior in right of payment to all other unsecured creditors of the Group immediately after the disposal of the secured assets in the event of cross default. The Group may repay the loans anytime before the maturity date with actual incurred and unpaid interest. As both borrowings have been used to settle the amount due to shareholders as of April 30, 2017, they cause no impact to the gearing ratio as of April 30, 2017 after repayment of RMB50.0 million to controlling shareholders.

As advised by our PRC legal adviser, Jingtian & Gongcheng, (a) there is no applicable PRC laws and regulation prohibit individuals from legally lending money to companies; and (b) the interests of the two loans are within the scope of maximum interest rate regulated by PRC laws and regulations. Therefore we had been in compliance with all applicable PRC laws and regulations in relation to the two loans.

The amount due to a director in an amount of approximately RMB7.3 million was not trade related and the balance was unsecured, interest-free and repayable on demand. As of the date of this prospectus, the amount due to a director has been fully settled.

Save as disclosed above, as of August 31, 2017, 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 August 31, 2017.

Some of our borrowing agreements contain customary affirmative and negative covenants that, among other things, limit or restrict our ability to create pledges, liens and other encumbrances, incur debt, make mergers, acquisitions, division or other reorganization and investments, decrease our registered capital and dispose of or transfer assets or equity interests in certain subsidiaries, deconsolidate certain subsidiaries, change our certain shareholders' equity interests in us, and subject us to certain financial covenants. During the Track Record Period and up to the Latest Practicable Date, we had no default with regard to covenants under our borrowings that could have material adverse effect on our business operations.

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,			As of/for the four months ended April 30,
	2014	2015	2016	2017
Rates of return:				
Return on total assets(1)	7.8%	12.7%	16.9%	14.2%
Return on equity(2)	13.5%	21.6%	25.9%	25.0%
Liquidity:				
Current ratio (times)(3)	1.52	1.57	2.23	1.22
Quick ratio (times)(4)	1.18	1.21	1.80	0.95
Capital adequacy:				
Gearing ratio (times)(5)	0.76	0.66	0.45	1.25
Interest coverage ratio (times)(6)	5.05	11.06	28.61	26.82

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 current assets less inventory divided by current liabilities as of the end of period.

(5) Calculated using total liabilities divided by total equity as of the end of each period.

(6) Calculated using the sum of profit before taxation and interest on bank borrowing for the period divided by interest on bank borrowing for the period.

Return on Total Assets

The increases in return on total assets from 7.8% in 2014 to 12.7% in 2015, and further to 16.9% in 2016 were primarily due to the continued growth of our business and production capacity outpaced the increase in total assets for the year.

The decrease in return on total assets from 16.9% for the year ended December 31, 2016 to 14.2% for the four months ended April 30, 2017 was primarily due to the decrease of profit for the four months ended April 30, 2017 on an annualized basis resulting from expenditure of listing fee.

Return on Equity

The increases in return on equity from 13.5% in 2014 to 21.6% in 2015, and further to 25.9% in 2016 were primarily due to the continued growth of our business.

The decease in return on equity from 25.9% for the year ended December 31, 2016 to 25.0% for the four months ended April 30, 2017 was primarily due to the decrease of profit for the four months ended April 30, 2017 on an annualized basis resulting from expenditure of listing fee.

Current Ratio

Our current ratio increased from 1.52 times as of December 31, 2014 to 1.57 times as of December 31, 2015, primarily due to the increase in inventories and trade and bills receivables as the result of business expansion while the current liabilities maintained stable.

Our current ratio increased from 1.57 times as of December 31, 2015 to 2.23 times as of December 31, 2016, primarily due to the increase in trade and bills receivables as a result of our business growth and decrease in current liabilities as a result of repayment to a director.

Our current ratio decreased from 2.23 times as of December 31, 2016 to 1.22 times as of April 30, 2017, primarily due to increase in current liabilities as a result of increased amounts due to a director/shareholders.

Quick Ratio

Our quick ratio increased from 1.18 times as of December 31, 2014 to 1.21 times as of December 31, 2015, primarily due to the increase in trade and bills receivables as the result of business expansion while the current liabilities maintained stable.

Our quick ratio increased from 1.21 times as of December 31, 2015 to 1.80 times as of December 31, 2016, primarily due to the increase in trade and bills receivables as the result of business expansion and the decrease in current liabilities as the result of repayment to a director.

Our quick ratio decreased from 1.80 times as of December 31, 2016 to 0.95 time as of April 30, 2017, primarily due to increase in amounts due to a director/shareholders.

Gearing Ratio

Our gearing ratio decreased from 0.76 times as of December 31, 2014 to 0.66 times as of December 31, 2015. The decrease in 2015 was due to the increase in total equity while the liabilities remained stable.

Our gearing ratio decreased from 0.66 times as of December 31, 2015 to 0.45 times as of December 31, 2016, primarily due to the increase in total equity and the decrease in liabilities as a result of repayment to a director, partially offset by the increase in trade and bills payables.

Our gearing ratio increased from 0.45 time as of December 31, 2016 to 1.25 times as of April 30, 2017, primarily due to increase in current liabilities as a result of increased amounts due to a director/shareholders.

Interest Coverage Ratio

Our interest coverage ratio increased from 5.05 times in 2014 to 11.06 times in 2015, primarily due to (i) the increase in profit before income tax expense; and (ii) the decrease in interest on bank borrowing as a result of the decrease in bank borrowing.

Our interest coverage ratio increased from 11.06 times in 2015 to 28.61 times in 2016, primarily due to (i) the continued increase in profit before income tax expense; and (ii) the decrease in interest amount as a result of repayment of a bank loan which bears higher interest rate.

Our interest coverage ratio decreased from 28.61 times as of December 31, 2016 to 26.82 times as of April 30, 2017, primarily due to decrease in profit before taxation for the four months ended April 30, 2017 on an annualized basis.

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 maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognized financial assets as stated in the combined statements of financial position.

The Group trade only with recognized and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balance are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

In order to minimize the credit risk, our Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, our Directors review the recoverable amount of each individual trade and bills receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that the credit risk of our Group is significantly reduced.

The credit risk of our Group is concentrated on trade and bills receivables from our Group's two largest customers at December 31, 2014, 2015 and 2016 and April 30, 2017, which amounted to RMB93.0 million, RMB107.8 million, RMB137.5 million and RMB141.9 million respectively, and accounted for 86.1%, 91.2%, 94.2% and 94.4% of our Group's total trade and bills receivables. In order to minimize the credit risk, our Directors continuously monitor the level of exposure by frequent review of the credit evaluation of the financial condition and credit quality of its customers to ensure that prompt actions will be taken to lower exposure.

Our Directors consider that the credit risk on liquid funds is low as counterparties are the major telecommunication network operators with good reputation.

Liquidity Risk

We built an appropriate liquidity risk management framework to manage our short, medium and long-term funding and liquidity management requirements. We manage liquidity risk by maintaining adequate reserves and banking facilities.

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 of financial liabilities based on the earliest date on which we can be required to pay. The table below includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting period.

	December 31, 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)				
Trade and bills payables	21,016	–	–	21,016	21,016
Other payables and accruals	4,239	–	–	4,239	4,239
Amount due to a director	5,917	–	–	5,917	5,917
Bank borrowings	72,763	–	–	72,763	70,928
Total	103,935	–	–	103,935	102,100

	December 31, 2015				
	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)				
Trade and bills payables	20,431	–	–	20,431	20,431
Other payables and accruals	5,277	–	–	5,277	5,277
Amount due to a director	36,563	–	–	36,563	36,563
Bank borrowings	45,846	–	–	45,846	45,240
Total	108,117	–	–	108,117	107,511

	December 31, 2016				
	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)				
Trade and bills payables	35,990	–	–	35,990	35,990
Other payables and accruals	7,572	–	–	7,572	7,572
Bank borrowings	49,225	–	–	49,225	48,000
Total	92,787	–	–	92,787	91,562

	April 30, 2017				
	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)				
Trade and bills payables	26,126	–	–	26,126	26,126
Other payables and accruals	9,066	–	–	9,066	9,066
Amounts due to a director/shareholders	91,311	–	–	91,311	91,311
Bank borrowing	45,465	–	–	45,465	44,998
Total	171,968	–	–	171,968	171,501

Interest Rate Risk

We are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings. We are also exposed to fair value interest rate risk which relates primarily to the bank borrowings. We do not have an interest rate hedging policy. However, our Directors monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Our cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates quoted by the People's Bank of China arising from the Group's bank borrowings.

The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable expose the Group to cash flow interest rate risk and fair value interest rate risk. Certain of the bank borrowings of the Group as at December 31, 2014, 2015, 2016 and April 30, 2017 bore interest at floating rates. The interest rate and repayment terms of borrowings at the end of the reporting period are disclosed in Appendix I — Accountants' Report — Note 25.

The following sensitivity demonstrates the Group's exposure to a reasonably possible change in interest rates on it floating rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Year ended December 31,			**Four months ended April 30,**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Change in profit after tax and retained profits:				
+/-100 basis points	-/+434	-/+409	-/+190	-/+84

The changes in interest rates do not affect the Group's other components of equity. The above sensitivity analysis is prepared based on the assumption that the bank borrowing period of the loans outstanding at the end of the reporting period resembles that of the corresponding financial year/period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties.

We do not have any interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging, research and development or other services with us.

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.

During the Track Record Period, no dividend has been paid. On July 31, 2017, Putian Cable declared and paid an aggregate dividend of RMB47,970,000 to Jiangxi Tianyuan, which was used to settle part of the outstanding consideration for the acquisition of the equity interest in Putian Cable from Ms. Wang and Mr. Zhao.

The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

DISTRIBUTABLE RESERVES

The Company had no distributable reserves available for distribution to our shareholders as at April 30, 2017.

PROPERTY INTERESTS

Peak Vision Appraisals Limited, an independent property valuer, had valued our Group's property interests as at July 31, 2017 at RMB82.0 million. The following table sets forth the reconciliation of aggregate amounts of buildings and structures and prepaid land lease payment from our Group's audited combined financial statements as at April 30, 2017 to the unaudited net book value of our Group's property interests as at July 31, 2017:

	RMB'000
Valuation of property interest as at July 31, 2017 as set out in the property valuation report in Appendix III to this prospectus	82,000
Net book value of property interests as at April 30, 2017	
Buildings and structures	51,683
Prepaid land lease payment	12,520
Movement for the period from April 30, 2017 to July 31, 2017	
Depreciation	(747)
Amortization	(72)
Net book value as at July 31, 2017	63,384
Revaluation surplus, before income tax	18,616

The full text of its letter and valuation certificate with regard to such property interests are set out in Appendix III to this prospectus.

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 Share Offer. We expect the total estimated amount of listing related fees, including underwriting commissions, with the assumption of an Offer Price of HK$0.73 (being the mid-point of the Offer Price range) would be approximately RMB28.8 million, of which approximately RMB1.9 million and RMB4.8 million was charged to our administrative expenses for the year ended December 31, 2016 and the four months ended April 30, 2017, respectively. We expect an additional amount of approximately RMB8.5 million to be further recognized as administrative expenses for the year ending December 31, 2017 and approximately RMB13.6 million to be deducted from equity upon the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purpose only, the following statement on unaudited pro forma 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 April 30, 2017 as if the Share Offer had occurred on April 30, 2017 and is based on the combined net assets derived from the financial information of our Group as of April 30, 2017, as set out in the Accountants' Report in Appendix I to this prospectus and adjusted as follows.

	Combined net tangible assets attributable to the equity shareholders of the Group as of April 30, 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group	Unaudited pro forma adjusted combined net tangible assets per Share(3)	
	RMB'000(1)	*RMB'000(2)*	*RMB'000*	*RMB(3)*	*HK$(4)*
Based on an Offer Price of HK$0.51 per Share	143,343	101,479	244,822	0.22	0.26
Based on an Offer Price of HK$0.95 per Share	143,343	198,894	342,237	0.31	0.37

Notes:

1. The combined net tangible assets of the Group attributable to the owners of the Company as at April 30, 2017 have been derived from audited combined net assets of the Group of approximately RMB143,343,000 as at April 30, 2017 extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on the Company issuing and offering 275,000,000 Shares at the Offer Price of HK$0.51 or HK$0.95 per Offer Share, after deduction of the estimated underwriting fees and commissions and other estimated expenses payable by the Company in relation to the Share Offer which have not been reflected in net tangible assets of the Group as at April 30, 2017. The estimated net proceeds are converted into RMB at an exchange rate of RMB1.00 to HK$1.18, the median rate published by the China Foreign Exchange Trade System with the authorization by PBOC for foreign exchange transactions prevailing on the Latest Practicable Date. No representation is made that the HK$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all. No account has been taken of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

3. The unaudited pro forma adjusted combined net tangible assets per Offer Share is calculated based on 1,100,000,000 Shares in issue immediately following the completion of the Share Offer as set out in the "Share Capital" section to this prospectus had the Share Offer been completed on April 30, 2017, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

4. The unaudited pro forma adjusted combined net tangible assets per Offer Share are converted to Hong Kong dollars at an exchange rate of RMB1.00 to HK$1.18, the exchange rate set by the People's Bank of China for foreign exchange transactions prevailing on the Latest Practicable Date. No representation is made that the HK$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all.

5. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to April 30, 2017.

RELATED PARTY TRANSACTIONS

There are no related party transactions during the Track Record Period.

NO MATERIAL ADVERSE CHANGE

We expect the total listing fees borne by us would be approximately RMB28.8 million, including underwriting commissions, with the assumption of an Offer Price of HK$0.73 (being the mid-point of the Offer Price range) of which approximately RMB13.3 million (including the RMB4.8 million recognized in our profit or loss accounts for the period ended April 30, 2017) will be recognized in our profit or loss accounts for the year ended December 31, 2017.

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 April 30, 2017, being the date on which our latest audited combined financial statements were prepared, and there is no event since April 30, 2017 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.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Reorganization, the Capitalization Issue and the Share Offer, Ms. Wang and Mr. Zhao, through their respective wholly-owned companies, Arcenciel Capital and Point Stone Capital, will be entitled to control the exercise of voting rights of 69.75% of the Shares eligible to vote in general meetings of our Company (assuming the Over-allotment Option or the options which may be granted under the Share Option Scheme are not exercised). Therefore, Ms. Wang, Mr. Zhao, Arcenciel Capital and Point Stone Capital are considered to be our Controlling Shareholders.

As at the Latest Practicable Date, save as disclosed above, there is no other person who, immediately following completion of the Capitalisation Issue and the Share Offer (taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), will be directly or indirectly interested in 30% or more of the Shares then in issue.

DELINEATION OF BUSINESS

Apart from our business, our Controlling Shareholders do not have any interest in a business which competes with, or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having taken into account of the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

Management independence

Our Board comprises three executive Directors and three independent non-executive Directors. Two of our executive Directors, namely Ms. Wang and Mr. Zhao, are also our Controlling Shareholders. Ms. Wang is the director of Arcenciel Capital while Mr. Zhao is the director of Point Stone Capital, both being our Controlling Shareholders. Despite the aforesaid, our Directors do not foresee any issue which may affect our management independence for the following reasons.

First of all, each of Arcenciel Capital and Point Stone Capital has no business other than holding the shareholding interest in our Company, thus Ms. Wang and Mr. Zhao's respective directorship in Arcenciel Capital and Point Stone Capital will not affect the management independence.

In addition, our Board comprises a balanced composition of independent non-executive Directors who have sufficient experience and the needed character, integrity and caliber for their views to carry weight, and thus can effectively exercise independent judgment. Three of our Board members are independent non-executive Directors who have extensive experience in different professions and have been appointed pursuant to the requirements of the Listing Rules. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions. The fact that two of our executive Directors are Controlling Shareholders will not affect the independence of our Board as a whole.

Furthermore, our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorized by our Board.

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 does not allow any conflict between his/her duties as a director and his/her personal interests. If there is any potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Directors shall declare such interest to our Board at or prior to the meeting of our Board at which the relevant transactions are to be considered as soon as he becomes aware of the conflicts in accordance with the Articles and the applicable laws of the Cayman Islands. The interested Directors shall also abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum in accordance with the Articles.

In addition, our Group has a senior management team (whose biographies are disclosed in the section headed "Directors, Senior Management and Employees" in this prospectus) which is capable of carrying out the business decisions of our Group independently. None of our senior management team has any managerial role or beneficial interest in Arcenciel Capital and Point Stone Capital or has any family relationship with our Controlling Shareholders or any of their respective close associates.

Having considered the above factors and in light of the non-competition undertakings given by our Controlling Shareholders in favor of our Group (please refer to the paragraph headed "Deed of Non-Competition" below), our Directors are satisfied that they are able to manage our business independently from our Controlling Shareholders and their respective close associates after Listing.

Operational independence

Our Directors consider that our Group can operate independently from our Controlling Shareholders and their respective close associates. While our Board has full rights to make all decisions on the overall strategic development and management and operational aspects of our Group, all essential operational functions (such as financial and accounting management, invoicing and billing and human resources) have been and will be overseen by the senior management of our Group (whose biographies are disclosed in the section headed "Directors, Senior Management and Employees" in this prospectus), without unduly requiring the support of our Controlling Shareholders and their respective close associates.

Furthermore, our Group holds all the patents, trademarks, copyrights and domain names with respect to our business, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates.

We also have access to our customers and suppliers who are Independent Third Parties. 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 and their respective close associates.

Our Directors do not foresee there will be any business dealing between our Group and our Controlling Shareholders and their respective close associates upon the Listing. Our Group will fully comply with Chapter 14A of the Listing Rules if any connected transactions arise in the future.

Financial independence

During the Track Record Period and up to the Latest Practicable Date, we had our own internal control and accounting system, accounting and finance department and treasury function for cash receipts and payments.

As at December 31, 2014, 2015, 2016 and April 30, 2017, the amount of total borrowings of our Group that were secured by the assets of or guaranteed by Ms. Wang and Mr. Zhao (details of which are set out in Note 25 to the Accountants' Report set out in Appendix I to this prospectus) was approximately RMB26.6 million, RMB30.0 million, RMB30.0 million and RMB30.0 million, respectively. These borrowings will either be repaid prior to the Listing, or if they are to subsist after the Listing, the relevant banks and/or guarantee agencies will release the above guarantees and security, and replace them with corporate guarantees or replacement security given by one or more members of our Group prior to the Listing. As at April 30, 2017, we had an aggregate outstanding amount of RMB91.3 million due to our Controlling Shareholders which comprised (i) an amount due to our Controlling Shareholders of RMB97,970,000 which was fully settled on July 31, 2017 partly by self-generated cash and partly by borrowings from Independent Third Parties in an amount of approximately RMB50.0 million as disclosed in the section headed "Financial Information — Indebtedness" in this prospectus; and (ii) an amount due from our Controlling Shareholders of RMB6,659,000.

Moreover, we make financial decisions according to our own business requirements and in this connection, our Directors are of the view that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders after the Listing and thus there is no financial dependence on them.

DEED OF NON-COMPETITION

For the purpose of the Listing, our Controlling Shareholders have entered into with and in favor of our Company (for ourselves and as trustee for our subsidiaries) the Deed of Non-competition. Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in, any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, each of our Controlling Shareholders has unconditionally and irrevocably undertaken in favor of our Company (for ourselves and for the benefits of our subsidiaries), on a joint and several basis, that at any time during the Relevant Period (as defined below), each of them shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group) shall:

(a) not, directly or indirectly, be interested or involved or engaged in or carry on or be concerned with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business, or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group in the PRC and any other country or jurisdiction to which our Group provides such products and/or services and/or in which any member of our Group carries on business mentioned above currently and from time to time (the "**Restricted Activity**");

(b) not solicit any existing employee or then existing employee of our Group for employment by it/him or its/his close associates (excluding our Group);

(c) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/his/her knowledge in its/his/her capacity as our Controlling Shareholder or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;

(d) not, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any Restricted Activity;

(e) not, either on its/his/her own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, solicit or endeavor to entice away from or discourage from dealing with our Group any person who was at any time during the period of one year preceding the date of the Deed of Non-competition a manufacturer for or supplier or subcontractor, customer or client of our Group;

(f) if there is any project or new business opportunity (the "**Business Opportunity**") that relates to the Restricted Activity and is offered or becomes aware to our Controlling Shareholders, they shall (i) promptly refer such project or new business opportunity to our Group in writing for consideration and provide such information as is reasonably required in order to enable our Group to come to an informed assessment of such opportunity, (ii) use its/his/her best endeavors to procure such opportunity offered to our Group on terms no less favorable than the terms on which such opportunity is offered to such Controlling Shareholder and/or its/his close associates, and (iii) with regard to any project or new business opportunity which shall have been rejected by our Group and the principal terms of which our Controlling Shareholders and/or any of his/its close associates and/or entities or companies controlled by him/it/her invest or participate shall be no more favorable than those made available to our Company;

(g) not invest or participate in or carry on any project or business opportunity of the Restricted Activity; and

(h) procure its/his/her close associates (excluding our Group) not to invest or participate in or carry on any project or business opportunity of the Restricted Activity.

The above undertakings under the Deed of Non-competition do not apply to:

(a) the holding of, or interests in, the shares of any members of our Group; and

(b) the holding of, or interests in, the shares of a company other than a member of our Group whose shares are listed on a recognized stock exchange provided that the total number of the shares held by the relevant Controlling Shareholder and/or its/his close associates does not exceed 5% of the issued shares of that class of the company in question, and such Controlling Shareholder and its/his/her respective close associates, whether acting singly or jointly, would not participate in or be otherwise involved in the management of the company in question.

