南方通信
Nanfang Communication

南方通信控股有限公司
Nanfang Communication Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1617

GLOBAL OFFERING

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL
Guotai Junan Capital Limited

Sole Global Coordinator,
Sole Bookrunner and Sole Lead Manager

國泰君安國際
GUOTAI JUNAN INTERNATIONAL
Guotai Junan Securities (Hong Kong) Limited

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

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**280,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Number of International Placing Shares	:	**252,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	:	**28,000,000 Shares (subject to adjustment)**
Offer Price	:	**Not more than HK$1.10 per Offer Share and expected to be not less than HK$0.92 per Offer Share, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.001 per Share**
Stock code	:	**1617**

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Guotai Junan Securities (Hong Kong) Limited

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

A copy of this prospectus, having attached thereto the documents specified in "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission, The Stock Exchange of Hong Kong Limited and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or/and any other documents referred to above.

The Offer Price is expected to be fixed by an agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Monday, 5 December 2016 or such other date or time as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but in any event, not later than Thursday, 8 December 2016. The Offer Price will be not more than HK$1.10 per Offer Share and is expected to be not less than HK$0.92 per Offer Share, unless otherwise announced. Applicants for the Offer Shares are required to pay, on application, the maximum Offer Price of HK$1.10 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK$1.10.

The Sole Global Coordinator (for itself and on behalf of the Underwriters), with the consent of our Company, may reduce the number of Offer Shares being offered pursuant to the Global Offering and/or the indicative Offer Price range stated in this prospectus (which is HK$0.92 to HK$1.10 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such event, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese) an announcement and cause to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.jsnfgroup.com**) of such change. Further details are set out in the sections headed "Structure of the Global Offering" and, "How to apply for Hong Kong Public Offer Shares" of this prospectus. If, for whatsoever reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement at or prior to Thursday, 8 December 2016 or such other date or time as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not become unconditional and will lapse immediately. In such event, our Company will issue an announcement to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese).

Prospective investors of the Global Offering should note that the Global Offering will not proceed if the Sole Global Coordinator (for itself and on behalf of the Underwriters) terminates the obligations of the Underwriters under the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. It is important that you refer to the section headed "Underwriting" of this prospectus for further details.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including, without limitation, the risk factors set out in the section headed "Risk factors" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

30 November 2016

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement in Hong Kong to be published in English in The Standard and in Chinese in Hong Kong Economic Times and to be posted on the website of our Company at **www.jsnfgroup.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

	(Note 1) 2016
Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website **www.hkeipo.hk** *(Note 2)*	11:30 a.m. on Monday, 5 December 2016
Application lists of the Hong Kong Public Offering open *(Note 3)*	11:45 a.m. on Monday, 5 December 2016
Latest time for lodging **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC *(Note 4)*	12:00 noon on Monday, 5 December 2016
Latest time to complete payments for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, 5 December 2016
Application lists of the Hong Kong Public Offering close *(Note 3)*	12:00 noon on Monday, 5 December 2016
Expected Price Determination Date *(Note 5)*	Monday, 5 December 2016
Announcement of (i) the Offer Price; (ii) the indication of the level of interest in the International Placing; (iii) the level of applications in the Hong Kong Public Offering; (iv) the basis of allotment of Hong Kong Public Offer Shares under the Hong Kong Public Offering; and (v) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offering and the International Placing to be published in English in The Standard and in Chinese in Hong Kong Economic Times and on the website of our Company at **www.jsnfgroup.com** and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Friday, 9 December 2016

Results of allocations in the Hong Kong Public Offering to be available at **www.tricor.com.hk/ipo/result** with a "search by ID Number/Business Registration Number" function from	Friday, 9 December 2016
Announcement of results of allotments of the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) available through a variety of channels as described in the section headed "How to apply for Hong Kong Public Offer Shares – Publication of results" of this prospectus from	Friday, 9 December 2016
Despatch/collection of share certificates and/or **HK eIPO White Form** e-Auto Refund payment instructions/refunds cheques expected on or before *(Notes 6, 7, 8)*	Friday, 9 December 2016
Dealings in the Shares on the Main Board of the Stock Exchange expected to commence at 9:00 a.m. on	Monday, 12 December 2016

Notes:

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" of this prospectus.

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

3. If there is a "**black**" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 5 December 2016, the application lists will not open or close on that day. Further information is set out in the section headed "How to apply for Hong Kong Public Offer Shares – Effect of bad weather on the opening of the application lists" of this prospectus.

4. Applicants who apply for the Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for Hong Kong Public Offer Shares – Applying by giving electronic application instructions to HKSCC via CCASS" of this prospectus.

5. Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Monday, 5 December 2016 and, in any event, not later than Thursday, 8 December 2016. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. Applicants must pay the maximum offer price of HK$1.10 per Share at the time of application, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed "How to apply for Hong Kong Public Offer Shares" of this prospectus.

6. Share certificates for the Shares are expected to be issued on Friday, 9 December 2016 but will only become valid certificates of title at 8:00 a.m. on Monday, 12 December 2016 provided that (i) the Global Offering has become unconditional in all respects; and (ii) none of the Underwriting Agreements has been terminated in accordance with its terms. If the Hong Kong Public Offering does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.

7. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the applicant is made by joint applicants, part of the Hong Kong identity card number or passport number of the first named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque. Further information is set out in the section headed "How to apply for Hong Kong Public Offer Shares" of this prospectus.

8. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for Hong Kong Public Offer Shares – Despatch/Collection of share certificates and refund monies" of this prospectus.

For details of the structure of the Global Offering, including its conditions, please refer to the sections headed "Underwriting", "Structure of the Global Offering" and "How to apply for Hong Kong Public Offer Shares" of this prospectus.

It is important that prospective investors should note that the Sole Global Coordinator (for itself and on behalf of the Underwriters) is entitled to terminate the Underwriting Agreements by notice in writing to us upon the occurrence of any of the events set out in the section headed "Underwriting" of this prospectus at any time up to 8:00 a.m. on the Listing Date. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout. It is important that prospective investors should refer to the section headed "Underwriting" of this prospectus for further details.

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Global Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms. Any information or representation not contained or made in this prospectus and the related Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering.

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

Overview

We are a well-established optical fibre cable supplier, with our headquarters based in Changzhou City, Jiangsu Province, the PRC. According to the Industry Consultant, we were No. 10 optical fibre cable supplier to the communication type optical fibre cable market in the PRC in 2015 in terms of sales volume. Our market share of the communication type optical fibre cable market in the PRC in terms of sales volume increased from 2.0% in 2013 to 3.2% in 2015.

We are highly regarded in the optical fibre cable market in the PRC. We were awarded ISO 9001:2008 and ISO 14001:2004 certificates in relation to the manufacturing of optical fibre cable products and were recognised by the Science and Technology Department of Jiangsu Province in the PRC as a high and new technology enterprise (高新技術企業) in 2010. Our research and development department was recognised as one of the provincial recognised enterprise technical centres (省認定企業技術中心) credited to our ability of product research and development.

We had experienced a significant growth in revenue during the Track Record Period. Our revenue increased by approximately 43.5% from RMB265.2 million for the year ended 31 December 2013 to RMB380.6 million for the year ended 31 December 2014, and further increased by approximately 61.0% to RMB612.6 million for the year ended 31 December 2015. Our revenue increased by approximately 58.5% from RMB201.3 million for the five months ended 31 May 2015 to RMB319.0 million for the five months ended 31 May 2016. Such increases were primarily due to (i) the increasing demand of the optical fibre cable market in the PRC; and (ii) the increase in the sales orders awarded to us by the Major PRC Telecommunications Network Operators, which our Directors believe, was mainly attributable to our product quality, market reputation and competitive prices offered to them which have been reflected by the positive results from the evaluation conducted by them and our stable and long-term business relationships with them ranging from nine to 11 years.

Our profit attributable to owners of our Company for the three years ended 31 December 2015 was approximately RMB14.6 million, RMB23.5 million and RMB72.2 million, respectively, representing a CAGR of approximately 122.5% between 2013 and 2015. Further, our profit attributable to owners of our Company increased by 92.1% from approximately RMB19.0 million for the five months ended 31 May 2015 to RMB36.5 million for the five months ended 31 May 2016.

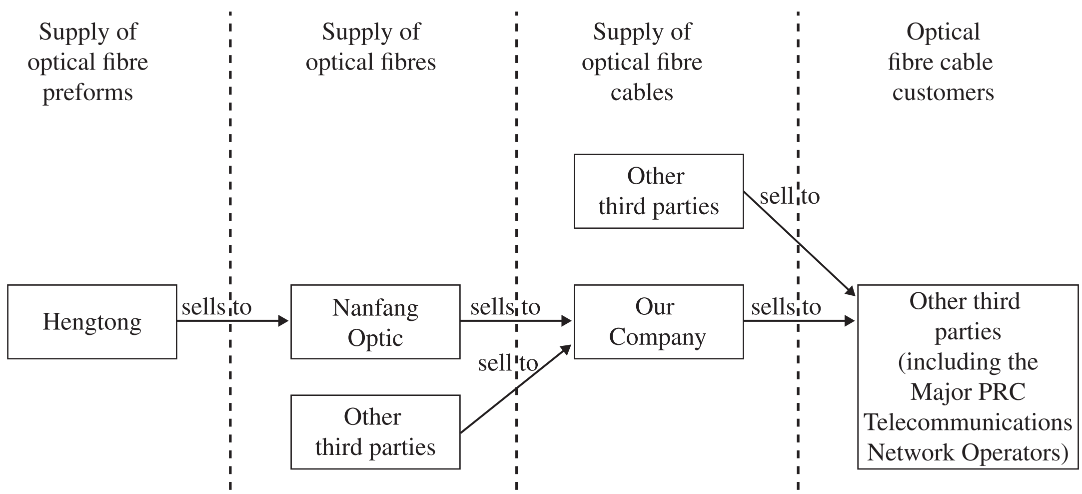
Our business model

Our relationship with Hengtong and Nanfang Optic

The value chain of the optical fibre cable industry mainly comprises the production of optical fibre preforms, the production of optical fibres and the production of optical fibre cables. We engage in the production of optical fibre cables. Given that we are at the bottom of the value chain of the optical fibre cable industry, having a secure supply of optical fibres as our key raw material source is paramount to our business model. As such, we have strategically partnered with a major manufacturer with the capability to produce optical fibre preforms, optical fibres and optical fibre cables in the PRC, namely, Hengtong, to establish Nanfang Optic which principally engages in the production of optical fibres. For details of the establishment of Nanfang Optic, please refer to the paragraph headed "Business – Establishment of Nanfang Optic" of this prospectus. According to the Industry Consultant, it has been a common industry practice for the optical fibre cable manufacturers, which also have the capability in the production of optical fibre preforms and/or optical fibres, to form cooperative ventures, such as Nanfang Optic, with other optical fibre cable manufacturers as a way to win more bids than the supply limit allotted to a given supplier set forth in the Procurement Limit, which has been implemented by the Major PRC Telecommunications Network Operators. This practice has been common for the large optical fibre cable manufacturers, as they would be more likely to reach the procurement allotment limit on their own and therefore would benefit from such cooperative venture arrangements. To the best of our Directors' knowledge, some of the leading domestic optical fibre cable manufacturers, such as, Hengtong and Yangtze Optical Fibre and Cable Joint Stock Limited Company have formed cooperative ventures with other optical fibre cable manufacturers. As advised by our PRC Legal Adviser, the establishment of Nanfang Optic to win more bids than the Procurement Limit allotted to Hengtong does not violate the relevant PRC laws, and the terms and conditions of the tendering processes held by the Major PRC Telecommunications Network Operators.

Value chain of optical fibre cable industry

The chart below sets out the value chain of the optical fibre cable industry and our Group's position in the value chain.



Our reliance on the Major PRC Telecommunications Network Operators

During the Track Record Period, a majority of the sales of our optical fibre cables was derived from tender contracts won in the open tendering processes held by the Major PRC Telecommunications Network Operators under their centralised procurement policy. Such centralised procurement policy is to centralise the tender awarding decisions at the headquarters of the Major PRC Telecommunications Network Operators. The remaining balance of our sales was generated from direct sales to our customers other than the Major PRC Telecommunications Network Operators. Apart from our participation in the open tendering processes held by the Major PRC Telecommunications Network Operators under their centralised procurement policy during the Track Record Period, we also participated in other procurement processes which were organised by their provincial branches and local subsidiaries or entities and hence were smaller in scale. For details of the tendering processes in which we participated during the Track Record Period, please refer to the paragraph headed "Business – Customers, sales and marketing – Our customers" of this prospectus.

Although we currently do not have our own production facilities to produce optical fibres, our key raw materials, and have to rely on third party optical fibre suppliers in particular Nanfang Optic which was established between our Group and Hengtong, there is no requirement for us to jointly participate together with Hengtong and/or Nanfang Optic in the same open tendering process for an optical fibre cable tender contract held by the Major PRC Telecommunications Network Operators under their centralised procurement policy.

Risks relating to our business

Our business model therefore relies on, among others, our ability to (i) win tenders in the open tendering processes held by the Major PRC Telecommunications Network Operators under their centralised procurement policy and (ii) source optical fibres from our suppliers and is inherently subject to the following key risk factors:

Possible abolishment of the Procurement Limit by the Major PRC Telecommunications Network Operators may intensify the market competition and increase our difficulty to access to the optical fibre supply

The Major PRC Telecommunications Network Operators in aggregate contributed about 85% of the total demand by volume for optical fibre cables in 2015. Given their dominant position in the PRC optical fibre cable industry, any possible change in their procurement policies which result in an abolishment of the Procurement Limit may intensify the competition in the PRC optical fibre cable industry in which we operate, as the leading optical fibre cable suppliers may dominate the market by increasing their supply of optical fibre cable products to their customers. Further, as our business model also relies on setting up cooperative ventures with key market players within the PRC optical fibre industry such as the establishment of Nanfang Optic to provide us with an additional source of optical fibre supply, the possible abolishment of the Procurement Limit may render the key market players to lose incentive to enter into cooperative ventures with us and/or cease to sell optical fibres to us because they may retain their optical fibres for sales or for their own use in order to cater for the potential increase in purchase orders to be placed to any single optical fibre/optical fibre cable supplier by the Major PRC Telecommunications Network Operators as a result of the possible abolishment of the Procurement Limit. Consequently, the competition for optical fibres as our key raw materials among our competitors and us may intensify and we may be unable to source optical fibres at prices favourable to us or at all.

Possible abolishment of the centralised procurement policy by the Major PRC Telecommunications Network Operators may have an adverse effect on our sales of our optical fibre cables

Our business model relies on, among others, our ability to win tenders in the open tendering processes held by the Major PRC Telecommunications Network Operators under their centralised procurement policy. During the Track Record Period, a majority of the sales of our optical fibre cables was derived from these tender contracts won under such centralised policy and we were able to sell our products to customers in different provinces and receive their orders collectively as the Major PRC Telecommunications Network Operators centralised the procurement from their provincial branches and local subsidiaries or entities. If there is any change in the procurement policy of the Major PRC Telecommunications Network Operators resulting in an abolishment of such centralised procurement policy, we will not be able to sell our products to customers in different provinces and receive their orders collectively, and hence our sales will be adversely affected.

