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)

2017
ANNUAL REPORT

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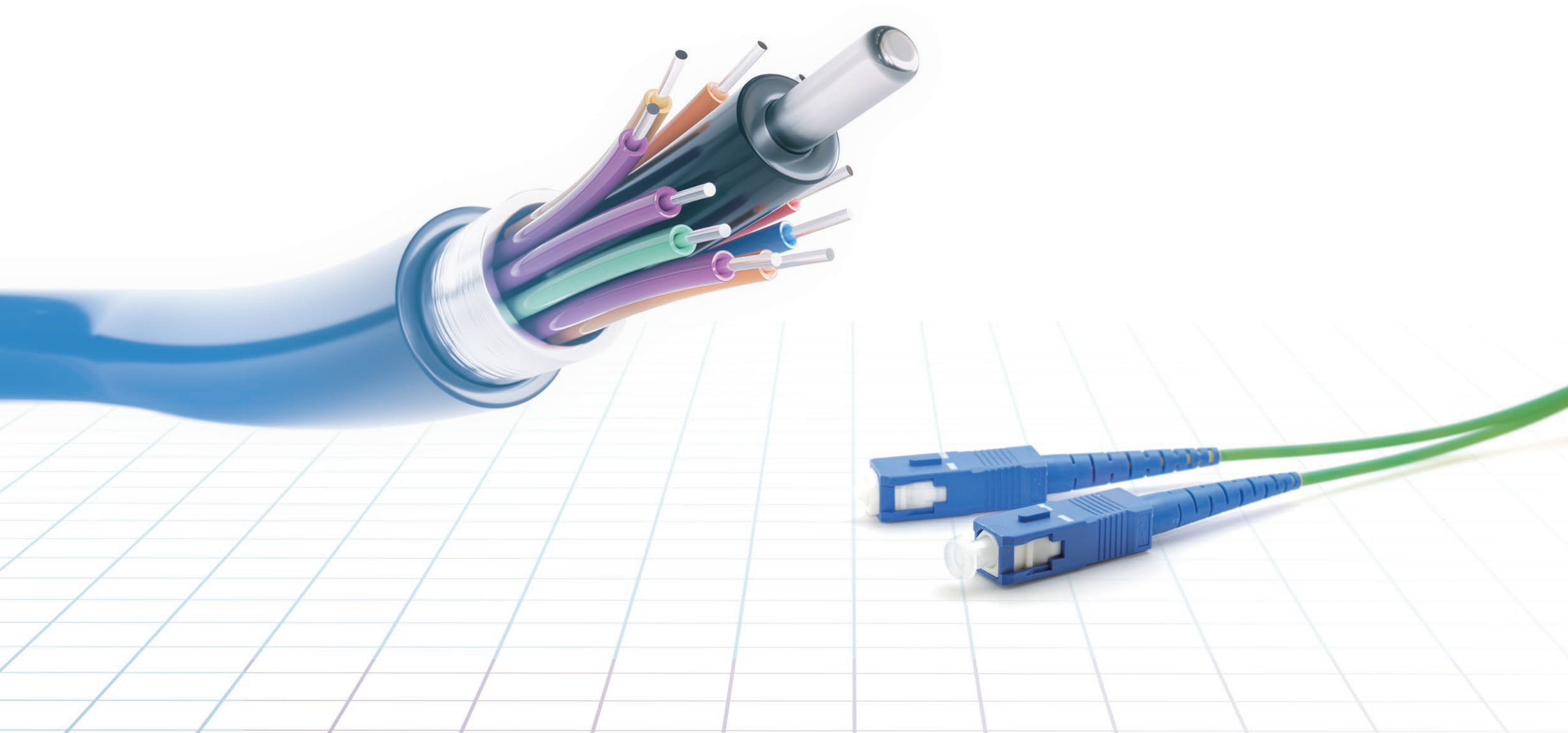


CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Wang Qiuping
(Chairlady and Chief Executive Officer)
Mr. Zhao Xiaobao (alias Zhao Baohua)
Ms. Zhao Moge

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Cheng Shing Yan
Mr. Liu Guodong
Mr. Xie Haidong

AUDIT COMMITTEE

Ms. Cheng Shing Yan *(Chairlady)*
Mr. Liu Guodong
Mr. Xie Haidong

REMUNERATION COMMITTEE

Mr. Liu Guodong *(Chairman)*
Ms. Cheng Shing Yan
Mr. Xie Haidong

NOMINATION COMMITTEE

Mr. Xie Haidong *(Chairman)*
Ms. Cheng Shing Yan
Mr. Liu Guodong

COMPANY SECRETARY

Ms. Lai Yeung Fun

AUTHORISED REPRESENTATIVES

Ms. Wang Qiuping
Ms. Lai Yeung Fun

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 702, Golden Centre
188 Des Voeux Road Central, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 8899 ChangDong Avenue
Hi-tech Development Zone
Nanchang, Jiangxi Province
The PRC

AUDITOR

BDO Limited

COMPLIANCE ADVISER

SPDB International Capital Limited

LEGAL ADVISER AS TO HONG KONG LAWS

King & Wood Mallesons

PRINCIPAL BANKERS

SPD Bank (Nanchang Bayi Branch)
Bank of China (Nanchang Xihu Branch)
Bank of Communication (Jiangxi Branch)

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.potel-group.com

STOCK CODE

1720

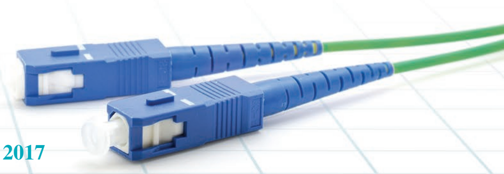
COMPANY PROFILE

Putian Communication Group Limited (the "**Company**") (Stock code: 1720) (together with its subsidiaries, collective referred to as the "**Group**") is a well-established and fast-growing communication cable manufacturer and structured cabling system product provider based in Jiangxi Province, the PRC.

The Group has commenced its communication cable manufacturing since 2001. It provides a wide range of optical fiber cables, communication copper cables and structured cabling system products under the brand names of "普天汉飞" and "Hanphy". Its optical fiber cables and communication copper cables are mainly used by major telecommunications network operators in the PRC for network construction and maintenance. Its 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. Structured cabling systems products are components of the wiring system, including optical fiber-based cabling system and copper-based system, within buildings for the information transmission. The Group is one of the most diversified suppliers in the communication cable industry in the PRC. Its superior product quality, constant availability, responsive customer services and competitive prices are well recognized by its customers.

The Group continues to strengthen its research and development capabilities which have enable it to continuously develop new products and upgrade its existing products. Since 2006, one of the Group's major wholly owned subsidiaries, Putian Cable Group Co., Ltd, has been consecutively recognized as a New High-tech Enterprise by Jiangxi Provincial Department of Science and Technology.

On 9 November 2017 (the "**Listing Date**"), the shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As of 31 December 2017, the Company had 1,100,000,000 issued shares.



FINANCIAL HIGHLIGHTS

For the year ended 31 December 2017, the Group's operating results were as follows:

- Total revenue increased by approximately 32.8% to approximately RMB621.3 million (2016: approximately RMB467.9 million).
- Gross profit increased by approximately 38.5% to approximately RMB154.3 million (2016: approximately RMB111.4 million).
- Gross profit margin increased by approximately 1.0% to approximately 24.8% (2016: approximately 23.8%).
- Profit for the year attributable to owners of the Company increased by approximately 11.5% to approximately RMB58.1 million (2016: approximately RMB52.1 million).
- The Group's revenue from sale of optical fiber cables increased by approximately 50.1% to approximately RMB243.6 million (2016: approximately RMB162.3 million); revenue from sale of structured cabling system products increased by approximately 115.1% to approximately RMB122.8 million (2016: approximately RMB57.1 million); revenue from sale of communication copper cables slightly increased by approximately 2.6% to approximately RMB254.9 million (2016: approximately RMB248.5 million).
- The board of directors of the Company (the "**Board**") did not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

FOUR-YEAR FINANCIAL SUMMARY

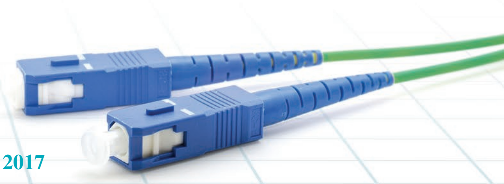
A summary of the consolidated results and of the assets and liabilities of the Group for the last four financial years, as extracted from the published audited financial statements and as appropriate, is set out below.

RESULT

	For the year ended 31 December			
	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**621,281**	467,919	361,726	270,770
Profit before income tax expense	**73,352**	63,144	40,582	20,987
Income tax expense	**(15,301)**	(11,045)	(6,224)	(3,199)
Profit for the year	**58,051**	52,099	34,358	17,788
Profit for the year attributable to:				
Owners of the Company	**58,051**	52,102	34,368	17,788
Non-controlling interests	**–**	(3)	(10)	–
	58,051	52,099	34,358	17,788

ASSETS AND LIABILITIES

	As at 31 December			
	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**484,086**	326,552	291,605	250,051
Total liabilities	**(160,637)**	(100,637)	(115,418)	(108,222)
	323,449	225,915	176,187	141,829
Equity attributable to owners of the Company	**323,449**	225,915	173,747	139,379
Non-controlling interests	**–**	–	2,440	2,450
	323,449	225,915	176,187	141,829



CHAIRMAN'S STATEMENT

Wang Qiuping
Chairlady

Dear Shareholders,

On behalf of the Board of directors (the "**Directors**") of the Company, I am pleased to present to the shareholders the annual results of the Group for the year ended 31 December 2017 (the "**Year**").

LISTING ON THE STOCK EXCHANGE ON 9 NOVEMBER 2017

The Company was successfully listed on the Main Board of the Stock Exchange on 9 November 2017 (collectively, the "**Listing**"). The Listing marked a milestone for the Group in improving its capital strength and corporate governance as well as enhancing its public reputation in the market, which laid a solid foundation for the Group's future development.

BUSINESS REVIEW

The Group has accomplished a good financial result for the Year. It recorded a revenue of approximately RMB621.3 million which represented a growth of approximately 32.8% as compared with the one for the year ended 31 December 2016 (the "**Last Year**"). The Group has realized a gross profit of approximately RMB154.3 million for the Year, which represented a growth of approximately 38.5% as compared to the one for the Last Year. Profit for the Year attributable to owners of the Company was approximately RMB58.1 million, increased by approximately 11.5% as compared with the one for the Last Year.

The significant increase in revenue was mainly attributable to the sale of optical fiber cables which was increased by approximately 50.1% to approximately RMB243.6 million (2016: approximately RMB162.3 million) and the sale of structured cabling system products which was increased by approximately 115.1% to approximately RMB122.8 million (2016: approximately RMB57.1 million). In July 2017, the Group has completed the construction of the first phase of its second production site, Yaohu Factory and commenced the operation of four new production lines for optical fiber cables. The Group's aggregate annual production capacity for optical fiber cables has been significantly enlarged from approximately 1.2 million fkm in 2016 to approximately 5.6 million fkm in 2017. Supported by the enlarged capacity, the Group is able to compete for large tenders and has been rewarded more orders from the major telecommunications network operators in the PRC.

In June 2017, the Group has been selected by one of its major customer as one of their optical fiber cable suppliers in 2017-2018 under their centralised 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. This tender has contributed approximately RMB101.5 million of sale of optical fiber cables for the Year and is expected to contribute approximately RMB228.5 million for the coming year.

It is expected that the market demand for optical fiber cables in the PRC will continue to increase as a result of the favorable government policy. To achieve continuous business growth, the Group intends to increase market share through strengthening its relationships with key customers, in particular major telecommunications network operators in the PRC, and increasing penetration of its products through continuous upgrading and development of new products.

The Group is devoted to expanding its non-operator customers base and penetrating into its structured cabling system products business. It has sales representatives in 24 cities nationwide targeting a broad range of communication system solution providers and construction contractors in the PRC for its structured cabling system products. In addition, the Group also organises various seminars and conferences from time to time to promote its brand awareness so as to increase its market share. Such strategy has been proved to be successful and led the Group to a robust growth in its structured cabling system products business for the Year.

In respect of the copper communication cable business, given the decreasing demand and stringent safety and environmental standards requirements, we note that large number of smaller communication copper cable manufacturers have been washed out and their market shares have been taken up by remaining manufacturers who have stronger capital and technical capacities. The Group has been benefited from this trend. Its revenue generated from sale of communication copper cables slightly increased by approximately 2.6% from approximately RMB248.5 million for the Last Year to approximately RMB254.9 million for the Year. The proportion of revenue contributed from the sales of communication copper cable decreased from approximately 53.1% for the Last Year to approximately 41.0% for the Year as the Group has reserved more resources to expand its business in optical fiber cable segment and structured cabling systems products segment and has successfully recorded a rapid growth in these two segments for the Year.

OUTLOOK

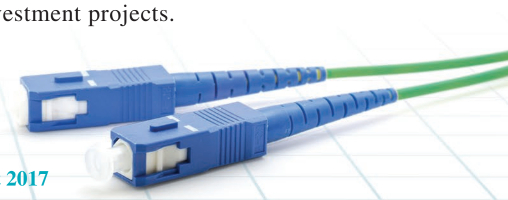
In 2017, the “Broadband China” Strategic Implementation Plan and “Internet Plus“ (“互聯網+”) initiative were widely carried out in the PRC. Around the world, major countries and telecom operators had announced 5G construction and commercial plans. 5G technology standards have been gradually launched. In 2018, 5G is trended to be commercialized which is expected to stimulate substantial investment in the construction of global communications infrastructure. We expect the demand for optical fibers and optical fibers cables remains strong and anticipate a rapid growth in the communication cable industry in the coming years.