Each of our Controlling Shareholders has further unconditionally and irrevocably undertaken to our Company (for ourselves and for the benefit of our subsidiaries):

(a) to allow our Directors, their respective representatives and our auditors to have sufficient access to the records of each of our Controlling Shareholders and their respective close associates to ensure compliance with the terms and conditions of the Deed of Non-competition;

(b) to provide to our Group and our Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition by our Controlling Shareholders; and

(c) to make an annual declaration as to full compliance with the terms of the Deed of Non-competition and a consent to disclose such letter in our annual report.

The Deed of Non-competition will become effective upon the Share Offer becoming unconditional. The obligations of our Controlling Shareholders under the Deed of Non-competition will remain in effect during the period (the "**Relevant Period**") from the Listing Date until the earlier of the date on which:

(a) our Controlling Shareholders, together with their close associates, whether individually or taken together, cease to be interested directly or indirectly in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining controlling shareholder) or more of the issued share capital of our Company; or

(b) the Shares cease to be listed and traded on the Stock Exchange.

We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and the Takeovers Code for the concept of "control".

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our Shareholders:

i. our independent non-executive Directors will be responsible for considering and deciding as to whether to pursue or decline the Business Opportunity;

ii. our Controlling Shareholders undertake to provide all details reasonably necessary for our Company to consider whether to pursue such Business Opportunity, and if there is any material change in the nature, terms or conditions of such Business Opportunity, our Controlling Shareholders shall refer such Business Opportunity to our Company as if it were a new Business Opportunity;

iii. if appropriate, our independent non-executive Directors may appoint independent financial advisers to assist in the decision-making process in relation to such Business Opportunity;

iv. our Controlling Shareholders undertake to provide all information necessary for the annual review by our independent non-executive Directors in respect of the compliance with the Deed of Non-competition;

v. our independent non-executive Directors will review, on an annual basis, the compliance of our Controlling Shareholders with the Deed of Non-competition, in particular the right of refusal relating to any Business Opportunity and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition in our annual report or by way of announcement to the public; and

vi. adoption of the Articles of Association which provides that a Director shall not vote on any resolutions of the Board in relation to any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested and shall not be counted in the quorum of the meeting where such resolution is considered, unless otherwise provided in the Articles of Association.

SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

Authorized share capital		*(HK$)*
3,000,000,000	Shares	30,000,000

Without taking into account any Share which may be issued upon exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate and the repurchase mandate granted to our Directors as described below, the share capital immediately following the Capitalization Issue and the Share Offer will be as follows:

		(HK$)
10,000,000	Shares in issue as at the date of this prospectus	100,000
815,000,000	Shares to be issued pursuant to the Capitalisation Issue	8,150,000
275,000,000	Shares to be issued pursuant to the Share Offer	2,750,000
1,100,000,000	Shares in Total (1)	11,000,000

Note:

1. If the Over-allotment Option is exercised in full, 41,250,000 additional Shares will be issued resulting in an aggregate of 1,141,250,000 Shares to be in issue.

ASSUMPTION

The above table assumes that the Share Offer becomes unconditional and does not take into account any Shares which may be allotted and issued or repurchased pursuant to the general mandates given to the Directors described in “General mandate to issue Shares” and “General mandate to repurchase Shares”.

RANKING

The Offer Shares, including the additional Shares issuable pursuant to the Over-allotment Option, will rank pari passu in all respects with all other Shares in issue or to be issued as mentioned in this prospectus, and in particular, will qualify for all dividends and other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus, except for the entitlements under the Capitalization Issue.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association, a summary of which is set out in Appendix IV.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in the paragraph headed "15. Share Option Scheme" in Appendix V to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been conditionally granted a general unconditional mandate authorizing them to exercise all the powers of our Company to allot, issue and deal with the Shares with a total nominal value not exceeding 20% of the aggregate nominal value of our issued share capital immediately following completion of the Capitalization Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), and the number of Shares repurchased by us, if any, pursuant to the repurchase mandate described below.

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalization Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option; and

(ii) the aggregate nominal amount of the share capital of our Company repurchased by us (if any) pursuant to the general mandate to repurchase Shares as described below.

This mandate will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the date by which our next annual general meeting is required by the Articles, the Companies Law or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors.

Particulars of this general mandate are set forth under the paragraph headed "Further information about our Group — 3. Resolutions in writing of all Shareholders passed on October 21, 2017" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been conditionally granted a general unconditional mandate to exercise all the powers of our Company to repurchase the Shares with an aggregate nominal value of not more than 10% of the total nominal amount of our issued share capital immediately following completion of the Capitalization Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme).

This mandate relates only to repurchases made on the Stock Exchange or any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Further information about our Group — 7. Repurchase by our Company of our own securities" in Appendix V to this prospectus.

This mandate will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the date by which our next annual general meeting is required by the Articles, the Companies Law or any applicable laws in the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors.

Particulars of this general mandate are set forth under the paragraph headed "Further information about our Group — 3. Resolutions in writing of all Shareholders passed on October 21, 2017" in Appendix V to this prospectus.

So far as our Directors are aware, immediately following completion of the Capitalization Issue and the Share Offer (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or the underlying Shares which would be required 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 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 any member of our Group:

Name	Nature of interest	Number of Shares immediately following the completion of the Capitalization Issue and the Share Offer [1]	Percentage of shareholding immediately following the completion of the Capitalization Issue and the Share Offer
Arcenciel Capital	Beneficial owner	408,375,000 (L)	37.125%
Point Stone Capital	Beneficial owner	358,875,000 (L)	32.625%
Ms. Wang	Interest in controlled corporation [2]	408,375,000 (L)	37.125%
Mr. Zhao	Interest in controlled corporation [3]	358,875,000 (L)	32.625%

Notes:

1. The letter "L" denotes the Director's long position in the Shares.

2. These Shares are held by Arcenciel Capital, which is wholly owned by Ms. Wang. By virtue of the SFO, Ms. Wang is deemed to be interested in the Shares held by Arcenciel Capital.

3. These Shares are held by Point Stone Capital, which is wholly owned by Mr. Zhao. By virtue of the SFO, Mr. Zhao is deemed to be interested in the Shares held by Point Stone Capital.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalization Issue and the Share Offer, have interests or short positions in our Shares or underlying Shares which would be required 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 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 any member of our Group.

FUTURE PLANS

Please refer to the section headed "Business — Business strategies" of this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$0.73 per Share (being the mid-point of the stated range of the Offer Price of between HK$0.51 and HK$0.95 per Share), we estimate that we will receive net proceeds of approximately HK$166.7 million (equivalent to approximately RMB141.1 million) from the Share Offer after deducting the underwriting commissions, costs and other estimated expenses in the Share Offer, assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds from the Share Offer for the following purposes:

- approximately 46.0% of the net proceeds from the Share Offer, or approximately RMB64.9 million, will be used by the year ending December 31, 2018, as part of the funding for the upstream vertical expansion (the "**Upstream Vertical Expansion**") into the optical fiber production by acquisition of two sets of optical fiber drawing towers and setting up of four optical fiber cable production lines. For details of our expansion plan to the upstream optical fiber production, please refer to the section headed "Business — Production — Expansion Plan" in this prospectus;

- approximately 13.6% of the net proceeds from the Share Offer, or approximately RMB19.2 million, will be used by the year ending December 31, 2018 for the settlement of partial payment for the four new optical fiber cable production lines which are expected to be completed in the second half of 2017. For details of these new production lines, please refer to the section headed "Business — Production — Production Facilities and Capacities" in this prospectus;

- approximately 12.5% of the net proceeds from the Share Offer, or approximately RMB17.6 million, will be used by the year ending December 31, 2018 for the enhancement (including, amongst others, purchase of new production equipment with advanced production techniques as complement to our existing production equipment) of our structured cabling system products production equipment so as to enable us to produce high-end structured cabling system products, diversify our product types, increase the utilization rate of our existing production equipment as well as improve the quality of our structured cabling system products;

- approximately 8.9% of the net proceeds from the Share Offer, or approximately RMB12.6 million, will be used by the year ending December 31, 2018 to finance our research and development of diversified new products and the production processes, including, (i) the construction of our research and development center; (ii) the expansion and enhancement of the facilities of our optical fiber materials laboratory, production performance test laboratory and application environment test laboratory; (iii) purchase of general equipment; and (iv) cooperation with colleges and universities. For details of our research and development center and our optical fiber materials laboratory, production performance test laboratory and application environment test laboratory, please refer to the section headed "Business — Research and development" in this prospectus;

- approximately 10.6% of the net proceeds from the Share Offer, or RMB15.0 million, will be used by the year ending December 31, 2018 for repayment of part of our bank loans, details of which are as follows:

Type of loan	**Maturity date**	**Interest rate**	**Outstanding principal amount**
Revolving loan *(Note)*	June 26, 2018	5.87% per annum	RMB15 million

Note: The revolving loan will be matured in June 2018. As of the Latest Practicable Date, this revolving loan was guaranteed by the properties of Ms. Wang and Mr. Zhao and the bank agreed to release such guarantee and replace it by a corporate guarantee provided by our Company upon Listing.

- approximately 8.4% of the net proceeds from the Share Offer, or approximately RMB11.8 million, will be used for working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised in full and assuming an Offer Price of HK$0.73 per Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK$28.6 million (equivalent to approximately RMB24.2 million). We intend to use such additional net proceeds for the repayment of part of the borrowings from the Independent Third Parties (the "**Third Parties Borrowings**") (for details of these borrowings, please refer to the section headed "Financial Information — Statement of Indebtedness" in this prospectus)

In the event that the Offer Price is set at HK$0.95 per Share, being the high-end of the proposed Offer Price range, the net proceeds from the Share Offer will be increased by (i) approximately HK$57.5 million (equivalent to approximately RMB48.7 million), assuming the Over-allotment Option is not exercised, which we intend to use such additional net proceeds for the repayment of part of the Third Parties Borrowings; and (ii) approximately HK$94.7 million (equivalent to approximately RMB80.2 million), assuming the Over-allotment Option is exercised in full, which we intend to use such additional net proceeds in the following manner: (a) approximately RMB20.0 million as part of funding for the Upstream Vertical Expansion; (b) RMB50.0 million for the repayment of the Third Parties Borrowings; and (iii) the balance for working capital and other general corporate purposes.

In the event that the Offer Price is set at HK$0.51 per Share, being the low-end of the proposed Offer Price range, the net proceeds from the Share Offer will be decreased by (i) approximately HK$57.5 million, assuming the Over-allotment Option is not exercised, and (ii) approximately HK$37.5 million, assuming the Over-allotment Option is exercised in full. We intend to reduce the net proceeds applied to the same purposes above on a pro rata basis.

To the extent that our net proceeds are not sufficient to fund the purposes described above, we intend to fund the balance through a variety of means including cash generated from our operations, debt financing and/or equity fund raising. 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

ChaoShang Securities Limited

China Industrial Securities International Capital Limited

China Investment Securities International Brokerage Limited

Dongxing Securities (Hong Kong) Company Limited

GF Securities (Hong Kong) Brokerage Limited

Orient Securities (Hong Kong) Limited

SPDB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the 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, among other conditions, the granting of the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed 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 the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the Placing Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination if certain events, including force majeure, shall occur at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date. The Sole Global Coordinator (on behalf of the Hong Kong Underwriters) has the right, in its sole and absolute discretion, to terminate the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement by giving notice in writing to our Company, if it sees fit upon the occurrence of any of the following events:

(i) there has come to the notice of the Sole Global Coordinator:

(a) that any statement contained in this prospectus or any other documents issued or used by or on behalf of our 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 material respects, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions;

(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 this prospectus, or any other documents issued or used by or on behalf of the Company in connection with the Share Offer (including any supplement or amendment thereto);

(c) the issue of or the requirement by our Company to issue any supplementary prospectus (or to any other documents used in connection with the Share Offer) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;

(d) any breach of any of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the Placing Agreement (other than upon any of the Sole Sponsor, the Joint Bookrunners or the Underwriters), as applicable, which, in the reasonable opinion of the Sole Global Coordinator has a material adverse effect on the Share Offer;

(e) any event, act or omission which gives or is likely to give rise to any liability of any of the warrantors pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement;

(f) any adverse change or development or any prospective adverse change or development in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole and the effect of which is, in the reasonable opinion of the Sole Global Coordinator, so adverse as to make it impracticable or inadvisable to proceed with the Share Offer;

(g) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties given by any of the warrantors in the Hong Kong Underwriting Agreement, which, in the reasonable opinion of the Sole Global Coordinator has a material adverse effect on the Share Offer;

(h) that the approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

(i) that our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Share Offer) or the Share Offer;

(j) any potential litigation or disputes which would materially affect the operation, financial condition or reputation of our Group;

(k) any person (other than any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the offer documents or to the issue of any of the offer documents;

(l) any Director is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;

(m) the chairman of our Board or any of the executive Directors vacating his or her office;

(n) any governmental authority or a political body or organisation in any Relevant Jurisdiction (as defined hereinbelow) is commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director;

(o) any contravention by any member of our Group of the Listing Rules or applicable laws, which, in the reasonable opinion of the Sole Global Coordinator has a material adverse effect on the Share Offer;

(p) any prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including Shares to be issued under the Over-allotment Option) pursuant to the terms of the Share Offer;

(q) any non-compliance of this prospectus (or any other documents used in connection with the Share Offer) or any aspect of the Share Offer with the Listing Rules or any other applicable laws, which, in the reasonable opinion of the Sole Global Coordinator has a material adverse effect on the Share Offer;

(r) any order or petition for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our 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 our Group or anything analogous thereto occurring in respect of any member of our Group; or

(s) any change or prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus, which, in the reasonable opinion of the Sole Global Coordinator has a material adverse effect on the Share Offer.

(ii) there develops, occurs, exists or comes into force:

(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, calamity, crisis, epidemic, pandemic, outbreak or escalations of disease, economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the European Union (or any member thereof), or any other jurisdiction relevant to any member of the Group (the "**Relevant Jurisdictions**");

(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, equity securities or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(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 NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange;

(d) any general moratorium on commercial banking activities in any Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions;

(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 governmental authority in or affecting any of the Relevant Jurisdictions;

(f) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(g) a change or development involving a prospective change or amendment in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions,

which, individually or in the aggregate, in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (1) has or will or may have an adverse effect on the assets, liabilities, business, general affairs, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole, (2) has or will have or may have an adverse effect on the success of the Share Offer or the level of applications under the Hong Kong Public Offering or the level of interest under the Placing, (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Share Offer to proceed or to market the Share Offer or (4) has or will or may 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 Share Offer or pursuant to the underwriting thereof.

Undertakings to the Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to the Capitalisation Issue, the Share Offer, the Over-allotment Option and the Share Option Scheme, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us 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) without the prior consent of the Stock Exchange, except in the circumstances prescribed by Rule 10.08 of the Listing Rules.

By Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to the Share Offer and the Over-allotment Option, it shall not and shall procure that the relevant registered holder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save for using as security, including a pledge or a charge, 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) in respect of, any of the Shares or securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owners; and

(b) in the period of six months commencing on the date on which the period mentioned in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save for using as security, including a pledge or a charge, 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) in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our Controlling Shareholder(s).

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Stock Exchange that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(a) when he or it pledges or charges any Shares or other securities of our Company beneficially owned by him or it 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 us of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and

(b) when he or it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities will be disposed of, immediately inform us of any such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of an announcement as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by us

We have undertaken to the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters that we shall not, and, each of our Company, the executive Directors and our Controlling Shareholders jointly and severally undertake to the Hong Kong Underwriters to procure, except pursuant to the Share Offer, the Capitalisation Issue and the Over-allotment Option as mentioned in this prospectus, or the grant of any option under the Share Option Scheme or the exercise of any option to be granted under the Share Option Scheme, or with the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriter(s)) (such consent not to be unreasonably withheld or delay), and unless in compliance with the requirements of the Listing Rules, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-Month Period**") that:

(a) our Company will not, and will procure that our subsidiaries will not, offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Group or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable);

(b) our Company will not, and will procure that our subsidiaries will not, 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 share capital, debt capital or other securities of our Company or any interest therein (including without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares);

(c) our Company will not, and will procure that our subsidiaries will not, enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or

(d) our Company will not, and will procure that our subsidiaries will not, agree or contract to, or announce any intention to enter into any transaction described in paragraph (a) or (b) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other equity securities of our Company, or, in cash or otherwise; and

(e) our Company will ensure that if any of the transactions in paragraph (a), (b) or (c) above is entered into or agreed to be entered into during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), we will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has jointly and severally undertaken to our Company and the Hong Kong Underwriters that without the prior written consent of the Joint Bookrunners (for themselves and on behalf of all Hong Kong Underwriters) (which consent not to be unreasonably withheld or delayed) that:

(a) at any time during the First Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Bookrunners (which consent not to be unreasonably withheld or delayed) and unless otherwise in compliance with the requirements of the Listing Rules,

(i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, 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, make any short sale, lend or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights or interests or encumbrance in respect of), either directly or indirectly, conditionally or unconditionally any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein); or

(ii) enter into any swap or other arrangement that transfers, before the expiry of the Second Six-Month Period, to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein;

(iii) enter or agree to enter into, conditionally or unconditionally, or effect any of the transaction with the same economic effect as any transaction referred to in paragraph (a)(i) or (ii) above; or

(iv) agree, or contract to, or publicly announce any intention to enter into or effect any of the transaction referred to in paragraph (a)(i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of share or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so; and

(a) at any time during the Second Six-Month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Joint Bookrunners (which consent not to be unreasonably withheld or delayed) and unless otherwise in compliance with the Listing Rules, enter into any of the foregoing transactions in paragraph (a) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be our Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or regarded as, Controlling Shareholders;

(b) at any time before the expiry of the Second Six-Month Period, in the event that he/it enters into any transaction referred to in paragraph (a) above or agrees or contracts to or publicly announces an intention to enter into such transactions, he/it shall take all reasonable steps to ensure that such action shall not create a disorderly or false market for any Shares or other securities of our Company;

Each of our Controlling Shareholders has further undertaken jointly and severally during the first twelve months from the Listing Date, he/it will:

(a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or other securities of our Company beneficially owned by him/it for a bona fide commercial loan, immediately inform our Company and the Joint Bookrunners in writing of such pledge or charge together with the number of Shares or other securities of our Company which are so pledged or charged; and

(b) upon any indication received by him/it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other equity securities of our Company will be disposed of, immediately inform our Company and the Joint Bookrunners in writing of such indications.

Our Company agrees and undertakes to each of the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters that, upon receiving such information in writing from any of the Controlling Shareholders, it shall, as soon as possible, notify the Stock Exchange and make a public announcement in relation to such information in accordance with the Listing Rules.

The Placing

In connection with the Placing, it is expected that our Company will enter into the Placing Agreement with, *inter alia*, the Placing Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below. Under the Placing Agreement, the Placing Underwriters, subject to certain conditions, will severally agree to subscribe or purchase or procure subscribers or purchasers for the Placing Shares being offered pursuant to the Placing.

Our Company will grant to the Sole Global Coordinator the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the Placing Underwriters at any time from the Listing Date, up to (and including) the date which is the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 41,250,000 additional Shares, representing 15% of the number of Offer Shares initially offered under the Share Offer, at the same price per Share under the Placing to cover over-allocations (if any) in the Placing.

Commission and expenses

The Hong Kong Underwriters will receive an underwriting commission at the rate of 5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering and the Placing Underwriters will receive an underwriting commission at the rate of 5% of the aggregate Offer Price payable for the Placing Shares that are placed by the Placing Underwriters (including the Shares to be issued pursuant to the Over-allotment Option, if any). In each case, the Underwriters will pay any sub-underwriting commissions out of the underwriting commissions they receive. In addition, our Company may, at its sole and absolute discretion, pay to all or any of the Underwriters a discretionary incentive fee of up to 1% of the aggregate Offer Price payable for the Offer Shares (excluding the Shares to be issued pursuant to the exercise of the Over-allotment Option, if any). The underwriting commission, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK$34.1 million in aggregate (based on an Offer Price of HK$0.73 per Offer Share, being the mid-point of the indicative Offer Price range of HK$0.51 and HK$0.95 per Offer Share and based on the assumption that the Over-allotment Option is not exercised) and is paid or payable by our Company.

Indemnity

Our Company and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Underwriters' interests in our Company

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE SHARE OFFER

This prospectus is published in connection with the Hong Kong Public Offering as part of the Share Offer. SPDB International Capital Limited is the Sole Sponsor and the Sole Global Coordinator and ChaoShang Securities Limited, China Industrial Securities International Capital Limited, China Investment Securities International Brokerage Limited, Dongxing Securities (Hong Kong) Company Limited, GF Securities (Hong Kong) Brokerage Limited, Orient Securities (Hong Kong) Limited and SPDB International Capital Limited are the Joint Bookrunners and Joint Lead Managers.

The Share Offer initially consists of (subject to reallocation and the Over-allotment Option):

(i) the Hong Kong Public Offering of 27,500,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the section "Structure of the Share Offer — The Hong Kong Public Offering" in this prospectus; and

(ii) the Placing of 247,500,000 Offer Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in reliance on Regulation S of the U.S. Securities Act as described below in the section "Structure of the Share Offer — The Placing" in this prospectus.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors outside the United States in reliance on Regulation S of the U.S. Securities Act.