We have limited or no control over the prices of optical fibres, our key raw materials, and optical fibre cable products

Our major customers are the Major PRC Telecommunications Network Operators which generally require us to purchase optical fibres from suppliers designated by them and the cost of optical fibres fluctuates due to market conditions and is usually predetermined between them and their designated suppliers, which limit our ability to manage the suppliers and thus, our control over the prices of our key raw materials. Furthermore, as such telecommunications network operators usually have stronger bargaining power than we do, we usually are required to accept the terms of the agreements provided by them. In the event that their designated suppliers increase the prices of optical fibres, we may not be able to pass on this increased cost to our major customers. Any increases in raw material costs that we cannot effectively pass on through increases in prices of our products could reduce our profitability. If the prices of our optical fibre cable products decrease or fluctuate, it will materially affect our operating results, profit and financial results.

For other risks about our business, please refer to the paragraph headed “Risk factors – Risks relating to our business” of this prospectus.

Production and products

We produce and offer a wide range of optical fibre cables with different specifications to cater for our customers’ needs. Based on the assembly process structures, our optical fibre cable products can be divided into two major categories, which contributed mainly to our revenue, namely: (i) layer stranded optical fibre cables (層絞式光纜) and (ii) central unitube optical fibre cables (中心管式光纜). We also produce and offer other types of optical fibre cables, such as bow-type drop cables (蝶形引入光纜) and specialty optical cables (特種光纜).

During the Track Record Period, to a lesser extent, we also (a) manufactured and sold ancillary products such as (i) copper-made communication cables for use in local telephone networks and (ii) copper-made enamelled wires for use as winding wires for various electric appliances such as transformers, and (b) sold cable supporting products such as optical fibre connectors procured from third parties.

Sales mainly consist of sales of optical fibre cables, enamelled wires and communication cables. The table below sets out a breakdown of sales by products for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sales of optical fibre cables	265,163	93.0	380,612	96.2	612,637	99.0	201,269	98.5	318,972	99.9
Sales of other materials										
– sales of enamelled wires	12,007	4.2	11,917	3.0	4,416	0.7	2,918	1.4	147	0.0
– sales of communication cables	7,937	2.8	3,089	0.8	1,986	0.3	155	0.1	170	0.1
Total sales	285,107	100.0	395,618	100.0	619,039	100.0	204,342	100.0	319,289	100.0

We manufacture our products at Wu Jin Factory and Jin Tan Factory, our production sites, both of which are located in Changzhou City, Jiangsu Province, the PRC. Our production sites and other ancillary facilities occupy a total site area of approximately 76,882.3 sq.m.. Our Wu Jin Factory operates at an annual production capacity of 5 million fkm. We started trial production at phase I of our Jin Tan Factory upon its completion in the fourth quarter of 2015. We were able to produce at its full production capacity of 5.3 million fkm in mid June 2016. As at the Latest Practicable Date, our aggregate annual production capacity reached 10.3 million fkm. We anticipate that our aggregate annual production capacity will reach 15 million fkm upon the anticipated completion of phase II expansion plan of our Jin Tan Factory in the first quarter of 2019.

For details of our annual production capacity and actual standardised production volume of our optical fibre cable products, and the effective utilisation rate for our two factories during the Track Record Period, please refer to the paragraph headed "Business – Production – Production capacity and utilisation rate" of this prospectus. Since our production lines can be modified and interchangeable to produce different types of products, the product mix does not affect the calculation of our annual production capacity in respect of our major products.

Competitive strengths

Our Directors believe that our Group possesses the competitive strengths which are described in the paragraph headed "Business – Competitive strengths" of this prospectus, including those headed (i) we have established stable and long-term relationships with our key customers and we are a trusted brand; (ii) we produce quality products, possess in-depth industry understanding and deliver responsive customer services; (iii) strict quality control procedures ensuring reliable products with stable performance; (iv) continuous production and technology breakthroughs to offer comprehensive product development and manufacturing solutions; (v) our scale of production facilities enables us to achieve economies of scale thereby lowering our production cost and we benefit from our close relationship with Nanfang Optic which provides us with an additional source of supply of optical fibres; and (vi) we have an experienced and dedicated management team with extensive industry experience.

Business strategies

We intend to achieve our objectives of enhancing and strengthening our competitive position in the PRC optical fibre cable industry and increasing our market share in the PRC through the implementation of the following strategies: (i) increase market share and penetration in the PRC, promote our brand and brand awareness in the PRC and continue to increase our production capacity; (ii) strengthen our product research and development capabilities and optimise our product offerings to capture emerging industry growth potentials; (iii) further vertically integrate our optical fibre cable production value chain with the upstream production of key raw materials; and (iv) establish integrated business management information system.

Customers, sales and marketing

Our customers are mainly telecommunications network operators and telecommunications supporting service providers in the PRC. For the three years ended 31 December 2015 and the five months ended 31 May 2016, sales to our Group's five largest customers were approximately RMB273.5 million, RMB380.8 million, RMB601.5 million and RMB319.1 million, respectively, which accounted for approximately 95.9%, 96.2%, 97.2% and 99.9%, respectively, of our total sales, whereas sales to our largest customer were approximately RMB162.5 million, RMB225.1 million, RMB406.4 million and RMB161.8 million, respectively, which accounted for approximately 57.0%, 56.9%, 65.6% and 50.7%, respectively, of our total sales for the same periods. For the three years ended 31 December 2015 and the five months ended 31 May 2016, sales to the Major PRC Telecommunications Network Operators accounted for approximately 92.6%, 93.2%, 95.4% and 99.7%, respectively, of our total sales. All of our five largest customers during the Track Record Period and up to the Latest Practicable Date were Independent Third Parties. We did not enter into any long-term agreement nor we committed any minimum purchase amount with our customers during the Track Record Period.

We sell our products to end customers primarily through our own sales personnel. Our sales department had 35 employees as at the Latest Practicable Date. In addition, we provide enhanced customer support to better understand the needs of the Major PRC Telecommunications Network Operators, as well as dedicate sales support staff to address customer inquiries about our products.

We usually adopt a cost-plus pricing approach and take into account various factors such as production cost, prices of raw materials, competition, changes and improvements in technical innovations, and supply and demand balance of current market. However, since our major customers are the Major PRC Telecommunications Network Operators, we typically adopt the prices as agreed in relevant tendering documents. For customers other than the Major PRC Telecommunications Network Operators, we usually price our products based on the prevailing market prices.

Procurement, suppliers and subcontracting arrangement

During the Track Record Period, our suppliers primarily included (i) suppliers of raw materials; and (ii) subcontractors performing certain production processes of our optical fibre cables. Optical fibres are our principal raw materials for our production of optical fibre cable products. We also procure other raw materials such as steel tapes, aluminium tapes and sheathing materials from our suppliers. Depending on the kind of raw materials, we have two different procurement procedures: (i) procuring from designated suppliers, and (ii) seeking quotations. The table below sets out a breakdown of our purchase amounts of major raw materials and the corresponding percentage of our total purchases for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Purchase of raw materials										
Optical fibres	113,274	46.1	157,997	49.3	242,914	46.8	66,930	42.4	143,221	57.4
Steel tapes	4,715	1.9	5,656	1.8	8,506	1.6	2,688	1.7	6,326	2.5
Aluminium tapes	7,161	2.9	9,832	3.1	15,315	2.9	4,819	3.1	8,878	3.6
Sheathing materials	42,606	17.4	58,474	18.2	71,856	13.8	21,728	13.8	39,262	15.7
Other materials	65,396	26.6	55,986	17.5	75,894	14.7	29,422	18.6	34,127	13.7
Total purchase of raw materials	233,152	94.9	287,945	89.9	414,485	79.8	125,587	79.6	231,814	92.9
Subcontracting fee	2,162	0.9	21,902	6.8	74,192	14.3	22,497	14.3	6,987	2.8
Others	10,198	4.2	10,737	3.3	30,861	5.9	9,774	6.1	10,722	4.3
Total	245,512	100.0	320,584	100.0	519,538	100.0	157,858	100.0	249,523	100.0

All of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date were Independent Third Parties. For the three years ended 31 December 2015 and the five months ended 31 May 2016, purchases from our five largest suppliers were approximately RMB146.8 million, RMB170.4 million, RMB328.1 million and RMB184.4 million, respectively, which in aggregate accounted for approximately 59.8%, 53.1%, 63.1% and 74.0%, respectively, of our total purchases. The purchases from our largest supplier were approximately RMB52.5 million, RMB51.8 million, RMB208.5 million and RMB139.4 million, respectively which accounted for approximately 21.4%, 16.1%, 40.1% and 55.9%, respectively of our total purchases for the three years ended 31 December 2015 and the five months ended 31 May 2016. As at the Latest Practicable Date, our five largest suppliers had a business relationship with us for a period ranging from one year to 11 years.

In June 2013, we partnered with Hengtong to establish Nanfang Optic which principally engages in the production of optical fibres. As at the Latest Practicable Date, Nanfang Optic was held as to 47% by Hengtong, 4% by Suzhou Saitong Advanced Materials Company Limited, an Independent Third Party, and 49% by Nanfang Communication, one of our operating subsidiaries. After Nanfang Optic's establishment, we entered into the 15-year Optical Fibre Supply Agreement with Nanfang Optic to purchase optical fibres. Nanfang Optic commenced its production of optical fibres in September 2014 and since then Nanfang Optic has started business relationship with us. Nanfang Optic was our largest supplier for the year ended 31 December 2015 and the five months ended 31 May 2016. For the two years ended 31 December 2015 and the five months ended 31 May 2016, our purchases of optical fibres from Nanfang Optic amounted to approximately RMB22.8 million, RMB208.5 million and RMB139.4 million, respectively, representing approximately 7.1%, 40.1% and 55.9% of our total purchases for the same periods, respectively. Our share of results of Nanfang Optic was a loss of approximately RMB0.3 million for the year ended 31 December 2013 and a profit of approximately RMB0.5 million, RMB14.5 million and RMB8.2 million for the two years ended 31 December 2015 and for the five months ended 31 May 2016, respectively.

According to the 2015 annual report of Hengtong published on 6 April 2016, as Hengtong assigned three directors to the board of Nanfang Optic, it has control over the board of Nanfang Optic. For details of the management of Nanfang Optic, please refer to the paragraph headed "Business – Establishment of Nanfang Optic – Management of Nanfang Optic" of this prospectus.

Our Group entered into subcontracting arrangements with subcontractors to perform certain production processes to satisfy the surplus demand. During the Track Record Period, we had engaged three, four, eight, and one subcontractor(s), respectively. Our Directors confirm that our Group is able to perform all the production processes independently as our Group owns all the required production equipment. Up to the Latest Practicable Date, we had an average of over two years of relationship with these subcontractors. During the Track Record Period, we did not enter into any long-term agreements with our subcontractors.

Competition

The optical fibre cable industry in which we operate is highly competitive. We face direct competition both in the PRC and internationally across all products and price ranges. According to the Industry Consultant, the leading 10 optical fibre cable companies accounted for approximately 78% of the overall communication type optical cable shipments by volume in the PRC in 2015. Our industry is substantially affected by the macroeconomic factors such as government initiatives and capital investments by the Major PRC Telecommunications Network Operators. For more details about the competitive landscape of the optical fibre cable industry, please refer to the section headed "Industry overview" and the paragraph headed "Business – Competition" of this prospectus.

RISK FACTORS

There are risks associated with our business. In particular, we have a concentrated customer base and the key customers churn may affect our business, financial condition and results of operations; our customer concentration may expose us to risks relating to increasing trade and bills receivable, long average trade receivables turnover days and level of gearing; any change in the procurement policy of the Major PRC Telecommunications Network Operators resulting in an abolishment of the Procurement Limit could affect our business and results of operation; any change in the government investment and other policies for the telecommunications industry in the PRC may prevent us from sustaining our current pace of growth, and render our profit growth momentum unsustainable, and our future plans could be materially and adversely affected; we had a net operating cash outflow from our operating activities for the five months ended 31 May 2016; and we have limited or no control over the prices of optical fibres, our key raw materials, and optical fibre cable products. We are also subject to risks relating to our industry; risks relating to conducting business in the PRC; and risks relating to the Global Offering. A detailed discussion of the aforesaid risk factors are set out in the section headed "Risk factors" of this prospectus. You should carefully consider the information contained therein before making any investment decision in relation to our Shares.

SHAREHOLDERS' INFORMATION

Immediately after completion of the Capitalisation Issue and the Global Offering, Pacific Mind will own 75% of the issued share capital of our Company, on the assumption that the Over-allotment Option and any option that may be granted under the Share Option Scheme have not been exercised, and hence, for the purpose of the Listing Rules, it will continue to be our Controlling Shareholder. As at the Latest Practicable Date, Pacific Mind was owned as to 60% by Ms. Yu, 30% by Ms. Yu RP and 10% by Mr. Yu. For the purpose of the Listing Rules, Ms. Yu, Ms. Yu RP, Mr. Yu and Pacific Mind are collectively considered as our Controlling Shareholders.

OFFER STATISTICS

We expect to issue 280,000,000 new Shares under the Global Offering.

	Based on the Offer Price of HK$0.92 per Share	**Based on the Offer Price of HK$1.10 per Share**
Market capitalisation of our Shares(1)	HK$1,030,400,000	HK$1,232,000,000
Unaudited pro forma adjusted combined net tangible assets of our Group per Share(2)	HK$0.60	HK$0.64

Notes:

(1) The calculation of the market capitalisation of our Shares is based on 1,120,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering but does not take into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the "Issuing mandate" and the "Repurchase Mandate".

(2) The unaudited pro forma adjusted combined net tangible assets of our Group per Share has been prepared with reference to certain estimations and adjustments. Please refer to the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus for further details.

A SUMMARY OF COMBINED FINANCIAL AND OPERATIONAL INFORMATION

The tables below present a summary of our financial information during the Track Record Period and should be read in conjunction with our financial information included in the accountants' report set out in Appendix I to this prospectus, including the notes thereto.

A summary of selected items of our combined statements of profit or loss and other comprehensive income

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000* (unaudited)	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	265,163	100.0	380,612	100.0	612,637	100.0	201,269	100.0	318,972	100.0
Gross profit	49,750	18.8	66,842	17.6	121,977	19.9	33,968	16.9	62,266	19.5
Profit before tax	16,929	6.4	26,853	7.1	81,692	13.3	20,946	10.4	42,288	13.3
Profit and total comprehensive income for the year	14,578	5.5	23,489	6.2	72,154	11.8	18,999	9.4	36,492	11.4

Analysis of revenue

The table below sets out a breakdown of our revenue by type of our optical fibre cable products and their sales amounts as a percentage of our revenue for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Optical fibre cables										
Layer stranded optical fibre cables	232,134	87.5	318,386	83.7	494,824	80.8	171,617	85.3	281,774	88.3
Central unitube optical fibre cables	21,354	8.1	25,507	6.7	67,611	11.0	14,264	7.1	24,125	7.6
Other types *(Note)*	11,675	4.4	36,719	9.6	50,202	8.2	15,388	7.6	13,073	4.1
Total	**265,163**	**100.0**	**380,612**	**100.0**	**612,637**	**100.0**	**201,269**	**100.0**	**318,972**	**100.0**

Note: Other types of optical fibre cables included bow-type drop cables and specialty optical cables.