To capture the business opportunities and achieve a sustainable competitive advantage, we will further strengthen and improve the Group’s market position in the value chain of optical fiber cable production through the following strategies:

- increasing market shares in optical fiber cables through enhancing production capacity and further strengthening customer relationships;
- refining the product mix by focusing on the segments with high growth potential and profit margins;
- expanding the Group’s business into the production of optical fibers through backward vertical integration; and
- expanding the product offerings and strengthening the Group’s research and development capabilities.

After the end of the Year, the Group has entered into (i) two equipment acquisition contracts with a PRC manufacturer (the “**Manufacturer**”) pursuant to which the Manufacturer agreed to sell and the Group agreed to purchase the optical fiber production facilities at a total consideration of approximately RMB60.9 million and (ii) a technology agreement pursuant to which the Manufacturer agreed to provide services and technical support to the Group for the setting up of an optical fiber factory at a total service fee of RMB12.0 million. Through backward expansion to optical fiber production, we expect that this will stabilise the raw material supply which will in turn better control the production cost and further enhance the gross profit margin of the Group.

The Board would from time to time identify suitable investment opportunities through merger and acquisitions to enhance the value of the Group. As of the date of this report, the Board did not identify any suitable investment projects.



APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the senior management team and our employees for their outstanding contribution for the Group. I would also like to thank all our shareholders, customers, suppliers, professional parties, business partners and the public community for their support to our business development and the successful Listing.

I strongly believe that the concerted effort of our staff and stakeholders will continue to propel the growth momentum of the Group going forward.

Wang Qiuping
Chairlady

A. FINANCIAL REVIEW

Revenue

Revenue of the Group is mainly derived from sales of optical fiber cables, communication copper cables and structured cabling system products, which represents three reportable segments, respectively. Revenue of the Group increased by approximately 32.8% from approximately RMB467.9 million for the Last Year to approximately RMB621.3 million for the Year. Among which, revenue derived from sale of optical fiber cables increased by approximately 50.1% from approximately RMB162.3 million for the Last Year to approximately RMB243.6 million for the Year; revenue derived from sale of structured cabling system products increased by approximately 115.1% from approximately RMB57.1 million for the Last Year to approximately RMB122.8 million for the Year; revenue derived from sale of communication copper cables slightly increased by approximately 2.6% from approximately RMB248.5 million for the Last Year to approximately RMB254.9 million for the Year.

Gross profit and margin

Gross profit increased by approximately 38.5% to approximately RMB154.3 million for the Year from approximately RMB111.4 million in for the Last Year, while the Group's gross profit margin was approximately 24.8% for the Year as compared to the one of approximately 23.8% for the Last Year. The increase in gross profit margin was primarily because a larger portion of revenue was generated from optical fiber cables and structured cabling system products which have a higher profit margin.

Other income

Other income increased by approximately 311.4% from approximately RMB105,000 for the Last Year to approximately RMB432,000 for the Year, primarily due to bank interest income increased by approximately RMB182,000 and exchange gains increased by approximately by RMB108,000.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 40.7% from approximately RMB17.2 million for the Last Year to approximately RMB24.2 million for the Year, primarily due to (i) an increase of approximately RMB4.0 million in transportation fees as a result of the increase of customer orders and (ii) an increase of approximately RMB3.7 million 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 approximately 3.9% for the Year as compared to approximately 3.7% for the Last Year.

Administrative expenses

Administrative expenses increased by approximately 79.9% from approximately RMB28.9 million for the Last Year to approximately RMB52.0 million for the Year, primarily due to (i) an increase of approximately RMB2.0 million in salaries and welfare expenses as a result of the hire of additional administrative personnel and the increased average salaries; (ii) an increase of approximately RMB3.3 million in research and development expenses as the Group put strengthened efforts on researching project in developing new type of products and improving the Group's production efficiency and (iii) an increase of approximately RMB14.2 million in listing fee in connection with the Share Offer.

Research and development expenses increased by approximately 21.4% from approximately RMB15.4 million for the Last Year to approximately RMB18.7 million for the Year. The increase was mainly due to more research and development efforts employed for new product development. Research and development expenses as a percentage of the Group's total revenue remained stable, which was approximately 3.0% for the Year as compared to approximately 3.3% for the Last Year.

Finance costs

Finance costs increased by approximately 121.7% from approximately RMB2.3 million for the Last Year to approximately RMB5.1 million for the Year primarily due to (i) additional borrowings of RMB50.0 million from independent third parties to repay the amount due to controlling shareholders resulting from the reorganisation for the Listing and (ii) an increase of bank loans to finance the daily operation of the Group. The Group borrowed from independent third parties instead of banks because it would be more flexible for the Group to negotiate with a lender other than banks in terms of time spent and quality of collateral required.

Income tax expense

Income tax expense increased by approximately 39.1% from approximately RMB11.0 million for the Last Year to approximately RMB15.3 million for the Year, primarily due to the increase in profit before income tax expense. The effective tax rate was approximately 20.9% and approximately 17.5% for the Last Year and the Year respectively.

Profit for the Year

Profit for the Year increased by approximately 11.5% from approximately RMB52.1 million for the Last Year to approximately RMB58.1 million for the Year.

Particulars of the Group's segment information are set out in note 6 to the Consolidated Financial Statements.

Cash position

As at 31 December 2017, the Group had an aggregate of restricted cash and cash and cash equivalent of approximately RMB108.6 million (2016: approximately RMB14.8 million), representing an increase of approximately 633.8% as compared to that as at 31 December 2016. As at 31 December 2017, the Group had restricted cash of RMB50,000 (2016: RMB480,000) that were pledged to banks for issuing bills payable.

Borrowings and charges on the Group's assets

As at 31 December 2017, the Group had bank borrowings of approximately RMB61.8 million which were secured by legal charge over the properties of the Group and corporate guarantees from the Group. All bank borrowings are repayable within one year.

As at 31 December 2016, the Group had bank borrowings of approximately RMB48.0 million and which were secured by legal charge over the properties of the Group and the ones of controlling shareholders and their associates. All bank borrowings were repayable within one year.

In addition to bank borrowings, on 29 July 2017, the Group obtained loans from independent third parties in an amount of RMB50.0 million to repay the amount due to controlling shareholders resulting from the reorganisation of the Listing. The fixed interest rate of the loans is 8.16% per annum and the Group shall repay the loan in one installment and pay the accrued interest on the maturity date of 30 June 2019.

Gearing ratio

As at 31 December 2017, the gearing ratio of the Group, calculated by having the total liabilities divided by the total equity, was approximately 0.5 (2016: approximately 0.4).

Currency risk

While the Group's operations are principally in the PRC during the Year and it mainly made sales and incurred production costs and expenses in RMB, the Group has bank balance and listing expenses payable denominated in foreign currencies (Hong Kong dollar). The Group does not use any derivative contracts to hedge against its exposure to currency risk. However, the Directors manage the Group's foreign currency risk by closely monitoring the movement of the foreign currency rates.

Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed rate borrowings. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on variable interest bearing financial assets and liabilities, mainly bank balances and borrowings which carried/bore prevailing market interest rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. The management of the Group maintains a balanced portfolio of fixed rate and variable rate borrowings.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the Group's consolidated statement of financial position.

The Group's credit risk is primarily attributable to its trade, bills and other receivables. In order to minimise the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. The credit risk for restricted bank balances and bank balances is minimal as such amounts are placed in banks with good reputation.

Liquidity risk

The Group's management monitors the Group's cash flow positions on a regular basis to ensure that the cash flows of the Group are positive and closely controlled. The Group aims to maintain flexibility in funding by keeping committed credit lines available and issue of new ordinary shares.

Capital Commitments

As at 31 December 2017, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment amounting to approximately RMB1.4 million (2016: approximately RMB3.6 million).

Save for the reorganisation arrangements undergone by the Group in preparation for the Listing (hereinunder referred to as the "**Reorganisation**"), the Group did not have any material acquisitions and disposals for the Year.

Future plans for material investments

The Group will continue to invest in its development projects and acquire suitable plant and machinery,if it thinks fit. On 3 January 2018, the Group entered into the equipment acquisition contract with the Manufacturer pursuant to which the Manufacturer agreed to sell and the Group agreed to purchase the optical fiber production facilities at a total consideration of approximately RMB45.1 million. Subsequently, on 19 January 2018, the Group entered into with the Manufacturer (i) another equipment acquisition contract pursuant to which the Manufacturer agreed to sell and the Group agreed to purchase the additional optical fiber production facilities at a total consideration of RMB15.8 million; and (ii) the technology agreement pursuant to which the Manufacturer agreed to provide services and technical support to the Group for the setting up of an optical fiber factory at a total service fee of RMB12.0 million. These investments were funded by internal resources, external equity financing and/or borrowings and net proceeds from the Share Offering. Save as disclosed in the prospectus of the Company dated 27 October 2017 (the "**Prospectus**") and in this report, the Group did not have any future plans for material investments as at the date of this report.

Employees and remuneration policies

As at 31 December 2017, the Group had approximately 375 employees (2016: approximately 339 employees). For the Year, the Group incurred staff costs of approximately RMB28.3 million (2016: approximately RMB20.9 millions). As required by applicable PRC laws and regulations, the Group participates in various employee benefit plans, including pension insurance and medical insurance. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed periodically with reference to the then prevailing market employment practices and legislation.

B. USE OF PROCEEDS FROM THE SHARE OFFERING

On 9 November 2017, the Company issued 275,000,000 shares at an offer price of HK$0.66 per share through an initial public offering (the "**Share Offering**"). Upon completion of the Share Offering, the amount of net proceeds after deducting the underwriting fees and expenses payable by the Company in connection with the Share offering, is approximately HK$146.7 million (equivalent to approximately RMB124.5 million).

As at 31 December 2017, approximately RMB20.3 million of the net proceeds has been used by the Group. The unutilised proceeds were deposited with the licensed bank in Hong Kong and the PRC. Set out below is a summary of the utilisation of the net proceeds:

	%	**Original plan allocation of net proceeds** RMB million	**Actual utilised amount as at 31 December 2017** RMB million	**Unutilised amount as at 31 December 2017** RMB million
For the upstream vertical expansion into the optical fiber production	46.0%	57.3	–	57.3
For the settlement of partial payment for the four new optical fiber cable production lines	13.6%	16.9	13.8	3.1
For the enhancement of the structured cabling system products production equipment	12.5%	15.6	–	15.6
For financing the research and development of diversified new products and the production processes	8.9%	11.0	–	11.0
For repayment of part of the bank loans	10.6%	13.2	–	13.2
For working capital and other	8.4%	10.5	6.5	4.0
	100.0%	124.5	20.3	104.2

Contingent liabilities and litigation

The Group did not have any contingent liabilities and litigation as at the date of this report.

C. ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is dedicated to reducing its impacts to the environment from its factories and offices through mitigating the environmental pollutions and utilising resource efficiently. The Group strives to comply with related environmental laws and legislations, and continual improvement on its performance. The Environmental, Social and Governance Report was set out on page 33 of this report in compliance with the Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

D. KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group strives to maintaining a good relationship with its employees, customers and suppliers. For more details on how it creates a motivated workplace for its employees, produce quality products to satisfy its customers' expectations and, establish long-term relationships with Its suppliers, please refer to the Environmental, Social and Governance Report was set out on page 33 of this report.

E. COMPLIANCE WITH LAWS AND REGULATIONS

Save as disclosed in the Prospectus, during the Year, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

DIRECTORS AND SENIOR MANAGEMENT'S PROFILE

EXECUTIVE DIRECTORS

Ms. Wang Qiuping (王秋萍), aged 54, is an executive Director, the chairlady of the Board and chief executive officer of the Company responsible for the overall business management and strategic planning of the Group. Ms. Wang is also the founder of the Group and one of the controlling shareholders. Before the establishment of the 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 Putian Building Intelligence Co., Ltd. ("**Jiangxi Building**"), which has been principally engaged in the sales of structured cabling system products since its incorporation. Save for Jiangxi Changtian Optical Communication Co., Ltd ("**Jiangxi Optical**"), Ms.Wang is a director of each of the subsidiaries of the Group. 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.

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 53, is an executive Director responsible for the overall sales of the Group. He joined the Group in June 2001. Mr. Zhao is a director of each of Putian Cable Group Co., Ltd and Jiangxi Optical and a supervisor of Jiangxi Building. Mr. Zhao has more than 16 years of experience in the production and sales in the telecommunications industry. Before joining the 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 29, is an executive Director responsible for the overall operation and finance of our Group.

Ms. Zhao joined the Group in July 2011 and had held various positions. She first started working for the 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 the general manager of Putian Cable (Shanghai) Building Intelligence Co., Ltd ("**Putian Cable (Shanghai)**") and was 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) ("**Ms. Cheng**"), aged 43, was appointed as an independent non-executive Director on 21 October 2017. She is the chairlady of the audit committee of the Company (the "**Audit Committee**") and a member of each of the nomination committee (the "**Nomination Committee**") and the remuneration committee of the Company (the "**Remuneration Committee**").