The Offer Shares will represent 25% of the enlarged registered share capital of our Company immediately after completion of the Share Offer 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 27.71% of the enlarged registered share capital immediately after completion of the Share Offer and the exercise of the Over-allotment Option as described in the section "Structure of the Share Offer — Over-allotment Option".

The number of Offer Shares to be offered under the Hong Kong Public Offering and the Placing respectively may be subject to reallocation as described in the section "Structure of the Share Offer — Pricing and Allocation".

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. Our Company expects to enter into the Placing Agreement relating to the Placing on the Price Determination Date. Details of the underwriting arrangements are summarized in the section "Underwriting" in this prospectus.

PRICING AND ALLOCATION

Offer Price range

The Offer Price will be not more than HK$0.95 per Offer Share and is expected to be not less than HK$0.51 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. 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.

Price payable on application

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK$0.95 per Hong Kong Offer Share plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK$3,838.29 for one board lot of 4,000 Offer Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK$0.95, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. Please refer to the section headed "How to Apply for Hong Kong Offer Shares — 13. Refund of application monies" in this prospectus.

Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing 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 about Wednesday, November 1, 2017.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Wednesday, November 1, 2017 and in any event, no later than 5:00 p.m. on Friday, November 3, 2017.

If, for any reason, our Company and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach agreement on the Offer Price at or before 5:00 p.m. on Friday, November 3, 2017, the Share Offer will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) considers it appropriate and together with our Company's consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time 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 any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese), and on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.potel-group.com** notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Allocation

The Offer Shares to be offered in the Hong Kong Public Offering and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Placing Shares pursuant to the Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, 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 buy further, and/or hold or sell the Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Hong Kong 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. The allocation of Hong Kong Offer Shares 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.

Announcement of final Offer Price and basis of allocations

The applicable final Offer Price, the level of indications of interest in the Placing and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Wednesday, November 8, 2017 in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) and to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.potel-group.com**).

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, will be made available through a variety of channels as described in the section "How to Apply for Hong Kong Offer Shares — 11. Publication of results" in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon, among other things:

- the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be made available pursuant to the Capitalisation Issue, the exercise of the Over-allotment Option and any Shares which may fall to be issued upon the exercise of the options which may be granted under the Share Option Scheme);

- the Offer Price having been duly agreed on or about the Price Determination Date;

- the execution and delivery of the Placing Agreement on or around the Price Determination Date; and

- the obligations of the Underwriters under the Placing Agreement and the Hong Kong Underwriting Agreement having become unconditional and not having been terminated in accordance with their respective terms,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Underwriting Agreement and the Placing Agreement is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will cause to be published by us in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) and on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.potel-group.com**) on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares — 13. Refund of application monies" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, November 8, 2017 but will only become valid certificates of title at 8:00 a.m. on Thursday, November 9, 2017, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section "Underwriting — Underwriting Arrangements and Expenses — the Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 27,500,000 Offer Shares at the Offer Price, representing 10% of the 275,000,000 Offer Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation as mentioned below, the number of Offer Shares offered under the Hong Kong Public Offering will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer, assuming that the Over-allotment Option is not exercised. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. 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 set out in the section "Structure of the Share Offer — Conditions of the Hong Kong Public Offering" above.

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 13,752,000 Hong Kong Offer Shares and Pool B will comprise 13,748,000 Hong Kong Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 13,748,000 Hong Kong Offer Shares (being approximately 50% of the initial number of Hong Kong Offer Shares).

Reallocation

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 Share Offer if certain prescribed total demand levels are reached. The allocation of the Offer Shares between the Hong Kong Public Offering and the Placing is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 82,500,000, 110,000,000 and 137,500,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Share Offer (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Offer Shares will be allocated to Pool A and Pool B equally.

If the Hong Kong Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the Placing, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Applications

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

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 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 Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE PLACING

Number of Offer Shares initially offered

The number of Offer Shares to be initially offered for subscription under the Placing will be 247,500,000 Offer Shares, representing 90% of the Offer Shares under the Share Offer. Subject to any reallocation of Offer Shares between the Placing and the Hong Kong Public Offering, the Placing Shares will represent 22.5% of our enlarged issued share capital immediately after completion of the Share Offer assuming the Over-allotment Option is not exercised. The Placing is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

Pursuant to the Placing, the Placing Underwriters will conditionally place the Offer Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S of the U.S. Securities Act. Allocation of Placing Shares pursuant to the Placing will be effected in accordance with the "book-building" process described in paragraph "Pricing and Allocation" above and based on a number of factors, including the level and timing of demand, 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 buy further Shares, and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the Placing Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to issue up to 41,250,000 Offer Shares, representing 15% of the number of Offer Shares initially available under the Share Offer, at the Offer Price to cover over-allocations in the Placing, if any. The Sole Global Coordinator may also cover any over-allocations by purchasing Offer Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, regulations and rules.

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 new 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, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, SPDB International Capital Limited, as the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by the applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected 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 on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, amounting to, 41,250,000 Offer Shares, which is 15% of the number of Offer Shares initially available under the Share Offer.

Stabilizing action will be entered into in accordance with the laws, regulations and rules in place in Hong Kong on stabilization and stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;

- liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last Business Day immediately before the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, may fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within 7 days of the expiration of the stabilizing period.

In connection with the Share Offer, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 41,250,000 additional Offer Shares and cover such over-allocations by exercising the Over-allotment Option, or by making purchases in the secondary market at prices that do not exceed the Offer Price.

DEALING ARRANGEMENTS

Assuming that the Share Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, November 9, 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, November 9, 2017. The Shares will be traded in board lots of 4,000 Offer Shares each under the stock code 1720.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- 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.

Our Company, the Sole Global Coordinator, 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 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 Sole Global Coordinator may accept it at its sole discretion and on any conditions it thinks 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 our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

(a) 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.

(b) Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, October 27, 2017 until 12:00 noon on Wednesday, November 1, 2017 from:

- any of the following offices of the Hong Kong Underwriters:

ChaoShang Securities Limited	at	Room 4001-2 China Resources Building 26 Harbour Road Wanchai, Hong Kong
China Industrial Securities International Capital Limited	at	7/F, Three Exchange Square 8 Connaught Place Central, Hong Kong
China Investment Securities International Brokerage Limited	at	Unit Nos. 7701A & 05B-08 Level 77 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Dongxing Securities (Hong Kong) Company Limited	at	6805-6806A International Commerce Centre 1 Austin Road West Kowloon Hong Kong
GF Securities (Hong Kong) Brokerage Limited	at	29-30/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Orient Securities (Hong Kong) Limited	at	28-29/F 100 Queen's Road Central Central, Hong Kong
SPDB International Capital Limited	at	32/F, One Pacific Place 88 Queensway Hong Kong

- any of the following branches of **Bank of China (Hong Kong) Limited**:

District	Branch Name	Address
Hong Kong Island	Johnston Road Branch	152-158 Johnston Road Wan Chai
Kowloon	Jordan Road Branch	1/F, Sino Cheer Plaza 23-29 Jordan Road
	Chuk Yuen Estate Branch	Shop S1, Chuk Yuen Shopping Centre Chuk Yuen South Estate
	Telford Plaza Branch	Shop Unit, P2-P7, Telford Plaza No. 33 Wai Yip Street Kowloon Bay
	Hoi Yuen Road Branch	55 Hoi Yuen Road Kwun Tong
New Territories	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, October 27, 2017 until 12:00 noon on Wednesday, November 1, 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

(c) Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — PUTIAN COMMUNICATION PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, October 27, 2017 — 9:00 a.m. to 5:00 p.m.
Monday, October 30, 2017 — 9:00 a.m. to 5:00 p.m.
Tuesday, October 31, 2017 — 9:00 a.m. to 5:00 p.m.
Wednesday, November 1, 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, November 1, 2017, the last application day or such later time as described in the paragraph "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, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our 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 (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 Share Offer in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer 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 Placing Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank(s), the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners, 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 our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners 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 our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund check(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 share certificate(s) and/or refund check(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 our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners and the Hong Kong Underwriters 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

(a) General

Individuals who meet the criteria in the paragraph headed "Who can apply" in this section, may apply through the **HK eIPO White Form** service for the Hong Kong 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 our 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.

(b) Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** service at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, October 27, 2017 until 11:30 a.m. on Wednesday, November 1, 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, November 1, 2017 or such later time under the subsection headed "Effects of bad weather on the opening of the application lists" in this section.

(c) No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instructions** 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** service more than once and obtaining different application 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.

(d) Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our 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

(a) 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, Central
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 our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

(b) 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 Placing Shares under the Placing;

- (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 our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers and the Joint Bookrunners 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 our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send 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 our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, 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 our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners, 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 our 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 our 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 our Company, for itself and for the benefit of each Shareholder (and so that our 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 our 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 that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

(c) 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 our 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 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.

(d) 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 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 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.

(e) Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, October 27, 2017	**—**	**9:00 a.m. to 8:30 p.m.**[(1)]
Monday, October 30, 2017	**—**	**8:00 a.m. to 8:30 p.m.**[(1)]
Tuesday, October 31, 2017	**—**	**8:00 a.m. to 8:30 p.m.**[(1)]
Wednesday, November 1, 2017	**—**	**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 Friday, October 27, 2017 until 12:00 noon on Wednesday, November 1, 2017 (24 hours daily, except from 3:00 a.m. on Saturday, October 28, 2017 until 7:00 a.m. on Sunday, October 29, 2017 and on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, November 1, 2017, the last application day or such later time as described in the paragraph "Effect of bad weather on the opening of the application lists" in this section.

(f) 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.

(g) Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our 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).

(h) Personal Data

The section of the Application Form "Personal Data" applies to any personal data held by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners, the Hong Kong Branch Share Registrar, the receiving banker, 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 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. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers, the Joint Bookrunners 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 Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, November 1, 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for 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 the Hong Kong Offer 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 4,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 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 "Structure of the Share Offer — Pricing and allocation" in this prospectus.

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 Wednesday, November 1, 2017. 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 Wednesday, November 1, 2017 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 "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, November 8, 2017 in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) and on our Company's website at **www.potel-group.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 our Company's website at **www.potel-group.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Wednesday, November 8, 2017;
- 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 Wednesday, November 8, 2017 to 12:00 midnight on Tuesday, November 14, 2017;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, November 8, 2017 to Monday, November 13, 2017 (excluding Saturday, Sunday and public holidays in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, November 8, 2017 to Friday, November 10, 2017 at the designated receiving bank branches.

If our 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 Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section "Structure of the Share Offer" in this prospectus.

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 HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **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 our 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.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, 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.

(c) 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 our Company of that longer period within three weeks of the closing date of the application lists.

(d) 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 Placing 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 check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes 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$0.95 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 set out in the section "Structure of the Share Offer — Conditions of the Hong Kong Public Offering" in this prospectus are not fulfilled 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 check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, November 8, 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one 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 share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the 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:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund check(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 check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund checks and share certificates are expected to be posted on Wednesday, November 8, 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, November 9, 2017 provided that the Share Offer has become unconditional and the right of termination described in the section "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(a) 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 check(s) and/or share certificate(s) from the Hong Kong Branch 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 Wednesday, November 8, 2017 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 authorisation 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 Hong Kong Branch Share Registrar.

If you do not collect your refund check(s) and/or 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 check(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, November 8, 2017, by ordinary post and at your own risk.

(b) 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 for the collection of refund check(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on Wednesday, November 8, 2017, 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 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 Wednesday, November 8, 2017, 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 Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you apply as a CCASS Investor Participant*

  Our 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 the paragraph "Publication of results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 8, 2017 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.

(c) 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 share certificate(s) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, November 8, 2017, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates, e-Auto Refund payment instructions or refund checks.

If you do not collect your 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 share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, November 8, 2017 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 despatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(d) 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 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 Wednesday, November 8, 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our 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 the paragraph "Publication of results" above on Wednesday, November 8, 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 8, 2017 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 Wednesday, November 8, 2017. 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 Wednesday, November 8, 2017.

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 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 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.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PUTIAN COMMUNICATION GROUP LIMITED AND SPDB INTERNATIONAL CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Putian Communication Group Limited (formerly known as Putian Group Limited) (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 1-4 to 1-52, which comprises the combined statements of financial position as at December 31, 2014, December 31, 2015, December 31, 2016 and April 30, 2017 and the statement of the financial position of the Company as at December 31, 2016 and April 30, 2017, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-52 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated October 27, 2017 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at December 31, 2016 and April 30, 2017, the Group's financial position as at December 31, 2014, December 31, 2015, December 31, 2016 and April 30, 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE HISTORICAL FINANCIAL INFORMATION

We have reviewed the stub period comparative historical financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the four months ended April 30, 2016 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review 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. A review consists of making inquiries, 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-14 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

BDO Limited
Certified Public Accountants

Wan Che Bun
Practicing Certificate Number: P05804
Hong Kong, October 27, 2017

I. FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

		Year ended December 31,			Four months ended April 30,	
	Notes	2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*6*	270,770	361,726	467,919	120,761	165,062
Cost of sales		(219,283)	(282,836)	(356,559)	(91,542)	(123,685)
Gross profit		**51,487**	**78,890**	**111,360**	**29,219**	**41,377**
Other income	*7*	191	238	105	41	19
Selling and distribution expenses		(9,611)	(13,709)	(17,154)	(4,752)	(6,197)
Administrative expenses		(15,892)	(20,801)	(28,880)	(8,922)	(14,549)
Finance costs	*8*	(5,188)	(4,036)	(2,287)	(742)	(770)
Profit before income tax expense	*9*	**20,987**	**40,582**	**63,144**	**14,844**	**19,880**
Income tax expense	*10*	(3,199)	(6,224)	(11,045)	(2,409)	(4,512)
Profit and total comprehensive income for the year/period		**17,788**	**34,358**	**52,099**	**12,435**	**15,368**
Profit and total comprehensive income for the year/period attributable to:						
Owners of the Company		17,788	34,368	52,102	12,435	15,368
Non-controlling interests		–	(10)	(3)	–	–
		17,788	**34,358**	**52,099**	**12,435**	**15,368**

Combined Statements of Financial Position

	Notes	As at December 31, 2014	As at December 31, 2015	As at December 31, 2016	As at April 30, 2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*14*	74,226	101,388	98,384	97,262
Prepaid land lease payment	*15*	12,905	12,616	12,327	12,327
Other non-current assets	*16*	–	–	353	–
		87,131	114,004	111,064	109,589
Current assets					
Prepaid land lease payment	*15*	289	289	289	193
Inventories	*17*	36,879	40,212	41,582	47,631
Trade and bills receivables	*18*	107,960	118,171	145,864	150,235
Deposits, prepayments and other receivables	*19*	4,795	2,649	8,627	7,272
Amount due from a director	*24*	–	–	4,335	–
Amount due from a non-controlling interests shareholder		4,894	4,757	–	–
Restricted cash	*20*	500	470	480	480
Cash and cash equivalents	*21*	7,603	11,053	14,311	7,003
		162,920	177,601	215,488	212,814
Current liabilities					
Trade and bills payables	*22*	21,016	20,431	35,990	26,126
Accruals, deposits received and other payables	*23*	7,961	8,393	9,676	10,941
Amount due to a director	*24*	5,917	36,563	–	–
Amounts due to shareholders	*24*	–	–	–	91,311
Provision for taxation		1,214	2,497	2,962	1,020
Bank borrowings	*25*	70,928	45,240	48,000	44,998
		107,036	113,124	96,628	174,396
Net current assets		**55,884**	**64,477**	**118,860**	**38,418**
Total assets less current liabilities		**143,015**	**178,481**	**229,924**	**148,007**

	Notes	As at December 31, 2014	2015	2016	As at April 30, 2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liability					
Deferred tax liability	*26*	1,186	2,294	4,009	4,664
Net assets		**141,829**	**176,187**	**225,915**	**143,343**
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital		101,000	101,000	101,066	88
Reserves		38,379	72,747	124,849	143,255
Equity attributable to owners of the Company		**139,379**	**173,747**	**225,915**	**143,343**
Non-controlling interests		**2,450**	**2,440**	**–**	**–**
Total equity		**141,829**	**176,187**	**225,915**	**143,343**

Statements of Financial Position of the Company

	Notes	**As at December 31, 2016**	**As at April 30, 2017**
		RMB'000	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary		66	66
Current assets			
Amount due from a director		–	57
Current liabilities			
Amount due to a subsidiary		–	3,561
Net current liabilities		–	(3,504)
Net assets/(liabilities)		**66**	**(3,438)**
CAPITAL AND RESERVES			
Share capital	*27*	66	88
Reserves		–	(3,526)
Total equity/(deficit)		**66**	**(3,438)**

Combined Statements of Changes in Equity

	Share capital	Capital reserves*	PRC statutory reserves*	Other reserve*	Exchange reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000* *(Note a)*	*RMB'000* *(Note b)*	*RMB'000* *(Note c)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2014	101,000	190	2,282	–	–	18,119	121,591	–	121,591
Profit and total comprehensive income for the year	–	–	–	–	–	17,788	17,788	–	17,788
Acquisition of a subsidiary	–	–	–	–	–	–	–	2,450	2,450
Transfer to statutory reserves	–	–	1,997	–	–	(1,997)	–	–	–
At December 31, 2014 and January 1, 2015	101,000	190	4,279	–	–	33,910	139,379	2,450	141,829
Profit/(loss) and total comprehensive income for the year	–	–	–	–	–	34,368	34,368	(10)	34,358
Transfer to statutory reserves	–	–	3,558	–	–	(3,558)	–	–	–
At December 31, 2015 and January 1, 2016	101,000	190	7,837	–	–	64,720	173,747	2,440	176,187
Profit/(loss) and total comprehensive income for the year	–	–	–	–	–	52,102	52,102	(3)	52,099
Issue of shares *(Note 27)*	66	–	–	–	–	–	66	–	66
Disposal of a subsidiary	–	–	–	–	–	–	–	(2,437)	(2,437)
Transfer to statutory reserves	–	–	5,631	–	–	(5,631)	–	–	–
At December 31, 2016 and January 1, 2017	101,066	190	13,468	–	–	111,191	225,915	–	225,915
Profit and total comprehensive income for the period	–	–	–	–	–	15,368	15,368	–	15,368
Repurchase of shares *(Note 27)*	(66)	–	–	–	–	–	(66)	–	(66)
Issue of shares *(Note 27)*	88	–	–	–	–	–	88	–	88
Appropriation to statutory reserves	–	–	2,291	–	–	(2,291)	–	–	–
Group reorganization	(101,000)	–	–	3,028	–	–	(97,972)	–	(97,972)
Exchange alignment	–	–	–	–	10	–	10	–	10
At April 30, 2017	88	190	15,759	3,028	10	124,268	143,343	–	143,343

	Share capital	Capital reserves*	PRC statutory reserves*	Other reserve*	Exchange reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000* *(Note a)*	*RMB'000* *(Note b)*	*RMB'000* *(Note c)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)									
At December 31, 2015 and January 1, 2016	101,000	190	7,837	–	–	64,720	173,747	2,440	176,187
Profit and total comprehensive income for the period	–	–	–	–	–	12,435	12,435	–	12,435
Appropriation to statutory reserves	–	–	1,203	–	–	(1,203)	–	–	–
At April 30, 2016	101,000	190	9,040	–	–	75,952	186,182	2,440	188,622

* The total of these accounts as at the reporting dates represents "Reserves" in the combined statements of financial position.

Notes:

(a) Capital reserves represented the excess net assets of RMB30,000 from Putian Cable, which was the capital surplus raised from the capital injection of US$185,000 on November 2, 2001. Also, the excess net assets of RMB160,000 from Jiangxi Optical, which transferred from the PRC statutory reserves when Jiangxi Optical transformed from Limited Company to Stock Corporation as at the date of transformation, September 30, 2013. Further details of the Group Reorganization are set out in the section headed "History, Reorganization and Group Structure" on pages 93 to 109 in the Prospectus.

(b) PRC statutory reserves represented the amount transferred from net profit for the year of the subsidiaries established in the PRC (based on the subsidiaries PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserves reach 50% of the registered capital of the subsidiaries. The statutory reserves cannot be reduced except either in setting off the accumulated losses or increasing capital.

(c) The amount arose from the acquisition of equity interest in the Putian Cable by Jiangxi Tianyuan from the shareholders, Ms Wang Qiu Ping and Mr. Zhao Xiao Bao.