Analysis of gross profit and gross profit margin

The table below sets out a breakdown of our gross profit and gross profit margin by type of our optical fibre cable products for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	Gross profit *RMB'000*	**Gross profit margin** *%*	**Gross profit** *RMB'000*	**Gross profit margin** *%*	**Gross profit** *RMB'000*	**Gross profit margin** *%*	**Gross profit** *RMB'000* (unaudited)	**Gross profit margin** *%*	**Gross profit** *RMB'000*	**Gross profit margin** *%*
Optical fibre cables										
Layer stranded optical fibre cables	40,001	17.2	43,966	13.8	75,570	15.3	21,089	12.3	48,550	17.2
Central unitube optical fibre cables	3,505	16.4	4,517	17.7	21,160	31.3	3,895	27.3	7,048	29.2
Other types *(Note)*	6,244	53.5	18,359	50.0	25,247	50.3	8,984	58.4	6,668	51.0
Total	49,750	18.8	66,842	17.6	121,977	19.9	33,968	16.9	62,266	19.5

Note: Other types of optical fibre cables included bow-type drop cables and specialty optical cables.

Our gross profit margin slightly decreased from 18.8% for the year ended 31 December 2013 to 17.6% for the year ended 31 December 2014 primarily due to the competitive prices we strategically offered to the Major PRC Telecommunications Network Operators in order to increase our chance of winning the tenders.

The increase in our gross profit margin from 17.6% for the year ended 31 December 2014 to 19.9% for the year ended 31 December 2015 was primarily due to a higher rate of increase in our revenue than that of our cost of sales since we increased our purchase amount of optical fibres, which were our key raw materials, from Nanfang Optic which offered us more competitive prices than our other suppliers of key raw materials. We only started our purchase of optical fibres from Nanfang Optic in September 2014 and the amount of optical fibres we purchased from Nanfang optic as a percentage of our total purchases increased from approximately 7.1% for the year ended 31 December 2014 to approximately 40.1% for the year ended 31 December 2015.

The increase in our gross profit margin from 16.9% for the five months ended 31 May 2015 to 19.5% for the five months ended 31 May 2016 was primarily due to a higher rate of increase in our revenue than that of our cost of sales. As a result of our increased production capacity through the establishment of phase I of our Jin Tan Factory in the fourth quarter of 2015, the proportion of sales of our self-produced optical fibre products increased while our cost of sales decreased for the five months ended 31 May 2016 due to the decrease in subcontracting fee as a percentage of our cost of sales from 13.4% for the five months ended 31 May 2015 to 2.7% for the five months ended 31 May 2016 as we engaged only one subcontractor during the five months ended 31 May 2016 while we engaged eight subcontractors during the five months ended 31 May 2015.

Analysis of average selling price and sales volume

The table below sets out a breakdown of average selling price and sales volume by type of our optical fibre cable products for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	Average selling price *RMB per fkm*	**Sales volume** *'000 fkm*	**Average selling price** *RMB per fkm*	**Sales volume** *'000 fkm*	**Average selling price** *RMB per fkm*	**Sales volume** *'000 fkm*	**Average selling price** *RMB per fkm*	**Sales volume** *'000 fkm*	**Average selling price** *RMB per fkm*	**Sales volume** *'000 fkm*
Optical fibre cables										
Layer stranded optical fibre cables	113.7	2,041.4	103.7	3,071.7	91.6	5,399.1	97.4	1,762.8	89.0	3,164.2
Central unitube optical fibre cables	126.0	169.4	108.6	234.9	105.2	642.7	127.5	111.9	106.2	227.2
Other types *(Note)*	204.2	57.2	182.2	201.5	170.8	293.9	219.2	70.2	173.5	75.3

Note: Other types of optical fibre cables included bow-type drop cables and specialty optical cables.

A summary of our combined statements of financial position

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	66,821	122,350	189,810	199,334
Current assets	502,739	627,636	851,817	882,934
Current liabilities	328,856	485,793	710,280	714,429
Net current assets	173,883	141,843	141,537	168,505
Total equity	240,704	264,193	331,347	367,839

A summary of our combined statements of cash flow

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash from (used in) operating activities	6,893	71,773	152,082	(26,053)	(65,117)
Net cash from (used in) investing activities	(22,348)	(73,107)	6,276	15,797	(3,190)
Net cash from (used in) financing activities	46,662	(22,386)	(49,101)	(14,023)	2,276
Net increase (decrease) in cash and cash equivalents	31,207	(23,720)	109,257	(24,279)	(66,031)

Key financial ratios[(1)]

The table below sets out certain financial ratios as at the dates or for the periods indicated:

	As at/for the year ended 31 December			As at/for the five months ended 31 May
	2013	2014	2015	2016
Gross profit margin	18.8%	17.6%	19.9%	19.5%
Net profit margin	5.5%	6.2%	11.8%	11.4%
Return on total assets	2.7%	3.6%	8.1%	8.2%
Return on equity	6.2%	9.3%	24.2%	25.1%
Current ratio (times)	1.5	1.3	1.2	1.2
Quick ratio (times)	1.4	1.2	1.1	1.2
Interest coverage ratio (times)	2.6	3.7	10.6	18.2
Gearing ratio[(4)]	136.6%	183.9%	214.4%	194.2%
Average trade receivables turnover days[(2)]	372	293	232	239
Average trade payables turnover days[(3)]	77	85	121	152

Notes:

(1) Please refer to the paragraph headed "Financial information – Key financial ratios" of this prospectus for details.

(2) Average trade receivables turnover days are based on the average balance of trade receivables divided by turnover for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. Please refer to the paragraph headed "Financial information – Net current assets – Trade and bills receivables" of this prospectus for details.

(3) Average trade payable turnover days are based on the average balance of trade payable divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. Please refer to the paragraph headed "Financial information – Net current assets – Trade and bills payables" of this prospectus for details.

(4) Calculated by having our total liabilities divided by our total equity as at the end of each period, multiplied by 100%.

Our trade receivables primarily consist of receivables from our customers for sales of our products. During the Track Record Period, our average trade receivables turnover days were 372 days, 293 days, 232 days and 239 days, respectively.

For details about the aging analysis of our trade receivables and reasons for such long receivables turnover days, please refer to to the paragraph headed "Financial information – Net current assets – Trade and bills receivables" of this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$245.6 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming that no Over-allotment Option is exercised and an Offer Price of HK$1.01 per Share, being the mid-point of the indicative Offer Price range of HK$0.92 per Share to HK$1.10 per Share in this prospectus. We intend to use the net proceeds from the Global Offering for the following purposes:

Approximate amount of net proceeds from the Global Offering	Timeframe	Intended application
• approximately HK$120.0 million, or approximately 48.9% which comprises:	by the year ending 31 December 2018	Construct the phase II expansion plan of our Jin Tan Factory to expand our production capacity and increase our production efficiency
(i) approximately HK$29.5 million, or approximately 12.0%	by the second quarter 2017	(i) acquire the land
(ii) approximately HK$29.5 million, or approximately 12.0%	by the year ending 31 December 2018	(ii) complete the construction of the office and production facilities
(iii) approximately HK$61.0 million, or approximately 24.8%	by the second quarter of 2018	(iii) purchase and install production facilities and equipment
• approximately HK$70.0 million, or approximately 28.5%	by the year ending 31 December 2018	Develop or acquire the optical fibre cable production value chain[(Note)]
• approximately HK$24.7 million, or approximately 10.1%	by the year ending 31 December 2017	For research and development of diversified new products and services, and set up a laboratory accredited by China National Accreditation Service for Conformity Assessment
• approximately HK$14.9 million, or approximately 6.1%	by the year ending 31 December 2017	Repay parts of the bank loans drawn down from a financial institution
• approximately HK$16.0 million, or approximately 6.5%	N/A	Additional working capital

Note: No target for acquisition had been identified as at the Latest Practicable Date. Should our Company fail to identify any target for acquisition, such portion of the net proceeds will be reassigned for setting up factories for production of telecommunications products.

For further details on our future plans and use of proceeds, please refer to the section headed "Future plans and proposed use of proceeds" of this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

During the five months ended 31 October 2016, our Group completed sales orders of approximately RMB322.7 million, equivalent to approximately 3.1 million fkm in terms of sales volume. As at 31 October 2016, our Group had sales orders on hand of approximately RMB83.6 million, equivalent to approximately 0.77 million fkm in terms of sales volume. We participated in one of the open tendering processes held by Customer B, one of the Major PRC Telecommunications Network Operators, for the procurement of optical fibre cables under the centralised procurement policies in September 2016. We were ranked No. 8 in this tender and won approximately 2.5 million fkm, representing approximately 4.04% of the total procurement amount of this tender, which is expected to generate sales of approximately RMB276 million.

Our Directors have confirmed that, after performing all due diligence work which our Directors consider appropriate, save for the one-off expenses in connection with the Listing, as far as they are aware, there had been no material adverse change in our financial or trading position or prospects since 31 May 2016 and up to the date of this prospectus. There has been no event since 31 May 2016 which would materially affect the information shown in the accountants' report, the text of which is set out in Appendix I to this prospectus. Our Directors have also confirmed that there has not been any material change in our indebtedness and contingent liabilities since 31 May 2016.

As far as our Directors are aware, there was no material adverse change in the market condition or the industry and environment in which we operate that materially and adversely affect the financial or operating position or prospects of our Group.

LISTING EXPENSES

In accordance with the relevant accounting standards, listing expenses that are directly attributable to issuance of new Shares will be deducted from equity upon the Listing. The remaining listing related fees are either fully charged to profit or loss or charged to profit or loss on an apportioned basis. We had incurred listing expenses including legal, professional and other fees in connection with the Global Offering for the five months ended 31 May 2016. We expect that the total estimated amount of listing related fees including underwriting commissions, with the assumption of an Offer Price of HK$1.01 (being the mid-point of the Offer Price range), would be approximately HK$37.2 million, of which approximately HK$8.2 million was charged for the five months ended 31 May 2016. We expect that an additional amount of approximately HK$13.9 million will be recognised as listing expenses for the year ending 31 December 2016 and approximately HK$15.1 million will be deducted from equity upon the Listing.

LITIGATION AND LEGAL COMPLIANCE

During the Track Record Period, we were not involved in any actual or threatened material litigation, arbitration or claim. As at the Latest Practicable Date, none of our Company, any of our subsidiaries or any of our Directors was a party to any material litigation, arbitration or claim that could have a material adverse effect on our financial condition or results of operations. To the best of our knowledge, no such material litigation, arbitration or administrative proceedings had been threatened against our Company or any of our subsidiaries. During the Track Record Period and up to the Latest Practicable Date, we did not fully comply with the laws and regulations in respect of our production sites and housing provident fund contributions in the PRC. For further details, please refer to the section headed "Business – Legal compliance and risk management – Non-compliance" of this prospectus.

DIVIDENDS

For the year ended 31 December 2013, we declared dividends in the amount of RMB5.0 million. Our Company currently does not have a fixed dividend policy.

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Subject to the Companies Law and the Articles of Association, our Directors may under certain circumstances, recommend at its own discretion a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will, under certain circumstances, be at the absolute discretion of our Directors.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will be retained and, subject to the Companies Law and Articles of Association, available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion will not be available to be reinvested in our operations.

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

"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s), or where the context so requires, any one of them, to be used in relation to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 24 November 2016 which will become effective upon the Listing, and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"CACE"	China Association of Communication Enterprises (中國通信企業協會)
"Capitalisation Issue"	the issue of 839,999,900 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed "Statutory and general information – A. Further information about our Group – 5. Written resolutions of our sole Shareholder" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant(s)"	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
"CCASS Custodian Participant(s)"	person(s) admitted to participate in CCASS as custodian participant(s)
"CCASS Investor Participant(s)"	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individuals or corporation(s)
"CCASS Participant(s)"	CCASS Clearing Participant(s), CCASS Custodian Participant(s) or CCASS Investor Participant(s)
"CCSA"	China Communications Standards Association (中國通信標準化協會)
"Century Planet"	Century Planet Limited, a company incorporated in the BVI on 4 January 2016 with limited liability and a direct wholly-owned subsidiary of our Company
"CESA"	China Electronics Standardisation Association (中國電子工業標準化技術協會)
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Changzhou Delong"	Changzhou Delong Communication Technology Limited (常州德隆通信科技有限公司), a company established in the PRC on 16 May 2016 and an indirect wholly-owned subsidiary of our Company
"China" or "the PRC"	the People's Republic of China which, for the purpose of this prospectus only, excludes Hong Kong, Macau and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Law"	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Nanfang Communication Holdings Limited 南方通信控股有限公司, an exempted company with limited liability incorporated in the Cayman Islands on 10 May 2016 under the Companies Law
"Concert Parties Confirmatory Deed"	the confirmatory deed dated 17 June 2016, entered into by Ms. Yu, Ms. Yu RP, Mr. Yu and Mr. Shi (as amended by a supplemental deed dated 24 November 2016 entered into by the same parties) to acknowledge and confirm, among other things, that they were parties acting in concert in relation to our Group, details of which are set out in the paragraph headed "History, reorganisation and corporate structure – Concert Parties Confirmatory Deed" of this prospectus
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Pacific Mind, Ms. Yu, Ms. Yu RP and Mr. Yu
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Deed of Indemnity"	the deed of indemnity dated 24 November 2016 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding certain indemnities, further particulars of which are set out in the paragraph headed "Statutory and general information – E. Other information – 1. Tax and other indemnity" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 24 November 2016 executed by our Controlling Shareholders and Mr. Shi in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding certain non-competition undertakings, further particulars of which are set out in the section headed "Relationship with Controlling Shareholders" of this prospectus

"Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax
"Freedonia Report"	a report commissioned by us dated 21 November 2016 and independently prepared by Freedonia Custom Research, the Industry Consultant
"Global Offering"	the Hong Kong Public Offering and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or any of them, or where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Hengtong"	Jiangsu Hengtong Optic-Electric Company Limited (江蘇亨通光電股份有限公司), a company established in the PRC on 5 June 1993 and whose A shares are listed on Shanghai Stock Exchange and is principally engaged in manufacturing and sales of optical fibre preforms, optical fibres and optical fibre cables
"**HK eIPO White Form**"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**
"HKFRS(s)"	the Hong Kong Financial Reporting Standards, including the Hong Kong Accounting Standards and interpretation issued by the HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
"Hong Kong dollars" or "HK dollars" or "HK$" or "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong Public Offering"	the offering by our Company of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price and on the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Public Offer Shares"	the 28,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in the section headed "Structure of the Global Offering" of this prospectus)
"Hong Kong Underwriter(s)"	the underwriter(s) of the Hong Kong Public Offering as listed in the paragraph headed "Underwriting – Underwriters – Hong Kong Underwriters" of this prospectus
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 29 November 2016 relating to the Hong Kong Public Offering and entered into by, amongst other parties, our Company, the executive Directors, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, as further described in the section headed "Underwriting" of this prospectus
"Independent Third Party(ies)"	individual(s) or company(ies) which is/are not connected person(s) (within the meaning of the Listing Rules)
"Industry Consultant"	Freedonia Custom Research, an industry consultant which was commissioned by us to independently prepare the Freedonia Report

"International Placing"	the conditional placing by the International Underwriters of the International Placing Shares for and on behalf of our Company, to professional, institutional and other investors at the Offer Price outside the United States in reliance on Regulation S, as further described in the section headed "Structure of the Global Offering" of this prospectus
"International Placing Shares"	the 252,000,000 Shares being initially offered pursuant to the International Placing together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option as described in the section headed "Structure of the Global Offering" of this prospectus
"International Underwriter(s)"	the underwriter(s) of the International Placing, who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
"International Underwriting Agreement"	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date by, amongst other parties, our Company, the executive Directors, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters in respect of the International Placing
"Jin Tan Factory"	the factory of our Group located in Jin Tan Development Zone (金壇開發區), Changzhou City (常州市), Jiangsu Province (江蘇省), the PRC
"Latest Practicable Date"	20 November 2016, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	The listing committee of the Stock Exchange
"Listing Date"	the date expected to be on or about 12 December 2016, on which dealings in our Shares first commence on the Main Board