Ms. Cheng has about 20 years of experience in the fields of accounting and auditing. Ms. Cheng joined the group of Sanroc International Holdings Limited, which is listed on the Main Board of the Stock Exchange (stock code: 1660), as the chief financial officer in April 2016. Ms. Cheng had also been the company secretary and an executive director of Sanroc International Holdings Limited from April 2016 to April 2018 and from April 2017 to April 2018, respectively. Ms. Cheng has been an independent non-executive director of China Shenghai Food Holdings Company Limited (stock code: 1676) since July 2017, the shares of which are listed on the Main Board.

Ms. Cheng obtained a degree of Master of Arts in International Accounting at the City University of Hong Kong in November 2003, and was admitted as a member, and a fellow member, of the Association of Chartered Certified Accountants (the "**ACCA**") in December 2000 and December 2005, respectively. She was also admitted as an associate of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants (the "**HKICPA**")) since July 2003. Ms. Cheng has also been admitted as an associate of both The Hong Kong Institute of Chartered Secretaries (the "**HKICS**") and The Institute of Chartered Secretaries and Administrators (the "**ICSA**") in June 2017.

Mr. Liu Guodong (劉國棟), aged 41, was appointed as an independent non-executive Director on 21 October 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 13 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 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 46, was appointed as independent non-executive Director on 21 October 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 1997 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 visiting scholar in the department of finance at University of Notre Dame in the United States from August 2014 to May 2015.

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.

SENIOR MANAGEMENT

Mr. Zeng Haowen (曾浩文), aged 47, is the production director of the Group responsible for overseeing the overall production of the Group. Mr. Zeng has over 26 years of working experience in the field of cable and wire. Mr. Zeng joined the 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 the 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 42, is the research and development director of the Group responsible for the research and development and quality management of the Group. He joined the Group in February 2007. Mr. Huang has over 16 years of working experience in the field of research and development. Prior to joining the 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 41, is a chief business officer of business center of the Group responsible for overall sales strategies and planning of the Group. Ms. Zhou joined the 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 the 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 56, is a procurement and logistics director of the Group responsible for overall procurement and logistics operation of the Group. Mr. Ye has over 28 years of experience in electronic industry. He joined the 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 the 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 39, was appointed as the financial controller in April 2017 and the company secretary of the Company in May 2017. She is responsible for financial planning and reporting, internal control, and overall corporate secretarial matters of the Group. Ms. Lai has about 15 years of experience in financial management, accounting and auditing work. Ms. Lai graduated from the City University of Hong Kong with a bachelor of business administration degree in accountancy in November 2003. She was admitted as a member of Association of Chartered Certified Accountants in June 2009. She currently is a member of Hong Kong Institute of Certified Public Accountants.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The Board presents to the shareholders of the Company this report together with the audited financial statements of the Company and the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are production and sale of optical fiber cables, communication copper cables and structured cabling system products in the PRC. The principal activities of the subsidiaries are set out in note 32 to the consolidated financial statements. There was no significant change in the Group's principal activities during the Year.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 19 August 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. In preparation of the Listing, the companies comprising the Group underwent the Reorganisation pursuant to which the Company became the holding company of the Group on 27 March 2017. For details of the Reorganisation, please refer to the paragraph headed "History, Reorganisation and Group Structure" in the Prospectus. The Company's shares have been listed on the Stock Exchange since 9 November 2017.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 43.

The Board does not recommend the payment of a final dividend for the Year.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company had reserves amounted to approximately RMB115.8 million available for distribution as calculated based on the Company's share premium, other reserves and accumulated losses under applicable provisions of the Companies Law in the Cayman Islands. Details of the distributable reserves of the Company are set out in note 31 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year is set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in note 26 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had sold, purchased or redeemed any of the Company's listed securities since the Listing Date.

GROUP FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 5. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

The review of the business of the Group during the Year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", and the description of principal risks and uncertainties facing the Group and key financial performance indicators are set out in the section headed, "Management Discussion and Analysis". The financial risk management objectives and policies of the Group are set out in note 38 to the consolidated financial statements. In addition, discussions on the Group's relationships with key stakeholders, environmental policies and performance and compliance with relevant laws and regulations which have a significant impact on the Group are as follows:

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group's success depends on the support from key stakeholders which comprise employees, customers and suppliers.

Employees

The Group is committed to establishing a close and caring relationship with its employees. The Group provides a fair and safe workplace, promotes diversity to the staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

Customers and suppliers

During the Year, the Group's five largest suppliers contributed approximately 64.8% of the Group's total purchase. The largest supplier has attributed to approximately 24.6% of the Group's total purchase. The Group sold products directly to customers which included the major telecommunication network operators in the PRC. The largest customer has accounted for approximately 55.2% of the total sales. The Group's sales came from top five customers has attributed to approximately 86.1% of the Group's total sale. Save as disclosed above, none of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have any interest in any of the Group's five largest customers and suppliers.

The Group is able to build up close working relationship with its business partners and bring together the customers and suppliers to develop foundation technology. The Directors have frequent interactions with the customers regarding their feedbacks on the quality of our products which would then be reflected to the suppliers. Through this solid communication channel together with our experienced management team, the Directors believe that we are able to better understand our customers' needs as well as the market trend in order to make appropriate modifications or improvements to our products.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We believe that our business also depends on our ability to meet our customers' requirements in respect of safety, quality and environmental aspects. To meet our customers' requirements on safety, quality and environmental aspects, we have established and implemented various quality control measures in our operation process. Through the systematic and effective control of our operations, compliance with safety, quality and environmental requirements can be further assured.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Directors confirmed that during the Year and up to the date of this annual report, the Group had obtained all the registrations and certifications required for its business and operations and had complied with the applicable laws and regulations in Hong Kong.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors

Ms. Wang Qiuping *(Chairlady and Chief Executive Officer)* (Appointed on 19 August 2016)

Mr. Zhao Xiaobao *(alias Zhao Baohua)* (Appointed on 17 May 2017)

Ms. Zhao Moge (Appointed on 17 May 2017)

Independent Non-Executive Directors

Ms. Cheng Shing Yan (Appointed on 21 October 2017)

Mr. Liu Guodong (Appointed on 21 October 2017)

Mr. Xie Haidong (Appointed on 21 October 2017)

Information regarding directors' emoluments are set out in note 13 to the consolidated financial statements.

The Directors' biographical details are set out in the section headed "Directors and Senior Management's profile" in this report.

In accordance with article 83(3) of the Articles of Association of the Company (the "**Articles**"), any director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Pursuant to article 84(1) of the Articles, at every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or 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 (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Accordingly, Ms. Wang Qiuping and Mr. Zhao Xiaobao will retire from office as Directors at the forthcoming annual general meeting of the Company. Both of them being eligible will offer themselves for re-election.

The Company has received from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACT

Each of the executive Directors has entered into a service contract with the Company which is initially for a fixed term of 3 years, commencing from the Listing Date or from the date of appointment, and shall continue thereafter until terminated by not less than one month's written notice to the other party.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company which is initially for a fixed term of 2 years, commencing from the Listing Date. The appointment is subject to termination under certain circumstances as stipulated in the said letter of appointment, and the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

Each of the executive Directors and independent non-executive Directors is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Articles.

Apart from the foregoing, none of the Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the Year.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the Year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision as defined in the Hong Kong Companies Ordinance was in force for an indemnity against a lability incurred by Directors to a third party since the Listing Date.

EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Share Option Scheme" below, no equity-linked agreements were entered into by the Group, or existed during the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests and short positions of the Directors or chief executive of the Company in the shares of the Company (the "**Shares**"), or any of the associated corporations (within the meaning of Part XV of the SFO) which shall have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) or shall be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or shall be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in the Shares

Name of director	Capacity/Nature of interest	Number of shares held (Note 1)	Approximate percentage of shareholding
Ms. Wang Qiuping	Interest in a controlled corporation (Note 2)	408,375,000	37.13%
Mr. Zhao Xiaobao	Interest in a controlled corporation (Note 3)	358,875,000	32.63%

Notes:

1. All interests stated are long positions.

2. These Shares are held by Arcenciel Capital Co., Ltd ("**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 Co., Ltd ("**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, as at 31 December 2017, none of the Directors or chief executive of the Company had registered an interest or short position in the Shares or underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under provision of the SFO) or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, so far as is known to the Directors or chief executive of the Company, the following persons (other than Directors or chief executive of the Company), who had interests or short positions in the Shares, the underlying Shares and debentures of the Company and its associated corporation within the meaning of Part XV of the SFO which were required to be disclosed pursuant to the provision of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, were as follows:

Name of director	Capacity/Nature of interest	Number of shares held (Note 1)	Approximate percentage of shareholding
Arcenciel Capital Co., Ltd.	Beneficial owner (Note 2)	408,375,000	37.13%
Point Stone Capital Co., Ltd.	Beneficial owner (Note 3)	358,875,000	32.63%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(CONTINUED)*

Notes:

1. All interests stated are long positions.
2. These Shares are held by Arcenciel Capital, which is wholly owned by Ms. Wang Qiuping. 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 Xiaobao. By virtue of the SFO, Mr. Zhao is deemed to be interested in the Shares held by Point Stone Capital.

Save as disclosed above, as at 31 December 2017, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was adopted pursuant to a resolution passed on 21 October 2017. From the date of the adoption of the Share Option Scheme and up to the end of the reporting period, no share option has been granted, or agreed to be granted, under the Share Option Scheme.

For details of the Share Option Scheme, please refer to the section headed "Statutory and General Information – 15. Share option scheme" in the Prospectus.

CONNECTED TRANSACTIONS

The Group had not entered into any transactions constituted connected transactions (including continuing connected transactions) which is subject to the disclosure requirements under Chapter 14A of the Listing Rules during the Year.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the Year are set out in note 30 to the consolidated financial statements. The related party transactions of the Group do not fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

COMPETING BUSINESS

During the Year, none of the Directors or the controlling shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the Board on the basis of their merit, qualifications and competence. The emolument of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a Share Option Scheme as an incentive to eligible persons, details are set out under heading "Share Option Scheme" in this annual report and the section headed "Statutory and General Information – 15. Share option scheme" in the Prospectus.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit schemes are set out in note 9 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained sufficient public float throughout the period from the Listing Date to 31 December 2017 as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's turnover and purchases attributable to major customers and suppliers during the years ended 31 December 2017 and 2016 are as follows:

	For the year ended	
	31 December 2017	31 December 2016
Percentage of turnover		
From the largest customer	**55.2%**	56.8%
From the five largest customers in aggregate	**86.1%**	94.0%
Percentage of purchase		
From the largest supplier	**24.6%**	29.1%
From the five largest suppliers in aggregate	**64.8%**	65.9%

At no time during the Year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) have an interest in any of the Group's five largest suppliers or customers.

EVENTS AFTER THE REPORTING PERIOD

Acquisition of Optical Fiber Drawing Towers and Optical Fiber Production Lines and Services and Technology Support

On 3 January 2018, the Group entered into the equipment acquisition contract with the Manufacturer pursuant to which the Manufacturer agreed to sell and the Group agreed to purchase the optical fiber production facilities at a total consideration of approximately RMB45.1 million.

Subsequent to the entering into of the equipment acquisition contract dated 3 January 2018, on 19 January 2018, the Group entered into with the Manufacturer (i) another equipment acquisition contract pursuant to which the Manufacturer agreed to sell and the Group agreed to purchase the additional optical fiber production facilities at a total consideration of RMB15.8 million; and (ii) the technology agreement pursuant to which the Manufacturer agreed to provide services and technical support to the Group for the setting up of an optical fiber factory at a total service fee of RMB12.0 million.

AUDITOR

The consolidated financial statements have been audited by BDO Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

The Company has not changed its auditors since the Listing Date and up to the date of this annual report.

On behalf of the Board

Wang Qiuping
Chairlady

Hong Kong, 29 March 2018

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company of the Year.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance and believes that a good corporate governance can (i) enhance management effectiveness and efficiency; (ii) increase the transparency of the Company; (iii) enhance risk management and internal control of the Company; and (iv) safeguard the interests of the shareholders of the Company and the Company as a whole.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance practices. Save for the deviation as disclosed herein below, the Company has complied with the applicable code provisions as set out in the CG Code since the Listing Date. The key corporate governance principles and practices of the Company are outlined in this report.

Chairman of the Board and Chief Executive Officer

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 the Board and the chief executive officer of the Company. 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, the Board believes that it is in the best interest of the Company and the shareholders of the Company as a whole to continue to have Ms. Wang as the chairlady of the Board so that the Board can benefit from her knowledge of the business and her capability in leading the Board in the long term development of the Group. From a corporate governance point of view, the decisions of the Board are made collectively by way of voting and therefore the chairman should not be able to monopolize the voting of the Board. The Board considers that the balance of power between the Board and the senior management of the Company can still be maintained under the current structure. The Board shall review the structure from time to time to ensure appropriate action is taken should the need arise.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board committees including the Audit Committee, the Nomination Committee and the Remuneration Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the shareholders of the Company at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

BOARD COMPOSITION

Since the Listing Date and up to the date of this annual report, the composition of the Board is as follows:

Executive Directors:

Ms. Wang Qiuping *(Chairlady and Chief Executive Officer)*

Mr. Zhao Xiaobao *(alias Zhao Baohua)*

Ms. Zhao Moge

Independent Non-Executive Directors:

Ms. Cheng Shing Yan

Mr. Liu Guodong

Mr. Xie Haidong

To the best knowledge of the Directors, save and except Ms. Wang Qiuping is the wife of Mr. Zhao Xiaobao and Ms. Zhao Moge is the daughter of Ms. Wang Qiuping and Mr. Zhao Xiaobao, there was no other relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

The biographies of the Directors are set out under the section headed "Directors and Senior Management's Profile" of this annual report.