Combined Statements of Cash Flows

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cash flows from operating activities					
Profit before income tax expense	20,987	40,582	63,144	14,844	19,880
Adjustments for:					
Depreciation of property, plant and equipment	6,620	8,595	9,661	3,273	3,266
Amortization of prepaid land lease payment	289	289	289	96	96
Interest income	(55)	(68)	(36)	(16)	(5)
Finance costs	5,188	4,036	2,287	742	770
Gain on disposal of a subsidiary	–	–	(13)	–	–
(Gain)/loss on disposal of property, plant and equipment, net	(105)	4	19	–	–
Operating profit before working capital changes	32,924	53,438	75,351	18,939	24,007
(Increase)/decrease in trade and bills receivables	(18,055)	(10,211)	(27,693)	4,835	(4,371)
Decrease/(increase) in deposits, prepayments and other receivables	1,842	2,146	(5,978)	(7,958)	1,708
Increase in inventories	(10,603)	(3,333)	(1,370)	(11,536)	(6,049)
Increase/(decrease) in trade and bills payables	11,835	(585)	15,559	14,095	(9,864)
Increase/(decrease) in accruals, deposits received and other payables	4,637	432	1,283	(2,781)	1,265
Decrease/(increase) in amount due from non-controlling interests shareholder	106	137	(243)	–	–
Cash generated from operations	22,686	42,024	56,909	15,594	6,696
Profits tax paid	(2,267)	(3,833)	(8,865)	(3,780)	(5,799)
Net cash generated from operating activities	20,419	38,191	48,044	11,814	897

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from investing activities					
Purchase of property, plant and equipment	(17,917)	(35,761)	(7,203)	(1,574)	(2,144)
Prepayments of property, plant and equipment	–	–	(353)	–	–
Proceeds on disposal of property, plant and equipment	204	–	527	417	–
Acquisition of a subsidiary	(2,550)	–	–	–	–
Proceeds on disposal of a subsidiary	–	–	2,576	–	–
Interest income received	55	68	36	16	5
Net cash used in investing activities	(20,208)	(35,693)	(4,417)	(1,141)	(2,139)
Cash flows from financing activities					
Proceeds from bank borrowings	81,048	88,181	66,256	11,847	4,304
Repayment of bank borrowings	(80,697)	(113,869)	(63,496)	(29,091)	(7,306)
Restricted cash (pledged)/released	(500)	30	(10)	–	–
Increase/(decrease) in amounts due to a director/shareholders	4,400	30,646	(40,898)	2,430	(2,324)
Interest paid for bank borrowings	(5,188)	(4,036)	(2,287)	(742)	(770)
Issue of share capital	–	–	66	–	86
Repurchase of share capital	–	–	–	–	(66)
Net cash (used in)/generated from financing activities	(937)	952	(40,369)	(15,556)	(6,076)
Net (decrease)/increase in cash and cash equivalents	(726)	3,450	3,258	(4,883)	(7,318)
Cash and cash equivalents at beginning of the year/period	8,329	7,603	11,053	11,053	14,311
Effect of foreign exchange rate changes	–	–	–	–	10
Cash and cash equivalents at end of the year/period	7,603	11,053	14,311	6,170	7,003

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on August 19, 2016 under the Companies laws of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is located at PRC.

The principal activity of the Company is investment holding. The principal activities of the Group are production and sale of communication copper cables, optical fiber cables and structured cabling system products (the "**Listing Businesses**").

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary#	Date and place of incorporation/ establishment	Attributable equity interest of the Group					Issued and fully paid share capital/ registered capital	Principal activities
		At December 31,			At April 30,	At date of this report		
		2014	2015	2016	2017			
Interests held directly								
Putian Group Investment Co., Ltd. ("**Putian Investment**") (普天集團投資有限公司)	Incorporated on August 31, 2016 in the British Virgin Island ("**BVI**")	–	–	100%	100%	100%	Ordinary shares US dollars ("**US$**")10,000	Investment holding
Interests held indirectly								
Putian Group (HK) Investment Limited ("**Putian Group HK**") (普天集團(香港) 投資有限公司)	Incorporated on September 20, 2016 in Hong Kong	–	–	100%	100%	100%	Ordinary shares HK dollars ("**HKD**")10,000	Investment holding
Jiangxi Tianyuan Intelligent Technology Co., Ltd ("**Jiangxi Tianyuan**") (江西天源智能科技有限公司)*	Incorporated on December 8, 2016 in the People's Republic of China ("**The PRC**")	–	–	100%	100%	100%	Renminbi ("**RMB**")10,000,000	Investment holding
Putian Cable Group Co., Ltd ("**Putian Cable**") (普天線纜集團有限公司)^^	Incorporated on March 21, 2001 in the PRC	100%	100%	100%	100%	100%	RMB101,000,000	Production and sales of communication copper cables and optical fiber cables
Jiangxi Changtian Optical Communication Co., Ltd ("**Jiangxi Optical**") (江西長天光電通信有限公司) ^	Incorporated on December 27, 2010 in the PRC	100%	100%	100%	100%	100%	RMB30,000,000	Sales of optical fiber cables
Jiangxi Putian Building Intelligence Co., Ltd ("**Jiangxi Building**") (江西普天樓宇智能有限公司) ^	Incorporated on November 17, 1999 in the PRC	100%	100%	100%	100%	100%	RMB8,000,000	Sales of structured cabling system products

Name of subsidiary[#]	Date and place of incorporation/ establishment	Attributable equity interest of the Group					Issued and fully paid share capital/ registered capital	Principal activities
		At December 31,			At April 30,	At date of this report		
		2014	2015	2016	2017			
Putian Cable Group (Shanghai) Building Intelligence Co., Ltd ("**Putian Cable (Shanghai)**") (普天線纜集團(上海)樓宇智能有限公司) ^	Incorporated on March 30, 2015 in the PRC	–	100%	100%	100%	100%	RMB30,000,000	Sales of structured cabling system products
Jiangxi Putian Scrap Metal Recycle Co., Ltd ("**Jiangxi Recycle**") (江西普天廢舊金屬回收有限公司) ^	Incorporated on October 11, 2011 in the PRC	100%	100%	100%	100%	100%	RMB6,000,000	Dormant company
Jiangxi Changxun Plastic Technology Co., Ltd ("**Jiangxi Changxun**") (江西長訊塑膠科技有限公司) ^	Incorporated on November 11, 2014 in the PRC	100%	100%	100%	100%	100%	RMB20,000,000	Dormant company
Jiangxi Yigi Solar Power Co., Ltd ("**Yigi Solar Power**") (江西移基太陽能有限公司) ^ **	Incorporated on August 11, 2011 in the PRC	51%	51%	–	–	–	RMB2,550,000	Dormant company

\# The English names of all subsidiaries established in the PRC are translated for identification purpose only.

* These entities are established in the PRC in the form of wholly foreign-owned enterprise.

** The 51% equity interest of Yigi Solar Power was acquired from two independent third parties and a relative of Ms. Wang on December 5, 2014 and disposed to an independent third party and a relative of Ms. Wang on October 12, 2016.

^ The entity is established in the PRC in the form of domestic limited liability company.

^^ The entity is established in the PRC in the form of domestic limited liability company. Pursuant to the Group Reorganization, the entity became a sino-foreign owned enterprise on January 22, 2017.

All companies now comprising the Group have adopted December 31 as their financial year end date.

As at the date of this report, no audited financial statements have been prepared for the Company, Putian Investment, Putian Group HK and Jiangxi Tianyuan as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

The statutory financial statements of Putian Cable, Jiangxi Optical, Jiangxi Building, Putian Cable (Shanghai), Jiangxi Recycle and Jiangxi Changxun for the three years ended December 31, 2014, 2015 and 2016 were prepared in accordance with the PRC GAAP and were audited by Jiangxi Pingan C.P.A. Ltd (江西平安會計師事務所有限責任公司), certified public accountants registered in the PRC.

The statutory financial statements of Yigi Solar Power for the tem months ended October 30, 2016 were prepared in accordance with the PRC GAAP and were audited by Jiangxi Pingan C.P.A Ltd (江西平安會計師事務所有限責任公司), certified public accountants registered in the PRC.

The statutory financial statements of Yigi Solar Power for the two years ended December 31, 2014 and 2015 were prepared in accordance with the PRC GAAP and were audited by BDO China Shu Lun Pan CPAs (Xiamen branch) (立信會計師事務所(特殊普通合夥)廈門分所), certified public accountants registered in the PRC.

For the purpose of the Financial Information of this report, the directors of the Group have prepared the combined financial statements of the Group for the Track Record Period (the "**Underlying Financial Statements**") in accordance with the basis of presentation set out in Note 2 below and accounting policies set out in Note 3 below which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Financial Information has been prepared from the Underlying Financial Statements, with no adjustments made thereon.

2. BASIS OF PRESENTATION

During the Track Record Period, the Listing Businesses were conducted through Putian Cable Group Co., Ltd ("**Putian Cable**") and its subsidiaries. Putian Cable was controlled by Ms. Wang Qiu Ping and Mr. Zhao Xiao Bao. As detailed in the section headed "History, Reorganization and Group Structure" in the Prospectus, the Group underwent a reorganization to rationalize its corporate structure in connection with the Listing of the shares of the Company on the Stock Exchange.

The Company was incorporated in the Cayman Islands on August 19, 2016 as an exempted company with limited liability under the Cayman Islands Companies Law. Pursuant to the Group Reorganization as detailed in the section headed "History, Reorganization and Group Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on March 27, 2017. The Company and Putian Investment, Putian Group HK, Jiangxi Tianyuan (together, the "**Non-operating Companies**") are newly incorporated companies as part of the Group Reorganization of Putian Cable and none of these new holding companies carried out any business since their incorporation.

The Reorganization only involved inserting the non-operating companies as holding companies of Putian Cable, which has no substance. The holding companies have not been involved in any business and do not meet the definition of a business. Accordingly, for the purpose of this report, the Financial Information has been prepared based on that of Putian Group using the predecessor carrying amounts.

For the purpose of this report, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the Track Record Period, or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period. The combined statements of financial position of the Group as at December 31, 2014, 2015, 2016, and April 30, 2017 have been prepared to present the state of affairs of the Group as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period. All significant intra-group transactions and balances have been eliminated on consolidation.

Inter-company transactions and balances between group companies together with unrealized profits are eliminated in full in consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognized in profit or loss.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with the basis of presentation set out in Note 2 and the accounting policies set out below, which conform the HKFRS issued by HKICPA. The Financial Information also complies with the applicable disclosure requirement of the Hong Kong Companies Ordinance and the Listing Rules.

The HKICPA has issued a number of new or revised HKFRSs which are relevant to the Group and became effective during the Track Record Period. For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has, throughout the Track Record Period, early adopted HKFRSs issued by the HKICPA, which are effective for periods beginning on January 1, 2017.

At the date of this report, HKICPA has issued certain new or amended HKFRSs but are not yet effective and have not been adopted early by the Group. Details of which are set out in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of measurement

The Financial Information has been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately different from those estimates. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 5.

3.2 Functional and presentation currency

The Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company and the Group.

3.3 Basis of consolidation

The combined financial statements comprise the financial statements of the Company and its subsidiaries ("**the Group**"). Inter-company transactions and balances between group companies together with unrealized profits are eliminated in full in preparing the consolidated financial statements. Unrealized losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognized in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the combined statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognized in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognized at acquisition-date fair value. Subsequent adjustments to consideration are recognized against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognized in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

3.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts, rebates and other similar allowances.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

3.5 Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes as described below, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings and structures	20 years
Plant and machinery	10 years
Motor vehicles	5 years
Leasehold improvement	Over lease term
Furniture, fixtures and office equipment	3 – 5 years

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes are stated at cost less any recognized impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognized in profit or loss on disposal.

3.6 Capitalization of borrowing costs

Borrowing costs directly attribute to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.7 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

The Group as lessee

The total rentals payable under the operating leases are recognized in profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognized as an integrated part of the total rental expense, over the term of the lease.

3.8 Prepaid land lease payment

(i) Acquired prepaid land lease payment

Prepaid land lease payment acquired separately is initially recognized at cost. The cost of prepaid land lease payment acquired in a business combination is fair value at the date of acquisition. Subsequently, prepaid land lease payment with finite useful lives is carried at cost less accumulated amortization and accumulated impairment losses.

Amortization is provided on a straight-line basis over their useful lives as follows. Prepaid land lease payment with indefinite useful lives is carried at cost less any accumulated impairment losses. The amortization expense is recognized in profit or loss and included in administrative expenses.

Land use right – 50 years

(ii) Impairment

Prepaid land lease payment with indefinite useful lives and prepaid land lease payment not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Prepaid land lease payment with finite lives is tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and prepaid land lease payment below).

3.9 Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the combined statements of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3.10 Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents 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.

3.11 Impairment of other assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.12 Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

3.13 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand as well as short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.14 Financial Instruments

(a) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. All financial assets are recognized when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets are recognized and derecognized on trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, they are carried at amortized cost using effective interest method, less any identified impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(b) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial assets are impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– 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 reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For loans and receivables

An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(c) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortized costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognized in profit or loss in the period in which they arise.

Financial liabilities at amortized cost

Financial liabilities at amortized cost including trade and other payables and borrowings are subsequently measured at amortized cost, using the effective interest method. The related interest expense is recognized in profit or loss.

Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

(d) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract.

Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 Revenue.

(e) Effective interest method

This is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(f) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(g) Derecognition

The Group derecognizes a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39. On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognized in other comprehensive income is recognized in profit or loss.

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires. The difference between the carrying amount and the consideration paid is recognized in profit or loss.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

3.15 Foreign currency translation

Transactions entered into by the combined entities in currencies other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

3.16 Income tax

Income taxes for the year/period comprise current tax and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognized at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Current income taxes are recognized in profit or loss, except to the extent that the tax relates to items recognized outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

Deferred tax is recognized in profit or loss, except when it relates to items recognized outside profit or loss, in which case the tax is also recognized either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognized amounts; and

(b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.17 Employee benefits

Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government (the "**Scheme**"), whereby the subsidiary of the Company in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

3.18 Government grant

Government grants are recognized 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 recognized as revenue 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 deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

3.19 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

For the purposes of assessing segment performance and allocating resources between segments, the directors assess segment profit or loss by gross profit or loss as measured in HKFRS financial statements.

For the purpose of presenting geographical location of the Group's revenue from external customers and the Group's non-current assets, country of domicile is determined by reference to the country where the majority of the Company's subsidiaries operate.

3.20 Provisions and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation 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 benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.21 Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) 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).
- (ii) 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).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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 and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. NEW OR REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements:

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Lease[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014-2016 Cycle[4]
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]

[1] Effective for annual periods beginning on or after January 1, 2018

[2] Effective for annual periods beginning on or after January 1, 2019

[3] The amendments were originally intended to be effective for periods beginning on or after January 1, 2016. The effective date has now been deferred/ removed. Early application of the amendments continue to be permitted

[4] Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate

Except as described below, the directors do not anticipate that the application of the new and revised HKFRSs will have material impact on the Group's financial performance and position and/or the disclosures to the Group's Financial Information.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortized cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("**FVTPL**").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognized in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors anticipate that the application of HKFRS 9 in the future will have an impact on amounts reported in respects of the Group's financial performance and financial assets (e.g. impairment on trade and bills receivables) resulting from early provision of credit losses using the expected loss impairment model under HKFRS 9 instead of incurred loss model under HKAS 39. The directors estimate that no material impact on the Group's financial performance and position upon the application of HKFRS 9 in the year of initial adoption.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognize revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Management has performed a preliminary assessment and expects that the implementation of the HKFRS 15 would not result in any significant impact on the Group's financial position and results of operations. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. HKFRS 15 is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted.

Amendments to HKFRS 15 – Revenue from Contracts with Customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Lease

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in Note 30, total operating lease commitment as lessee of the Group in respect of leased premises as at December 31, 2014, 2015, 2016 and as at April 2017 amounted to RMB138,000, RMB1,361,000 and RMB1,431,000 and RMB1,700,000 respectively. The directors of the Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognized in the combined statement of financial position as right-of-use assets and lease liabilities.

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from April 1, 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period are discussed below:

(i) Depreciation and amortization

The Group depreciates the property, plant and equipment and amortizes prepaid land lease payment in accordance with the accounting policies stated in Notes 3.5 and 3.8 respectively. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets. The management reassesses the estimated useful lives at the end of each of the Track Record Period.

(ii) Impairment of receivables

The management assesses impairment of receivables on a regular basis. This estimate is based on the credit history of the customers and debtors and current market conditions. The management reassesses the impairment of receivables at the end of each of the Track Record Period.

(iii) Estimates of current tax and deferred tax

Significant judgment is required in determining the amount of the provision for tax and the timing of payment of the related tax. Where the final tax outcomes are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

(iv) Impairment of non-financial assets

The Group assesses impairment by evaluating conditions specific to the Group that may lead to impairment of assets. When an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and judgments about future events, which are subject to uncertainties and might materially differ from the actual results. In making these key estimates and judgments, the directors take into consideration assumptions that are mainly based on market conditions existing at the reporting date and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Future changes in the events and conditions underlying the estimates and judgments would affect the estimation of recoverable amounts and result in an adjustment to their carrying amounts.

6. SEGMENT REPORTING

In a manner consistent with how the Group manages its business and 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 identified three reportable segments, namely optical fiber cables, communication copper cables and structured cabling system products. No operating segments have been aggregated to form the above reportable segments.

- Optical fiber cables: manufacturing and sales of optical fiber cables to the PRC's largest telecommunication service providers.

- Communication copper cables: manufacturing and sales of communication copper cables to the PRC's largest telecommunication service providers.

- Structured cabling system products: manufacturing and sales of structured cabling system products to medium to large scales' construction companies and domestic customers.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Reportable segment revenue represents the revenue derived from the Group's external customers by optical fiber cables, communication copper cables and structured cabling system products, respectively.

The measure used for reportable segment profit is profit before taxation of optical fiber cables, communication copper cables and structured cabling system products, respectively.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

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 December 31, 2014, 2015 and 2016 and for the four months ended April 30, 2016 and 2017 is set out below:

	Year ended December 31, 2014			
	Optical fiber cables	Communication copper cables	Structured cabling system products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from the Group's external customers	65,679	196,511	17,240	279,430
Inter-segment revenue	(4,577)	(2,114)	(1,969)	(8,660)
Reportable segment revenue	61,102	194,397	15,271	270,770
Reportable segment profit	4,383	22,733	4,446	31,562

	Year ended December 31, 2015			
	Optical fiber cables	Communication copper cables	Structured cabling system products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from the Group's external customers	119,063	220,877	42,969	382,909
Inter-segment revenue	(6,513)	(7,159)	(7,511)	(21,183)
Reportable segment revenue	112,550	213,718	35,458	361,726
Reportable segment profit	18,819	21,761	10,728	51,308

	Year ended December 31, 2016			
	Optical fiber cables	Communication copper cables	Structured cabling system products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from the Group's external customers	172,822	261,528	57,713	492,063
Inter-segment revenue	(10,480)	(13,056)	(608)	(24,144)
Reportable segment revenue	162,342	248,472	57,105	467,919
Reportable segment profit	29,763	30,874	15,681	76,318

	Four months ended April 30, 2017			
	Optical fiber cables	Communication copper cables	Structured cabling system products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from the Group's external customers	56,775	81,367	31,485	169,627
Inter-segment revenue	(655)	(3,428)	(482)	(4,565)
Reportable segment revenue	56,120	77,939	31,003	165,062
Reportable segment profit	8,141	11,627	9,436	29,204

	Four months ended April 30, 2016 (unaudited)			
	Optical fiber cables	Communication copper cables	Structured cabling system products	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from the Group's external customers	53,150	65,940	10,892	129,982
Inter-segment revenue	(6,156)	(3,520)	455	(9,221)
Reportable segment revenue	46,994	62,420	11,347	120,761
Reportable segment profit	5,620	8,752	3,738	18,110

(ii) Reconciliation of reportable segment results to consolidated profit after taxation:

	Years ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Segment results	31,563	51,308	76,318	18,110	29,204
Other income	191	238	105	41	19
Unallocated expenses	(5,579)	(6,928)	(10,992)	(2,565)	(8,573)
Net finance costs	(5,188)	(4,036)	(2,287)	(742)	(770)
	20,987	40,582	63,144	14,844	19,880
Income tax expense	(3,199)	(6,224)	(11,045)	(2,409)	(4,512)
Consolidated profit after taxation	17,788	34,358	52,099	12,435	15,368

(iii) Geographic information

No geographical segment information is shown as, during the Track Record Period presented, less than 10% of the Group's segment revenue, segment results and segment assets are derived from activities conducted outside People's Republic of China ("**PRC**").

(iv) Information about major customers

Revenue from major customers, each of them accounting for 10% or more of the Group's revenue for the Track Record Period, is set out below:

	Year ended December 31,			Four months ended April 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A	129,050	191,938	265,939	69,949	93,461
Customer B	114,000	134,472	161,239	40,731	58,761

7. OTHER INCOME

	Year ended December 31,			Four months ended April 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other income:					
Bank interest income	55	68	36	16	5
Exchange gain/(loss), net	–	–	3	–	(8)
Government grants *(Note)*	25	170	7	–	18
Gain on disposal of property, plant and equipment	105	–	–	–	–
Gain on disposal of a subsidiary	–	–	13	–	–
Others	6	–	46	25	4
	191	238	105	41	19

Note: Government grants mainly comprised of subsidies related to the Group's innovation projects and patent application. There are no unfulfilled conditions or contingencies related to these grants.

8. FINANCE COSTS

	Year ended December 31,			Four months ended April 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest charge on bank borrowings	5,485	4,838	2,378	751	775
Less: Amount capitalized *(Note)*	(297)	(802)	(91)	(9)	(5)
	5,188	4,036	2,287	742	770

Note: Borrowing costs capitalized during the Track Record Period arose on the general borrowing pool and are calculated by applying a capitalization rate of 6.81%, 6.61%, 4,81%, 4.68% and 4.87% for 2014, 2015 and 2016 and for the four months ended April 30, 2016 and 2017, respectively to expenditure on qualifying assets.