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Major PRC Telecommunications Network Operators"	the three major state-owned telecommunications network operators in the PRC, namely China Telecom Corporation Limited, China Mobile Limited and China United Network Communications Limited
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, as amended from time to time
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Shi"	Mr. Shi Ming (石明先生), our chief executive officer, our executive Director, the spouse of Ms. Yu, son-in-law of Mr. Yu and brother-in-law of Ms. Yu RP
"Mr. Yu"	Mr. Yu Jinlai (於金來先生), the chairman of our Board, our non-executive Director, our Controlling Shareholder, father of Ms. Yu and Ms. Yu RP and father-in-law of Mr. Shi
"Ms. Yu"	Ms. Yu Rumin (於茹敏女士), our executive Director, our Controlling Shareholder, the spouse of Mr. Shi, sister of Ms. Yu RP and daughter of Mr. Yu
"Ms. Yu RP"	Ms. Yu Ruping (於茹萍女士), our executive Director, our Controlling Shareholder, sister of Ms. Yu, daughter of Mr. Yu and sister-in-law of Mr. Shi

"Nanfang Communication"	Jiangsu Nanfang Communication Technology Company Limited (江蘇南方通信科技有限公司), a company established in the PRC on 27 July 1992 and an indirect wholly-owned subsidiary of our Company
"Nanfang Hong Kong"	Nanfang Communication Group Limited (南方通信集團有限公司), a company incorporated in Hong Kong on 10 March 2016 with limited liability and an indirect wholly-owned subsidiary of our Company
"Nanfang Optic"	Jiangsu Nanfang Optic Electric Technology Company Limited (江蘇南方光纖科技有限公司), a company established in the PRC on 19 June 2013 and currently owned as to 49% by Nanfang Communication, 47% by Hengtong and 4% by Suzhou Saitong Advanced Materials Company Limited (蘇州賽通新材料有限公司), both of which are Independent Third Parties
"Nanfang Optic Shareholders' Agreement"	the shareholders' agreement entered into between Hengtong and Nanfang Communication in May 2013 in relation to the establishment of Nanfang Optic
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	National Equities Exchange and Quotations of the PRC
"Nomination Committee"	the nomination committee of the Board
"Offer Price"	the final Hong Kong dollars price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) of not more than HK$1.10 per Share and expected to be not less than HK$0.92 per Share and such price to be determined in the manner further described in the section headed "Structure of the Global Offering" of this prospectus
"Offer Shares"	the Hong Kong Public Offer Shares and the International Placing Shares, together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option to be granted by us to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters pursuant to which our Company may be required to allot and issue up to 42,000,000 additional new Shares, representing 15% of the Shares initially available under the Global Offering at the Offer Price to cover over-allocation in the International Placing, if any, details of which are described in the paragraph headed "Structure of the Global Offering – Over-allotment Option" in this prospectus
"Pacific Mind"	Pacific Mind Development Limited, a company incorporated in the BVI on 22 March 2016 with limited liability, which is directly owned as to 60% by Ms. Yu, 30% by Ms. Yu RP and 10% by Mr. Yu and is a Controlling Shareholder
"PBOC"	The People's Bank of China
"PRC Legal Adviser"	Commerce & Finance Law Offices, our legal adviser as to the laws of the PRC
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies (Winding Up and Miscellaneous Provisions) Ordinance
"Price Determination Agreement"	the agreement to be entered into between our Company and the Sole Global Coordinator (on behalf of the Underwriter(s)) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date on which the Offer Price will be fixed for the purposes of the Global Offering expected to be on or about Monday, 5 December 2016 but no later than Thursday, 8 December 2016
"Procurement Limit"	a procurement policy through open tendering processes adopted by the Major PRC Telecommunications Network Operators that limits the portion of the total procurement amount that is allotted to any single supplier selected with an aim to prevent any single optical fibre cable supplier from dominating the optical fibre cable market

"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing as described under the paragraph headed "Reorganisation" in the section headed "History, reorganisation and corporate structure" of this prospectus
"Repurchase Mandate"	the general unconditional mandate granted to our Directors by our Shareholder(s) in relation to the repurchase of our Shares, further information on which is set forth in the paragraph under "Statutory and general information – A. Further information about our Group – 6. Repurchase of our own securities" in Appendix IV to this prospectus
"RMB" or "Renminbi"	the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SASAC"	Stated-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SFC" or "Securities Futures Commission"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of nominal value of HK$0.001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of our Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company, details of which are set out in the paragraph headed "Statutory and general information – D. Share Option Scheme" in Appendix IV to this prospectus

"Sole Global Coordinator", "Sole Bookrunner", "Sole Lead Manager" or "Guotai Junan Securities"	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO
"Sole Sponsor" or "Guotai Junan Capital"	Guotai Junan Capital Limited, a licensed corporation under the SFO to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO
"Stock Borrowing Agreement"	the stock borrowing agreement which may be entered into between Pacific Mind and the Sole Global Coordinator pursuant to which the Sole Global Coordinator may borrow up to 42,000,000 Shares from Pacific Mind for the purpose of covering any over-allocation under the International Placing
"Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three years ended 31 December 2015 and the five months ended 31 May 2016
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S." or "USA"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"USD" or "US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States

"VAT"	value-added tax
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be issued in the applicant's or applicants' own name(s)
"Wu Jin Factory"	the factory of our Group located in Luoyang Town (洛陽鎮), Wujin District (武進區), Changzhou City (常州市), Jiangsu Province (江蘇省), the PRC
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be deposited directly into CCASS
"Yingke"	Jiangsu Yingke Communication Technology Company Limited (江蘇盈科通信科技有限公司), a company established in the PRC on 8 August 2013 and an indirect wholly-owned subsidiary of our Company
"Yu Family"	Ms. Yu, Ms. Yu RP and Mr. Yu
"15-year Optical Fibre Supply Agreement"	the optical fibre supply agreement (as supplemented and amended) entered between Nanfang Optic and us pursuant to which we purchase optical fibres from Nanfang Optic for the production of our optical fibre cables, for details of which please refer to the paragraph headed "Business – Establishment of Nanfang Optic – Optical fibre supply arrangement with Nanfang Optic" of this prospectus
"%"	per cent

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assumes no allotment or issue of any Shares upon the exercise of any option which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option.

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

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

This glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Group and its business. The terms and their meanings may not correspond to standard industry meanings or usage of those terms.

"fkm"	fibre kilometres, which represent kilometres of optical fibres. For optical fibre cables, means the kilometres of optical fibres contained in optical fibre cables
"FRP"	fibreglass reinforced plastic
"FTTx"	Fibre-To-The-x, which is a generic term for any broadband network architecture using optical fibre to provide all or part of the local loop used for last-mile telecommunications
"GB/T"	recommended national standards issued by the ISO and the International Electrotechnical Commission ("IEC") (a global organisation that prepares and publishes international standards for all electrical, electronic and related technologies), on behalf of (Standardisation Administration of China) ("SAC"). National Standards of SAC are either mandatory (GB) or recommended (GB/T) and may be identical to or modified from or not equivalent to international standards of the ISO
"GB/T 28001-2011"	a set of GB/T entitled "Occupational Safety and Health Management System"
"GDP"	gross domestic product
"ISO"	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"ISO 9001"	quality management system requirements published by ISO
"ISO 14001"	environmental management system requirements published by ISO
"LSZH"	low smoke zero halogen

"PBT"	polybutylene terephthalate
"PE"	polyethylene
"PVC"	polyvinyl chloride
"km"	kilometres
"sq.m."	square metres

This prospectus contains forward-looking statements, including the words and expressions such as "aim", "estimate", "expect", "believe", "consider", "plan", "intend", "anticipate", "may", "seek", "will", "would" and "could" and the negative of these words or other similar expressions or statements, in particular, in the sections headed "Business", "Financial information" and "Future plans and proposed use of proceeds" of this prospectus in relation to future events, business or other performance and development, the future development of our Group's industry and the future development of the general economy of our key markets and globally.

These statements are based on numerous assumptions regarding our Group's present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus and the following:

- our business and operating strategies and our ability to implement such strategies;
- our capital expenditure and expansion plans;
- our ability to further develop and manage our expansion plan as planned;
- our operations and business prospects;
- various business opportunities that our Group may pursue;
- our financial position;
- the availability and costs of bank loans and other forms of financing;
- our dividend policy;
- the regulatory environment of the industry and market in which we operate in general;
- the performance and future developments of the industry and market in which we operate;
- changes in competitive conditions and our ability to compete under these conditions; and
- other factors beyond our control.

One or more of these risks may materialise and various underlying assumptions may prove incorrect.

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

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

In preparation for the Global Offering, we have sought the following waiver from strict compliance with certain provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our Company's headquarters and our major business operations are based in the PRC and all of our executive Directors have been, are and are expected to be based in the PRC. We believe it would be more effective and efficient for most of our executive Directors to be based in a location where we have significant operations. As such, we will not be able to comply with the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives are Mr. Shi, our executive Director and Ms. Lo Moon Fong, our company secretary. They will be able to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon the prior request of the Stock Exchange and be readily contactable by telephone, facsimile and/or email by the Stock Exchange. Each of the two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange. Our Company will inform the Stock Exchange promptly if there is any change in our authorised representatives or the contact details of any of them;

(b) each of our authorised representatives will have all necessary means to contact all of our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters;

(c) all of our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange within a reasonable notice if required;

(d) we have, in compliance with Rule 3A.19 of the Listing Rules, engaged Guotai Junan Capital, as our compliance adviser, who will act as an additional channel of communication between our Company and the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date. Our Company will inform the Stock Exchange promptly of any change of its compliance adviser;

(e) we will retain Hong Kong legal advisers to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after the Listing; and

(f) to enhance communications with the Stock Exchange, our Directors will provide their respective mobile phone numbers, office phone numbers, e-mail addresses and fax numbers to our authorised representatives as well as the Stock Exchange. Our Company will inform the Stock Exchange promptly if there is any change of the contact details of our Directors.

You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below before making any investment decisions in relation to our Shares. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands, the legal and regulatory environment of which may differ from that prevailing in Hong Kong. You should also pay particular attention to the fact that we conduct majority of our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Our business, financial condition and results of operations may be materially and adversely affected by any of these risks and uncertainties. Any of the following risks, together with other risks and uncertainties that are deemed currently immaterial, may materially and adversely affect our Group's business, financial condition or results of operations. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We have a concentrated customer base and the key customers churn may affect our business, financial conditions and results of operations

Our customers are mainly telecommunications network operators and telecommunications supporting service providers in the PRC. There are only a limited number of national or regional major telecommunications network operators in the PRC and hence our potential customer base is relatively consolidated and concentrated. For the three years ended 31 December 2015 and the five months ended 31 May 2016, our sales to our five largest customers in aggregate amounted to approximately RMB273.5 million, RMB380.8 million, RMB601.5 million and RMB319.1 million, respectively, representing approximately 95.9%, 96.2%, 97.2% and 99.9% of our total sales, respectively. For the three years ended 31 December 2015 and the five months ended 31 May 2016, our sales to our largest customer amounted to approximately RMB162.5 million, RMB225.1 million, RMB406.4 million and RMB161.8 million, respectively, representing approximately 57.0%, 56.9%, 65.6% and 50.7% of our total sales, respectively.

Purchases from the optical fibre cable suppliers such as our Group by our key customers, such as the Major PRC Telecommunications Network Operators, generally involve an open tendering process. We cannot assure you that we will be able to win the tender arranged by these three state-owned major telecommunications network operators in the PRC, or to supply products to these customers at current levels or at all. If we fail to win in the open tendering processes organised by any of our potential customers, our results of operations may be materially adversely affected. Further, since most of our customers are national or regional telecommunications network operators which have a stronger bargaining power than we do, we usually are required to accept the terms of the agreements provided by them. In this circumstance, we have a limited bargaining power with respect to contract negotiation and may not be able to assert contractual terms that are favourable to us, such as product price adjustment or extension of credit period. As a result, our results of operations may vary significantly from period to period and the contracted selling prices of our products are subject to fluctuation and uncertainty upon the renewal of the relevant contracts.

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

- reduction of the amount or in the price of products purchased from us by one or more of our significant customers;

- delay or cancellation of procurement plans by our customers due to the delay or cancellation of telecommunications or non-telecommunications infrastructure projects;

- the loss of one or more of our significant customers and our failure to identify and obtain additional or replacement customers that can replace the lost sales volume at satisfactory pricing or other terms; or

- the failure or inability of any of our significant customers to make timely payment for our products and services.

These factors may result in a lack of certainty and predictability about our sales, which may fluctuate unpredictably depending on customer demand and orders. As our plans to diversify our customer base in order to reduce our reliance on the Major PRC Telecommunications Network Operators, which dominate the volume demand of the optical fibre cables in the PRC, may involve (i) increasing our sales to our existing customers other than the Major PRC Telecommunications Network Operators; (ii) finding more new optical fibre cable customers other than the Major PRC Telecommunications Network Operators; and (iii) establishing a new source of revenue from sales of optical fibres through acquisition of an optical fibre operation or developing our own optical fibre production capability, all of which took time to materialise, our sales to new customers during and subsequent to the Track Record Period were insignificant. As such, we anticipate that our dependence on the Major PRC Telecommunications Network Operators will continue in the foreseeable future. We cannot assure you that our customer relationships will continue to improve or if these customers will continue to generate significant revenue for us in the future. Any failure to maintain our existing customer relationships or to expand our customer base will materially and adversely affect our results of operations.

Our customer concentration may expose us to risks relating to increasing trade and bills receivables, long average trade receivables turnover days and level of gearing

According to the Industry Consultant, our industry is dominated by the Major PRC Telecommunications Network Operators which contributed an aggregate of 85% of the total volume demand for optical fibre cables in the PRC in 2015. For the three years ended 31 December 2015 and the five months ended 31 May 2016, the Major PRC Telecommunications Network Operators accounted for approximately 92.6%, 93.2%, 95.4% and 99.7% of our total sales, respectively. Our customer concentration exposes us to the risks faced by our major customers and our customer base with concentration of the Major PRC Telecommunications

Network Operators may also subject us to risks relating to increasing trade receivables as their dominant position in the PRC telecommunications industry may lead to a stronger bargaining power as compared to their suppliers, including us, in respect of payment settlement. We have had concentration of credit risk because 89.3%, 93.2% and 93.4% of our trade receivables as at 31 December 2013, 2014 and 2015 were due from the Major PRC Telecommunications Network Operators, who were our three largest customers. As such, we expect that our increasing sales of optical fibre cable products to a limited number of the Major PRC Telecommunications Network Operators may continue to subject us to risks of increasing trade and bills receivables from them and level of gearing. Further, according to the relevant sales agreements with state-owned telecommunications companies, the first instalment, typically representing 70% to 90% of the total procurement amount, is made, among others, upon completion of delivery of goods in accordance with the purchase orders and issues of invoices. We generally receive such initial payment in 12 months, with the remainder be paid in the following six months, which exposes us to long average trade receivables turnover days. For the three years ended 31 December 2015 and the five months ended 31 May 2016, our average trade receivables turnover days were 372 days, 293 days, 232 days and 239 days respectively. For details about the aging analysis of our trade receivables, please refer to the paragraph headed "Financial information – Net current assets – Trade and bills receivables" of this prospectus. Any material and adverse change in their payment settlements with suppliers may also negatively affect us.