Since the Listing Date and up to the end of the reporting period, the Company has been in compliance with the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has also complied with rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company believes that the diversity of the Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a Board diversity policy to ensure that the Company will, when determining the composition of the Board, consider the Board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. The Board diversity policy sets out the approach towards achieving diversity on the Board. Pursuant to the Board diversity policy, all Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board. As each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent parties. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as the identity and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to the Company in a timely manner.

Directors' Continuing Professional Development

Each Director was provided with the necessary training and information to ensure that he/she has proper understanding of the responsibilities under the Listing Rules and the applicable law, rules and regulations. The Directors are encouraged to participate in continuous professional development courses and seminars to develop and refresh their knowledge and skills. The Company will continue to arrange suitable training and regular seminars to provide the Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time.

During the Year, all of the Directors have received training regarding compliance of the Listing Rules offered by the Company's legal advisors before the Listing.

Appointment and Re-election of Directors

Each of the executive Directors has signed a service contract with the Company for a term of three years commencing from their respective date of appointment subject to termination as provided in the service contract.

Each of the independent non-executive Directors has signed an appointment letter with the Company for a term of two years commencing from the Listing Date.

The appointments of executive Directors and independent non-executive Directors are subject to the provisions of retirement and rotation of Directors under the articles of association of the Company (the "**Articles**") and the applicable Listing Rules. The procedures and process of appointment, re-election and removal of Directors are set out in the Articles.

In accordance with the article 84(1) of the Articles, at every annual general meeting, one-third of the Directors for the time being (or, if their number is not three or 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 (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to article 83(3) of the Articles shall not be taken into account in determining which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Board Meetings, General Meetings and Attendance of Directors

The Board is committed to holding regular board meetings at least four times a year at approximately quarterly intervals. The Group establishes an effective communication among all the Directors.

Since the Listing Date and up to the date of this report, the Company held five Board meetings, an Audit Committee meeting, a Remuneration Committee meeting and a Nomination Committee meeting. The attendance record of each Director at the abovementioned Board meeting and committee meetings has been set out below.

	Attendance/Number of			
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**
Executive Directors				
Ms. Wang Qiuping *(Chairlady and Chief Executive Officer)*	5/5	N/A	N/A	N/A
Mr. Zhao Xiaobao *(alias Zhao Baohua)*	5/5	N/A	N/A	N/A
Ms. Zhao Moge	5/5	N/A	N/A	N/A
Independent Non-executive Directors				
Ms. Cheng Shing Yan	5/5	1/1	2/2	1/1
Mr. Liu Guodong	5/5	1/1	2/2	1/1
Mr. Xie Haidong	5/5	1/1	2/2	1/1

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made enquiries to all Directors regarding any non-compliance with the Model Code.

All the Directors confirmed that they have fully complied with the required standard set out in the Model Code since the Listing Date and up to the end of the reporting period.

RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board is responsible for all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

BOARD COMMITTEE

The Board has established the audit committee, the remuneration committee and the nomination committee and delegated various responsibilities to these committees, which assist the Board in discharging its duties and overseeing particular aspects of the Group's activities.

Audit committee

The Company established an audit committee on 21 October 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. The terms of reference of the Audit Committee are currently made available on the websites of the Stock Exchange and the Company.

The 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 possesses the appropriate professional qualifications as required under Rule 3.10(2) and 3.21 of the Listing Rules is the chairlady of the audit committee. The quorum of meetings of the Audit Committee shall be any two members.

The Audit Committee will hold at least two meetings a year and will also meet the external auditor at least twice a year without the presence of the executive Directors. Terms of reference adopted by the Audit Committee are aligned with the Code Provisions set out in the CG Code.

Since the date of Listing and up to the date of this report, the Audit Committee had held a meeting, together with the management of the Company and external independent auditor, reviewed the Group's consolidated financial statements for the year ended 31 December 2017 and this report, and considered that they were prepared in compliance with the relevant accounting standards and that the Company has made appropriate disclosure thereof.

Remuneration committee

The Company established a remuneration committee on 21 October 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. The terms of reference of the Remuneration Committee are currently made available on the websites of the Stock Exchange and the Company.

The 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. The quorum of meetings of Remuneration Committee shall be any two members.

The Remuneration Committee will meet at least once a year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management of the Group and other related matters. Terms of reference adopted by the Remuneration Committee are aligned with the Code Provisions set out in the CG Code.

Since the date of Listing and up to the date of this report, the Remuneration Committee held a meeting which had been supplied with the necessary information of the Group for members to consider, review and access significant issues arising from the work conducted.

Nomination committee

The Company established a nomination committee on 21 October 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. The terms of reference of the Nomination Committee are currently made available on the websites of the Stock Exchange and the Company.

The 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. The quorum of meetings of the Nomination Committee shall be any two members.

The Nomination Committee will meet at least once a year to review the structure, size and diversity of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for election at annual general meetings. Terms of reference adopted by the Nomination Committee are aligned with the Code Provisions set out in the CG Code.

Since the date of Listing and up to the date of this report, the Nomination Committee held a meeting which had been supplied with the necessary information of the Group for members to consider, review and access significant issues arising from the work conducted.

BOARD DIVERSITY POLICY

The Board adopts a board diversity policy. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. Diversity of Board members can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional qualifications, industry and regional experience, skills, knowledge and length of service. All the Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements which give a true and fair view, it is fundamental that the appropriate accounting policies are selected and applied consistently. The reporting responsibilities of the Company's external auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 39 to 42 of this annual report. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

AUDITOR'S REMUNERATION

The remuneration for the audit services and non-audit services provided by the Auditor to the Group during the Year amounted to approximately RMB3.1 million and approximately RMB0.3 million respectively. The audit services consist of annual audit service of approximately RMB0.7 million for the Year and audit service of approximately RMB2.4million for the Listing. The non-audit services consist of customers and suppliers survey services for the Listing.

RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities of the Board

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing the effectiveness of such systems through the Audit Committee on annual basis. The Audit Committee assists the Board in fulfilling its oversight and corporate roles in the Group's financial, operational, compliance, risk management, internal controls, while senior management designs, implements and monitors the risk management and internal control systems, and provides reports to the Board and the Audit Committee on the effectiveness of these systems. However, systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve the Group's business.

Risk Management and Assessment

The Company has established formal risk assessment criteria for the Group. Senior management identifies risks that potentially impact the key processes of the operations on an annual basis. Risks are scored and ranked by their impact on the business and the likelihood of their occurrence. Senior management assesses the effectiveness of the existing controls and formulates risk mitigating activities. Results of the annual risk assessment are reported to the Audit Committee, including amongst other things, significant risks of the Group and the appropriate control activities to mitigate and/or transfer the identified risks objectives.

Internal Control

The Company has established defined levels of responsibilities and reporting procedures. Controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are identified and assessed.

The Company has internal audit function which is primarily responsible for developing various internal control manuals and procedures, conducting reviews on the key operational processes and the related internal controls to ensure compliance with the Group's risk management and internal control policies and procedures.

During the Year, the Company has engaged an external consultant to conduct a review over the Group's internal controls over financial reporting. Senior management has taken certain immediate remedial actions accordingly and had refined certain internal control procedures in due course. Issues identified were followed up for proper implementation.

Review of Risk Management and Internal Control Systems

The Audit Committee assists the Board in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Directors through the Audit Committees are kept informed of significant risks that may impact on the Group's performance. For the Year, the Board considered the risk management and internal control systems of the Group to be effective and adequate. The Audit Committee has reviewed and is satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, and financial reporting function.

Procedures and Controls over Handling and Dissemination of Inside Information

The Company is aware of its obligation under relevant sections of the Securities and Futures Ordinance (the "**SFO**") and the Listing Rules. An Inside Information Policy has been established to lay down practical guidelines on definition of inside information, compliance and reporting, disclosure and announcement of inside information. All members of the Board, senior management, head of departments, and staff who are likely to possess inside information are strictly bound by this policy. Staff who have access to inside information is required to keep the unpublished inside information confidential until relevant announcement is made. Failure to comply with such requirements may result in disciplinary actions.

COMPANY SECRETARY

The role of the company secretary of the Company is performed by Ms. Lai Yeung Fun. The company secretary is responsible for facilitating the Board's communications among Board members, the Shareholders and the management of the Company and ensuring the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

Ms. Lai Yeung Fun has confirmed that she took not less than 15 hours of relevant professional training during the Year in compliance with rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable the Shareholders and investors to make the informed investment decisions. To promote effective communication, the Company adopts a shareholders communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at www.potel-group.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

The Company seriously take care the Shareholders' interest to ensure that they are treated fairly and are able to exercise their Shareholders' rights effectively. Shareholders are entitled by the Articles of the Company and are also encouraged to participate in the Company's general meetings.

Convening of extraordinary general meeting

In accordance with the Articles, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an extraordinary general meeting (the "**EGM**") to be called by the Directors for the transaction of any business specified in such requisition. Such requisition shall be made in writing to the Board or the company secretary of the Company which is situated at Unit 702, Golden Centre, 188 Des Voeux Road Central, Hong Kong. The EGM shall be held within two months after the deposit of such requisition. If the Directors fail to proceed to convene such meeting within 21 days of such deposit, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals by Shareholders at Shareholders' meeting

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of the proposal ("**Proposal**") with his/her/its detailed contact information at the Company's headquarters and principal place of business of the Company in Hong Kong, with a copy of the Proposal served to the Company's Hong Kong share registrar at their respective address. The request will be verified with the Company's Hong Kong share registrar and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the Hong Kong office of the Company at Unit 702, Golden Centre, 188 Des Voeux Road Central, Hong Kong.

CHANGE IN CONSTITUTIONAL DOCUMENT

The amended and restated memorandum of association of the Company and the Articles were adopted on 8 November 2017 and effective on 9 November 2017, being the Listing Date, and are available on the website of the Stock Exchange and the website of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

The Environmental, Social and Governance ("**ESG**") report published by the Company highlights the works in sustainable development and the performance in social governance of the Group during the Year.

Scope of the Report

The ESG report mainly covers the environmental and social policies of the Group in communication cable manufacturing business and also focuses on the performance in environmental and social aspects of Putian Cable Group Co., Ltd. ("**Putian Cable**"), a principal operating subsidiary of the Group. The key performance indicators disclosed for the report focus on the plants of Putian Cable, and will be extended to other parts in the future. For details of corporate governance, please refer to the Corporate Governance Report on page 25 to 32 of the Company's Annual Report.

Reporting Framework

The ESG report was prepared in accordance with Appendix 27 the "Environmental, Social and Governance Reporting Guide" under Main Board Listing Rules on the Stock Exchange.

Stakeholders Engagement

The ESG report was prepared in collaboration with the colleagues from various departments, which helps us recognize our current development in environmental and social aspects. The information collected summarized the Group's environmental and social activities carried out during the Year and laid a foundation for our formulation of short-term and long-term sustainable development strategies.

Information and Feedback

For more information on the Company's environmental and corporate governance, please refer to the official website (www.potel-group.com) and the annual report of the Company. If you have any comments or suggestions on this report, please feel free to contact us via email at info@potel-group.com.

ENVIRONMENTAL PROTECTION

As a communication cable manufacturer and a structured cabling system product provider, the Group protects the environment at area where it operates while striving to develop business. The Group strictly abides by relevant laws and regulations concerning wastes, exhaust gases and sewage. Putian Cable has obtained certification of Environmental Management System GB/T24001-2004/ISO14001:2004 and has completed and passed the test conducted by a third party company on emission of the plants during the Year.

Putian Cable has established a comprehensive system of emergency response plan and regularly conducted drills in a bid to secure the well-being of the surrounding environment, as well as allowing the colleagues of each department to gain awareness in handling emergency issues. In case of an environmental pollution incident, Putian Cable will act and response by taking measures to minimize hazards and prevent deterioration of the incident in a timely manner.

Emissions Handling

The emissions of Putian Cable are mainly the waste scrap and packaging materials, which are generated during the production processes, and domestic garbage. Putian Cable recycles the waste scrap and packaging materials, and the domestic garbage are collected and processed collectively by the local environmental hygiene department. Where there is hazardous waste produced, it will be handled by qualified companies. During the Year, Putian Cable plants have produced 66 tonnes non-hazardous waste, with an average of 0.003 tonnes for each square meter, excluding recycled waste scrap such as metals and other scrap, and have produced no hazardous waste. By means of enhancing its production process, Putian Cable utilizes the raw materials to the greatest extent to reduce the generation of waste scrap. In respect of the waste reduction, the Group also encourages its employees to reuse stationery, and reduce the usage of disposable and non-recyclable products.

During the production process, Putian Cable does not generated sewage, while the domestic sewage generated will be pretreated in the septic tank before discharging into the municipal sewage pipe network. In the inspection conducted in March of the Year, the water pollutants in the domestic sewage generated from Putian Cable plants have met the influent standard of Qingshan Lake sewage treatment plant and the emission requirements of the Integrated Wastewater Discharge Standard (GB8978-1996). To raise the water saving awareness of employees, the Group has posted water saving notices in each lavatory and employees are reminded to turn off the faucet tight after use. The Group also conducts tests for the hidden leakage of water pipes and checks water meters regularly to ensure no leakage and prevent the water waste. During the Year, the water consumption of plants of Putian Cable is 11,494 cubic meters, with an average of 0.49 cubic meters per square meter.