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting) the following:

	Year ended December 31,			Four months ended April 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Auditors' remuneration	3	5	31	3	34
Amortization of prepaid land lease payment *(Note)*	289	289	289	96	96
Cost of inventories recognized as expenses	198,137	254,303	322,114	90,730	117,353
Research and development expenditure	8,604	11,730	15,422	5,187	5,577
Depreciation of property, plant and equipment	6,620	8,595	9,661	3,273	3,266
Gain on disposal of a subsidiary	–	–	(13)	–	–
(Gain)/loss on disposal of property, plant and equipment	(105)	4	19	–	–
Operating lease rental in respect of:					
– Rented premises	109	257	506	102	385
Listing expenses	–	–	1,904	–	4,784
Staff costs (including directors' emoluments – *Note 13*):					
– Salaries and wages	11,437	15,259	18,293	5,161	6,275
– Defined contribution scheme	1,724	2,418	2,603	811	1,034
	13,161	17,677	20,896	5,972	7,309

Note: Amortization of prepaid land lease payment for the Track Record Period was included in "Administrative expenses" on the face of the combined statements of profit or loss and other comprehensive income.

10. INCOME TAX EXPENSE

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax – Hong Kong Profits Tax					
Tax for the current year/period	–	–	–	–	–
Over-provision for prior year/period	–	–	–	–	–
	–	–	–	–	–
Current tax – PRC EIT					
Tax for the current year/period	3,349	5,716	9,760	2,489	4,503
Over-provision for prior year/period	(730)	(600)	(430)	(430)	(646)
	2,619	5,116	9,330	2,059	3,857
Deferred tax *(Note 26)*					
Charge to profit or loss for the year/period	580	1,108	1,715	350	655
	3,199	6,224	11,045	2,409	4,512

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the Company's PRC subsidiaries is 25%.

Provision for the PRC Enterprise Income Tax ("**EIT**") for the Track Record Period was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

Putian Cable is entitled to a preferential income tax rate of 15% for the year ended December 31, 2014, 2015, 2016 and for the four months ended April 30, 2016 and 2017, as it was awarded high-technology status by tax authority.

The income tax expense for the year/period can be reconciled to the profit before income tax expense per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Four months ended April 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before income tax expense	20,987	40,582	63,144	14,844	19,880
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	5,247	10,145	15,786	3,711	4,970
Tax rate differentials	(2,201)	(4,204)	(6,659)	(1,554)	(3,032)
Tax effect of non-deductible expenses	32	40	360	20	755
Effect attributable to the additional qualified tax deduction relating to research and development costs	(633)	(868)	(1,152)	(386)	(418)
Deferred tax on undistributed earnings of PRC subsidiaries	580	1,108	1,715	350	655
Others	174	3	995	268	1,582
Income tax expense	3,199	6,224	11,045	2,409	4,512

11. DIVIDENDS

On July 31, 2017, Putian Cable declared and paid an aggregate dividend of RMB47,970,000 to its then shareholders.

Save as above, no other dividends has been paid or declared by the Company since its date of incorporation.

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganization and the presentation of the results of the Group for the Track Record Period.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Details of directors' remuneration during the Track Record Period are as follows:

	Fees	Salaries	Allowance and other benefits	Defined contributions scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2014					
Chairlady					
Wang Qiu Ping	–	171	–	10	181
Executive director					
Zhao Xiao Bao	–	166	–	10	176
	–	337	–	20	357

	Fees	Salaries	Allowance and other benefits	Defined contributions scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2015					
Chairlady					
Wang Qiu Ping	–	174	–	10	184
Executive director					
Zhao Xiao Bao	–	175	–	10	185
	–	349	–	20	369

	Fees	Salaries	Allowance and other benefits	Defined contributions scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2016					
Chairlady					
Wang Qiu Ping	–	175	–	10	185
Executive director					
Zhao Xiao Bao	–	173	–	10	183
	–	348	–	20	368

	Fees	Salaries	Allowance and other benefits	Defined contributions scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Period ended April 30, 2017					
Chairlady					
Wang Qiu Ping	–	62	–	3	65
Executive director					
Zhao Xiao Bao	–	53	–	3	56
	–	115	–	6	121

	Fees	Salaries	Allowance and other benefits	Defined contributions scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Period ended April 30, 2016 (unaudited)					
Chairlady					
Wang Qiu Ping	–	52	–	3	55
Executive director					
Zhao Xiao Bao	–	53	–	3	56
	–	105	–	6	111

Notes:

(i) No directors received any emoluments from Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period. No directors waived or agreed to waive any emoluments during the Track Record Period.

(b) The five highest paid individuals

The five highest paid individuals of the Group during the Track Record Period are analyzed as follows:

	Year ended December 31,			Four months ended April 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Directors	2	2	2	2	2
Non-directors, the highest paid individual	3	3	3	3	3
	5	5	5	5	5

Details of the remuneration of the above non-directors, the highest paid individual during the Track Record Period are as follows:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	402	425	435	141	149
Discretionary bonuses	33	34	32	–	–
Defined contribution scheme	30	30	29	10	12
	465	489	496	151	161

The number of the highest paid non-directors fell within the following emolument band:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Nil to HK$1,000,000	3	3	3	3	3

During the Track Record Period, no emoluments were paid by the Group to any directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any emolument during the Track Record Period.

(c) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	Year ended December 31,			Four months ended April 30,	
	2014	2015	2016	2016	2017
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Nil to HK$1,000,000	3	4	4	4	5

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Buildings and structures	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At January 1, 2014	116	35,617	44,530	1,364	1,902	–	83,529
Additions	6,175	–	10,999	–	743	–	17,917
Disposals	–	–	–	(425)	(121)	–	(546)
At December 31, 2014 and January 1, 2015	6,291	35,617	55,529	939	2,524	–	100,900
Additions	14,108	–	20,215	791	608	39	35,761
Transfer from construction in progress	(63)	–	–	–	63	–	–
Disposals	–	–	–	–	(79)	–	(79)
At December 31, 2015 and January 1, 2016	20,336	35,617	75,744	1,730	3,116	39	136,582
Additions	4,800	–	2,183	–	167	53	7,203
Disposals	–	–	(685)	–	(90)	–	(775)
At December 31, 2016 and January 1, 2017	25,136	35,617	77,242	1,730	3,193	92	143,010
Additions	808	–	770	438	128	–	2,144
Transfer to Buildings and structures	(25,944)	25,944	–	–	–	–	–
At April 30, 2017	–	61,561	78,012	2,168	3,321	92	145,154
ACCUMULATED DEPRECIATION							
At January 1, 2014	–	4,238	13,852	813	1,598	–	20,501
Depreciation	–	1,692	4,639	144	145	–	6,620
Disposals	–	–	–	(331)	(116)	–	(447)
At December 31, 2014 and January 1, 2015	–	5,930	18,491	626	1,627	–	26,674
Depreciation	–	1,692	6,465	100	333	5	8,595
Disposals	–	–	–	–	(75)	–	(75)
At December 31, 2015 and January 1, 2016	–	7,622	24,956	726	1,885	5	35,194
Depreciation	–	1,692	7,110	311	512	36	9,661
Disposals	–	–	(177)	–	(52)	–	(229)
At December 31, 2016 and January 1, 2017	–	9,314	31,889	1,037	2,345	41	44,626
Depreciation	–	564	2,423	114	142	23	3,266
At April 30, 2017	–	9,878	34,312	1,151	2,487	64	47,892
NET BOOK VALUE							
At December 31, 2014	6,291	29,687	37,038	313	897	–	74,226
At December 31, 2015	20,336	27,995	50,788	1,004	1,231	34	101,388
At December 31, 2016	25,136	26,303	45,353	693	848	51	98,384
At April 30, 2017	–	51,683	43,700	1,017	834	28	97,262

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimated residual values.

15. PREPAID LAND LEASE PAYMENT

	Land use rights	Total
	RMB'000	*RMB'000*
Cost		
At January 1, 2014, December 31, 2014, January 1, 2015, December 31, 2015, January 1, 2016 and December 31, 2016 and January 1, 2017	14,435	14,435
Accumulated amortization		
At January 1, 2014	952	952
Amortization	289	289
At December 31, 2014 and January 1, 2015	1,241	1,241
Amortization	289	289
At December 31, 2015 and January 1, 2016	1,530	1,530
Amortization	289	289
At December 31, 2016 and January 1, 2017	1,819	1,819
Amortization	96	96
At April 30, 2017	1,915	1,915
Net book value		
At December 31, 2014	13,194	13,194
At December 31, 2015	12,905	12,905
At December 31, 2016	12,616	12,616
At April 30, 2017	12,520	12,520

	As at December 31,			As at April 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analyzed for reporting purpose as:				
Non-current	12,905	12,616	12,327	12,327
Current	289	289	289	193
	13,194	12,905	12,616	12,520

16. OTHER NON-CURRENT ASSETS

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for property, plant and equipment	–	–	353	–
	–	–	353	–

17. INVENTORIES

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	7,234	15,194	16,390	24,167
Work-in-progress	4,237	4,023	–	–
Finished goods	25,408	20,995	25,192	23,464
	36,879	40,212	41,582	47,631

18. TRADE AND BILLS RECEIVABLES

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	107,960	118,171	145,864	149,935
Bills receivables *(Note)*	–	–	–	300
	107,960	118,171	145,864	150,235

Note: As at April 30, 2017, bills receivable represented outstanding commercial acceptance bills.

The aging analysis of trade and bills receivables (net of impairments) as at the end of each of the Track Record Period based on invoice date is as follows:

	As at December 31,			As at April 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	39,679	47,501	49,845	47,275
31 – 60 days	30,727	44,123	62,728	52,184
61 – 90 days	16,453	13,757	10,547	19,797
91 – 180 days	19,463	8,058	18,455	26,277
181 – 365 days	1,603	4,619	3,122	3,792
> 365 days	35	113	1,167	910
	107,960	118,171	145,864	150,235

The Group has a policy of granting trade customers with credit terms of generally 180-360 days. The aging analysis of the Group's trade and bills receivables that are neither individually nor collectively considered to be impaired, is as follows:

	As at December 31,			As at April 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	107,925	118,058	144,697	149,095
Past due for less than 1 year	–	78	1,167	1,030
Past due for over 1 year but less than 2 years	35	–	–	110
Past due for over 2 years	–	35	–	–
	107,960	118,171	145,864	150,235

The Group recognized impairment loss based on the accounting policy stated in Note 3.14(b).

Trade and bills receivables of RMB35,000, RMB113,000, RMB1,167,000 and RMB1,140,000 were past due but not impaired as at December 31, 2014, 2015, 2016 and April 30, 2017 respectively. The balances related to the customers have no recent history of default. In general, the Group does not hold any collateral or other credit enhancements over these balances.

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivables	211	182	537	379
Valued added tax ("**VAT**") receivables	93	221	35	441
Advance to suppliers	3,136	290	4,000	–
Deposits	1,193	1,686	2,290	2,952
Prepayments	162	270	1,765	3,500
	4,795	2,649	8,627	7,272

20. RESTRICTED CASH

Restricted cash are deposits with certain banks as guarantee deposits against the revolving loan facilities granted by the banks to maintain the Group's daily operations.

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balance with banks. Renminbi is not freely convertible to other currencies as such amounts were held by the subsidiaries located in the PRC. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies only through banks that are authorized to conduct foreign exchange business.

22. TRADE AND BILLS PAYABLES

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	19,189	20,431	31,381	25,288
Bills payables	1,827	–	4,609	838
	21,016	20,431	35,990	26,126

The credit terms of trade payables vary according to the terms agreed with different suppliers, normally range from 30 days to 60 days, and bills payables maturity period is normally within 180 days. Based on the receipt of services and goods, which normally coincided with the invoice dates, the aging analysis of the Group's trade and bills payables as at the end of each of the Track Record Period is as follows:

	As at December 31,			As at April 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	16,969	19,217	28,099	19,853
31 – 60 days	1,949	1,214	4,079	5,239
61 – 90 days	1,827	–	–	93
91 – 180 days	–	–	3,773	898
181 – 365 days	–	–	39	6
> 365 days	271	–	–	37
	21,016	20,431	35,990	26,126

The trade and bills payables are short-term and hence the carrying values of the Group's trade and bills payables are considered to be a reasonable approximation of fair value.

Credit period granted by trade creditors is normally 30 days to 60 days, and bills payables maturity period is normally within 180 days. The following is an analysis of trade and bills payables by age based on due date.

	As at December 31,			As at April 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due	20,745	20,431	35,953	26,021
Overdue for less than 1 year	–	–	37	95
Overdue for more than 1 year	271	–	–	10
	21,016	20,431	35,990	26,126

The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

23. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payables for acquisition of property, plant and equipments	106	611	1,819	211
Accrued wages and staff benefits	1,475	1,910	2,399	1,624
Accrual	2,487	2,582	2,723	6,398
Receipt in advance	1,505	132	1,574	1,762
VAT payable	1,740	2,365	175	29
Other tax payables and tax surcharges	477	619	355	84
Other payables	171	174	631	833
	7,961	8,393	9,676	10,941

24. AMOUNTS DUE (TO)/FROM A DIRECTOR/SHAREHOLDERS

Particulars of the amounts due (to)/from a director/shareholders:

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due (to)/from a director/shareholders:				
Ms. Wang Qiu Ping	(5,917)	(36,563)	4,335	(43,401)
Mr. Zhao Xiao Bao	–	–	–	(47,910)
	(5,917)	(36,563)	4,335	(91,311)
Maximum balance outstanding:				
– During the year/period:				
Ms. Wang Qiu Ping	–	–	4,335	20,444

The amounts due (to)/from a director/shareholders were not trade related, and the balance was unsecured, interest-free and repayable on demand. The amounts due (to)/from a director/shareholders has been fully settled prior to the Listing.

25. BANK BORROWINGS

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings:				
Repayable within one year	70,928	39,970	45,000	44,998
Unsecured bank borrowings:				
Repayable within one year	–	5,270	3,000	–
	70,928	45,240	48,000	44,998

(i) The bank borrowings with effective interest rates are ranging from 4.75% to 5.65% per annum.

(ii) The bank borrowings are secured by the following:

– Personal guarantees from substantial shareholders of the Group;

– Legal charges over the personal properties owned by substantial shareholders of the Group of approximately RMB26.6 million, RMB30.0 million and RMB30.0 million for the year ended December 31, 2014, 2015 and 2016, and RMB30.0 million for the period ended April 30, 2017 respectively;

– Legal charges over the personal properties owned by the family member of a substantial shareholder of the Group of approximately RMB5.0 million, nil, and RMB15.0 million for year ended December 31, 2014, 2015 and 2016, and RMB15.0 million for the period ended April 30, 2017 respectively; and

– The relevant banks and/or guarantee agencies will release the above guarantees and security, and replace them with corporate guarantees or replacement security given by one or more members of the Group prior to the Listing.

26. DEFERRED TAX LIABILITY

	Withholding tax on undistributed earnings
	RMB'000
At January 1, 2014	606
Charge for the year *(Note 10)*	580
At December 31, 2014 and January 1, 2015	1,186
Charge for the year *(Note 10)*	1,108
At December 31, 2015 and January 1, 2016	2,294
Charge for the year *(Note 10)*	1,715
At December 31, 2016 and January 1, 2017	4,009
Charge for the period *(Note 10)*	655
At April 30, 2017	4,664

As at December 31, 2014, 2015, 2016 and April 30, 2017, the Group had unused tax losses of approximately RMB1,826,000, RMB2,688,000, RMB2,473,000 and RMB3,470,000 respectively, available to offset against future profits. No deferred tax asset has been recognized in respect of those tax losses due to the unpredictability of future profit streams.

The unrecognized tax losses will expire in the following years:

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2017	47	47	47	–
2018	946	946	745	745
2019	833	833	833	833
2020	–	862	827	827
2021	–	–	21	1,065
	1,826	2,688	2,473	3,470

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from January 1, 2008.

As at December 31, 2014, 2015, 2016 and April 30, 2017 the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized was RMB26,259,000, RMB48,816,000, RMB83,897,000 and RMB98,401,000, respectively. No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of temporary differences and it is probable that such differences will not reverse in the foreseeable future.

27. SHARE CAPITAL

The Company

	December 31, 2016		April 30, 2017	
	Number of shares	Nominal value	Number of shares	Nominal value
		RMB'000		*RMB'000*
Authorized shares of US$1.00 each	10,000	66	–	–
Authorized shares of HK$0.01 each	–	–	38,000,000	336
Issued and fully paid share of US$1.00 each	10,000	66	–	–
Issued and fully paid share of HK$0.01 each	–	–	10,000,000	88

(i) The Company was incorporated as exempted company under the laws of the Cayman Islands with limited liability on August 19, 2016 with authorized share capital of US$10,000 divided into 10,000 shares of US$1.00 each and issued 10,000 shares of US$10,000.

(ii) Further details of the changes in the Company's share capital are set out in the section headed "History, Reorganization and Group Structure" on pages 93 to 109 in the Prospectus.

(iii) The Group Reorganization was completed as at April 30, 2017. For the purpose of this report, the share capital in the Group's combined statement of financial position as at January 1, 2014, December 31, 2014 and December 31, 2015 represented the share capital of Putian Cable and the share capital in the Group's combined statements of financial position as at December 31, 2016 represented the share capital of the Company and Putian Cable and the share capital in the Group's combined statements of financial position as at April 30, 2017 represented the share capital of the Company.

(iv) On March 27, 2017, the authorized share capital of the Company was increased by HK$380,000 by the creation of 38,000,000 shares of par value of HK$0.01 each so that immediately following the increase, the authorized share capital of the Company became the aggregate of US$10,000 divided into 10,000 shares of par value of US$1.00 each and HK$380,000 divided into 38,000,000 shares of par value of HK$0.01 each.

Following the aforesaid increase, Point Stone Capital and Arcenciel Capital subscribed for 3,822,000 and 3,978,000 shares of HK$0.01 each at par respectively which were allotted and issued as fully paid up. Following the aforesaid allotment and issue, the Company repurchased all of the 4,900 and 5,100 issued shares of US$1.00 each from Point Stone Capital and Arcenciel Capital respectively at a price of US$1.00 for each share out of the proceeds from the aforesaid issue of new shares of HK$0.01 each to Point Stone Capital and Arcenciel Capital. All of the repurchased 10,000 shares of US$1.00 each were canceled and the authorized but unissued share capital of the Company was diminished by the cancelation of all of the unissued shares of US$1.00 par value each of the Company.

Accordingly, the authorized share capital of the Company became HK$380,000 divided into 38,000,000 shares and the issued share capital of the Company became HK$78,000 divided into 7,800,000 shares.

On March 27, 2017, the Company further allotted and issued 972,000 shares, 928,000 shares and 300,000 shares to Arcenciel Capital, Point Stone Capital and Ms. Chan Man Kuen Laura respectively at par value, after which Arcenciel Capital, Point Stone Capital and Ms. Chan held 4,950,000 shares, 4,750,000 shares and 300,000 shares, respectively.

28. NOTES SUPPORTING CASH FLOW STATEMENT

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents comprise:				
Restricted cash	500	470	480	480
	500	470	480	480

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	As at December 31,		
	2014	Cash flows	2015
	RMB'000	*RMB'000*	*RMB'000*
Short-term borrowings	70,928	(25,688)	45,240
Amount due to a director	5,917	30,646	36,563
Total liabilities from financing activities	76,845	4,958	81,803

	As at December 31,		
	2015	Cash flows	2016
	RMB'000	*RMB'000*	*RMB'000*
Short-term borrowings	45,240	2,760	48,000
Amounts due to/(from) a director	36,563	(40,898)	(4,335)
Total liabilities from financing activities	81,803	(38,138)	43,665

	As at December 31,		As at April 30,
	2016	Cash flows	2017
	RMB'000	*RMB'000*	*RMB'000*
Short-term borrowings	48,000	(3,002)	44,998
Amounts due to/(from) a director/shareholders	(4,335)	(2,324)	(6,659)
Total liabilities from financing activities	43,665	(5,326)	38,339

During the four months ended April 30, 2017, consideration of RMB97,970,000 arose from the Group Reorganization was settled in the current accounts with the shareholders.

30. OPERATING LEASE COMMITMENT

The Group as lessee

The Group leases a premise under operating lease arrangement. The lease runs for an initial period of 1-5 years and is non-cancelable. The total future minimum lease payments under the lease are due as follows.

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Rented premises:				
– Within one year	138	293	632	728
– In the second to fifth year, inclusive	–	1,068	799	972
– After five years	–	–	–	–
	138	1,361	1,431	1,700

31. CAPITAL COMMITMENTS

	As at December 31,			As at April 30,
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure of the Group contracted for but not provided in the Financial Information in respect of:				
– acquisition of property, plant and equipment	20,057	6,952	3,600	3,600

32. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of Group consists of net debt, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits, respectively.

The directors of the Company review the capital structure on a continuous basis taking into account the loss of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy-back as well as the issue of new debts or redemption of existing debt, if necessary.