Any change in the procurement policy of the Major PRC Telecommunications Network Operators resulting in an abolishment of the Procurement Limit could affect our business and results of operation

During the Track Record Period, a majority of our sales was derived from tender contracts won in the open tending processes held by the Major PRC Telecommunications Network Operators under their centralised procurement policy. As the Major PRC Telecommunications Network Operators centralised the procurement from their provincial branches and local subsidiaries or entities, we were able to sell our products to customers in different provinces and receive their orders collectively. If there is any change or removal of the centralised procurement policy adopted by such customers, we will not be able to sell our products to customers in different provinces and may not able to receive batches of orders collectively from these customers. According to the Industry Consultant, the Major PRC Telecommunications Network Operators currently adopt the Procurement Limit, therefore no single optical fibre cable supplier can dominate the optical fibre cable market. However, there is no assurance that the Procurement Limit will not be changed in the future. On the assumption that there is any change in their procurement policy which results in an abolishment of such policy by the Major PRC Telecommunications Network Operators, we would face more competition in the market as the leading optical fibre cable suppliers may dominate the market by increasing their supply of optical fibre cable products to their customers. Those major competitors which also produce optical fibres, in the absence of the Procurement Limit, may be reluctant to sell optical fibres to their competitors which do not have optical fibre production capability. Further, as our business model relies on, among others, setting up cooperative ventures with key market players within the PRC optical fibre industry such as the establishment of Nanfang Optic to provide us with an additional source of optical fibre supply, the possible abolishment of the Procurement Limit may render the key market players to lose incentive to enter into cooperative ventures with us and/or cease to sell optical fibres to us because they may retain their optical fibres for sales or for their own use in order to cater for the potential increase in purchase orders to be placed to any single optical fibre cable supplier by the Major PRC Telecommunications Network Operators as a result of the possible abolishment of the Procurement Limit. Consequently, the competition for optical fibres as our key raw materials among our competitors and us may intensify and we may be unable to source optical fibres at prices favourable to us or at all.

We have partnered with Hengtong to set up Nanfang Optic and entered into the 15-year Optical Fibre Supply Agreement (Please refer to paragraph headed "Business – Establishment of Nanfang Optic – Optical fibre supply arrangement with Nanfang Optic" for details of the 15-year Optical Fibre Supply Agreement) with Nanfang Optic. If such supply agreement expires, is terminated or cannot be renewed, we may encounter difficulty in sourcing optical fibres at prices that are favourable to us. As such, the competition within the PRC optical fibre cable market will substantially increase and consequently, our financial conditions and results of operations may be adversely affected.

Any change in the government investment and other policies for the telecommunications industry in the PRC may prevent us from sustaining our current pace of growth, and render our profit growth momentum unsustainable, and our future plans could be materially and adversely affected

Our revenue is mainly derived by providing optical fibre cables used in a variety of applications in the telecommunications industry. During the Track Record Period, a majority of our revenue was generated, directly or indirectly, from domestic telecommunications service providers. The continued growth of the telecommunications industry in the PRC is essential to our business growth prospects and future success.

According to the Industry Consultant, government investments and other favourable policies have been one of the major growth drivers for the optical fibre cable industry in the PRC. In recent years, the growth of the optical fibre cable market in the PRC was in line with the growth of the telecommunications industry in the PRC. According to the Industry Consultant, the expected volume demand in the communication optical cable market in the PRC in 2016 is estimated to reach 240.0 million fkm, representing an increase of 40.0 million fkm or 20.0%, from 200.0 million fkm in 2015. Such expected volume demand is projected to increase by approximately 20.8% from 240.0 million fkm in 2016 to 290.0 million fkm in 2020, driven by continued investment in 4G infrastructure and the implementation of Fibre-To-The-Home in second-tier and smaller cities and rural areas. Our profit for the period attributable to owners of our Company increased by 61.1% from RMB14.6 million for the year ended 31 December 2013 to RMB23.5 million for the year ended 31 December 2014, and further increased by 207.2% to RMB72.2 million for the year ended 31 December 2015. Our profit for the period attributable to owners of our Company increased by 92.1% from RMB19.0 million for the five months ended 31 May 2015 to RMB36.5 million for the five months ended 31 May

2016. There can be no assurance, however, that government support will continue at the same present level or at all. Any decrease or delay of government investments or incentives currently available to industry participants may result in reduction of demand from our current and new customers or increasing operating costs incurred by our current customers, which in turn, may prevent us from sustaining out current pace of growth and will materially and adversely affect our business and results of operations. We cannot assure that the growth of the optical fibre cable industry will be sustained in the future. If the growth of the optical fibre cable industry in the PRC slows down or continues at a rate lower than we anticipate, the market demand of our products may decrease, and it may render our profit growth momentum unsustainable, and the implementation of our future plans could be materially and adversely affected.

We had a net operating cash outflow from our operating activities for the five months ended 31 May 2016. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially and adversely affected

Although we had a net cash inflow from operating activities of approximately RMB6.9 million, RMB71.8 million and RMB152.1 million for the three years ended 31 December 2015, respectively, we recorded a net cash outflow from operating activities of approximately RMB65.1 million for the five months ended 31 May 2016. For further information, please refer to the paragraph headed "Financial information – Liquidity and capital resources" of this prospectus. We cannot assure you that we will not experience a net cash outflow in the future. Having a net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements. For example, if we do not have sufficient net cash flow to fund our future capital requirements, pay our trade and bills payables and repay our outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or curtail our development and expansion plans. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Any failure to maintain an effective quality control system at our production facilities could harm our business

The quality of our optical fibre cable products is critical to the success of our business. In particular, our customers of the Major PRC Telecommunications Network Operators usually pay great attention to the product quality. We believe that this significantly depends on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the system, the performance of our manufacturing equipment, the quality control training programme, and our ability to ensure that our employees adhere to our quality control policies and guidelines. Any significant failure or deterioration of our quality control system and the under-performance or decay of our manufacturing equipment could result in the production of defective or substandard products, delays in the delivery of our products, the need to replace defective or substandard products and damage to our reputation. The optical fibre cable industry is subject to stringent quality and safety standards in the PRC.

We compete on our ability to manufacture products that adhere to the safety and quality standards. If we fail to adhere to the standards that meet the official requirements and the expectations of our consumers when manufacturing our products, our reputation may be harmed and we may lose critical customer orders, or we may face product liability claims or product recalls.

We are subject to product liability exposure. Any product liability claims could require us to pay substantial damages, harm our reputation and materially and adversely affect our business, financial condition and results of operation

We are exposed to potential product liability claims as provided in the sales contracts with our customers. We cannot assure you that any defect or malfunction in our products or the failure of our products to meet our customers' specifications will not occur, which could lead to delays in installation that in turn may result in losses to our customers. We are required to replace or repair the defective products at our own cost and compensate our customers and their customers for such losses or damages caused by our defective products. We may also have to spend certain amount of resources to defend ourselves in the event where claims or legal proceedings are instituted against us. Furthermore, our reputation and brand may be materially and adversely damaged as a result.

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

As at the Latest Practicable Date, we did not purchase any liability insurance for our products and we believe that it is neither an industry requirement nor general practice to do so. However, any successful product liability claim against us in the future could, nevertheless, have a material adverse effect on our business, prospects, financial condition and results of operations.

We may not be able to successfully enhance our product portfolio and offer new products and/or services

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

We may not be able to develop new production techniques through our research and development effort and introduce new products that are well accepted by the market

According to the Industry Consultant, we operated in a competitive industry with over 100 manufacturers of optical fibre cables. As a result, we aim to continuously develop new production techniques and introduce new products in order to maintain and increase our current competitive position and to continue to grow our business. The market for our products is characterised by continuous technological developments and innovation to provide better product performance and address the increasingly complex and diverse market needs. As a result, we have been focusing on our research and development activities, which require considerable human resources and capital investments. However, developing new production techniques and new products through research and development is time-consuming and costly and our research and development efforts may not be successful or the anticipated return on investment is not guaranteed.

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

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

We may fail to protect our brand names of "Nanfang Communication" and "Jiangsu Nanfang Communication" or our other intellectual property rights

We are operating under the brand names of "Nanfang Communication" and "Jiangsu Nanfang Communication" and we have received awards and prizes for our products from authorities, customers and industry associations. Please refer to the paragraph headed "Business – Certifications, awards and recognitions" of this prospectus for details. As at the Latest Practicable Date, we had applied for registration of our brand name of "Nanfang Communication" as a trademark in the PRC. We may not be able to protect the brand names and may not be able to use the protections under trademark laws to defend against infringement claims, which could reduce the value of goodwill associated with our brand names, resulting in the loss of competitive advantage and materially harming our business and profitability. There is no assurance that any third party will not register "Nanfang Communication" and "Jiangsu Nanfang Communication" as trademarks in the PRC or operate business under these brand names. We cannot assure that the public may not be misled that products bearing such brand names offered by any third party were endorsed by us or associate such products with those offered by us. If any third party that uses our brand names to carry out similar business of us or sell similar products, our reputation and brand recognition could be harmed, which, in turn, could have an adverse impact on our growth prospects.

As at the Latest Practicable Date, we had obtained 51 patents granted by the State Intellectual Property Office of the PRC. Furthermore, as at the Latest Practicable Date, we were in the process of applying for registration of 20 patents in the PRC. Our patents are principally related to the formula, technology, process, improvement and design of our products or the improvement of production machineries or production skills.

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

Our business and operation may be adversely affected by our existing or future associates, joint ventures, strategic alliances and acquisitions

In June 2013, we partnered with Hengtong to establish Nanfang Optic which principally engages in the production of optic fibres which are one of the major raw materials for production of optical fibre cables. For further details, please refer to the paragraph headed "Business – Establishment of Nanfang Optic" of this prospectus. Nanfang Optic commenced its production of optical fibres in September 2014 and since then it has started business relationship with us. For the two years ended 31 December 2015 and the five months ended 31 May 2016, our purchases from Nanfang Optic amounted to approximately RMB22.8 million, RMB208.5 million and RMB139.4 million, respectively, representing approximately 7.1%, 40.1% and 55.9% of our total purchases, respectively. Nanfang Optic was our largest supplier for the year ended 31 December 2015 and the five months ended 31 May 2016. As such, the quality of our final optical fibre cable products depends, to certain extent, on the quality of optical fibres provided by Nanfang Optic in the event that we purchase such raw materials from Nanfang Optic for our production. If Nanfang Optic is unable to provide sufficient amount of optical fibres according to mutually agreed terms in the optical fibre supply agreement due to reasons beyond our control, our results of operations may be adversely affected.

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

We are subject to risks and uncertainties in our investment in Nanfang Optic

We owned 49% of the equity interest in Nanfang Optic, which is accounted as an associate of our Group during the Track Record Period. The results and assets and liabilities of Nanfang Optic are incorporated in our financial information using equity method of accounting. Our share of results of Nanfang Optic was a loss of approximately RMB0.3 million for the year ended 31 December 2013 and a profit of approximately RMB0.5 million, RMB14.5 million and RMB8.2 million for the two years ended 31 December 2015 and the five months ended 31 May 2016, respectively. We cannot assure you that the operation of Nanfang Optic will maintain its growth in the future. As the equity interest we owned in Nanfang Optic was part of our investment, any adverse operational results of Nanfang Optic may require our Group to make provision to adjust the book value of our investment in Nanfang Optic. Further, according to the 2015 annual report of Hengtong published in April 2016, the production activities of Nanfang Optic have been controlled by Hengtong, as Hengtong has (i) nominated the general manager, legal representative and other key personnels of Nanfang Optic; (ii) licensed certain technologies and patents in connection with optical fibre production to Nanfang Optic; and (iii) supplied the optical fibre production facilities to Nanfang Optic since its establishment. Hengtong also controls the sales, finance and other material operational activities of Nanfang Optic. As such, we do not have control over the production activities and the sales, finance and other material operational activities of Nanfang Optic. In the event that Nanfang Optic could not maintain its growth as anticipated or suffer a loss, our business, financial condition and results of operations may be adversely affected.

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

We must maintain a certain level of raw materials as well as finished goods inventory to ensure timely delivery when required to operate our business successfully and meet our customers' demands and expectations. We adjust our raw material procurement according to our production process, taking into account lead time required for each type of raw materials, so as to maintain our inventory of raw materials at an appropriate level. For example, we make procurement plan on a monthly basis based on our production activities, which is subject to adjustment according to actual purchase orders that we receive. However, if our customers order products on an urgent basis, we may not be able to maintain an adequate inventory level of our products or manufacture our products in a timely manner, and may lose sales and market share to our competitors. On the other hand, we may also be exposed to increased inventory risks due to excessive inventory of our products or raw materials. Excessive inventory may increase our inventory holding costs, risk of inventory obsolescence, markdown allowances or write-offs, which could have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in prices of our raw materials could negatively impact our operations and may adversely affect our profitability

For the three years ended 31 December 2015 and the five months ended 31 May 2016, our cost of raw materials for our production and changes in inventories accounted for a significant portion of our cost of sales, representing approximately 92.5%, 87.9%, 80.1% and 91.9% of our cost of sales, respectively. For the three years ended 31 December 2015 and the five months ended 31 May 2016, optical fibres, a major type of our raw materials, accounted for approximately 52.0%, 57.3%, 57.5% and 57.2% of our cost of raw materials, respectively. Like other optical fibre cable manufacturers, we were and are subject to price fluctuations in raw materials used in our production processes. For details of price fluctuations in our major raw materials, please refer to the paragraph headed "Industry overview – Pricing trends for major raw materials" of this prospectus.

The prices of most of our raw materials generally follow the price trends of, and vary with, market conditions. Supplies of these raw materials may also be subject to a variety of factors that are beyond our control, including market shortages, suppliers' business interruptions, government control, weather conditions and overall economic conditions, all of which may have an impact on their respective market prices from time to time. In the future, there may be periods of time when we are unable to pass our cost increases on to customers in a timely manner to avoid adverse impacts on our profit margins. For example, there is a potential time lag between the time when prices for raw materials increase under our purchase orders and the time when we can implement a corresponding increase in price under our sales orders with our customers. Our business prospects, financial condition and results of operations may be adversely affected by the increase and volatility of these costs. Such cost increases may also increase our working capital needs, which could reduce our liquidity and cash flow.

We have limited or no control over the prices of optical fibres, our key raw materials, and optical fibre cable products

We have limited or no control over the the prices of optical fibres, our key raw materials, and optical fibre cable products. Our major customers are the Major PRC Telecommunications Network Operators which generally require us to purchase optical fibres from suppliers designated by them and the cost of optical fibres fluctuates due to market conditions and is usually predetermined between them and their designated suppliers, which limit our ability to manage the suppliers and thus, our control over the prices of our key raw materials. Furthermore, as such telecommunications network operators usually have stronger bargaining power than us, we usually are required to accept the terms of the agreements provided by them. In the event that their designated suppliers increase the prices of optical fibres, we may not be able to pass on this increased cost to our major customers. Any increases in raw material costs that we cannot effectively pass on through increases in prices of our products could reduce our profitability. If the prices of our optical fibre cable products decrease or fluctuate, it will materially affect our operating results, profit and financial results.