In respect of exhaust gas, no industrial exhaust gas is generated from Putian Cable production process. Other emissions arise from oil fume from canteen and vehicles. The oil fume from canteen will be discharged at high altitude after being treated by the oil fume purifier. During the Year, Putian Cable plants have discharged 28.9 kilograms of nitrogen oxides, 0.5 kilograms of sulfur dioxide and 2.1 kilograms of particulate matter. To reduce the emission of exhaust gas and maintain the efficiency of the vehicles and oil fume purifiers, the Group conducts maintenance and examination on its vehicles regularly, and keeps the oil fume purifiers clean in the canteen.

Resources Conservation

The Group is committed to promoting sustainable development by adopting various measures on reducing resources consumption, as well as raising the environmental awareness of employees and encouraging them to take part in environmental protection.

To reduce electricity consumption, employees are encouraged to switch off idle lighting system, air conditioners and other electronics, to use as much sunlight for lightening purpose as possible, and to install motion sensors and independent lighting switches for using energy efficiently. Energy-efficient lighting and electronics such as air conditioners are adopted, and lighting appliances and filters of air conditioners are also cleansed regularly to improve energy efficiency. We also set the minimum temperature of the air-conditioning system to 25.5 degrees Celsius and seal the doors and windows to avoid leakage of cool air. By means of regular checking and maintenance, the possibility of leakage of refrigerant has been reduced. During the Year, total energy consumption of Putian Cable plants amounted to 6,576 megawatt hours(MWh), among which the energy consumptions of purchased electricity, gasoline and liquefied petroleum gas amounted to 6,210 MWh, 359 MWh and 7 MWh respectively, with an average of 0.28 MWh per square meter.

In respect of material usage, the Group conducts evaluation on material usage to avoid overstock. During the Year, Putian Cable plants had used packaging materials including metal, wood, plastic, fiber fabric and paper, in which plastic and paper are used to pack products in kilometers and pieces. The details of packaging materials usage are as follows:

Optical Fiber Cables and Communication Copper Cables:

Types of Package material	**Total Amount (kg)**	**Amount per Unit Produced (kg/km)**
Metal	411,000	0.6
Wood	41,000	0.1
Plastic	1,670,000	2.3
Fiber Fabric	81,000	0.2
Paper	780,000	2.2

Structured Cabling System Products:

Types of Package material	**Total Amount (kg)**	**Amount per Unit Produced (kg/pieces)**
Plastic	5,002,000	0.993
Paper	10,000	0.002

Green Operation

As a responsible corporate citizen, the Group strives to promoting green operation among its employees in a bid to reduce the greenhouse gas generated from its business operation. By posting reminders to advocate paper saving in office, the Group encourages employees to recycle and reuse paper, for example, using paper on both sides and using used paper to make records, as well as to utilize digital means for internal and external communication to replace paper circulation. The amount of paper used is also measured on a regular basis to monitor the usage. In addition, employees are encouraged to take public transport and use stairways. As for non-essential overseas business trips, conducting video conference is recommended instead. As for inevitable overseas business trips, direct flight is recommended to reduce carbon emissions.

During the Year, total greenhouse gas emissions of Putian Cable plants are 3,396 tonnes of carbon dioxide equivalent, with an average of 0.15 tonnes of carbon dioxide equivalent per square meter.

VALUE OUR PEOPLE

The long-term and sustainable development of the Group relies on our employees' dedication and contributions. We understand that good employment policies would help us attract and retain talents. Therefore, apart from complying with the laws and regulations concerning employment, occupational safety and labour standards, we provide employees with a positive working environment to safeguard their well-being and health. During the Year, Putian Cable had organized staff banquets to encourage its employees.

Employees' Rights and Interests

The Group has established a defined human resources procedure to regulate and manage recruitment procedures, aiming to recruit appropriate talents in a fair manner with integrity. During the recruitment process, each candidate is entitled to equal opportunity of the job offer, regardless of his/her age, gender, ethnicity, religious belief, marital status and disability as long as his/her working experience, technical expertise and qualification are fulfilling the job requirements. Job applicant's identification documents are also required for verification purpose, so as to prevent the recruitment of child labour. In a view to safeguard the employees' rights and interests, we enter into employment contracts with employees before they report duties, which clearly defines the job duties and working location to avoid forced labour. Upon receipt of a resignation from an employee, we will conduct an exit interview to understand his/her reason for resignation.

Employees are valuable assets of the Group, therefore, we provide our employees with various benefits. We strive to ensure the working hours and remuneration of employees are in accordance with the requirements of relevant laws and regulations and our employees are entitled to various rights of taking rest and going on vacation. Meanwhile, according to the requirements of the local government, we also make contribution to the Social Insurances and Housing Provident Fund for our employees. Based on internal and external reference standards, we conduct an annual review of our remuneration structure so as to maintain competitive remuneration offered to employees. We also establish an appraisal system to evaluate the working performance of employees annually. Employees with outstanding performance may be provided with a pay rise or discretionary bonus in recognition of their contributions.

We have placed strong emphasis on providing trainings for employees according to different requirements of various positions. We have designed appropriate annual training programs for employees, such as induction training, training courses related to production techniques and testing procedures, so as to enhance their technical and product knowledge as well as their understandings of quality standards in the industry and safety standards at workplace. We have also established a clear career path for our employees. Apart from the demands for positions, employees with outstanding performance during annual appraisal may be provided with promotion, so that suitable talents will be recognized.

Health and Safety

In order to ensure the production safety and personal safety of employees, the Group has established safety guidelines and organized educational activities for promoting the prevention of occupational diseases on a regular basis, such as reminding employees to keep the workplace clean at all time and explaining the laws and regulations in respect of occupational diseases and preventive measures to strengthen employees' safety awareness. We also provide personal protective equipment according to the actual situation of various positions. Employees shall strictly comply with the working and operational procedures, and the regulations in respect of occupational health and safety, so as to prevent accidents and occupational diseases consciously.

Putian Cable has set up an occupational health and safety management system and obtained GB/T28001-2011/ OHSAS18001:2007 occupational health and safety management system certification. Putian Cable has assigned designated personnel to provide safety trainings for the employees who may be exposed to hazardous factors of occupational diseases, and conduct checkings to ensure employees wear appropriate personal protective equipment. For the employees who are exposed to hazardous factors of occupational diseases, they shall participate in occupational diseases examination to ensure their health condition. Moreover, Putian Cable conducts regular checks on the performance and effectiveness of occupational diseases protective equipment and personal protective equipment to make sure that they are properly functioning, and it also tests the hazardous factors of occupational diseases in workplace annually so as to create a healthy and safe working environment for its employees. During the Year, there is no work-related injury or fatality occurred in Putian Cable.

OPERATING PRACTICES

The Group is committed to providing quality products and services. In addition to complying with relevant laws and regulations concerning product quality and safety, advertising, labelling and privacy, the Group manages supply chain and monitors the quality of raw materials and products strictly. Besides, we have taken measures to protect intellectual property rights and customer's privacy to safeguard their rights and interests.

Supplier Management

The Group has maintained business relationship with several suppliers to secure a stable supply of goods. To this end, we have established a supplier management system to select and evaluate suppliers. Several factors are taken into account during the selection of suppliers, including product quality, packaging and storage, production capacity, delivery time and reputation in the market. Only qualified suppliers satisfying our requirements will be admitted into the list of qualified suppliers. Qualified suppliers are required to pass the annual assessments, which include reviewing their performances during past years, and any suppliers with sub-standard performance will be removed from the list, thereby reducing the potential impacts of the supply chain on our products and services.

Quality Assurance

A rigorous quality control procedure of products is of high importance for the Group to offer high quality products and services. To ensure the quality of the whole process from procurement, production to product testing and even to the after-sale customer services, we have established a quality control system which analyzes the factors that affecting our product quality, production efficiency and raw material utilization rates, thereby reducing any issues that may affect the product quality.

Our designated quality control personnel would conduct quality inspection on the raw materials upon receipt, and only those raw materials passing our tests are admitted into inventory, while the defective items will be returned to the suppliers or be replaced. During the production, we strictly follow the ISO 9001:2008 standards for product quality control, while work-in-progress is tested and labeled after each production process, and only those passing quality control tests may enter the next production process. To ensure the quality and reliability of the products, finished products are tested in terms of structure as well as electricity and mechanical performances to ensure that the quality of products meets the requirements of customers. We also have specific packing and delivery instructions in place for each category of product to ensure the safety and quality of products during transportation. Upon the delivery of products, we will conduct on-site product inspection together with customers. In case of any unqualified products, reasons would be tracked and identified via labeling and production record keeping system.

Customer Oriented

We typically offer customers a maintenance period of one to three years for extensive after-sales services. Our staff are required to respond to our customers and conduct on-site examination upon receipt of a customer service request relating to the quality of products and coordinate with technical team to diagnose and resolve the relevant technical issues. Our customer service team would respond to customer inquiries and service requests in a timely manner through various channels. Customer complaints are referred to relevant departments for handling, and customer service team would follow up with the relevant complaints closely until they are resolved. We appreciate that customers' comments are beneficial to our improvements, for which we also conduct annual customer surveys to collect feedback on products and services and better understand the changing needs of customers. In addition, all public production sales and market information shall be reviewed to make sure that there is no false or misleading information that may cause any misunderstanding of our customers.

Respect for Intellectual Property Rights and Privacy

We fully understand the importance of protecting and enforcing our intellectual property rights. We have registered 26 utility model patents and 6 software copyrights in the PRC, and currently have 14 patent applications pending in the PRC in terms of technologies relating to optical fiber cables, communication copper cable and our structured cabling system products. Being respectful for others' intellectual property rights, we strictly abide by the laws and regulations relating to the intellectual property rights and conduct promotion and training for our employees on intellectual property rights. To safeguard our intellectual property rights, we require our employees to keep confidential for all information relating to our transactions, operation, management, technology and skills, etc during their employment and within two years after resignation. In addition, prior approval shall be obtained from us before other party intends to use our trademark, so as to avoid any infringement of the exclusive right of our trademarks.

Meanwhile, we place high value on our customers' privacy and thereby established a confidentiality system. Our employees shall sign up a confidentiality agreement before their employment to undertake that they will not disclose any customers' information to any third party. To safeguard the information security so as to protect the customers' privacy and data, our employees are required to use the designated anti-virus software and shall not use any unauthorized software or hardware or bring any company's information away from their workplace.

Anti-Corruption

To uphold our business philosophy of being integrity and providing quality service, the Group is dedicated to train our employees with a working attitude of acting by law and being honest and trustworthy. Besides, we have established a mechanism in preventing commercial bribery, for which, the core personnel shall sign up an agreement with the companies that we have a business relationship to prevent commercial bribery and corruption in any kinds and to regulate the behaviors of the parties, aiming to uphold the integrity and be self-disciplined. The Group has designated a department to be in charge of the supervision and management of the commitment mechanism in accordance with relevant laws and regulations concerning bribery, thereby strictly prohibiting bribery and corruption from its source. Through conducting investigations and researches, we identify the characteristics of the misconduct of trading and commercial bribery, enabling us to adopt corresponding strategies and measures to deal with the potential risks arising from operation on a timely basis. We have also set up a whistleblowing mailbox and a hotline for reporting relevant commercial bribery and will keep the identity of the whistle blower confidential.

Putian Cable has also set up relevant requirements for declaration of conflict of interests, such that our employees will declare their possible conflict of interests, and are prohibited to solicit money or personal benefits by abusing their powers or convenience from their work. In case of identifying any conducts or occurrences that may violate the requirements, our employees can report via the established hotline or mailbox.

COMMUNITY INVOLVEMENT

The Group has continuously encouraged its employees to actively participate in social and charitable activities in the community, and provided disabilities with job opportunities so as to offer assistance to the vulnerable group.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PUTIAN COMMUNICATION GROUP LIMITED

(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Putian Communication Group Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 43 to 96, which comprise the consolidated statements of financial position as at 31 December 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the **Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION

The Group is principally engaged in the providing communication copper cables, optical fiber cable and structured cabling system products.

Revenue represents income from sales of communication copper cables, optical fiber cable and structured cabling system products sourced from Mainland China.

The Group enters into sale and purchase agreements with the telecommunications network operators and non-operators and in accordance with the terms of the agreements, revenue is recognised when the related risks and rewards of ownership of the products have been transferred to the telecommunications network operators and non-operators.

We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the recognition of revenue by management to meet specific targets or expectations.

OUR RESPONSE

Our procedures in relation to assess the recognition of revenue included the following:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls which govern revenue recognition;
- Inspecting sale and purchase agreements, on a sample basis, to understand the terms of delivery and assess whether management recognised the related revenue in accordance with the Group's accounting policies, with reference to the requirements of the prevailing accounting standards;
- Comparing sales records for a sample of sales transactions recorded during the year with relevant underlying documentation, which included sales invoices and good delivery notes with evidence of the customers' receipt of the goods and the date of receipt of the goods by the customers;
- Obtaining confirmations, on a sample basis, from major customers of the Group of sales transactions during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documentation;
- Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying sale and purchase agreements and good delivery notes to determine whether the related revenue had been recognized in the appropriate financial period; and
- Scrutinising all journals affecting revenue raised during the reporting period and comparing details of a sample of these journal, which met certain risk-based criteria, with relevant underlying documentation.