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	As at December 31,			As at April 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Trade and other receivables	109,364	120,039	148,691	153,566
Amount due from a director	–	–	4,335	–
Amount due from a non-controlling interests shareholder	4,894	4,757	–	–
Restricted cash	500	470	480	480
Cash and cash equivalents	7,603	11,053	14,311	7,003
Financial liabilities				
Amortized costs:				
Trade and other payables	25,255	25,708	43,562	35,192
Amounts due to a director/shareholders	5,917	36,563	–	91,311
Bank borrowings	70,928	45,240	48,000	44,998

The Group's major financial instruments include trade and other receivables, amount due from a director, amount due from a non-controlling interests shareholder, restricted cash, cash and cash equivalents, trade and other payables, amounts due to a director/shareholders and bank borrowings.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and bank borrowings. The Group is also exposed to fair value interest rate risk which relates primarily to the bank borrowings. The Group does not have an interest rate hedging policy. However, the directors of the Company monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates quoted by the People's Bank of China arising from the Group's bank borrowings.

The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable expose the Group to cash flow interest rate risk and fair value interest rate risk. Certain of the bank borrowings of the Group as at December 31, 2014, 2015, 2016 and April 30, 2017 bore interest at floating rates. The interest rate and repayment terms of borrowings at the end of the reporting period are disclosed in Note 25.

The following sensitivity demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Year ended December 31,			Four months ended April 30,
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Change in profit after tax and retained profits:				
+/-100 basis points	-/+434	-/+409	-/+190	-/+84

The changes in interest rates do not affect the Group's other components of equity. The above sensitivity analysis is prepared based on the assumption that the bank borrowing period of the loans outstanding at the end of the reporting period resembles that of the corresponding financial year/period.

(b) Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognized financial assets as stated in the combined statements of financial position.

The Group trade only with recognized and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balance are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

In order to minimize the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action are taken to recover overdue debts. In addition, the directors of the Company review the recoverable amount of each individual trade and bills receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk of the Group is concentrated on trade and bills receivables from the Group's two largest customers at December 31, 2014, December 31, 2015, December 31, 2016 and April 30, 2016 and 2017 amounting to RMB92,955,000, RMB107,772,000, RMB137,460,000, RMB105,612,000 and RMB141,888,000 respectively, and accounted for 86.1%, 91.2%, 94.2%, 93.2% and 94.4% of the Group's total trade and bills receivables. In order to minimize the credit risk, the directors of the Company continuously monitor the level of exposure by frequent review of the credit evaluation of the financial condition and credit quality of its customers to ensure that prompt actions will be taken to lower exposure.

The directors of the Company consider that the credit risk on liquid funds is low as counterparties are the major telecommunication network operators in PRC with good reputation.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting period.

	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2014					
Trade and bills payables	21,016	21,016	21,016	–	–
Other payables and accruals	4,239	4,239	4,239	–	–
Amount due to a director	5,917	5,917	5,917	–	–
Bank borrowings	70,928	72,763	72,763	–	–
	102,100	103,935	103,935	–	–

	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2015					
Trade and bills payables	20,431	20,431	20,431	–	–
Other payables and accruals	5,277	5,277	5,277	–	–
Amount due to a director	36,563	36,563	36,563	–	–
Bank borrowings	45,240	45,846	45,846	–	–
	107,511	108,117	108,117	–	–

	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2016					
Trade and bills payables	35,990	35,990	35,990	–	–
Other payables and accruals	7,572	7,572	7,572	–	–
Bank borrowings	48,000	49,225	49,225	–	–
	91,562	92,787	92,787	–	–

	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at April 30, 2017					
Trade and bills payables	26,126	26,126	26,126	–	–
Other payables and accruals	9,066	9,066	9,066	–	–
Amounts due to a director/shareholders	91,311	91,311	91,311	–	–
Bank borrowings	44,998	45,465	45,465	–	–
	171,501	171,968	171,968	–	–

(d) Fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their fair values as at December 31, 2014, 2015, 2016 and April 30, 2017.

34. EVENTS AFTER THE END OF RELEVANT PERIOD

The Companies now comprising the Group underwent and completed Group Reorganization on March 27, 2017 in preparation for the listing of the shares of the Company on the Stock Exchange. Further details of the Group Reorganization are set out in the section headed "History, Reorganization and Group Structure" on pages 93 to 109 in the Prospectus.

The Group entered into two loan agreements with independent third parties in July 2017, with the total loan in a principal amount of RMB50.0 million. Further details are set out in the section headed "Financial Information" on page 242 in the Prospectus.

Putian Cable declared and paid an aggregate dividend of RMB47,970,000 to its then shareholders. Further details of the dividend paid are set out in the section headed "Summary" on page 10 in the Prospectus.

The Group entered into one loan agreement with independent third parties on October 21, 2017, with the total loan in a principal amount of HK$10.0 million.

On October 21, 2017, written resolutions of the shareholders of the Company were passed to approve the matters set out in the paragraph headed "3. Resolutions in writing of all Shareholders passed on October 21, 2017" in Appendix V to the Prospectus.

35. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to April 30, 2017.

The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountant, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative 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 forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Main Board Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about the effect of the Share Offer on the combined net tangible assets of the Group as at April 30, 2017 as if the Share Offer had taken place on April 30, 2017. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of our Group had the Share Offer been completed on April 30, 2017 or at any future dates.

	Combined net tangible assets of the Group as at April 30, 2017	Estimated net proceeds from the issue of New Shares pursuant to the Share Offer	Unaudited pro forma adjusted combined net tangible assets of the Group	Unaudited pro forma adjusted combined net tangible assets per Share	Unaudited pro forma adjusted combined net tangible assets per Share
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on Offer Price of HK$0.51 per Offer Share	143,343	101,479	244,822	0.22	0.26
Based on Offer Price of HK$0.95 per Offer Share	143,343	198,894	342,237	0.31	0.37

Notes:

1. The combined net tangible assets of the Group attributable to the owners of the Company as at April 30, 2017 have been derived from combined net assets of the Group of approximately RMB143,343,000 as at April 30, 2017 extracted from the Accountants' Report set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on the Company issuing and offering 275,000,000 Shares at the Offer Price of HK$0.51 or HK$0.95 per Offer Share, after deduction of the estimated underwriting fees and commissions and other estimated expenses payable by the Company in relation to the Share Offer which have not been reflected in net tangible assets of the Group as at April 30, 2017. The estimated net proceeds are converted into RMB at an exchange rate of RMB1.00 to HK$1.18, the median rate published by the China Foreign Exchange Trade System with the authorization by PBOC for foreign exchange transactions prevailing on Latest Practicable Date. No representation is made that the HK$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all. No account has been taken of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

3. The unaudited pro forma adjusted combined net tangible assets per Offer Share is calculated based on 1,100,000,000 Shares in issue immediately following the completion of the Share Offer as set out in the "Share Capital" section to this prospectus had the Share Offer been completed on April 30, 2017, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

4. The unaudited pro forma adjusted combined net tangible assets per Offer Share are converted to Hong Kong dollars at an exchange rate of RMB1.00 to HK$1.18, the median rate published by the China Foreign Exchange Trade System with the authorization by PBOC for foreign exchange transactions prevailing on Latest Practicable Date. No representation is made that the HK$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all.

5. No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to April 30, 2017.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountant, Hong Kong, in relation to the unaudited pro forma financial information.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To The Directors of Putian Communication Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Putian Communication Group Limited (formerly known as Putian Group Limited) (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of combined net tangible assets of the Company as at April 30, 2017 and related notes as set out in Section A of Appendix II of the Company's prospectus dated October 27, 2017 (the "**Prospectus**") in connection with the proposed initial public offering of the shares of the Company (the "**Share Offer**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Section A of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Offer on the Company's combined financial position as at April 30, 2017 as if the Share Offer had taken place as at April 30, 2017. As part of this process, information about the Company's combined financial position has been extracted by the directors of the Company from the Company's financial information for the period ended April 30, 2017, on which an accountants' report set out in Appendix I of the Prospectus has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited 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**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited 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 unaudited 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 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 plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited 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 purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited 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 unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 the Share Offer at April 30, 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited 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 unaudited 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

October 27, 2017

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from Peak Vision Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the property interests held by the Group as at July 31, 2017.

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No. 151 Gloucester Road
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www.peakval.com
Tel (852) 2187 2238
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October 27, 2017

The Board of Directors
Putian Communication Group Limited
Unit 702
Golden Centre
188 Des Voeux Road Central
Hong Kong

Dear Sirs,

In accordance with the instructions from Putian Communication Group Limited (the "**Company**") for us to value the property interests held by the Company and its subsidiaries (together, the "**Group**") located in the People's Republic of China (the "**PRC**") (as more particularly described in the attached Summary of Values), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of such property interests as at July 31, 2017 (the "**Valuation Date**") for public documentation purpose.

This letter, forming part of our valuation report, identifies the property interests being valued, explains the basis and methodology of our valuation, and lists out the assumptions and title investigation, which we have made in the course of our valuation, as well as the limiting conditions.

Our valuation is our opinion of market value which we would define to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interests, which are held for owner occupation by the Group in the PRC, there are no readily identifiable market comparables due to the nature of buildings and structures constructed, and accordingly such property interests cannot be valued by comparison with open market transactions. Therefore, we have adopted the Depreciated Replacement Cost ("**DRC**") Approach in arriving at the value of such property interests. The DRC Approach is based on an estimate of the market value for the existing use of the land of the property by Direct Comparison Method, and the costs to reproduce or replace in new condition the buildings and structures being valued in accordance with current construction costs for similar buildings and structures in the localities, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The DRC Approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

We have valued the property interests on the basis that each of them is considered individually. We have not allowed for any discount for the properties to be sold to a single party nor taken into account any effect on the values if the properties are to be offered for sale at the same time as a portfolio.

Our valuation has been made on the assumption that the owner sells the properties on the open market in their existing states without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the properties. No forced sale situation in any manner is assumed in our valuation.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have been provided by the Group with copies of documents in relation to the title to the property interests located in the PRC. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments which do not appear on the copies handed to us. In the course of our valuation, we have relied on the advice given by the Group and the legal opinions prepared by Jingtian & Gongcheng, the Group's legal adviser on the PRC law (the "**PRC Legal Adviser**"), regarding the title to the properties.

The properties were inspected during March 2017 by Mr. Tony M. W. Cheng, a manager of our firm who has over 10 years of experience in the inspection of properties in Hong Kong and the PRC. We have inspected the exterior and, where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the site and floor areas of the properties but have assumed that the site and floor areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation certificates are based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Group and the PRC Legal Adviser regarding the title to the properties and the interests of the Group in the properties. In respect of the properties in the PRC, we have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, site and floor areas, interests attributable to the Group and all other relevant materials regarding the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld. The management of the Company has reviewed and confirmed the factual content of this report.

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards 2012 Edition issued by the Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi ("**RMB**").

We hereby confirm that we have neither present nor prospective interests in the Group, the property interests or the values reported herein.

Our Summary of Values and the Valuation Certificates are enclosed herewith.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited
Nick C. L. Kung
MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer, MCIREA
Director

Note: Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor who has over 20 years of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUES

	Property	Capital value in existing state as at July 31, 2017	Interest attributable to the Group	Capital value attributable to the Group as at July 31, 2017
1	An industrial complex located at No. 8899 Changdong Avenue, Nanchang High-Tech Industrial Development Zone, Nanchang City, Jiangxi Province, the PRC	RMB44,300,000	100%	RMB44,300,000
2	An industrial complex located west of Xueyuan Qi Road, south of Guipian Project, Nanchang High-Tech Industrial Development Zone, Nanchang City, Jiangxi Province, the PRC	RMB37,700,000	100%	RMB37,700,000
	TOTAL:	**RMB82,000,000**		**RMB82,000,000**

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at July 31, 2017
1	An industrial complex located at No. 8899 Changdong Avenue, Nanchang High-Tech Industrial Development Zone, Nanchang City, Jiangxi Province, the PRC	The property comprises an industrial complex with buildings and ancillary structures completed between 2003 and 2012, erected thereon an irregular shaped parcel of land with a registered site area of approximately 38,969.51 sq.m. It is situated on the eastern side of Changdong Avenue, western side of Chuangxin Yi Road (formerly known as Chanye Road) near its junction with Aixi Hu Si Road within Nanchang High-Tech Industrial Development Zone, Nanchang City. The buildings of the industrial complex include 5 blocks of 1 to 5-storey buildings used as laboratory and factory buildings, having a total gross floor area of approximately 23,285.55 sq.m. Details of the gross floor area breakdown are listed as follows:	Portions of Nos. 1, 2 and 3 factory building of the property with a total gross floor area of approximately 1,230.00 sq.m. are subject to various intragroup tenancies yielding a total monthly rental of RMB11,300, with the latest expiring on December 31, 2022. The remaining areas of the property are occupied by the Group for production and manufacturing use.	RMB44,300,000 **100% interest attributable to the Group:** RMB44,300,000

Building	Approximate Gross Floor Area
	(sq.m.)
No. 1 factory building	3,418.96
No. 2 factory building	3,347.82
No. 3 factory building	7,344.77
Laboratory building	1,527.05
No. 5 factory building	7,646.95
Total:	**23,285.55**

The ancillary structures include guard rooms, canteen, warehouses, and Nos. 4 and 6 buildings, etc., having a total gross floor area of approximately 7,665.82 sq.m.

The land use rights of the property have been granted for a term expiring on June 30, 2053 for industrial use.

Notes :

i) Pursuant to the State-owned Land Use Rights Certificate – Hong Tu Guo Yong (Deng Gao 2015) No. D046, dated July 9, 2015 issued by the People's Government of Nanchang City, the land use rights of the property with a site area of approximately 38,969.51 sq.m. have been granted to Putian Cable Group Co., Ltd. ("**Putian Cable**") for a term expiring on June 30, 2053 for industrial use.

ii) Pursuant to 5 Building Ownership Certificates – Hong Fang Quan Zheng Gao Xin Kai Fa Qu Zi Nos. 1662, 1663, 1664, 1665 and 1666 issued by the Nanchang City Housing Security and Real Estate Administration, the ownership of the buildings with a total gross floor area of approximately 23,285.55 sq.m. is vested in Putian Cable. Details of the certificates are listed as follows:

Certificate No.	**Building**	**No. of stories**	**Registered Date**	**Approximate Gross Floor Area**
				(sq.m.)
1662	No. 1 factory building	1	July 10, 2015	3,418.96
1663	No. 2 factory building	1	July 10, 2015	3,347.82
1664	No. 3 factory building	4	July 10, 2015	7,344.77
1665	Laboratory building	5	July 10, 2015	1,527.05
1666	No. 5 factory building	4	August 18, 2015	7,646.95
			Total:	**23,285.55**

iii) According to the Nanchang City Urban and Rural Planning Bureau High-Tech Branch Chao Gao Dan – Hong Gui Gao Chao Zi [2017] No. 003, dated February 10, 2017 issued by Nanchang City Urban and Rural Planning Bureau High-Tech Branch, the temporary usage right of No. 6 factory building of the property was extended for an additional year and shall expire on July 17, 2018. No additional extension is allowed according to the Nanchang City Urban and Rural Planning Regulations.

iv) According to the Notification of Change of Company issued by Jiangxi Province Administration for Industry & Commerce on February 27, 2015, the change of company name from 江西普天數據電纜有限公司 (Jiangxi Putian Data Cable Co., Ltd.) ("**Jiangxi Putian**") to Putian Cable was approved on February 27, 2015.

v) Pursuant to the Grant Contract of State-owned Land Use Rights entered into between the Management Committee of Nanchang High-Tech Industrial Development Zone (the "**Management Committee**") and Jiangxi Putian dated March 25, 2003, the Management Committee agreed to grant the land use rights of the property with a site area of 38,969.50 sq.m. to Jiangxi Putian. The salient conditions stipulated in the said contract are summarized as follows:

a)	Location	:	Eastern side of Changdong Avenue, western side of Chanye Road, Nanchang High-Tech Industrial Development Zone
b)	Site area	:	38,969.50 sq.m.
c)	Land use	:	Industrial use
d)	Land use term	:	50 years
e)	Land grant consideration	:	RMB3,008,679.80
f)	Plot ratio	:	Not more than 1.50
g)	Site coverage	:	Not exceeding 30%
h)	Greenery ratio	:	Not less than 30%
i)	Construction work	:	Construction to commence before August 31, 2003

vi) Pursuant to the Supplementary Contract entered into between the Management Committee and Jiangxi Putian dated December 10, 2006, the salient conditions stipulated in the said contract are summarized as follows:

a) The land grant consideration is adjusted from RMB3,008,679.80 to RMB4,091,798.24.

b) Before carrying out land registration procedures for Jiangxi Putian, Jiangxi Putian shall fully settle the adjusted land grant consideration to the Management Committee, and pay 4% tax based on the land grant consideration.

c) The construction costs of the municipal facilities will be waived after Jiangxi Putian settles the land grant consideration.

vii) In the course of our valuation, we have attributed no commercial value to ancillary structures of the property with a total gross floor area of approximately 7,665.82 sq.m. as proper title certificates have not been obtained by the Group.

viii) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, *inter alia*, the following information which has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:

a) The land premium for the land use rights of the property have been fully settled;

b) The land use rights and buildings of the property are subject to a mortgage in favour of Shanghai Pudong Development Bank Nanchang Branch (上海浦東發展銀行南昌分行) (the "**Bank**");

c) The land use rights and buildings of the property are legally held by Putian Cable;

d) Except for the mortgage stated in Note viii(b) above, Putian Cable holds the land use rights and building ownership of the property and there are no laws, regulations, contracts or undertakings to restrict the transfer, mortgage, lease out, gift or license of all or any part of the land use rights and building ownership of the property which are not subject to any guarantee, mortgage, seizure or other rights to deal with or restrict such rights. However, since the property has been mortgaged, without the consent of the Bank, Putian Cable may not transfer, mortgage, pledge or otherwise deal with the land use rights and building ownership of the property;

e) The temporary construction of No. 6 factory building by Putian Cable has been approved by the urban and rural planning departments in accordance with the law and compiles with major aspects of relevant laws and regulations regarding the temporary construction;

f) Putian Cable has not yet obtained the Construction Works Planning Permit for ancillary structures (excluding No. 6 factory building, with the approval by the urban and rural planning departments as stated in Note viii(e) above) erected on the property. Putian Cable is subject to the following legal risks and liabilities: If corrective measures on such construction can be taken to eliminate the impact on planning implementation, the relevant administrative department shall issue an order for corrective measures within a deadline, with a penalty between 5% and 10% of the construction cost; if corrective measures cannot be taken, an order for dismantling shall be carried out within a deadline, and if dismantling is impossible, confiscation or income may be deemed illegal and a penalty of 10% or less of the construction cost may be imposed;

g) Putian Cable has not yet obtained the Construction Works Commencement Permit for ancillary structures (excluding No. 6 factory building, with the approval by the urban and rural planning departments as stated in Note viii(e) above) erected on the property. Putian Cable is subject to the following legal risks and liabilities: If Putian Cable does not obtain the Construction Works Commencement Permit or the construction commencement report is not approved, such construction work from Putian Cable is deemed unauthorized and must be stopped. Corrective measures must be carried out with a penalty of between 1% to 2% of the contract price;

h) Putian Cable has not yet obtained the completion verification and acceptance of ancillary structures (excluding No. 6 factory building, with the approval by the urban and rural planning departments as stated in Note viii(e) above) erected on the property but already commenced operations. Putian Cable is subject to the following legal risks and liabilities: A penalty between 2% to 4% of the contract price may be imposed by the administrative department. Other losses shall be compensated according to the laws;

i) Putian Cable has the legal right to lease out the buildings of the property. The format and content of the intragroup leasing contracts comply with the relevant laws and regulations in the PRC and are legally valid and binding on the signed parties; and

j) Leasing registration procedures have not been carried out for the intragroup leasing contracts, which does not affect the legal validity of such contracts. The parties to the leasing contracts are subject to the following legal risks: the relevant administrative department may impose orders for corrective measures within a prescribed deadline; if corrections within the deadline fail to occur, a fine of not less than RMB1,000 but not more than RMB10,000 shall be imposed.

ix) In our valuation, we have adopted a unit rate of approximately RMB253 per sq.m. for the land portion of the property.

In the course our valuation of the land portion of the property, we have made reference to recent land sales transaction comparables of industrial use in the vicinity which have characteristics comparable to the property. The prices of those sales transaction references are about RMB240 to RMB263 per sq.m..

The unit rate adopted by us is consistent with the said land sales transaction comparables after due adjustments. Due adjustments to the unit rate have been made to reflect factors including but not limited to time, location and size of the land portion of the property.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at July 31, 2017
2	An industrial complex located west of Xueyuan Qi Road, south of Guipian Project, Nanchang High-Tech Industrial Development Zone, Nanchang City, Jiangxi Province, the PRC	The property comprises an irregular-shaped parcel of land with a registered site area of approximately 66,623.00 sq.m. planned to be developed into an industrial complex, of which 3 buildings have been completed in about 2017. It is situated on the south western side of Yaohu Xi Qi Road (formerly known as Xueyuan Qi Road) within Nanchang High-Tech Industrial Development Zone, Nanchang City. The completed buildings of the industrial complex comprise 3 blocks of 1 to 2-storey buildings, used as workshops and guard room, having a total gross floor area of approximately 18,956.40 sq.m. Details of the gross floor area breakdown are listed as follows:	The completed portions of the property are currently pending completion acceptance. The remaining undeveloped area of the property are a vacant site, pending development.	RMB37,700,000 **100% interest attributable to the Group:** RMB37,700,000

Building	**Approximate Gross Floor Area**
	(sq.m.)
No. 2 workshop	9,884.00
No. 3 workshop	9,014.40
Guard room	58.00
Total:	**18,956.40**

The remaining undeveloped area of the industrial complex are planned to be developed into a R&D and canteen complex building with a planned total gross floor area of approximately 3,593.00 sq.m.