We rely on our key personnel and their departure would adversely affect our operations and financial results

We believe that our success has been, and will continue to be dependent on the continued service of our key executive officers, senior management and other key personnel and their expertise and experience. Mr. Shi, our chief executive officer and executive Director, has more than 15 years of experience in business management and possesses extensive experience in executing business strategies. Mr. Huang Zhengou, our deputy general manager, has over 21 years of experience in the optical fibre cable industry. Any loss or interruption of the service of our key executive officers or senior management or professional personnel could significantly affect our ability to effectively manage our operations and to meet our strategic objectives. However, we cannot assure you that we will be able to retain our senior management team and other key personnel or recruit additional competent personnel for our future development. If we have any difficulties in retaining or recruiting senior management or professional personnel, our business operations and prospects will be materially and adversely affected. In addition, we could incur additional expenses and devote significant time and resources to recruit and train replacement personnel, which could further disrupt our business and growth.

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

We may not maintain sufficient insurance coverage for the risks associated with our business operations in the PRC

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

We may be involved in legal and other disputes arising out of our operations, which may expose us to significant liabilities

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

Non-compliant construction works of and lack of certain permits for certain buildings could lead to imposition of fines and penalties on us

As at the Latest Practicable Date, in respect of our Wu Jin Factory, we had not undertaken the construction area amendment procedures for a building with a total construction area of 9,383.83 sq.m.. The actual construction area exceeded the construction area allowed under the construction planning permit (建設工程規劃許可證). As at the Latest Practicable Date, we had not obtained the construction work commencement permit (建設工程施工證) for this building, and had not completed the construction completion check and acceptance procedures (竣工驗收手續) for the said building. As a result, we had not obtained building ownership certificate for the said building as at the Latest Practicable Date. In respect of our Jin Tan Factory, we had not obtained for the design recordal in respect of fire safety and fire safety completion inspection recordal within the prescribed time, the environmental protection completion inspection approval within the prescribed time, the work completion inspection report before commencement of production as at the Latest Practicable Date. For details, please refer to the paragraph headed "Business – Legal compliance and risk management – Non-compliance" of this prospectus.

We cannot assure you that no claims or enforcement actions would not be brought by the relevant authorities in the PRC in the future or that no member of our Group will be required to pay any fine or penalty or damages in the future. Any of these incidents could adversely affect our business, operating results and financial condition.

Our non-compliance with certain regulations regarding housing provident fund contribution in the PRC could lead to the imposition of fines and penalties on us

In accordance with relevant PRC regulations on housing provident fund contribution, we were required to make sufficient contributions to our employees' housing provident fund accounts during the Track Record Period but we failed to do so. For more details, please refer to the paragraph headed "Business – Legal compliance and risk management – Non-compliance" of this prospectus.

Pursuant to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), for our failure to make contributions to the housing providing fund accounts, our Group may be ordered to make contributions to the outstanding housing provident funds within a specified time period, and if our Group fails to do so within the specified time period, the relevant authorities may apply to PRC courts for compulsory enforcement of such payment.

We cannot assure you that we will not be subject to the penalties by the relevant PRC authorities for our past non-compliance. Any such penalties imposed on us could have an adverse effect on our cash flow, business operation and our reputation.

Our financial conditions, results of operations and business may be adversely affected if we are unable to enhance our production capacities

During the Track Record Period, our utilisation rates of our production capacities were approximately 71.9%, 81.4%, 87.3% and 87.9%, respectively. We believe that our future success, in part, depends on our ability to enhance our production capabilities, which include increasing our production utilisation rate, improving our production efficiency, acquiring and upgrading manufacturing or testing equipment and production facilities and modifying our existing production processes. In order to achieve the desired level of economies of scale in our operations and to deliver a larger amount of high quality products at a competitive cost level, we are required to continue to expand our existing production capacity. Our continuous expansion plans and business growth require substantial capital expenditure and dedicated management attention. We intend to fund such expansions by using cash generated from our operations and the net proceeds from the Global Offering. Nevertheless, we may require additional financing to achieve our expansion plans.

Any adverse change in the general market conditions for financing activities by optical fibre cable companies, the prevailing economic and political conditions and our future financial position may affect our ability to obtain any necessary additional financing in time on reasonable terms or at all. If we are unable to finance the acquisition of the equipment we need, we may not be able to expand our production capacity or enhance our production capabilities to satisfy the demand from our customers. As a result, our growth prospects would be limited. In addition, we also cannot assure you that these plans will be implemented successfully on time, or at all, within budget, or may result in the anticipated benefits.

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

We expect to incur substantial depreciation expenses from phase II expansion plan of our Jin Tan Factory, which may adversely affect our results of operations and financial conditions

We may be subject to significant depreciation expenses arising from phase II expansion plan of our Jin Tan Factory when it is ready for use. Our combined financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). According to IFRSs, depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The principal annual depreciation rates used were 2.0% for our lands, and ranged from 3.2% to 4.8% for our buildings and from 9.5% to 19.0% for our plants and machineries, respectively, during the Track Record Period. For details of the depreciation expenses, please refer to the section headed "Accountants' report – Property, plant and equipment" in Appendix I to this prospectus. We will commence construction of phase II expansion plan of Jin Tan Factory in early 2017 by acquiring an additional piece of land. Our production plant and machinery will be ready for trial production in late 2018 and we expect to reach full capacity in the first quarter of 2019. For the year ending 31 December 2019, we estimate that depreciation expenses associated with phase II expansion plan of our Jin Tan Factory will be approximately RMB9.3 million. Such depreciation expenses would have a negative effect on our profitability, results of operations and financial conditions.

We may not be able to maintain our growth or to successfully implement our business plan

We experienced rapid growth during the Track Record Period. Our revenue grew from approximately RMB265.2 million for the year ended 31 December 2013 to RMB612.6 million for the year ended 31 December 2015 at a CAGR of approximately 52.0%. For the five months ended 31 May 2015 and 2016, our revenue increased by 58.5% from approximately RMB201.3 million to RMB319.0 million. We believe that our ability to sustain our growth rate in the future depends on a variety of factors, including successful implementation of our expansion plans and business strategies, market demand for our products, our ability to respond to market preference, efficient utilisation of our management and financial resources. Failure to do so will affect our growth rate adversely.

Nonetheless, we may not be able to sustain such growth rate. In the event we are unable to maintain or manage our business growth, or otherwise experience pricing pressure or loss of market presence, we may experience stagnant or negative growth, thereby materially and adversely impairing our business, financial condition and operating results. As many factors affecting our future growth are beyond our control, we may not be able to achieve our historical growth rate.

Our business plans set out in the paragraph headed "Business – Business strategies" and the section headed "Future plans and proposed use of proceeds" of this prospectus are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties, such as changes in the industry, availability of funds, prices of raw materials, competition, government policies and political and economic developments in the PRC. These assumptions may not be correct, which could affect the commercial viability of our business plans. As such, there can be no assurance that our business plans will be implemented successfully as scheduled (in terms of, for instance, time and cost) or at all. If we fail to effectively and efficiently implement our business plans, we may not be successful in achieving desirable and profitable results. Even if we effectively and efficiently implement our business plans, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results from the implementation of our business plans. Our sales may not grow at the same rate as the increase in our production capacity, which may result in excess production capacity in our production facilities. Our financial condition, operating results and growth prospects may be materially and adversely affected if our future business plans fail to achieve positive results.

Our business operations and reputation may be materially and adversely affected if our subcontractors could not achieve the quality standards we require

During the Track Record Period, we engaged subcontractors to perform certain production processes. For the three years ended 31 December 2015 and the five months ended 31 May 2016, our total subcontracting fees amounted to approximately RMB2.2 million, RMB21.9 million, RMB74.2 million and RMB7.0 million, respectively, representing 1.0%, 7.0%, 15.1% and 2.7%, of our total costs of sales, respectively. We provide raw materials to our subcontractors and take measures to ensure that they will perform certain production processes in accordance with our quality standards. For more information, please refer to the paragraph headed "Business – Procurement and suppliers – Subcontracting arrangements" of this prospectus. If the quality and efficiency of our subcontractors could not meet our customers' requirements or if we are not able to identify and engage qualified subcontractors, we cannot assure you we will always be able to make timely delivery of our optical fibre cables to our customers or maintain our production costs. Our reputation may also be materially and adversely affected.

Our Company is a holding company and relies on dividends paid by our subsidiaries for our funding requirements

As a holding company, our Company relies on the receipt of dividends from our subsidiaries to pay dividends to our Shareholders and satisfy our obligations. The ability of our direct and indirect subsidiaries to pay dividends to their shareholders (including us) is subject to a number of factors including our financial performance, earnings, surplus and directors' discretion. There is no assurance that any dividend will be declared and paid in the future.

In addition, the ability of each of our subsidiaries in the PRC to pay dividends to its shareholders is subject to the requirements of the PRC law. The PRC regulations permit payment of dividends only out of accumulated profits as determined in accordance with the PRC accounting standards and regulations. Dividends may not be paid until cumulative prior years' losses are made up. As a result, if any of our subsidiaries in the PRC, incurs losses, such losses may impair its ability to pay dividends or other distributions to us, which would restrict our ability to pay dividends and to service our indebtedness. In addition, our PRC subsidiaries are also required to set aside at least 10% of their after-tax profits based on the PRC accounting standards each year to their statutory surplus reserve until the cumulative amount of such reserves reaches 50% of their registered capital. Our statutory reserves are not available for distribution as cash dividends.

RISKS RELATING TO OUR INDUSTRY

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

The optical fibre cable industry in which we operate and the telecommunications industry that we serve are required to comply with extensive PRC laws and regulations on matters such as regulations on the telecommunications industry, product quality and intellectual properties. For example, our products are subject to product certification by a qualified third party under the existing rules. For further details, please refer to the paragraph headed "Regulatory overview – Industry regulations – Notice concerning the implementation of product certification on optical cable and telecommunications equipment" of this prospectus. If we fail to obtain or renew such product certification on a timely basis, the sales of our products will be suspended and we may face fines or other severe penalties. In addition, the PRC government exercises considerable control over the structure and overall development of the telecommunications equipment industry in the PRC. The MIIT is the primary central government agency responsible for regulating the telecommunications equipment industry in the PRC and has broad discretion and authority. The MIIT has adopted, and may adopt in the future, regulations that impose stringent standards on the telecommunications equipment industry in the PRC, with which we must comply. In order to comply with new regulations or revisions of previously implemented regulations, we may be required to change our business plan, increase our costs or limit our ability to sell our products and solutions. If we are not able to comply with these regulations, we would be subject to various penalties, including fines and suspension or discontinuation of our operations. Therefore, adoption of new laws or regulations by the PRC Government or a change in or revision of the interpretation of existing laws or regulations may also negatively affect our business prospects.

The optical fibre cable industry in which we operate is highly competitive

The optical fibre cable industry in which we operate is highly competitive, and our outlook depends on our market position based on our ability to compete with other optical fibre cable manufacturers in the marketplace. According to the Industry Consultant, there were more than 100 manufacturers in the communication optical cable industry in the PRC as of 2015. We compete on the basis of various factors, including product variety, product performance, customer service, quality, price, production capacity, timely delivery and brand recognition. The 10 largest optical fibre cable suppliers in the PRC accounted for about 78% of the overall communication type optical cable shipments by volume in the PRC in 2015 and we were the No. 10 optical fibre cable supplier with market share of 3.2%, according to the Industry Consultant. Our market share could be reduced due to aggressive pricing or product strategies pursued by competitors, unanticipated product or manufacturing difficulties, our failure to price our products competitively, our failure to produce our products at a competitive cost or unexpected, emerging technologies or products. We expect that we will face continuous competition from existing domestic and international competitors and new entrants. There can be no assurance that our products will be able to compete successfully, in which case our business, financial condition and results of operations may be materially adversely affected.

We face pricing pressures that could adversely affect our financial performance

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

Emerging technologies that provide better performance than optical fibre cable technology may be developed and become widespread in the future, which will have a material adverse effect on our business, future prospects, financial conditions and results of operations

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

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

Our business and operations are subject to certain laws and regulations of the PRC

Our business and operations are subject to certain laws and regulations of the PRC. Any breach or non-compliance with these laws and regulations of the PRC may result in the imposition of penalties by the relevant authorities, including the suspension, withdrawal or termination of our business licenses. In addition, should there be any changes in the licensing requirements, such as a requirement to obtain more licenses or more stringent criteria having to be satisfied before certain licenses are granted, the cost to ensure that we comply with these licensing requirements may increase. The withdrawal, suspension or termination of our licenses or permits, or the imposition of any penalties, as a result of any infringement of any regulatory requirements will have an adverse impact on our business and results of operations.

The political and economic situation in the PRC may have a material adverse effect on our business

Before its adoption of the economic reforms and open policy in late 1970s, the PRC had been primarily a planned economy. With the commencement of the PRC government's effort to reform the Chinese economy in 1978, the PRC government introduced changes to its economic system, as well as the government structure. These reforms have led to significant economic growth and progress in social development. Factors that may cause the PRC government to modify, delay or even discontinue the implementation of certain reform measures include political changes, political instability and economic factors such as changes in rates of national and regional economic growth, unemployment and inflation.

Our Directors anticipate that the PRC government will continue to further implement these reforms, further reduce government interference on enterprises, and rely more on free market mechanisms for the allocation of resources, bringing positive effect on our overall and long-term development. Any changes in the political climate, economic and social situation, the laws, regulations and policies of the PRC arising therefrom, may have an adverse effect on the present or future operations of our Group. With our business and operations substantially based in the PRC, our operation and financial results could be adversely affected by the restrictive or austere policies introduced by the PRC government. We may not be able to capitalise on economic reform measures adopted by the PRC government. We cannot assure you that the PRC government will not impose economic and regulatory controls that may adversely affect our business, financial positions and results of operations.

Introduction of new laws and regulations or changes to existing laws and regulations by the PRC legislative authorities and administrative authorities may adversely affect our business

Our business and operations in the PRC are governed by the legal system of the PRC. The legal system in the PRC is based on statutory law. Under this system, prior court decisions may be cited for references but do not have binding precedential effect. Accordingly, the outcome of dispute resolution may not be consistent or predictable as in the other more developed jurisdictions.

Interpretation and enforcement of the PRC laws and regulations may be subject to changes in policies and political environment. Different regulatory authorities may have different interpretation and enforcement of the industries policies and foreign investment policies, which requires companies to meet the policies requirements issued by relevant regulatory authorities from time to time, and obtain approvals and complete filings in accordance with the relevant regulatory authorities' interpretation and enforcement of such policies. If there are any future changes in applicable laws, regulations, administrative interpretations or regulatory documents, or stricter enforcement policies by the relevant PRC regulatory authorities, more stringent requirements could be imposed on the industries we are currently engaged in. Compliance with such new requirements could impose substantial additional costs or otherwise have a material adverse effect on our business, financial condition and results of operations. In addition, if we fail to meet such new rules and requirements relating to approval, construction, environmental or safety compliance of our operations, we may be ordered by the relevant PRC regulatory authorities to pay penalties, change, suspend construction of or close of the relevant production facilities. Alternatively, these changes may also relax some requirements, which could be beneficial to our competitors or could lower market entry barriers and increase competition. As a result, our business, financial conditions and results of operations could be materially and adversely affected.

In addition, since the PRC economy is developing at a faster pace than its legal system and the PRC laws and regulations regarding foreign investments are relatively new and evolving, there may be uncertainties as to whether and how existing laws and regulations will apply to certain circumstances or events, and until the development of the legal system is kept abreast of economic reforms and development in the PRC, such uncertainties are likely to remain. We cannot assure you that introduction of new laws and regulations and amendments to existing laws and regulations by the PRC legislative authorities and administrative authorities may not adversely affect our profitability and prospects.