IMPAIRMENT ASSESSMENT OF TRADE AND BILLS RECEIVABLES

Refer to summary of significant accounting policies in Note 4, accounting estimates and judgements in Note 5 and disclosure of trade and bills receivables in Note 19 to the consolidated financial statements.

As at 31 December 2017, the Group had net trade and bills receivables amounting to approximately RMB171,779,000, which represents approximately 36% of the total assets of the Group and is considered quantitatively significant to the Group.

In determining the impairment assessment on trade and bills receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of the trade and bills receivables.

We have identified impairment assessment of trade and bills receivables as a key audit matter due to considerable amount of judgement and estimates being required in conducting impairment assessment as mentioned in the forgoing paragraph.

OUR RESPONSE

Our procedures in relation to management's impairment assessment on trade and bills receivables included:

- Obtaining an understanding of the provision for impairment of trade and bills receivables estimated by the management;
- Scrutinising the source documents throughout the year to understand settlement patterns by major customers;
- Testing the ageing analysis of the trade and bills receivables, on a sample basis, to the source documents; and
- Assessing the reasonableness of recoverability of trade and bills receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of individual customers.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Wan Che Bun
Practicing Certificate Number: P05804

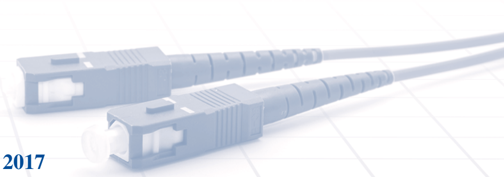
Hong Kong, 29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	6	**621,281**	467,919
Cost of sales		**(466,975)**	(356,559)
Gross profit		**154,306**	111,360
Other income	7	**432**	105
Selling and distribution expenses		**(24,245)**	(17,154)
Administrative expenses		**(51,999)**	(28,880)
Finance costs	8	**(5,142)**	(2,287)
Profit before income tax expense	9	**73,352**	63,144
Income tax expense	10	**(15,301)**	(11,045)
Profit for the year		**58,051**	52,099
Profit for the year attributable to:			
Owners of the Company		**58,051**	52,102
Non-controlling interests		**–**	(3)
Profit for the year		**58,051**	52,099
Earnings per share	12		
Basic and diluted		**RMB0.067**	RMB0.064
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2,129)**	–
Other comprehensive income for the year, net of tax		**(2,129)**	–
Profit and total comprehensive income for the year		**55,922**	52,099

The notes on pages 49 to 96 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	106,940	98,384
Prepaid land lease payment	16	12,038	12,327
Other non-current assets	17	–	353
		118,978	111,064
Current assets			
Prepaid land lease payment	16	289	289
Inventories	18	72,868	41,582
Trade and bills receivables	19	171,779	145,864
Deposit, prepayments and other receivables		11,539	8,627
Amount due from a director	23	–	4,335
Restricted cash	20	50	480
Cash and cash equivalents	21	108,583	14,311
		365,108	215,488
Current liabilities			
Trade and bills payables	22	22,383	35,990
Accruals, deposits received and other payables		15,186	9,676
Provision for taxation		3,139	2,962
Bank borrowings	24	61,834	48,000
		102,542	96,628
Net current assets		262,566	118,860
Total assets less current liabilities		381,544	229,924
Non-current liability			
Other borrowings	24	51,732	–
Deferred tax liability	25	6,363	4,009
		58,095	4,009
Net Assets		323,449	225,915

	Notes	2017 RMB'000	2016 RMB'000
EQUITY			
Share capital	26	**9,361**	66
Reserves	28	**314,088**	225,849
Total Equity		**323,449**	225,915

Approved and authorised for issue by the board of directors on 29 March 2018.

Wang Qiu Ping
Chairlady

Zhao Xiao Bao
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000 (Note 27)	Capital reserves* RMB'000 (Note 28)	Other reserves* RMB'000 (Note 28)	PRC statutory reserve* RMB'000 (Note 28)	Exchange reserve* RMB'000 (Note 28)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests* RMB'000	Total equity RMB'000
Balance at 1 January 2016	–	–	190	101,000	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 26)	66	–	–	–	–	–	–	66	–	66
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(2,437)	(2,437)
Appropriation to statutory reserves	–	–	–	–	5,631	–	(5,631)	–	–	–
Balance at 31 December 2016 and 1 January 2017	66	–	190	101,000	13,468	–	111,191	225,915	–	225,915
Profit for the year	–	–	–	–	–	–	58,051	58,051	–	58,051
Exchange differences arising on transaction of foreign operations	–	–	–	–	–	(2,129)	–	(2,129)	–	(2,129)
Total profit and other comprehensive income for the year	–	–	–	–	–	(2,129)	58,051	55,922	–	55,922
Repurchase of shares (Note 26)	(66)	–	–	–	–	–	–	(66)	–	(66)
Issue of shares (Note 26)	88	–	–	–	–	–	–	88	–	88
Appropriation to statutory reserves	–	–	–	–	8,150	–	(8,150)	–	–	–
Group reorganisation	–	–	–	(97,972)	–	–	–	(97,972)	–	(97,972)
Shares issued pursuant to the capitalisation (notes 26 and 27)	6,934	(6,934)	–	–	–	–	–	–	–	–
Shares issued pursuant to the public offer and placing (notes 26 and 27)	2,339	152,063	–	–	–	–	–	154,402	–	154,402
Transaction costs attributable to the public offer and placing (note 27)	–	(14,840)	–	–	–	–	–	(14,840)	–	(14,840)
Balance at 31 December 2017	9,361	130,289	190	3,028	21,618	(2,129)	161,092	323,449	–	323,449

* The total of these accounts as at the reporting dates represents "Reserves" in the consolidated statements of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Profit before income tax expense	**73,352**	63,144
Adjustments for:		
Depreciation of property, plant and equipment	**11,017**	9,661
Amortisation of prepaid land lease payment	**289**	289
Interest income	**(218)**	(36)
Finance costs	**5,142**	2,287
Gain on disposal of a subsidiary	**–**	(13)
Loss on disposal of property, plant and equipment, net	**593**	19
Operating profit before working capital changes	**90,175**	75,351
Increase in trade and bills receivables	**(25,915)**	(27,693)
Increase in deposits, prepayments and other receivables	**(2,559)**	(5,978)
Increase in inventories	**(31,286)**	(1,370)
(Decrease)/increase in trade and bills payables	**(13,607)**	15,559
Increase in accruals, deposits received and other payables	**5,509**	1,283
Increase in amount due from non-controlling interests shareholder	**–**	(243)
Cash generated from operations	**22,317**	56,909
Profits tax paid	**(12,770)**	(8,865)
Net cash generated from operating activities	**9,547**	48,044
Cash flows from investing activities		
Purchase of property, plant and equipment	**(20,283)**	(7,203)
Prepayments of property, plant and equipment	**–**	(353)
Proceeds on disposal of property, plant and equipment	**117**	527
Disposal of a subsidiary	**–**	2,576
Interest income received	**218**	36
Net cash used in investing activities	**(19,948)**	(4,417)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Cash flows from financing activities		
Proceeds from bank borrowings	140,837	66,256
Repayment of bank borrowings	(75,270)	(63,496)
Restricted cash released/(pledged)	430	(10)
Increase/(decrease) in amount due to a director	4,335	(40,898)
Interest paid for bank borrowings	(5,142)	(2,287)
Issue of share capital	2,339	66
Allotment of shares	88	–
Repurchase of share capital	(66)	–
Group reorganisation	(97,972)	–
Share issued pursuant to the public offer and placing	152,063	–
Transaction costs attributable to the public offer and placing	(14,840)	–
Net cash generated from/(used in) financing activities	106,802	(40,369)
Net increase in cash and cash equivalents	96,401	3,258
Cash and cash equivalents at beginning of the year	14,311	11,053
Effect of foreign exchange rate changes	(2,129)	–
Cash and cash equivalents at end of the year	108,583	14,311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Putian Communication Group Limited ("**the Company**") is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies laws. The Company was listed on the Stock Exchange of Hong Kong Limited on 9 November 2017. The address of its 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 Group, comprising the Company and its subsidiaries, is principally engaged in production and sale of communication copper cables, optical fiber cables and structured cabling system products.

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as "**the Group**"). The consolidated financial statements were authorised for issue by the Directors on 29 March 2018.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new/revised HKFRSs – effective 1 January 2017

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountant ("**HKICPA**") which are effective for the Group's financial year beginning on or after 1 January 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has no impact on these financial statements.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

2.2 New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 9 – 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 amortised 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 recognised 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 assessing 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 appreciation of HKFRS 9 in the year of initial adoption.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

2.2 New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

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 recognise 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: Recognise 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 1 January 2018 and earlier application is permitted.

HKFRS 16 – Leases

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 recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise 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 recognise 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

2.2 New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 16 – Leases (Continued)

As set out in Note 29, total operating lease commitment as lessee of the Group in respect of leased premises as at 31 December 2017 amounted to approximately RMB1,927,000 (2016: approximately RMB1,431,000) 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 recognised in the combined statement of financial position as right-of-use assets and lease liabilities.

HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC)–Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

2.2 New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that repayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

3.3 Functional and presentation currency

The functional currency of the Company is Renminbi ("**RMB**"), which is same as the presentation currency of the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("**the Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated 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 recognised 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 recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised 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 recognised 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 recognised 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

– The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;

– Substantive potential voting rights held by the Company and other parties who hold voting rights;

– Other contractual arrangements; and

– Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Property, plant and equipment

Owner-occupied leasehold land and buildings are stated at valuation less accumulated depreciation. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of properties revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the properties revaluation reserve.

Upon disposal, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the properties revaluation reserve to retained earnings.

Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.3 Property, plant and equipment *(Continued)*

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 is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation 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 recognised in profit or loss on disposal.

4.4 Capitalisation 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 recognised in profit or loss in the period in which they are incurred.

4.5 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 recognised 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 recognised 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 recognised 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 recognised as an integrated part of the total rental expense, over the term of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.6 Prepaid land lease payment

(i) Acquired prepaid land lease payment

Prepaid land lease payment acquired separately is initially recognised 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 amortisation and accumulated impairment losses.

Amortisation 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 amortisation expense is recognised in profit or loss and included in administrative expenses.

Land use right – 50 years

(ii) Impairment

Prepaid land lease payment with finite lives are tested for impairment when there is an indication that an asset may be impaired. Prepaid land lease payment with indefinite useful lives and prepaid land lease payment not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Prepaid land lease payment is tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4.10).

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 recognised 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 to the extent of its revaluation surplus.

4.7 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 consolidated statements of financial position and is amortised 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.8 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable 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 realisable 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.

4.9 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 recognised 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.

4.10 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 recognised 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 recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.11 Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised 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.

4.12 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.

4.13 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 recognised 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 recognised and derecognised 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 amortised cost using effective interest method, less any identified impairment losses. Amortised 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.13 Financial Instruments *(Continued)*

(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 reorganisation;

– 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 recognised 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 discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(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 amortised 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 recognised 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.13 Financial Instruments *(Continued)*

(c) Financial liabilities (Continued)

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 recognising 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 recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation 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 recognised 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 recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(e) Effective interest method

This is a method of calculating the amortised 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.13 Financial Instruments *(Continued)*

(f) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Hong Kong Companies Ordinance, Cap. 622, came into operation on 3 March 2014. Under the Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s. 148 and s. 149 of the Ordinance.

(g) Derecognition

The Group derecognises 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.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.14 Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.14 Foreign currency *(Continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

4.15 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.16 Employee benefits

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.

4.17 Government grant

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as 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 recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4.18 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.

4.19 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

4.20 Related parties

(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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises prepaid land lease payment in accordance with the accounting policies stated in Notes 4.3 and 4.6 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 reporting 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 reporting period.

(iii) Estimates of current tax and deferred tax

Significant judgement 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) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

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 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.

6. SEGMENT REPORTING *(CONTINUED)*

(i) Segment results *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2017 is set out below:

	Year ended 31 December 2017			
	Optical fiber cables RMB'000	Communication copper cables RMB'000	Structured cabling system products RMB'000	Total RMB'000
Revenue from the Group's external customers	**246,557**	**278,361**	**124,163**	**649,081**
Inter-segment revenue	**(2,965)**	**(23,468)**	**(1,367)**	**(27,800)**
Reportable segment revenue	**243,592**	**254,893**	**122,796**	**621,281**
Reportable segment profit	**41,937**	**28,903**	**38,701**	**109,541**

	Year ended 31 December 2016			
	Optical fiber cables RMB'000	Communication copper cables RMB'000	Structured cabling system products RMB'000	Total 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

6. SEGMENT REPORTING *(CONTINUED)*

(ii) Reconciliation of reportable segment results to consolidated profit after taxation:

	2017 RMB'000	2016 RMB'000
Segment results	109,541	76,318
Other income	432	105
Unallocated expenses	(31,479)	(10,992)
Finance costs	(5,142)	(2,287)
	73,352	63,144
Income tax expense	(15,301)	(11,045)
Profit after taxation	58,051	52,099

(iii) Geographic information

No geographical segment information is shown as, during the year then ended 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 during the year then ended, is set out below:

	2017 RMB'000	2016 RMB'000
Customer A	342,670	265,939
Customer B	175,602	161,239

6. SEGMENT REPORTING *(CONTINUED)*

(iv) Information about major customers *(Continued)*

	2017		2016	
	Customer A RMB'000	Customer B RMB'000	Customer A RMB'000	Customer B RMB'000
Optical fiber cables	121,555	89,606	150,842	2,335
Communication copper cables	215,001	9,805	114,578	110,350
Structured cabling system products	6,114	76,191	519	48,554
	342,670	175,602	265,939	161,239

Note: Other than Customer A and Customer B, no any other single external customer amount to 10% or more of an entity's revenues.

7. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Other income:		
Bank interest income	218	36
Exchange gain, net	111	3
Government grants (Note)	80	7
Gain on disposal of a subsidiary	–	13
Others	23	46
	432	105

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

	2017 RMB'000	2016 RMB'000
Interest charge on bank borrowings	5,147	2,378
Less: Amount capitalised (Note)	(5)	(91)
	5,142	2,287

Note: Borrowing costs capitalised during the year then ended arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.32% (2016: 4.81%) for the year ended 31 December 2017 to expenditure on qualifying assets.

No borrowing costs were capitalised since April 2017, the time that the new factories were built.

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	2017 RMB'000	2016 RMB'000
Auditor's remuneration	675	31
Amortisation of prepaid land lease payment (Note i)	289	289
Cost of inventories recognised as expenses	427,753	322,114
Research and development expenditure	18,664	15,422
Depreciation of property, plant and equipment	11,017	9,661
Gain on disposal of a subsidiary	–	(13)
Loss on disposal of property, plant and equipment	593	19
Operating lease rental in respect of:		
– Rented premises	1,058	506
Listing expenses	16,085	1,904
Staff costs (including directors' emoluments – Note 13):		
– Salaries and wages	24,432	18,293
– Defined contribution scheme (Note ii)	3,822	2,603
	28,254	20,896

Note i: Amortisation of prepaid land lease payment for the year then ended was included in "Administrative expenses" on the face of the consolidated statements of profit or loss and other comprehensive.

Note ii: Defined contribution scheme

The Group participates in a central pension scheme operated by the local municipal government (the "**Scheme**"), whereby the subsidiary of the Group 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 only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

The Group participates in a mandatory provident fund scheme (the "**MPF Scheme**") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees' gross earnings to the MPF Scheme subject to a cap of HK$1,500 per month. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

10. INCOME TAX EXPENSE

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2017 RMB'000	2016 RMB'000
Current tax – Hong Kong Profits Tax		
Tax for the current year	–	–
Over-provision for prior year	–	–
	–	–
Current tax – PRC EIT		
Tax for the current year	13,593	9,760
Over-provision for prior year	(646)	(430)
	12,947	9,330
Deferred tax (Note 25)		
Charge to profit or loss for the year	2,354	1,715
	15,301	11,045

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2017 (2016: Nil).

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 year then ended 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 Group Co., Ltd, one of the subsidiaries of the Company, is entitled to a preferential income tax rate of 15% for the year ended 31 December 2017 and 2016, as it was awarded high-technology status by tax authority.

10. INCOME TAX EXPENSE *(CONTINUED)*

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statements of profit or loss and other comprehensive income as follows:

	2017	2016
	RMB'000	RMB'000
Profit before income tax expense	**73,352**	63,144
Tax calculated at the applicable tax rate of 25% (2016: 25%)	**18,338**	15,786
Effect of different tax rates	**(9,595)**	(6,659)
Tax effect of expenses not deductible for tax purposes	**3,684**	360
Effect attributable to the additional qualified tax deduction relating to research and development costs	**(1,402)**	(1,152)
Deferred tax on undistributed earnings of PRC subsidiaries	**2,354**	1,715
Effect of tax losses not recognised	**1,262**	37
Others	**660**	958
Income tax expense	**15,301**	11,045

11. DIVIDENDS

On 31 July 2017, Putian Cable declared and paid an aggregate dividend of RMB47,970,000 to its then shareholders.

Same as above, no other dividends have been paid or declared by the Company or any of its subsidiaries since its date of incorporation.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB58,051,000 (2016: RMB52,099,000) and the weighted average of 862,520,000 shares (2016: 815,004,000 shares) in issue during the year, calculated as follows:

Earnings

	2017	2016
	RMB	RMB
Earnings for the purposes of basic earnings per share	**0.067**	0.064
Number of share		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**862,520,000**	815,004,000

There were no potential dilutive ordinary shares during the years ended 31 December 2017 and 2016 and, therefore, diluted earnings per share are the same as the basic earnings per share.

13. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

	Fees RMB'000	Salaries RMB'000	Allowance and other benefits RMB'000	Defined contribution scheme RMB'000	Total RMB'000
For the year ended 31 December 2017					
Chairlady					
Wang Qiu Ping	–	359	–	28	387
Executive directors					
Zhao Xiao Bao	–	348	–	28	376
Zhao Moge	–	149	–	29	178
Independent non-executive directors					
Cheng Shing Yan	17	–	–	–	17
Liu Guodong	17	–	–	–	17
Xie Haidong	17	–	–	–	17
	51	856	–	85	992

	Fees RMB'000	Salaries RMB'000	Allowance and other benefits RMB'000	Defined contribution scheme RMB'000	Total RMB'000
For the year ended 31 December 2016					
Chairlady					
Wang Qiu Ping	–	175	–	10	185
Executive director					
Zhao Xiao Bao	–	173	–	10	183
	–	348	–	20	368

Note:

(i) No directors received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2017 (2016: Nil). No directors waived or agreed to waive any emoluments during the year ended 31 December 2017 (2016: Nil).

14. THE FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, two (2016: two) were directors of the Company whose emoluments are included in the disclosures in Note 13 above. The emoluments of the remaining three (2016: three) individuals were as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other emoluments	904	435
Discretionary bonuses	28	32
Defined contribution scheme	46	29
	978	496

Their emoluments were within the following bands:

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000	3	3

SENIOR MANAGEMENT

Emoluments paid or payable to members of senior management were within the following band:

	2017 Number of individuals	2016 Number of individuals
Nil to HK$1,000,000	5	4

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Buildings and structures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
COST							
At 1 January 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 31 December 2016 and 1 January 2017	**25,136**	**35,617**	**77,242**	**1,730**	**3,193**	**92**	**143,010**
Additions	**2,918**	**38**	**16,199**	**438**	**230**	**460**	**20,283**
Transfer to Buildings and structures	**(28,054)**	**27,612**	**–**	**–**	**–**	**442**	**–**
Disposals	**–**	**–**	**(2,929)**	**–**	**–**	**–**	**(2,929)**
At 31 December 2017	**–**	**63,267**	**90,512**	**2,168**	**3,423**	**994**	**160,364**
ACCUMULATED DEPRECIATION							
At 1 January 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 31 December 2016 and 1 January 2017	**–**	**9,314**	**31,889**	**1,037**	**2,345**	**41**	**44,626**
Depreciation	**–**	**2,348**	**7,811**	**360**	**407**	**91**	**11,017**
Disposals	**–**	**–**	**(2,219)**	**–**	**–**	**–**	**(2,219)**
At 31 December 2017	**–**	**11,662**	**37,481**	**1,397**	**2,752**	**132**	**53,424**
NET BOOK VALUE							
At 31 December 2017	**–**	**51,605**	**53,031**	**771**	**671**	**862**	**106,940**
At 31 December 2016	25,136	26,303	45,353	693	848	51	98,384

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.

16. PREPAID LAND LEASE PAYMENT

	Land use rights RMB'000	Total RMB'000
Cost		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	14,435	14,435
Amortisation		
At 1 January 2016	1,530	1,530
Amortisation	289	289
At 31 December 2016 and 1 January 2017	1,819	1,819
Amortisation	289	289
At 31 December 2017	2,108	2,108
Net book value		
At 31 December 2017	12,327	12,327
At 31 December 2016	12,616	12,616

	2017 **RMB'000**	2016 RMB'000
Analysed for reporting purpose as:		
Non-current	**12,038**	12,327
Current	**289**	289
	12,327	12,616

17. OTHER NON-CURRENT ASSETS

	2017 **RMB'000**	2016 RMB'000
Prepayments for property, plant and equipment	**–**	353
	–	353

18. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**24,332**	16,390
Finished goods	**48,536**	25,192
	72,868	41,582

19. TRADE AND BILLS RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**171,724**	145,864
Bills receivables (Note)	**55**	–
	171,779	145,864

Note: Bills receivables represented outstanding commercial acceptance bills.

The ageing analysis of trade and bills receivables (net of impairments) as at the end of each reporting period based on invoice date is as follows:

	2017 RMB'000	2016 RMB'000
0 – 30 days	**62,679**	49,845
31 – 60 days	**58,586**	62,728
61 – 90 days	**25,577**	10,547
91 – 180 days	**20,976**	18,455
181 – 365 days	**3,961**	3,122
> 365 days	**–**	1,167
	171,779	145,864

19. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

The Group has a policy of granting trade customers with credit terms of generally 180-360 days. The ageing analysis of the Group's trade and bills receivables that are neither individually nor collectively considered to be impaired, is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	171,779	144,697
Past due for less than 1 year	–	1,167
Past due for over 1 year but less than 2 years	–	–
Past due for over 2 years	–	–
	171,779	145,864

The Group recognised impairment loss based on the accounting policy stated in Note 4.13(b).

Trade and bills receivables of RMBNil (2016: approximately RMB1,167,000) were past due but not impaired as at 31 December 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.

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 authorised to conduct foreign exchange business.

22. TRADE AND BILLS PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**22,383**	31,381
Bills payables	**–**	4,609
	22,383	35,990

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 ageing analysis of the Group's trade and bills payables as at the end of each reporting period is as follows:

	2017 RMB'000	2016 RMB'000
0 – 30 days	**21,652**	28,099
31 – 60 days	**417**	4,079
61 – 90 days	**177**	–
91 – 180 days	**39**	3,773
181 – 365 days	**55**	39
> 365 days	**43**	–
	22,383	35,990

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.

	2017 RMB'000	2016 RMB'000
Neither past due	**22,181**	35,953
Overdue for less than 1 year	**202**	37
Overdue for more than 1 year	**–**	–
	22,383	35,990

The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

23. AMOUNT DUE FROM A DIRECTOR

Particulars of the amount due from a director:

	2017 RMB'000	2016 RMB'000
Amount due from a director:		
Ms. Wang Qiu Ping	–	4,335
Maximum balance outstanding:		
– During the year:		
Ms. Wang Qiu Ping	20,444	4,335

The amount due from a director was not trade related, and the balance was unsecured, interest-free and repayable on demand.

24. BANK AND OTHER BORROWINGS

	2017 RMB'000	2016 RMB'000
Current		
Secured bank borrowings:		
Repayable within one year (i) (ii)	61,834	45,000
Unsecured bank borrowings:		
Repayable within one year (i) (ii)	–	3,000
	61,834	48,000
Non-current		
Other borrowings (iii)	51,732	–
	51,732	–

(i) The bank borrowings with effective interest rate is 6.32 % (2016: 4.81%) per annum.

(ii) The bank borrowings are secured by the following:

- Corporate guarantees from the Group;
- Legal charges over the personal properties owned by substantial shareholders of the Group of RMBNil (2016: RMB30.0 million) for the year ended 31 December 2017; and
- Legal charges over the personal properties owned by the family member of a substantial shareholder of the Group of RMBNil (2016: RMB15.0 million) for the year ended 31 December 2017.

(iii) The Group entered into two loan agreements with independent third parties on 29 July 2017, with the total loan in a principal amount of RMB50.0 million with a fixed interest rate of 8.16% per annum and the Group shall repay the loans in one instalment and pay the accrued interest on the maturity date, 30 June 2019. The interest started to accrue on 31 July 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 creditors' 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.

24. BANK AND OTHER BORROWINGS *(CONTINUED)*

At 31 December, total current and non-current bank loans were scheduled to repay as follows:

	2017 RMB'000	2016 RMB'000
On demand or within one year	61,834	48,000

At 31 December, total current and non-current other borrowings were scheduled to repay as follows:

	2017 RMB'000	2016 RMB'000
On demand or within one year	–	–
More than one year, but not exceeding two years	51,732	–
More than two years, but not exceeding five years	–	–
After five years	–	–
	51,732	–

Notes:

(i) The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

(ii) All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Company's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Company was to breach the covenants the drawn down facilities would become repayable on demand. In addition, certain of the Company's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Company has complied with the covenants and met the scheduled repayment obligations.

(iii) The Company regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Company continues to meet these requirements. Further details of the Company's management of liquidity risk are set out in note 38(c). As at 31 December 2017 none of the covenants relating to drawn down facilities had been breached (2016: none).

25. DEFERRED TAX LIABILITY

	Withholding tax on undistributed earnings RMB'000
At 1 January 2016	2,294
Charge for the year (Note 10)	1,715
At 31 December 2016 and 1 January 2017	4,009
Charge for the year (Note 10)	2,354
At 31 December 2017	6,363

As at 31 December 2017, the Group had unused tax losses of approximately RMB5,317,000 (2016: approximately RMB2,473,000), available to offset against future profits. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams.

25. DEFERRED TAX LIABILITY *(CONTINUED)*

The unrecognised tax losses will expire in the following years:

	2017 RMB'000	2016 RMB'000
2017	–	47
2018	745	745
2019	833	833
2020	827	827
2021	21	21
2022	2,891	–
	5,317	2,473

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 1 January 2008 and applies to earnings after 31 December 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 1 January 2008.

As at 31 December 2017, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB99,537,000 (2016: approximately RMB83,897,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of temporary differences and it probable that such differences will not reverse in the foreseeable future.