The land use rights of the property have been granted for a term expiring on April 22, 2063 for industrial use.

Notes :

i) Pursuant to the State-owned Land Use Rights Certificate – Hong Tu Guo Yong (Deng Gao 2013) No. D053, dated August 15, 2013 issued by the People's Government of Nanchang City, the land use rights of the property with a site area of approximately 66,623.00 sq.m. have been granted to Jiangxi Changtian Optical Communication Co., Ltd. ("**Jiangxi Optical**") for a term expiring on April 22, 2063 for industrial use.

ii) Pursuant to the Construction Land Use Planning Permit No. Di Zi 360100201310067 issued by the Nanchang High-Tech Industrial Development Zone on November 2, 2013, the site area of the property of approximately 99.93 mu is approved for industrial use.

iii) Pursuant to 3 Construction Works Planning Permits Nos. Jian Zi 360100201410150, 360100201410151 and 360100201410152 issued by the Nanchang High-Tech Industrial Development Zone all dated on June 25, 2014, construction works of Nos. 2 and 3 workshop and R&D and canteen complex building of the property have been approved, which are required to commence within 12 months. Details of the certificates are listed as follows:

Permit No.	**Building**	**No. of stories**	**Approximate Gross Floor Area**
			(sq.m.)
Jian Zi 360100201410150	No. 2 workshop	2	9,884.00
Jian Zi 360100201410151	No. 3 workshop	1	9,014.40
Jian Zi 360100201410152	R&D and canteen complex building	3	3,593.00
		Total:	**22,491.40**

iv) Pursuant to the Construction Works Commencement Permit No. Hong Gao Xin Guan Shi Zi 360101201502094201 issued by the Nanchang High-Tech Industrial Development Zone on February 9, 2015, construction works of the Nos. 2 and 3 workshop and R&D and canteen complex building of the property with a total gross floor area of approximately 22,491.40 sq.m. have been permitted.

v) Pursuant to the Grant Contract of State-owned Land Use Rights Contract No. 36201301010029 entered into between the Nanchang City State-owned Land Resources Bureau, High-Tech Branch (the "**Bureau**") and Jiangxi Optical dated April 22, 2013, the Bureau agreed to grant the land use rights of the property with a site area of 66,623.00 sq.m. to Jiangxi Optical. The salient conditions stipulated in the said contract are summarized as follows:

a)	Site area	:	66,623.00 sq.m.
b)	Location	:	East of planning industrial land, south of Guipian Project, west of Xueyuan Qi Road, north of Guihua Road
c)	Land use	:	Industrial use
d)	Land use term	:	50 years
e)	Land grant consideration	:	RMB8,524,413.00
f)	Total gross floor area	:	106,596.00 sq.m.
g)	Plot ratio	:	Not more than 1.60 and not less than 1.00
h)	Site coverage	:	Not more than 40% and not less than 33%
i)	Greenery ratio	:	Not more than 20%
j)	Construction project commencement and completion dates	:	Construction to commence before October 22, 2013 and complete before April 22, 2015

vi) We have been provided with a legal opinion on the property by the PRC Legal Adviser, which contains, *inter alia*, the following information which has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:

a) The land premium for the land use rights of the property have been fully settled;

b) The land use rights, guard room and Nos. 2 and 3 workshops of the property are subject to a mortgage in favour of the Bank;

c) The land use rights of the property are legally held by Jiangxi Optical;

d) The construction of the guard room has already been confirmed by Management Committee of Nanchang National High-tech Industrial Development Zone Planning and Construction Bureau that the guard room with a gross floor area of less than 300 sq.m. does not require a construction works commencement permit according to the law;

e) Except for the mortgage stated in Note vi(b) above, Jiangxi Optical holds the land use rights, guard room and Nos. 2 and 3 workshops of the property and there are no laws, regulations, contracts or undertakings to restrict the transfer of the land use rights and Nos. 2 and 3 workshops of the property which are not subject to any guarantee, mortgage, seizure or other rights to deal with or restrict such rights. However, since the property has been mortgaged, without the consent of the Bank, Jiangxi Optical may not transfer, mortgage, pledge or otherwise deal with the land use rights, guard room and Nos. 2 and 3 workshops of the property; and

f) Jiangxi Optical has obtained the Construction Land Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit for construction in progress of Nos. 2 and 3 workshops and compiles with major aspects of relevant laws and regulations. Furthermore, the construction of the guard room does not violate the planning and construction regulations of the PRC.

vii) In our valuation, we have adopted a unit rate of approximately RMB203 per sq.m. for the land portion of the property.

In the course our valuation of the land portion of the property, we have made reference to recent land sales transaction comparables of industrial use in the vicinity which have characteristics comparable to the property. The prices of those sales transaction references are about RMB191 to RMB263 per sq.m..

The unit rate adopted by us is consistent with the said land sales transaction comparables after due adjustments. Due adjustments to the unit rate have been made to reflect factors including but not limited to time, location and size of the land portion of the property.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 19, 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on October 21, 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so canceled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such check or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as canceled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from April 28, 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on August 19, 2016.

As our Company was incorporated in the Cayman Islands, we are subject to the relevant law of the Cayman Islands and our constitution which comprises a Memorandum of Association and Articles of Association. A summary of the relevant aspects of the Cayman Islands company law and certain provisions of our constitution are set out in Appendix IV.

2. Changes in share capital of our Company

(a) On August 19, 2016, our Company was incorporated with an authorized share capital of US$10,000 divided into 10,000 shares of US$1.00 each. Upon incorporation, one share was subscribed at par value by NovaSage Incorporations (Cayman) Limited, an Independent Third Party, which was then transferred to Arcenciel Capital on the same date.

(b) On August 19, 2016, our Company allotted and issued 5,099 shares and 4,900 shares to Arcenciel Capital and Point Stone Capital respectively at a consideration of US$5,099 and US$4,900, respectively.

(c) On March 27, 2017, the authorized share capital of our Company was increased by HK$380,000 by the creation of 38,000,000 Shares of par value of HK$0.01 each so that immediately following the increase, the authorized share capital of our Company became the aggregate of US$10,000 divided into 10,000 shares of par value of US$1.00 each and HK$380,000 divided into 38,000,000 Shares of par value of HK$0.01 each.

(d) On March 27, 2017, 972,000 Shares and 928,000 Shares were allotted and issued to Arcenciel Capital and Point Stone Capital respectively at par value, after which Arcenciel Capital and Point Stone Capital owned 4,950,000 Shares and 4,750,000 Shares of our Company, respectively.

(e) Pursuant to an equity transfer agreement dated March 2017 among Jiangxi Tianyuan, Putian Group HK, Sensation Investment and Putian Cable, and an instruction letter issued by Sensation Investment dated March 27, 2017, Putian Group HK acquired 3% of the equity interest of Putian Cable from Sensation Investment in consideration of and exchange for 300,000 Shares allotted and issued by our Company to Ms. Chan at the direction of Sensation Investment on March 27, 2017.

(f) Pursuant to the share transfer agreement dated March 31, 2017 between Mr. Zheng and Point Stone Capital, Mr. Zheng acquired from Point Stone Capital 400,000 Shares representing 4% of the then issued share capital of our Company at the consideration of RMB9,820,000.

(g) Following the increase of authorized share capital in (c) above, Point Stone Capital and Arcenciel Capital subscribed for 3,822,000 and 3,978,000 Shares of HK$0.01 each at par respectively which were allotted and issued as fully paid up. Following the aforesaid allotment and issue, our Company repurchased all of the 4,900 and 5,100 issued shares of US$1.00 each from Point Stone Capital and Arcenciel Capital respectively at a price of US$1.00 for each share out of the proceeds from the aforesaid issue of new Shares of HK$0.01 each to Point Stone Capital and Arcenciel Capital. All of the repurchased 10,000 shares of US$1.00 each were canceled and the authorized but unissued share capital of our Company was diminished by the cancellation of all of the unissued shares of US$1.00 par value each of our Company.

Accordingly, the authorized share capital of our Company became HK$380,000 divided into 38,000,000 Shares and the issued share capital of our Company became HK$100,000 divided into 10,000,000 Shares.

(h) Pursuant to a resolution in writing passed by all Shareholders on October 21, 2017, the authorized share capital of our Company was increased from HK$380,000 to HK$30,000,000 by the creation of a further 2,962,000,000 Shares.

Immediately following completion of the Share Offer and the Capitalization Issue, 1,100,000,000 Shares will be issued fully paid or credited as fully paid, and 1,900,000,000 Shares will remain unissued. In the event that the Over-allotment Option is exercised in full, 1,141,250,000 Shares will be issued fully paid or credited as fully paid, and 1,858,750,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option, our Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraphs 3 and 4 below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of all Shareholders passed on October 21, 2017

On October 21, 2017, pursuant to resolutions in writing passed by all Shareholders:

(a) our authorized share capital was increased from HK$380,000 to HK$30,000,000 by the creation of a further 2,962,000,000 Shares;

(b) the Memorandum of Association was adopted with immediate effect;

(c) the Articles of Association were conditionally adopted with effect from Listing; and

(d) conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Main Board and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of those agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the Share Offer and the Over-allotment Option were approved and our Directors were authorized to approve the allotment and issue of the Offer Shares and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;

(ii) the rules of the Share Option Scheme were approved and adopted and the Directors or any such committee thereof were authorized to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for the Shares thereunder, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;

(iii) conditional on the share premium account being credited as a result of the Share Offer, our Directors were authorized to capitalize HK$8,150,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 815,000,000 Shares for allotment and issue to Shareholder(s) whose name(s) appear(s) on the register of members of our Company at the close of business on October 21, 2017 (or as it/they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and our Directors be and are hereby authorized to give effect to such capitalisation;

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of our Company which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in subparagraph (vi) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association, the Companies Law or any applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first (the "**Applicable Period**");

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until expiry of the Applicable Period; and

(vi) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. Corporate reorganization

Our Group underwent the Reorganization to rationalize our corporate structure in preparation for the Listing, and our Company became the holding company of our Group. Please refer to the section headed "History, Reorganization and Group Structure" in this prospectus for further details.

5. Particulars of our subsidiaries

Our Group comprises our Company and nine subsidiaries. See the Accountants' Report for a summary of the corporate information of these companies.

6. Changes in share capital of our subsidiaries

Save as disclosed in the section headed "History, Reorganization and Group Structure" in this prospectus, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles, the Listing Rules and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Under the laws of the Cayman Islands, any repurchases by our Company may be made either (1) out of profits of our Company; (2) out of the share premium account of our Company; (3) out of the proceeds of a fresh issue of Shares made for the purpose of the purchase; (4) out of capital, if so authorized by the Articles and subject to the provisions of the Companies Law; or (5) in the case of any premium payable on the purchase, out of the profits of our Company, from sums standing to the credit of the share premium account of our Company or out of capital, if so authorized by the Articles and subject to the provisions of the Companies Law.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 1,100,000,000 Shares in issue immediately after the Listing, would result in up to 110,000,000 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

8. Registration under the Companies Ordinance

Our Company is a registered non-Hong Kong company as defined under the Companies Ordinance with a principal place of business in Hong Kong at Unit 702, Golden Centre, 188 Des Voeux Road Central, Hong Kong. Ms. Lai Yeung Fun, has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process and notices on our Company is the same as the address of our principal place of business in Hong Kong.

FURTHER INFORMATION ABOUT OUR BUSINESS

9. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the share transfer agreement dated December 30, 2016 entered into among Ms. Wang, Mr. Zhao, Putian Cable and Sensation Investment, pursuant to which Sensation Investment acquired 3% equity interest in Putian Cable from Mr. Zhao at a consideration of RMB6,780,000;

(b) the share purchase agreement dated January 2017 entered into among Jiangxi Tianyuan, Ms. Wang, Mr. Zhao, Sensation Investment and Putian Cable, pursuant to which, Jiangxi Tianyuan agreed to acquire from Ms. Wang and Mr. Zhao 51% and 46% equity interest in Putian Cable respectively at an aggregate consideration of RMB97,970,000;

(c) the equity transfer agreement dated March 21, 2017 entered into among Jiangxi Tianyuan, Putian Group HK, Sensation Investment and Putian Cable and the instruction letter issued by Sensation Investment dated March 27, 2017, pursuant to both of which, Putian Group HK acquired 3% of the equity interest of Putian Cable from Sensation Investment in consideration of and exchange for 300,000 Shares allotted and issued by our Company to Ms. Chan at the direction of Sensation Investment on March 27, 2017;

(d) the share purchase agreement dated March 31, 2017 entered into between Point Stone Capital and Mr. Zheng, pursuant to which Mr. Zheng acquired from Point Stone Capital 400,000 Shares representing 4% of the then issued share capital of our Company at the consideration of RMB9,820,000;

(e) the loan agreement dated July 29, 2017 entered into between Jiangxi Tianyuan and Zhou Weihua (周偉華) pursuant to which Jiangxi Tianyuan was provided with a loan in the amount of RMB20 million for a term of two years;

(f) the loan agreement dated July 29, 2017 entered into between Jiangxi Tianyuan and Zhao Chunchun (趙春春) pursuant to which Jiangxi Tianyuan was provided with a loan in the amount of RMB30 million for a term of two years;

(g) the Deed of Non-competition;

(h) the Deed of Indemnity; and

(i) the Hong Kong Underwriting Agreement.

10. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following registered trademarks:

No.	Trademark	Registrant	Place of registration	Class[(Note)]	Registration number	Effective period
1.	江天	Putian Cable	PRC	9	6481276	March 28, 2010 to March 27, 2020
2.	OSKY	Putian Cable	PRC	9	6374483	May 7, 2010 to May 6, 2020
3.	GEECOUP	Putian Cable	PRC	9	5020306	November 7, 2008 to November 6, 2018
4.	际美	Putian Cable	PRC	9	5020287	April 7, 2009 to April 6, 2019
5.	普天汉飞	Putian Cable	PRC	9	3078218	May 7, 2013 to May 6, 2023
6.	Potelecom	Putian Cable	PRC	9	8659321	September 28, 2011 to September 27, 2021
7.		Putian Cable	PRC	9	5457788	March 21, 2011 to March 20, 2021
8.		Putian Cable	PRC	9	14782045	July 7, 2015 to July 6, 2025

Note: The services covered under class 9 include scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signaling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus.

As at the Latest Practicable Date, our Group was in the course of applying for the registration of the following trademark:

No.	Trademark	Applicant	Place of application	Class	Application number	Date of application
1.	POTEL 普天集团 POTEL 普天集团	Putian Cable	Hong Kong	9[2]	304047679	February 14, 2017
2.	Hanphy	Putian Cable	PRC	9[2]	23063317	March 8, 2017
3.	Hanphy	Putian Cable	PRC	38[6]	23064242	March 8, 2017
4.	Hanphy	Putian Cable	PRC	6[1]	23064880	March 8, 2017
5.	Hanphy	Putian Cable	PRC	40[7]	23064676	March 8, 2017
6.	Hanphy	Putian Cable	PRC	35[4]	23063443	March 8, 2017
7.	Hanphy	Putian Cable	PRC	42[8]	23064703	March 8, 2017
8.	Hanphy	Putian Cable	PRC	37[5]	23064795	March 8, 2017
9.	Hanphy	Putian Cable	PRC	21[3]	23064793	March 8, 2017
10.	POTEL	Putian Cable	PRC	35[4]	22617898	January 13, 2017
11.	POTEL	Putian Cable	PRC	9[2]	18848645	January 11, 2016
12.	POTEL	Putian Cable	PRC	9[2]	16824949	April 28, 2015
13.	POTEL	Putian Cable	PRC	6[1]	22618298	January 13, 2017
14.	POTEL	Putian Cable	PRC	21[3]	22617724	January 13, 2017
15.		Putian Cable	PRC	37[5]	22961462	February 28, 2017
16.		Putian Cable	PRC	9[2]	22945389	February 27, 2017
17.		Putian Cable	PRC	42[8]	22961517	February 28, 2017

No.	Trademark	Applicant	Place of application	Class	Application number	Date of application
18.	汉飞 普天	Putian Cable	PRC	40[7]	22962058	February 28, 2017
19.	汉飞 普天	Putian Cable	PRC	35[4]	22944631	February 27, 2017
20.	汉飞 普天	Putian Cable	PRC	6[1]	22961831	February 28, 2017
21.	汉飞 普天	Putian Cable	PRC	21[3]	22962109	February 28, 2017
22.	汉飞 普天	Putian Cable	PRC	38[6]	22962055	February 28, 2017
23.	汉飞	Putian Cable	PRC	9[2]	22755548	February 4, 2017
24.	汉飞普天	Putian Cable	PRC	35[4]	22617885	January 13, 2017
25.	汉飞普天	Putian Cable	PRC	9[2]	22617857	January 13, 2017
26.	普天布线	Putian Cable	PRC	9[2]	18979150	January 25, 2016
27.	一光一线 联结世界	Putian Cable	PRC	9[2]	24812800	June 27, 2017
28.	一光一线 联结世界	Putian Cable	PRC	35[4]	24812796	June 27, 2017
29.	POTEL	Putian Cable	PRC	9[2]	24770822	June 14, 2017

Notes:

1. The goods covered under class 6 include common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores; unwrought and partly wrought common metals; metallic windows and doors; metallic framed conservatories.

2. The goods covered under class 9 include scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signaling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus.

3. The goods covered under class 21 include household or kitchen utensils and containers; combs and sponges; brushes (except paintbrushes); brush-making materials; articles for cleaning purposes; steel wool; articles made of ceramics glass, porcelain or earthenware which are not included in other classes; electric and non-electric toothbrushes.

4. The services covered under class 35 include advertising; business management; business administration; office functions; organization, operation and supervision of loyalty and incentive schemes; advertising services provided via the internet; production of television and radio advertisements; accountancy; auctioneering; trade fairs; opinion polling; data processing; provision of business information; retail services connected with the sales of list specific goods.

5. The services covered under class 37 include building construction; repair; installation services: installation, maintenance and repair of computer hardware; painting and decorating; cleaning services.

6. The services covered under class 38 include telecommunications services; chat room services; portal services; e-mail services; providing user access to the internet; radio and television broadcasting.

7. The services covered under class 40 include treatment of materials; development, duplicating and printing of photographs; generation of electricity.

8. The services covered under class 42 include scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software; computer programming; installation, maintenance and repair of computer software; computer consultancy services; design, drawing and commissioned writing for the compilation of web sites; creating, maintaining and hosting the web sites of others; design services.