For details of some of the relevant PRC laws and regulations to which our Group is currently subject, please refer to the section headed "Regulatory overview" of this prospectus.

Distribution and transfer of funds may be subject to restrictions under the PRC laws

Any distributable profits that are not distributed in a given year will be retained and made available for distribution in subsequent years. The calculation of distributable profits under the PRC accounting principles is different in many respects from Hong Kong accounting principles.

Distributions by our subsidiaries in the PRC to our Company may be subject to governmental approval and taxation. These requirements and restrictions may affect our ability to pay dividends to our Shareholders. Any transfer of funds from our Company to our subsidiaries in the PRC, either as a shareholder loan or as an increase in registered capital, is subject to registration and/or approval granted by the PRC governmental authorities. These limitations on the free flow of funds between our Company to subsidiaries in the PRC could restrict our ability to act in response to changing market conditions in a timely manner. Furthermore, members of our Group may obtain credit facilities in banks in the future which restrict them from paying dividends to their shareholders.

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

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

Relevant PRC tax law may affect tax exemptions on dividends received by our Company and Shareholders and increase our PRC EIT rate

Our Company is incorporated under the laws of the Cayman Islands and, following the Reorganisation, holds interests in our PRC subsidiaries indirectly through a Hong Kong-incorporated company. Pursuant to the PRC EIT Law and its implementation rules, which were enacted on 16 March 2007 and 6 December 2007 respectively, and both of which became effective on 1 January 2008, if our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC or with an office or premises which has no actual relationship with the income of our Company, a withholding tax at the rate of 10.0% will be applied to any dividends paid by the PRC resident enterprise to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. According to the tax treaties entered into between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in the PRC to its shareholder(s) in Hong Kong will be subject to withholding tax at a rate of 5.0% if the Hong Kong company directly holds a 25.0% or more interest in the PRC enterprise and other conditions required by the PRC laws and regulations are satisfied; otherwise, the dividend withholding tax rate is 10.0%.

According to the Circular of the State Administration of Taxation on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaty Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) ("Notice 81") promulgated on 20 February 2009, the corporate recipients of dividends distributed by the PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends.

According to the Administrative Measure for Managing the Treaty Treatments Claimed by Non-resident Taxpayers Under Tax Treaties. (非居民納稅人享受稅收協定待遇管理辦法) which came into force on 1 November 2015, in order for a non-resident enterprise (as defined under the PRC tax laws) that is in receipt of dividends from the PRC resident enterprises to enjoy the favourable tax benefits under the tax arrangements, an application for approval to the competent tax authority must first be submitted. The non-resident enterprise may not enjoy the favourable tax treatments provided in the tax treaties without such approval. In addition, the EIT Law provides that, if an enterprise incorporated outside the PRC has its "de facto management organisation" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to EIT at the rate of 25.0% on its worldwide income excluding equity-investment income such as dividends and bonuses between qualified resident enterprises. Substantially all members of our management are located in the PRC. We cannot rule out the possibility that our Company may also be deemed as a PRC tax resident enterprise and therefore subject to an EIT rate of 25.0% on our worldwide income (including dividend income received from our subsidiaries), which excludes equity-investment income such as dividends and bonuses between qualified resident enterprises. As a result of the uncertainty as to whether our Company will be deemed as a "non-PRC tax resident enterprise" and for reasons as set out above, the applicable tax rate in relation to the relevant members of our Group following the Reorganisation will be different from the basis adopted in the financial information of our Group and, as such, our historical operating results will not be indicative of our operating results for future periods and the value of our Shares will be adversely affected. Further, dividends payable to corporate Shareholders outside the PRC may be subject to withholding tax at the rate of 10.0%.

Changes in legal requirements and governmental policies concerning environmental protection could impact our business

We are subject to the PRC environmental laws and regulations, which include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), Law of PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), Law of the PRC on the Prevention and Control of Pollution From Environment Noise (《中華人民共和國環境噪音污染防治法》) and Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》). These laws and regulations govern a broad range of environmental matters, including air pollution, water pollution, noise emissions and waste discharge.

According to current PRC national and local environmental protection laws and regulations, any enterprise which discharges wastewater, waste disposal, or polluted air is required to seek approval for the establishment of such an enterprise in the PRC from the relevant environmental protection authorities. The relevant PRC laws and regulations also require any such enterprise to carry out an environmental impact assessment before commencing construction of its production facilities and ensure that such production facilities meet the prevailing relevant environmental standards to treat wastewater.

These environmental protection laws and regulations are complex and are constantly evolving and becoming more stringent. We may not always be able to quantify the cost of complying with such laws and regulations. Any violation of the PRC environmental protection laws and regulations could subject us to a substantial fine, damage our reputation, result in delays in production or result in a temporary or permanent closing of some or all of our production facilities.

We cannot assure you that the national or local authorities will not enact additional laws or regulations or amend or enforce new regulations in a more rigorous manner. Changes in environmental protection laws and regulations may require us to alter production processes, which could result in increased costs and could harm our financial condition and results of operations. Stricter laws and regulations, or more stringent interpretations of existing laws or regulations, may impose new liabilities on us, reduce operating hours, require additional investment by us in pollution control equipment, or impede the opening of new or expanding existing plants or facilities. We could be forced to invest in preventive or remedial action, like pollution control facilities, which could incur substantial costs. Such costs, liabilities or disruptions in operations could materially and adversely affect our business, financial condition and results of operations.

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

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some cities in the PRC may be under the threat of flood, earthquake, rainstorm or drought. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC.

The PRC has, during the past few decades, experienced an outbreak of epidemics, such as severe acute respiratory syndrome (SARS), influenza A (H1N1) and avian influenza (H5N1, H7N9 and H10N8). A recurrence of SARS, H5N1 avian flu, H1N1 influenza or an outbreak of any other epidemics in the PRC, including the spread of H7N9 avian influenza virus, especially in the cities in which we or our customers operate, may result in contraction of such diseases among our employees, which may further cause the suspension of our production and distribution of our optical fibre cables. In addition, the public transportation may be disrupted by the outbreak of public health problem, which may result in the restriction of our ability to arrange delivery of our optical fibre cables to our customers in the PRC, which in turn may adversely affect our financial condition and results of operations. Although our business operations were not historically affected by the outbreak of epidemics, we cannot assure you that our business operations will not be materially affected by public health problem in the future.

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

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

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

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

Potential conflict of interests between our Controlling Shareholders and other minority Shareholders

Immediately following the Global Offering and the Capitalisation Issue, our Controlling Shareholders collectively will beneficially own 75.0% of the Shares (assuming no exercise of the Over-allotment Option and taking into no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). The interests of our Controlling Shareholders may differ from the interests of other Shareholders.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations and the sales of all or substantially all of the assets, election of Directors and other significant corporate action. In cases where their interests are aligned and they vote together, our Controlling Shareholders will also have the power to prevent or cause a change in control. Without the consent of some or all of our Controlling Shareholders, we may be prevented from entering into transactions that could be beneficial to us. We cannot assure that our Controlling Shareholders will act entirely in our interest or that conflicts of interest will be resolved in our favour. The interests of our Controlling Shareholders may differ from the interests of our minority Shareholders and our Controlling Shareholders are free to vote according to their interests.

Investors for our Shares may face difficulties in protecting their interests under Cayman Islands law, which may provide different remedies to minority shareholders when compared with the laws of Hong Kong or other jurisdictions

Our corporate affairs are governed by, among other things, the Articles of Association, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands and the Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Such differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For detailed information, please refer to the section headed "Summary of the constitution of our Company and Cayman Islands company law" in Appendix III to this prospectus.

Our historical dividend payments should not be taken as an indication of our future dividend policy or our payment of dividends in the future

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. The Board will review dividend policy from time to time in light of various factors such as our results of operations, our cash flows, our financial conditions, our Shareholders' interests, general business conditions and strategies, our capital requirements, the payment by our subsidiaries of cash dividends to us and other factors the Board may deem relevant in determining whether dividends are to be declared and paid.

During the year ended 31 December 2013, our Group declared and paid interim dividend in the amount of RMB5.0 million. These historical dividend payments should not be regarded as an indication of future dividend policy or our payment of dividends in the future.

Any future issuance of new Shares or equity linked securities may dilute the investor's shareholding in our Company

Any future capital issuance to expand our business or otherwise may lead to the dilution of investors' shareholding in our Company. We may also issue additional Shares pursuant to our Share Option Scheme. We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by our Offer Shares. Purchasers of our Shares may experience dilution in the net tangible asset book value per share of their Shares if we issue additional Shares or securities convertible into Shares in the future at a price which is lower than the net tangible asset book value per Share.

Any future offerings or sales of our Shares could materially and adversely affect their prevailing market price

Any future offerings or sales of our Shares by us or other Shareholders in the public market, or the perception that such offerings or sales could occur, may negatively impact the market price of our Shares. Please refer to the section headed "Underwriting" of this prospectus for details of restrictions that may apply to future sales of our Shares. Following the expiration of their respective lock-up periods, the market price of our Shares may decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares (including the issuance of new Shares pursuant to the exercise of share options granted by us) or the perception that such sales or issuances may occur. We cannot predict what effect, if any, any perception or actual occurrence of such significant future sale will have on the market price of our Shares.

You should read the entire prospectus carefully (including the risks disclosed) and we strongly caution you not to place any reliance on any information in press articles, other media and/or research analyst reports regarding us, our business, our industry and the Global Offering

You should read the entire prospectus carefully and rely solely upon the information in this prospectus in making your investment decisions regarding the Shares. You should note that undue reliance should not be placed on any forward looking statements contained in this prospectus which may not occur in the way we expect or may not materialise at all as set out in the section headed "Forward-looking statements" of this prospectus. There has been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press, media and/or research analyst coverage regarding us, our business, our industry and the Global Offering. We do not accept any responsibility for the accuracy or completeness of the information in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding the Shares, the Global Offering, our business, our industry or us.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information in this prospectus only and should not rely on any other information.

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

The information in this prospectus contains certain forward-looking statements and information relating to our Group that are based on the belief of our Directors as well as assumptions based on the information currently available to them. In this prospectus, the words "believe", "consider", "expect", and similar expressions, as they relate to our Company or our Group or our Directors, are intended to, among others, identify forward-looking statements. Such statements reflect the current views of our Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should underlying assumptions be proved to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as believed, considered, estimated or expected.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving our information to the public with regard to our Group. Our Directors, having made all reasonable enquires confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

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

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering will be fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The Global Offering is managed by the Sole Global Coordinator. The International Placing will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or around Monday, 5 December 2016 (Hong Kong time) or such later time as may be agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, but in any event no later than Thursday, 8 December 2016 (Hong Kong time). If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

RESTRICTIONS ON THE OFFER AND SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the U.S., except in compliance with the relevant laws and regulations of such jurisdiction.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, any of their respective directors, agents, employees or advisers or any other person involved in the Global Offering.

Each person acquiring the Offer Shares will be required, and is deemed by his/her/its subscription of the Offer Shares, to confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she/it is not subscribing, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme).

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or currently proposed to be sought in the near future.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained in Hong Kong by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Our principal register of members will be maintained in the Cayman Islands by our Company's principal share registrar, Codan Trust Company (Cayman) Limited.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in the Offer Shares, you should consult your professional advisers. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective directors, agents or advisers or any other person involved in the Global Offering accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealing in the Offer Shares or exercising their rights thereunder.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the sections headed "Underwriting" and "Structure of the Global Offering" of this prospectus.

PROCEDURE FOR APPLICATION FOR THE HONG KONG PUBLIC OFFER SHARES

The procedure for application for the Hong Kong Public Offer Shares is set out in the section headed "How to apply for Hong Kong Public Offer Shares" of this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" of this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional advisers for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after a trading transaction.

All necessary arrangements have been made for the Shares to be admitted to CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Monday, 12 December 2016. The Shares will be traded in board lots of 4,000 Shares each.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rate:

RMB0.85 to HK$1.00
RMB1.00 to US$0.15
HK$1.00 to US$0.13

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Shi Ming (石明先生)	Unit 2302, Block 79 Jinse Xincheng 6 Xinshi Road Zhonglou District Changzhou City Jiangsu Province The PRC	Chinese
Ms. Yu Rumin (於茹敏女士)	Unit 2302, Block 79 Jinse Xincheng 6 Xinshi Road Zhonglou District Changzhou City Jiangsu Province The PRC	Antiguan and Barbudan
Ms. Yu Ruping (於茹萍女士)	202, Unit 1, Block 20-1 Yanghu Century Yuan Hutang Town Wujin District Changzhou City Jiangsu Province The PRC	Chinese
Non-executive Director		
Mr. Yu Jinlai (於金來先生)	No. 5, Block 2, Dongdu Luoyang Town Wujin District Changzhou City Jiangsu Province The PRC	Chinese

Independent non-executive Directors

Mr. Wu Wing Kuen (胡永權先生)	Apartment B2, Flat 2, 2/F Sunderland Town House No. 1 Hereford Road Kowloon Tong Kowloon Hong Kong	Chinese
Mr. Lam Chi Keung (林芝強先生)	Flat D, 66/F, Block 6 Silver Lake Ma On Shan New Territories Hong Kong	Chinese
Mr. Chan Kai Wing (陳繼榮先生)	Flat B, 10/F, Block 6 Cavendish Heights 33 Perkins Road Jardine's Lookout Hong Kong	Chinese

For further details, please refer to the section headed "Directors, senior management and employees" of this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Guotai Junan Capital Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong (a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO)
Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager	**Guotai Junan Securities (Hong Kong) Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong (a licensed corporation to carry on type 1 (dealing in securities) regulated activity and type 4 (advising on securities) regulated activity under the SFO)
Legal advisers to our Company	*As to Hong Kong law:* **P. C. Woo & Co.** 12/F, Prince's Building 10 Chater Road Central Hong Kong *As to the PRC law:* **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Beijing 100022 The PRC *As to Cayman Islands law:* **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* **Francis & Co.** **in association with** **Addleshaw Goddard (Hong Kong) LLP** 802-804 Champion Tower 3 Garden Road Central Hong Kong *As to the PRC law:* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing 100025 The PRC
Reporting accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35/F One Pacific Place 88 Queensway Hong Kong
Compliance adviser	**Guotai Junan Capital Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong (a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO)
Industry Consultant	**Freedonia Custom Research** Room 3105, Block 11 Jianwai SOHO No. 39, Middle East 3rd Ring Road Beijing The PRC
Receiving bank	**Wing Lung Bank Limited** Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong	Suite 812, 8/F Ocean Centre Harbour City 5 Canton Road Tsim Sha Tsui Kowloon Hong Kong
Headquarters in the PRC	1 Cencun Road Luoyang Town Wujin District Changzhou City Jiangsu Province The PRC
Company's website address	www.jsnfgroup.com *(information contained in the website does not form part of this prospectus)*
Company secretary	Ms. Lo Moon Fong (羅滿芳女士) *CPA*
Authorised representatives	Mr. Shi Ming (石明先生) Unit 2302, Block 79 Jinse Xincheng 6 Xinshi Road Zhonglou District Changzhou City Jiangsu Province The PRC Ms. Lo Moon Fong (羅滿芳女士) Flat 1616 Kwong Cheong House Kwong Ming Court Tseung Kwan O New Territories Hong Kong

Audit Committee	Mr. Lam Chi Keung (林芝強先生) *(Chairman)* Mr. Chan Kai Wing (陳繼榮先生) Mr. Wu Wing Kuen (胡永權先生)
Nomination Committee	Mr. Yu Jinlai (於金來先生) *(Chairman)* Mr. Chan Kai Wing (陳繼榮先生) Mr. Lam Chi Keung (林芝強先生)
Remuneration Committee	Mr. Wu Wing Kuen (胡永權先生) *(Chairman)* Ms. Yu Rumin (於茹敏女士) Mr. Chan Kai Wing (陳繼榮先生)
Principal share registrar and transfer office in the Cayman Islands	**Codan Trust Company (Cayman) Limited** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	**China Construction Bank Corporation** **Luo Yang Branch** 25 Dongdu East Road Luoyang Town Changzhou City Jiangsu Province The PRC **Bank of China Limited** **Zhuguang Road Branch** 1 Zhuguangda Street Luoyang Town Changzhou City Jiangsu Province The PRC

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

SOURCE OF INFORMATION

We commissioned Freedonia, an independent market research consulting firm, to conduct an analysis of the PRC optical fibre cable market and industry. Freedonia was established in 1985 and provides industry analysis and research services, which include product and market forecasts, industry trends, threats and opportunities, competitive strategies, market share determinations and company profiles. Certain information set forth in this section has been extracted from the Freedonia Report. We paid a total amount of US$75,000 to Freedonia for the research for, and preparation of, the Freedonia Report. The payment was not conditional on the success of the Global Offering or on the research findings of the Freedonia Report.