26. SHARE CAPITAL

	Notes	2017 Number '000	2017 Amount RMB'000	2016 Number '000	2016 Amount RMB'000
Authorised:					
Initial authorised share capital upon incorporation	(ii)	10	66	10	66
Repurchase of share	(iii)	(10)	(66)	–	–
Subdivision of share capital	(iii)	38,000	336	–	–
Increase in share capital upon capitalisation	(v)	2,962,000	25,198	–	–
		3,000,000	25,534	10	66
Issued and fully paid:					
As 1 January	(i)	10	66	10	66
Repurchase of share	(iii)	(10)	(66)	–	–
Allotment of shares	(iv)	10,000	88	–	–
Issue of ordinary shares upon capitalisation	(vi)	815,000	6,934	–	–
Issue of ordinary shares upon placing of shares	(vii)	275,000	2,339	–	–
As 31 December		1,100,000	9,361	10	66

26. SHARE CAPITAL *(CONTINUED)*

Notes:

(i) The issued capital of the Group as at 1 January 2016 represent the consolidated share capital of Putian Communication Group Limited as the Company had not been incorporated and the reorganisation was not completed.

(ii) The Company was incorporated as exempted company under the laws of the Cayman Islands with limited liability on 19 August 2016 with authorised share capital of US$10,000 dividend into 10,000 shares of US$1.00 each and issued 10,000 shares of US$10,000.

(iii) On 27 March 2017, the authorised 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 authorised 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 US1.00 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 authorised 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 authorised 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.

(iv) On 27 March 2017, the Company further alloted and issued 2,200,000 shares to its shareholders at par value. Accordingly, the issued shares became HK$100,000 (equivalent to approximately RMB88,000) divided into 10,000 shares.

(v) The authorised share capital was increased from HK$380,000 to HK$30,000,000 by the creation of a further 2,962,000,000 shares.

(vi) Pursuant to written resolutions passed on 21 October 2017, conditional upon the share premium account of the Company having sufficient balances, or otherwise being credited by way of global offering, the directors were authorised to allot and issue a total of 815,000,000 shares credited as fully paid at par by way of capitalisation of the sum of HK$8,150,000 (equivalent to approximately RMB6,934,000) standing to the credit of the share premium account of the Company.

(vii) On 9 November 2017, 275,000,000 ordinary shares of HK$0.01 each of the Company issued at a price of HK$0.66 through Share Offering. On the same date, the Company's ordinary shares were posted on the Stock Exchange. The proceeds of HK$2,750,000 (equivalent to approximately RMB2,341,000) representing the par value of the ordinary shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$178,750,000 (equivalent to approximately RMB152,063,000), before issuing expenses of approximately RMB14,840,000, were credited to share premium account.

(viii) The Group Reorganisation was completed on 27 March 2017. For the purpose of this report, the share capital in the Group's consolidated statements of financial position as at 31 December 2017 and 2016 represented the share capital of the Company.

27. SHARE PREMIUM

	RMB'000
At 1 January 2016, 31 December 2016 and 1 January 2017	–
Arising from the public offer and placing (note (i))	152,063
Arising from the transaction costs attributable to the public offer and placing (note (i))	(14,840)
Arising from capitalisation (note (ii))	(6,934)
At 31 December 2017	130,289

Notes:

(i) As detailed in note 26(vi) above, on 9 November 2017, the Company listed 275,000,000 ordinary shares at par value of HK$0.01 each at a price of HK$0.66 per share on the Main Board of the Stock Exchange of Hong Kong. The proceeds of HK$2,750,000 (equivalent to approximately RMB2,341,000) representing the par value of the ordinary shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$178,750,000 (equivalent to approximately RMB152,063,000), before issuing expenses of approximately RMB14,840,000, were credited to share premium account.

(ii) As detailed in note 26(vi) above, pursuant to written resolutions passed on 21 October 2017, conditional upon the share premium account of the Company having sufficient balance, or otherwise being credited by way of global offering, the directors were authorised to allot and issue a total of 815,000,000 shares credited as fully paid at par by way of capitalisation of the sum of HK$8,150,000 (equivalent to approximately RMB6,934,000) standing to the credit of the share premium account of the Company.

28. RESERVES

Share premium

The share premium is the excess of the proceeds received over the par value of the shares of the Company issued at a premium, less the amount of expenses incurred in connection with the issue of the shares.

Capital reserves

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 2 November 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, 30 September 2013.

Other reserves

The amount arose from the acquisition of equity interest in the Putian Cable by Jiangxi Tianyuan during the group reorganisation.

28. RESERVES *(CONTINUED)*

PRC statutory reserve

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiary is required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or to increase capital.

Exchange reserve

The translation reserve comprises the exchange differences arising on the translation of the financial statements of foreign operations.

29. 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-cancellable. The total future minimum lease payments under the lease are due as follows.

	2017 **RMB'000**	2016 RMB'000
Rented premises:		
– Within one year	**1,081**	632
– In the second to fifth year, inclusive	**846**	799
– After five years	**–**	–
	1,927	1,431

30. RELATED PARTY TRANSACTIONS

The key management personnel are the Directors and the five highest paid individuals of the Company. The details of the emoluments paid to them are set out in note 13 and 14 respectively.

The amount due from a director as at 31 December 2017 was RMBNil (2016: approximately RMB4,335,000). The details are set out in note 23.

Except as disclosed above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2017 RMB'000	2016 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment in a subsidiary		**66**	66
Current assets			
Amounts due from subsidiaries	(i)	**127,751**	–
Current liabilities			
Other payables and Accruals		**2,619**	–
Net current assets		**125,132**	–
Net assets		**125,198**	66
CAPITAL AND RESERVES			
Share capital		**9,361**	66
Reserves	(ii)	**115,837**	–
Total equity		**125,198**	66

On behalf of the directors:

Wang Qiu Ping
Director

Zhao Xiao Bao
Director

31. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 46 of this report.

Notes:

(i) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(ii) Movements in reserves

	Share premium RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2016	–	–	–	–
Profit/(loss) and total comprehensive income for the year	–	–	–	–
Issue of shares	–	–	–	–
Disposal of a subsidiary	–	–	–	–
Appropriation to statutory reserves	–	–	–	–
Balance at 31 December 2016 and 1 January 2017	–	–	–	–
Profit for the year	–	–	(12,704)	(12,704)
Exchange differences arising on transaction of foreign operations	–	(1,748)	–	(1,748)
Total profit and other comprehensive income for the year	–	(1,748)	(12,704)	(14,452)
Shares issued pursuant to the capitalisation	(6,934)	–	–	(6,934)
Shares issued pursuant to the public offer and placing	152,063	–	–	152,063
Transaction costs attributable to the public offer and placing	(14,840)	–	–	(14,840)
Balance at 31 December 2017	**130,289**	**(1,748)**	**(12,704)**	**115,837**

32. INTEREST IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of subsidiary[#]	Form of business structure	Place of incorporation/ operation and principal activity	Description of shares held	Percentage of ownership interests/voting rights/profit share
Interests held directly				
Putian Group Investment Co., Ltd. ("**Putian Investment**") (普天集團投資有限公司)	Corporation	Investment holding in the British Virgin Island ("**BVI**")	Ordinary shares US dollars ("**US$**")10,000	100
Interests held indirectly				
Putian Group (HK) Investment Limited ("**Putian Group HK**") (普天集團(香港)投資有限公司)	Corporation	Investment holding in Hong Kong	Ordinary shares HK dollars ("**HKD**")10,000	100
Jiangxi Tianyuan Intelligent Technology Co., Ltd ("**Jiangxi Tianyuan**") (江西天源智能科技有限公司)*	Corporation	Investment holding in the People's Republic of China ("**The PRC**")	Renminbi ("**RMB**") 10,000,000	100
Putian Cable Group Co., Ltd ("**Putian Cable**") (普天線纜集團有限公司) ^^	Corporation	Production and sales of communication copper cables and optical fiber cables in the PRC	RMB101,000,000	100
Jiangxi Changtian Optical Communication Co., Ltd ("**Jiangxi Optical**") (江西長天光電通信有限公司) ^	Corporation	Sales of optical fiber cables in the PRC	RMB30,000,000	100
Jiangxi Putian Building Intelligence Co., Ltd. ("**Jiangxi Building**") (江西普天樓宇智能有限公司) ^	Corporation	Sales of structured cabling system products in the PRC	RMB8,000,000	100
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) ^	Corporation	Sales of structured cabling system products in the PRC	RMB30,000,000	100
Jiangxi Putian Scrap Metal Recycle Co., Ltd ("**Jiangxi Recycle**") (江西普天廢舊金屬回收有限公司) ^	Corporation	Dormant company in the PRC	RMB6,000,000	100
Jiangxi Changxun Plastic Technology Co., Ltd ("**Jiangxi Changxun**") (江西長訊塑膠科技有限公司) ^	Corporation	Dormant company in the PRC	RMB20,000,000	100

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 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 Reorganisation, the entity became a sino-foreign owned enterprise on 22 January 2017.

None of the subsidiaries had issued any debt securities at the end of the year.

33. NOTES SUPPORTING CASH FLOWS STATEMENTS

	2017 RMB'000	2016 RMB'000
Cash and cash equivalents comprise:		
Restricted cash	50	480
	50	480

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2016 RMB'000	Cash flows RMB'000	2017 RMB'000
Short-term borrowings	48,000	13,834	61,834
Long-term borrowings	–	51,732	51,732
Amount due from a director	(4,335)	4,335	–
Total liabilities from financing activities	43,665	69,901	113,566

35. CAPITAL COMMITMENTS

	2017 RMB'000	2016 RMB'000
Capital expenditure of the Group contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	1,431	3,600

36. 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 maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the 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.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	2017 RMB'000	2016 RMB'000
Financial assets		
Loans and receivables:		
Trade, bills and other receivables	176,391	148,691
Amount due from a director	–	4,335
Restricted cash	50	480
Cash and cash equivalents	108,583	14,311
Financial liabilities		
Amortised costs:		
Trade, bills and other payables	34,107	43,562
Bank and other borrowings	113,566	48,000

The Group's major financial instruments include trade, bills and other receivables, amount due from a director, restricted cash, cash and cash equivalents, trade, bills and other payables and bank and other borrowings.

38. FINANCIAL RISK MANAGEMENT

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. The Group does not have an interest rate hedging policy. However, the directors of the Group monitors 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 and other borrowings. Bank and other borrowings arranged at variable expose the Group to cash flow interest rate risk and fair value interest rate risk. Certain of the bank and other borrowings of the Group as at 31 December 2017 and 2016 bore interest at floating rates. The interest rate and repayment terms of borrowings at the end of each reporting period are disclosed in Note 24.

38. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(a) Interest rate risk *(Continued)*

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):

	2017	2016
	RMB'000	RMB'000
Change in profit after tax and retained profits:		
+/-100 basis points	**-/+275**	-/+190

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.

(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 recognised financial assets as stated in the consolidated statements of financial position.

The Group trade only with recognised 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 balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

In order to minimise 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 each 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 31 December 2017 amounting to approximately RMB145,396,000 (2016: approximately RMB137,460,000), and accounted for approximately 84.6% (2016: approximately 94.2%) of the Group's total trade and bills receivables. In order to minimise 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.

38. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(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 RMB'000	Total contractual undiscounted cash flows RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
As at 31 December 2017					
Trade and bills payables	**22,383**	**22,383**	**22,340**	**43**	**–**
Other payables and accruals	**11,724**	**11,724**	**11,724**	**–**	**–**
Bank and other borrowings	**113,566**	**121,717**	**63,557**	**58,160**	**–**
	147,673	**155,824**	**97,621**	**58,203**	**–**
As at 31 December 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	–	–

38. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(d) Currency risk

(i) Exposure to currency risk

The Group is only exposed to currency risk through cash and cash equivalent balances that are denominated in HKD and USD, the currency other than the functional currency of the entity to which they relate.

The following table details the Group's exposure at 31 December 2017 to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the end of reporting period. Differences resulting from the translation of the financial statements of the entities with functional currency other than RMB into the Group's presentation currency are excluded.

The Company does not have any significant financial assets or liabilities denominated in currencies other than its functional currency and it is not exposed to significant currency risk.

	2017		2016	
	USD Denominated in RMB'000	**HKD Denominated in RMB'000**	USD Denominated in RMB'000	HKD Denominated in RMB'000
Cash and cash equivalents	**20**	**89,841**	–	–

38. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. Other components of equity would not be affected by changes in the foreign exchange rates.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000
USD	**5%**	**1**	5%	–
	(5)%	**(1)**	(5)%	–
HKD	**5%**	**4,492**	5%	–
	(5)%	**(4,492)**	(5)%	–

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis at 31 December 2016 has been performed on the same basis.

(e) Fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 2016.

39. EVENTS AFTER THE END OF REPORTING DATE

On 3 January 2018, the Group entered into an equipment acquisition contract with a PRC optical fiber manufacturer pursuant to which the Manufacturer agreed to sell and the Group agreed to purchase two sets of optical fiber drawing towers and other system, machines and equipment for setting up of four optical fiber production lines at a total consideration of approximately RMB45.1 million.

On 19 January 2018, the Group entered into with the Manufacturer (i) the equipment acquisition contract pursuant to which the Manufacturer agreed to sell and the Group agreed to purchase one set of optical fiber drawing tower and two optical fiber production lines at a total consideration of RMB15.8 million; and (ii) the technology support agreement pursuant to which the Manufacturer agreed to provide services and technical support to the Group for the setting up of an optical fiber factory at a total service fee of RMB12.0 million.