Patents

As at the Latest Practicable Date, our Group was the registered exclusive licensee of the following patent in China:

No.	Patent title	Type	Registrant	Place of registration	Patent number	Effective period
1.	A kind of self-sustaining photoelectric compound cable (一種自承式光電複合纜)	Utility model	Putian Cable	PRC	ZL201520929566.2	November 20, 2015 to November 19, 2025
2.	A kind of butterfly shaped photoelectric compound optical fiber cable (一種光電複合蝶形光纜)	Utility model	Putian Cable	PRC	ZL201520929565.8	November 20, 2015 to November 19, 2025
3.	Butterfly shaped combined optical fiber cable (蝶形組合光纜)	Utility model	Putian Cable	PRC	ZL201520929564.3	November 20, 2015 to November 19, 2025

No.	Patent title	Type	Registrant	Place of registration	Patent number	Effective period
4.	Six-category of data cable of large logarithm shielding (大對數屏蔽六類數據電纜)	Utility model	Putian Cable	PRC	ZL201520929542.7	November 20, 2015 to November 19, 2025
5.	Fire retardant intelligent multi-purpose cable for buildings (阻燃型智能樓宇用多功能電纜)	Utility model	Putian Cable	PRC	ZL201520929541.2	November 20, 2015 to November 19, 2025
6.	Photoelectric compound cable (光電複合纜)	Utility model	Putian Cable	PRC	ZL201520929540.8	November 20, 2015 to November 19, 2025
7.	Multi-integrated photoelectric compound cable (多路一體式光電複合纜)	Utility model	Putian Cable	PRC	ZL201520929663.1	November 20, 2015 to November 19, 2025
8.	Enhanced optical fiber cable to the home (加強型入戶光纜)	Utility model	Putian Cable	PRC	ZL200820199643.3	December 23, 2008 to December 22, 2018
9.	Water-blocking tape winding device with a 6-shaped mold for dry-core cable (乾式光纜六字型模具阻水帶卷邊裝置)	Utility model	Putian Cable	PRC	ZL200820137662.3	September 25, 2008 to September 24, 2018
10.	Enhanced outdoor broadband cable (加強型室外寬帶電纜)	Utility model	Putian Cable	PRC	ZL200820199644.8	December 23, 2008 to December 22, 2018
11.	Photoelectric compound cable (光電複合線纜)	Utility model	Putian Cable	PRC	ZL200820199642.9	December 23, 2008 to December 22, 2018
12.	Square shaped broadband telephone line (方形寬帶電話線)	Utility model	Putian Cable	PRC	ZL200820199641.4	December 23, 2008 to December 22, 2018
13.	IPTV data cable (IPTV數據電纜)	Utility model	Putian Cable	PRC	ZL201220583799.8	November 8, 2012 to November 7, 2022
14.	A kind of large logarithm data cable (一種大對數數據電纜)	Utility model	Putian Cable	PRC	ZL201320016425.2	January 14, 2013 to January 13, 2023
15.	Optic and copper compound cable (光銅並進複合纜)	Utility model	Putian Cable	PRC	ZL201320016435.6	January 14, 2013 to January 13, 2023

No.	Patent title	Type	Registrant	Place of registration	Patent number	Effective period
16.	Integrated transmission and communication cable of video data (視頻數據綜合傳輸通訊線纜)	Utility model	Putian Cable	PRC	ZL201320044460.5	January 28, 2013 to January 27, 2023
17.	Digital optical fiber integrated cable (數字光纜綜合線纜)	Utility model	Putian Cable	PRC	ZL201320044778.3	January 28, 2013 to January 27, 2023
18.	Molding device for extruding plastic material of optical fiber cable (光纜塑膠料擠出機頭模具)	Utility model	Putian Cable	PRC	ZL201320045077.1	January 28, 2013 to January 27, 2023
19.	Butterfly shaped combined optical fiber cable (蝶形組合光纜)	Utility model	Jiangxi Optical	PRC	ZL201220583693.8	November 8, 2012 to November 7, 2022
20.	Multi-purpose Butterfly shaped optical fiber cable (多功能蝶形光纜)	Utility model	Jiangxi Optical	PRC	ZL201220584036.5	November 8, 2012 to November 7, 2022
21.	Water tank testing device of communication optical fiber cable (通信光纜水槽測試裝置)	Utility model	Jiangxi Optical	PRC	ZL201220583971.X	November 8, 2012 to November 7, 2022
22.	Combined butterfly shaped optical fiber cable (組合蝶形光纜)	Utility model	Jiangxi Optical	PRC	ZL201320016433.7	January 14, 2013 to January 13, 2023
23.	A kind of electricity supply template for multi media box POE (一種多媒體箱POE供電模塊)	Utility model	Putian Cable (Shanghai)	PRC	ZL201621135610.3	October 18, 2016 to October 17, 2026
24.	Distribution frame circuit (配線架電路)	Utility model	Putian Cable (Shanghai)	PRC	ZL201520963226.1	November 26, 2015 to November 25, 2025
25.	Network scanner (網絡掃描儀)	Utility model	Putian Cable (Shanghai)	PRC	ZL201520965767.8	November 26, 2015 to November 25, 2025
26.	A kind of electricity supply template circuit for multimedia box POE (一種多媒體箱POE供電模塊電路)	Utility model	Putian Cable (Shanghai)	PRC	ZL201621135628.3	October 18, 2016 to October 17, 2026

As at the Latest Practicable Date, our Group was in the course of applying for the registration of the following patents:

	Patent title	Type	Applicant	Place of application	Application number	Date of application
1.	New model of distribution frame circuit (新型配線架電路)	Invention	Putian Cable (Shanghai)	PRC	2015108438184	November 26, 2015
2.	Intelligent cabling system (智能佈線系統)	Invention	Putian Cable (Shanghai)	PRC	2015108444236	November 26, 2015
3.	Intelligent cabling database management system (智能佈線數據庫管理系統)	Invention	Putian Cable (Shanghai)	PRC	2015108444664	November 26, 2015
4.	Intelligent electronic cable frame (智能電子配線架)	Invention	Putian Cable (Shanghai)	PRC	2015108444522	November 26, 2015
5.	Intelligent network scanner (智能網絡掃描儀)	Invention	Putian Cable (Shanghai)	PRC	2015108438150	November 26, 2015
6.	A kind of six-category POE distribution frame (一種六類POE配線架)	Utility model	Putian Cable (Shanghai)	PRC	201621315703.4	December 1, 2016
7.	A kind of cable frame with edge structure (一種帶裙邊結構的線纜骨架)	Invention	Putian Cable	PRC	201710389336.5	May 27, 2017
8.	A kind of cable frame with edge structure (一種帶裙邊結構的線纜骨架)	Utility model	Putian Cable	PRC	201720607224.8	May 27, 2017
9.	A kind of easy-connect and flat cable with high speed (一種快接式扁平狀高速數據通信電纜)	Utility model	Putian Cable	PRC	201720606863.2	May 27, 2017
10.	A kind of over six-category communication cable (一種超六類數字通信線纜)	Utility model	Putian Cable	PRC	201720607271.2	May 27, 2017
11.	Flat digital optical leading cable (扁平數字光電引入線)	Utility model	Putian Cable	PRC	201720606697.6	May 27, 2017

	Patent title	Type	Applicant	Place of application	Application number	Date of application
12.	Cable color strips mold (線纜色條擠出模具)	Utility model	Putian Cable	PRC	201720607165.4	May 27, 2017
13.	Spiral ring, water-resistant and outdoor optical cable (螺旋式環狀阻水室外光纜)	Utility model	Putian Cable	PRC	201720607221.4	May 27, 2017
14.	Framed high-frequency optical mixed cable (骨架式高頻數字光電混合線纜)	Utility model	Putian Cable	PRC	201720606862.8	May 27, 2017

Copyright

As at the Latest Practicable Date, the Group was the registered proprietor and beneficial owner of the following copyrights:

	Copyright	Place of registration	Registrant	Copyright registration number	Date of registration certificate
1.	Putian Intelligent Scanner Keyboard Software (普天智能掃描儀按鍵軟件)	PRC	Putian Cable (Shanghai)	1072269	September 23, 2015
2.	Putian Intelligent Electronic Distribution Frame Control and Data Collection Software (普天智能電子配線架控制器數據採集軟件)	PRC	Putian Cable (Shanghai)	1072104	September 23, 2015
3.	Putian Intelligent Scanner Liquid Crystal Display Software (普天智能掃描儀液晶顯示軟件)	PRC	Putian Cable (Shanghai)	1072173	September 23, 2015
4.	Putian Intelligent Scanner Speedy Ethernet physical layer single CPU Send and Receive Software (普天智能掃描儀快速以太網物理層單芯片收發軟件)	PRC	Putian Cable (Shanghai)	1072673	September 23, 2015
5.	SPI Communication Software for Putian Intelligent Scanner Major Control and Subsidiary Control (普天智能掃描儀主控制器與從控制器SPI通信軟件)	PRC	Putian Cable (Shanghai)	1069180	September 18, 2015
6.	UART Communication Software for Putian Intelligent Scanner Subsidiary Control and Intelligent Electronic Distribution Frame Control (普天智能掃描儀從控制器與智能電子配線架控制器UART通信軟件)	PRC	Putian Cable (Shanghai)	1072450	September 23, 2015

Domain names

As at the Latest Practicable Date, our Group was the registrant of the following domain names:

	Domain name	Registrant	Registration date	Expiry
1.	www.potel-group.com	Putian Cable	March 7, 2015	March 7, 2021
2.	pthf-group.com	Putian Cable	November 27, 2014	November 27, 2017
3.	jxpt.com.cn	Putian Cable	July 30, 2009	July 30, 2019
4.	potelecom.com	Putian Cable	August 3, 2010	August 3, 2020
5.	數據電纜.com	Putian Cable	December 19, 2007	December 19, 2017

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF AND EXPERTS

11. Directors

(a) Disclosure of interests

(i) Ms. Wang and Mr. Zhao are interested in the Reorganization. Please refer to the section headed "History, Reorganization and Group Structure" in this prospectus.

(ii) Save as disclosed in this prospectus, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company pursuant to which each of them agreed to act as an executive Director for an initial term of three years commencing from the Listing Date.

Each of these executive Directors is entitled to a basic salary subject to an annual review by the remuneration committee of our Board during the term. In addition, each of our executive Directors is also entitled to a discretionary management bonus to be recommended by the remuneration committee of the Board and as approved by the majority of the Board. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him. The annual salaries of the executive Directors provided under the service contracts are as follows:

Name	**Annual salary**
	RMB'000
Ms. Wang	1,170
Mr. Zhao	1,170
Ms. Zhao Moge (趙默格)	260

Each of the independent non-executive Directors has been appointed for an initial term of two years commencing from the Listing Date. The annual directors' fees which our Company intends to pay to all our independent non-executive Directors are as follows:

Name	**Annual directors' fee**
	RMB'000
Ms. Cheng Shing Yan (鄭承欣)	120
Mr. Liu Guodong (劉國棟)	120
Mr. Xie Haidong (謝海東)	120

Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

(i) During the year ended December 31, 2016, the aggregate emoluments paid by our Group to our Directors were RMB368,000.

(ii) Under the arrangements currently in force, the aggregate emoluments payable by our Group to our Directors for the year ending December 31, 2017 are estimated to be approximately RMB1,359,000.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

(d) Interests and short positions of Directors and chief executive in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option), the interests and short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations (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 they are 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 which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, will be as follows:

Name of Director	Relevant company	Capacity	Number of securities or underlying Shares[1]	Percentage of shareholding
Ms. Wang	Our Company	Interest in controlled corporation[2]	408,375,000 (L)	37.125%
	Arcenciel Capital	Beneficial owner	10,000 (L)	100%
Mr. Zhao	Our Company	Interest in controlled corporation[3]	358,875,000 (L)	32.625%
	Point Stone Capital	Beneficial owner	10,000 (L)	100%

Notes:

1. The letter “L” denotes the Director’s long position in the Shares.

2. These Shares are held by Arcenciel Capital, which is wholly owned by Ms. Wang. By virtue of the SFO, Ms. Wang is deemed to be interested in the Shares held by Arcenciel Capital.

3. These Shares are held by Point Stone Capital, which is wholly owned by Ms. Wang. By virtue of the SFO, Mr. Zhao is deemed to be interested in the Shares held by Point Stone Capital.

12. Interest discloseable under the SFO and substantial shareholders

So far as is known to our Directors and chief executive of our Company, immediately following the completion of the Share Offer and the Capitalisation Issue (but without taking account any Shares which may be taken up under the Share Offer and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), the following persons (other than our Directors or chief executive officer of our Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be expected, directly or indirectly, to be 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 member of our Group.

Name	Nature of interest	Number of Shares immediately following the completion of the Share Offer and the Capitalisation Issue[1]	Percentage of shareholding immediately following the completion of the Share Offer and the Capitalisation Issue
Arcenciel Capital	Beneficial owner[2]	408,375,000 (L)	37.125%
Point Stone Capital	Beneficial owner[3]	358,875,000 (L)	32.625%

Notes:

1. The letter "L" denotes the Director's long position in the Shares.

2. These Shares are held by Arcenciel Capital, which is wholly owned by Ms. Wang. By virtue of the SFO, Ms. Wang is deemed to be interested in the Shares held by Arcenciel Capital.

3. These Shares are held by Point Stone Capital, which is wholly owned by Ms. Wang. By virtue of the SFO, Mr. Zhao is deemed to be interested in the Shares held by Point Stone Capital.

13. Related party transactions

During the two years immediately preceding the date of this prospectus, our Group did not engage in any other material related party transactions.

14. Disclaimers

(a) Taking no account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of the Over-allotment Option or the options granted or which may be granted under the Share Option Scheme, our Directors are not aware of any person who, save as disclosed in paragraph 12 in this appendix, will, immediately following the completion of the Share Offer and the Capitalisation Issue, have an interest or a short position in Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be 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 other member of our Group;

(b) Save as disclosed in paragraph 11(d) in this appendix, none of our Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under such provisions of the SFO, any interests or short position in the Shares or underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, once the Shares are listed on the Main Board;

(c) None of our Directors nor the experts named in paragraph 21 of this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of our Group nor will any Director apply for Shares either in his own name or in the name of a nominee;

(d) Save as disclosed in note 25 to the Accountants' Report and in connection with the Underwriting Agreements, the material contracts referred to in paragraph 9 of this appendix and the service agreements and letters of appointments referred to in paragraph 11(b) of this appendix, none of our Directors nor the experts named in paragraph 21 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 taken as a whole; and

(e) none of the experts named in paragraph 21 in this appendix has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group.

OTHER INFORMATION

15. Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing of the sole Shareholder passed on October 21, 2017:

(i) Purpose of the scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.

(ii) Who may join

Our Directors (which expression shall, for the purpose of this paragraph 15, include a duly authorized committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants ("**Eligible Participants**"), to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time, including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries ("**Subsidiaries**") or any entity ("**Invested Entity**") in which our Group holds an equity interest ("**Eligible Employee**");

(bb) any non-executive director (including independent non-executive directors) of our Company, any Subsidiary or any Invested Entity;

(cc) any supplier of goods or services to any member of our Group or any Invested Entity;

(dd) any customer of any member of our Group or any Invested Entity;

(ee) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of our Group, and, for the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more Eligible Participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determined, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the Eligible Participants to the grant of options shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.

(iii) Maximum number of Shares

(aa) The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not exceed 30% of the issued share capital of our Company from time to time.

(bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the day on which dealings in the Shares first commence on the Stock Exchange (i.e. not exceeding 110,000,000 Shares) (the "**General Scheme Limit**") but excluding any Shares which may be issued upon the exercise of the Over-Allotment Option.

(cc) Subject to paragraph (aa) above but without prejudice to paragraph (dd) below, our Company may issue a circular to its Shareholders and seek approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group shall not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, canceled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(dd) Subject to paragraph (aa) above and without prejudice to paragraph (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to Eligible Participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

Subject to paragraph (v)(bb) below, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being ("**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of our Company with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to connected persons

(aa) Without prejudice to paragraph (bb) below, any grant of options under the Share Option Scheme to a director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the option).

(bb) Without prejudice to paragraph (aa) above, where any grant of options to a substantial shareholder or an independent non-executive director of our Company or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million;

such further grant of options must be approved by the Shareholders in general meeting. Our Company must send a circular to the Shareholders. The grantee, his associates and all connected persons of our Company must abstain from voting in favor at such general meeting. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of our Company or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless our Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme shall be determined at the discretion of our Directors, provided that it shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five Business Days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

(aa) Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association and will rank pari passu in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

(bb) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary share capital of our Company of such nominal amount as shall result from a sub-division, consolidation, re-classification, reduction or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of grant of options

Our Company may not make any offer for grant of options after inside information has come to our knowledge until our Company has announced the information. In particular, our Company may not make any offer during the period commencing one month immediately before the earlier of (aa) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement.

Our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of its Subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-heath or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was at work with our Company, the relevant Subsidiary or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of persistent and serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offense (other than an offense which in the opinion of our Directors does not bring the grantee or our Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (aa) the grantee of any option (other than an Eligible Employee) or his close associate (or his associates if the grantee is a connected person) has committed any breach of any contract entered into between the grantee or his close associate on the one part and our Group or any Invested Entity on the other part; or (bb) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (cc) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever, then the option granted to the grantee under the Share Option scheme shall lapse as a result of any event specified in sub-paragraph (aa), (bb) or (cc) above.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of our Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes or the relevant record date for entitlements under the scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants:

(i) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant Eligible Participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares, the subject matter of the Share Option Scheme and the option so far as unexercised and/or the option price of the option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustment; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and the approval of our Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant to sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(aa) the expiry of the period referred to in paragraph (vi);

(bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvii) and (xviii);

(cc) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) by the grantee in respect of that or any other options.

(xxiv) Others

(aa) The Share Option Scheme is conditional on the Listing Committee granting the listing of and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.

(cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules, the "Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rule 23.03(13) and the Note Immediately After the Rule" set out in the letter from the Stock Exchange to all listed issues dated September 5, 2005 and other relevant guidance of the Stock Exchange.

(ee) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme, which complies with Chapter 17 of the Listing Rules, is conditional on the Listing Committee granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

16. Estate duty, tax and other indemnities

Ms. Wang, Mr. Zhao, Arcenciel Capital and Point Stone Capital (collectively the "**Indemnifiers**") have executed the Deed of Indemnity in favor of our Company (for itself and as trustee for each of its present subsidiaries).

Pursuant to the Deed of Indemnity, the Indemnifiers have agreed to jointly and severally indemnify each of the members of our Group against the following:

(a) any liability for Hong Kong estate duty which might be incurred by us by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to us on or before the date on which the Share Offer becomes unconditional (the "**Effective Date**");

(b) taxation which might fall on us in respect of any income, profits or gains earned, accrued or received on or before the Effective Date, subject to certain exceptions set out below;

(c) taxation which may fall on us arising from the Reorganization payable under the Notice on Strengthening Enterprise Income Taxation on Non-Resident Enterprises with respect to Gains from Equity Transfer* (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) promulgated by the SAT or any event or transaction on or before the Effective Date, subject to certain exceptions set out below; and

(d) any damages, losses, liabilities, claims, fines, penalties, orders, expenses and costs, or loss of profits, benefits which are or become payable or suffered by us directly or indirectly as a result of and in connection with any non-compliance(s) of our Group with all applicable laws, rules or regulations on or before the Effective Date.

The Indemnifiers will, however, not be liable in respect of any taxation referred to in paragraph (b) above:

(1) to the extent that provision or reserve has been made for such taxation in the audited accounts of our Group for the Track Record Period and to the extent that such taxation is incurred or accrued since April 30, 2017 which arises in our ordinary course of business; or

(2) to the extent that such taxation falls on us in respect of the accounting period commencing on or after May 1, 2017 unless such taxation would not have arisen but for an act or omission of, or transaction voluntarily effected by the Indemnifiers or us otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date; or

(3) to the extent that such taxation would not have arisen but for a voluntary act or transaction carried out or effected (other than pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity) by us after the date of the Deed of Indemnity; or

(4) to the extent that such taxation arises as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by any relevant authority coming into force after the date of the Deed of Indemnity or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect; or

(5) to the extent of any provision or reserve made for taxation in the audited accounts of our Group up to April 30, 2017 and which is finally established to be an over-provision or an excessive reserve.

17. Litigation

Neither our Company nor any of our subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Group.

18. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares that may be issued upon the exercise of the Over-allotment Option or any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. The Sole Sponsor is independent of our Company in accordance with Rule 3A.07 of the Listing Rules.

The Sole Sponsor will be paid by the Company a total fee of HK$4 million to act as the sponsor to the Company in connection with the Share Offer.

19. Preliminary expenses

The preliminary expenses incurred by our Company were approximately RMB28,000 and were payable by our Company.

20. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoters of our Company in connection with the Share Offer or the related transactions described in this prospectus.

21. Qualifications of experts

The qualifications of the experts who have given opinions or advice in this prospectus are as follows:

Name	Qualifications
SPDB International Capital Limited	Licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO
BDO Limited	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Qualified legal advisers as to PRC law
Ipsos China Limited	Independent industry consultant
Peak Vision Appraisals Limited	Independent valuer

22. Consent of experts

Each of the experts named in paragraph 21 has given and has not withdrawn its written consents to the issue of this prospectus with the inclusion of its report, letter, valuation, opinion or summaries of opinion (as the case may be) and the references to its names included herein in the form and context in which they respectively appear.

23. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, 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 (Chapter 32 of the Laws of Hong Kong) so far as applicable.

24. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

25. Miscellaneous

(i) Save as disclosed in "History, Reorganization and Group Structure" and "Structure of the Share Offer" and paragraph 2 in this appendix within two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Share in our Company or any of its subsidiaries;

(ii) No share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) There has been no material adverse change in the financial position or prospects of our Group since April 30, 2017 (being the date to which the latest audited combined financial statements of our Group were made up);

(iv) There has not been any interruption in the business of our Group which may have or has had a material adverse effect on the financial position of our Group;

(v) There is no arrangement under which future dividends are waived or agreed to be waived;

(vi) There are no founder, management or deferred shares in our Company or any of its subsidiaries;

(vii) Our Group does not have any outstanding convertible debt securities or debentures;

(viii) No securities of our Group are listed, and no listing of any such securities is proposed to be sought, on any other stock exchange;

(ix) All necessary arrangements have been made to enable the Shares to be admitted into CCASS; and

(x) None of the debt and equity securities of the companies comprising our Group is presently listed on any stock exchange or traded on any trading system.

26. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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 include:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in "Other information — 22. Consents of experts" in Appendix V; and

(c) a copy of each of the material contracts referred to in "Further information about the business of our Group — 9. Summary of material contracts" in Appendix V.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Loeb & Loeb LLP at 21st Floor, CCB Tower, 3 Connaught 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) our Memorandum and Articles;

(b) the accountants' report prepared by BDO Limited, the text of which is set out in Appendix I;

(c) the letter from BDO Limited in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II;

(d) the consolidated audited financial statements of our Company and the companies comprising our Group for the three years ended December 31, 2016 and the four months ended April 30, 2017;

(e) the letter, summary of values and valuation certificate relating to our property interests prepared by Peak Vision Appraisals Limited, the text of which is set out in Appendix III;

(f) the letter of advice prepared by Conyers Dill & Pearman, summarizing the constitution of our Company and certain aspects of the Cayman Islands company law, referred to in Appendix IV;

(g) the legal opinion on our Group's operations and property interests in the PRC issued by Jingtian & Gongsheng;

(h) the written consents referred to in "Other information — 22. Consents of experts" in Appendix V;

(i) the service agreements and letters of appointment referred to in "Further information about Directors, management and staff and experts — 11. Directors — (b) Particulars of service contracts" in Appendix V;

(j) the material contracts referred to in "Further information about the business of our Group — 9. Summary of material contracts" in Appendix V;

(k) the rules of the Share Option Scheme;

(l) the report issued by Ipsos China Limited; and

(m) the Companies Law.

普天通信集團有限公司

PUTIAN COMMUNICATION GROUP LIMITED