The Freedonia Report represents data, research opinion or viewpoints developed independently on our behalf and does not constitute a specific guide to action. In preparing the Freedonia Report, Freedonia used various sources, including publicly available third-party financial statements, government statistical reports, press releases, industry magazines, and interviews with suppliers of related products (including us), manufacturers of competitive products, distributors of related products, and government and trade associations. Freedonia's independent research was undertaken through both primary and secondary research. The primary research involved in-depth interviews with various industry constituents. The secondary research involved research and comparison of public information. The Freedonia Report speaks as of its final publication date (and as of the date of this prospectus), and the opinions and forecasts expressed in the Freedonia Report are subject to change without notice.

ASSUMPTIONS AND PARAMETERS USED IN THE FREEDONIA REPORT

The industry trends and forecasts used in the Freedonia Report were based on general guidelines, including: (i) preliminary estimates based on historical data collected from government and industry sources; (ii) market size assessments based on values published by Freedonia Custom Research, based on earlier research; (iii) the historical relationship between the market segments and an indicator of demand that is extrapolated into future years, excluding the effects of exchange rate; (iv) the estimated relationship that is also adjusted to take into account the likely impact of regulations and other influencing factors; and (v) demand forecast that is based on factors including historical market trends, the expectations of interviewed market participants and reports published by other organisations.

The parameters that have been taken into account in the market sizing and in the Freedonia report include (i) historical optical fibre and optical fibre cable market size by volume; (ii) historical optical fibre and optical fibre cable unit pricing; (iii) projected annual growth rates for optical fibre and optical fibre cable markets by volume; and (iv) projected annual changes in unit pricing for optical fibre and optical fibre cable.

RELIABILITY OF INFORMATION IN THE FREEDONIA REPORT

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

THE VALUE CHAIN OF OPTICAL FIBRE CABLE INDUSTRY

The principal raw materials for our production of optical fibre cables sold to our customers are optical fibres, which are drawn by optical fibre preforms. Manufacturers in the optical fibre cable industry generally produce optical fibre cables and/or optical fibres and/or optical fibre preforms. According to the Industry Consultant, as the barriers to enter the communication optical cable industry are relatively low compared to the barriers into the optical fibre and preform market in terms of both production requirement and capital investment, as such, vertically integrated producers in this industry that not only produce cables, but also fibres, or also fibres and preforms, generally have started from the manufacturing of the downstream products – optical fibre cables, and then backward integrated into the manufacturing of the upstream industries of fibres and preforms. In the optical fibre cable industry, the vertical integration is a natural step for an optical fibre cable manufacturer to grow organically. Due to the different production requirement and capital investment, there are large market players which have capability of producing optical fibre preforms, optical fibres and optical fibre cables, while some of the market players have capability of producing optical fibres and optical fibre cables, and some of the market players are only capable of producing optical fibre cables.

Due to a number of factors such as supply and demand dynamics, value chain structure, distribution, and technological and capital requirement in manufacturing, average profit margins from the production and sale of optical fibre preforms are generally higher than those of the production and sale of optical fibres, which are in general higher than the profitability levels of the production and sale of optical fibre cables.

THE TELECOMMUNICATIONS INDUSTRY IN THE PRC

Overview

According to the Industry Consultant, the telecommunications industry in the PRC consumed about 85% of total communication optical fibre cables in the domestic market in 2015. The mobile communication, Internet and fixed telephone networks are the primary three types of networks that involve the use of optical fibre cables. The telecommunications industry in the PRC is dominated by the Major PRC Telecommunications Network Operators and the demand of optical fibre cable products depends significantly on the implementation of government initiatives.

Key market drivers

The PRC has one of the world's fastest growing telecommunications markets and operates the world's largest fixed (wireline) and wireless telecommunications networks according to the Industry Consultant. The PRC is also the global leader in Internet users and mobile subscribers, but its broadband penetration and the average connection speed are still behind levels reached in developed markets. The PRC boasts the world's highest smartphone penetration rate, with the vast majority of Internet connections established via mobile devices. Strong reliance on mobile connections will continue to positively impact demand for optical fibre cables.

The table below sets out the historical and forecasted data for the telecommunications industry in the PRC for the periods indicated.

	2011	2012	2013	2014	2015	2016(E)	2017(E)	2018(E)	2019(E)	2020(E)
Telecom fixed assets investment *(RMB billion)*	333	361	376	399	454	479	506	548	593	636
Internet users *(million)*	513	564	618	649	688	717	744	769	792	813
As a % of population in the PRC (%)	38.1	41.7	45.4	47.5	50.2	52.0	53.7	55.3	56.8	58.1
Mobile phone subscriptions *(million units)*	986	1,112	1,229	1,286	1,306	1,325	1,343	1,360	1,376	1,391
As a % of population in the PRC (%)	73.3	82.3	90.4	94.1	95.2	96.1	97.0	97.8	98.6	99.3
Fixed-line phone users *(million)*	285	278	267	249	231	220	214	208	202	196

Source: The Freedonia Report

The telecommunications industry in the PRC is dominated by the Major PRC Telecommunications Network Operators, namely China Mobile Communications Corporation ("**China Mobile**"), China Telecommunications Corporation ("**China Telecom**") and China United Network Communications Group Company Limited ("**China Unicom**"), which in aggregate contributed about 85% of the total demand by volume for optical fibre cables in 2015 for implementation of government initiatives aimed at increased broadband penetration. "Broadband China" Strategic Implementation Plan together with the Twelfth Five-Year Plan of the Communication Industry are major plans created to promote Internet and mobile connectivity and information consumption. These plans aim to stimulate investment in the broadband telecommunications networks and network infrastructures, and investment to upgrade existing metropolitan area networks, to renovate access networks from copper-made cables to optical fibre cables and to construct new access networks. The goals set by "Broadband China" Strategic Implementation Plan include the following:

- achieve broadband speeds for all end-users in urban areas of more than 20 megabits per second by 2015 and 50 megabits per second by 2020;

- achieve broadband speeds for all end-users in developed cities of 100 megabits per second by 2015 and 1,000 megabits per second by 2020;

- achieve broadband speeds for all end-users in rural areas of 4 megabits per second by 2015 and 12 megabits per second by 2020, and improve access to broadband services in rural areas from 90% in 2013 to 95% in 2015, and more than 98% by 2020;

- reach a target penetration rate of 3G and LTE networks of 32.5% by 2015 and 85% by 2020; and

- achieve a target household fixed broadband penetration rate of 50% by 2015 and 70% by 2020.

Such development goals related to the Internet and mobile communication networks are expected to be achieved by investments in construction and upgrades of the broadband telecommunications networks and infrastructure, all of which will drive demand for optical fibre cables. The "Broadband China" Strategic Implementation Plan would help stimulate investment in the upstream and downstream industries related to the broadband telecommunications networks.

Demand from mobile communication networks

Based on Freedonia's estimation, approximately two-thirds of the demand for optical fibre cables in the telecommunications industry is from mobile communication networks. Demand for optical fibre cables in mobile communication networks mainly comes from construction of entirely new 4G and 5G networks and from optimising existing 2G and 3G networks to increase bandwidths. As 2G networks will exit the mobile communication field around 2020 and 3G networks are losing market share to the 4G networks, demand for optical fibre cables from the construction and optimisation of 2G and 3G networks is very limited.

Further, although China Mobile and China Telecom have both begun to decrease their investments in 4G, their 4G networks capacities in less developed regions need to be improved by construction of new 4G base stations and upgrading core networks to accommodate higher bandwidth in the core networks connecting these stations to existing backbone networks.

Additionally, China Unicom has retained high level of investment in 4G, as its 4G networks are still relatively under-developed. As a result, it is expected that the demand for optical fibre cables from construction and upgrading of 4G networks will continue to increase. As the commercial application of 5G will be completed by 2020 according to the speech given by the Minister of the MIIT at the First Global 5G Conference in May 2016, the demand for optical fibre cables from 2015 to 2020 is expected to be driven by the construction of 5G networks. Currently, the investment related to 5G networks is still focused on the research stage.

Demand from Internet networks

Nearly one-third of the demand for optical fibre cables in the telecommunications industry is from Internet networks, which consist of three sub-networks, namely backbone networks, metropolitan area networks ("**MANs**") and access networks. Such networks are expected to generate demand for optical fibre cables from 2015 to 2020.

Backbone networks are used to connect and transmit data between MANs. 100G backbone networks are under construction to increase bandwidths, together with the replacement of retired optical fibre cables, which will continue to generate significant demand for optical fibre cables. Once the construction of the 400G Internet networks is completed in 2017, it will also drive demand for optical fibre cables. Further, the existing MANs are expected to be improved with an aim to meet the data transmission needs, which will boost the demand for optical fibre cables. Access networks, "the last mile" connecting the end-users of the Internet networks, will generate the most optical fibre cable demand associated with Internet network applications to replace the copper-made cables used in existing access networks from 2015 to 2020, which is also one of the goals set by the "Broadband China" Strategic Implementation Plan to increase the use of optical fibre cables in access networks, specifically to increase Fibre-To-The-Home coverage.

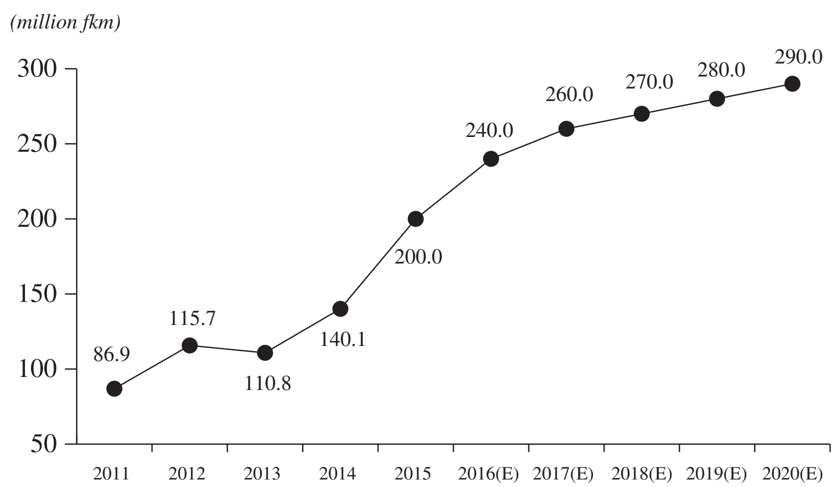
OPTICAL FIBRE CABLE MARKET IN THE PRC

The market environment in the optical fibre cable industry is impacted by a variety of factors, including macroeconomic environment, increasing Internet and mobile penetration, capital investment by telecommunications operators, government initiatives, new technologies, and legal and regulatory issues. The GDP of the PRC is expected to increase 5.9% annually from 2015 to 2020, creating a supportive environment for continued investment in expansion of Internet and mobile communication infrastructure. Projected annual gains in the number of Internet users and mobile phone subscribers will have favourable implications for the optical fibre cable market. The number of Internet users is forecast to grow at a CAGR of 3.4% from 2015 to 2020. The mobile phone penetration rate is estimated to reach 99.3% in 2020 from 96.1% in 2016. The Investments in the telecommunications industry are projected to grow 7% annually between 2015 and 2020, providing further support for optical fibre cable demand. Various regulations facilitate implementation plan of "Broadband China" and other government initiatives that aim to raise broadband penetration and data transmission speed to levels approaching those currently observed and/or anticipated in developed markets, including "Broadband China" Strategic Implementation Plan, the Twelfth Five-Year Plan of the Communication Industry and Guidelines on Accelerating Construction of High-Speed Broadband Network and Facilitating Faster and More Affordable Internet Connection.

The demand for communication optical fibre cables in the PRC accounted for 57% of that in global context by volume in 2015, and its weight against global demand will continuously enlarge to 67% by volume in 2020. The demand in the communication optical cable market in the PRC is projected to grow at a CAGR of 7.7% from 2015 to 2020, driven by the government initiatives to upgrade the Internet and mobile infrastructure. In particular, the 5G network investments will contribute to support considerable growth through 2020.

The chart below sets out the historical and estimated demand for optical fibre cables in the PRC from 2011 to 2020:

Optical fibre cable demand



The table below sets out historical and estimated volume demand, net export, volume shipped by domestic manufacturers and shipment value of optical fibre cables in the PRC from 2011 to 2020:

	2011	2012	2013	2014	2015	2016(E)	2017(E)	2018(E)	2019(E)	2020(E)
Optical fibre cable demand *(million fkm)*	86.9	115.7	110.8	140.1	200.0	240.0	260.0	270.0	280.0	290.0
Net export *(million fkm)*	13.0	14.3	15.3	19.2	23.2	25.3	28.4	30.4	32.4	34.4
Domestic suppliers' shipment volume *(million fkm)*	99.9	130.0	126.1	159.3	223.2	265.3	288.4	300.4	312.4	324.4
Optical fibre cable shipments *(RMB million)*	13,000	16,900	15,750	18,300	23,450	29,200	33,150	34,550	34,350	35,700
Implied average selling price *(RMB/fkm)*	130	130	125	115	105	110	115	115	110	110

Source: The Freedonia Report

Shipments of communication optical fibre cables by the domestic suppliers in terms of volume have experienced remarkable growth from 2011 to 2015, with a CAGR of 22.2%. This was primarily driven by the strong demand of optical fibre cables during the period, increased at a CAGR of 23.2% from 2011 to 2015, as a result of government initiatives. Shipments of communication optical fibre cables by the domestic suppliers in terms of volume are expected to increase at a CAGR of 7.8% from 2015 to 2020. Such increase will continue to be driven by increasing demand for optical fibre cables in the PRC, which is expected to increase at a CAGR of 7.7% from 2015 to 2020.

On the other hand, price for optical fibre cables shipped by the domestic suppliers has been decreased from 2011 to 2015 due to the continuous decrease in each of the raw materials used in the production of optical fibre cables from 2011 to 2015. The price for optical fibre cables in the PRC is expected to slightly increase from 2015 to 2018 due to strong increases in optical fibre and cable demand and price gains in optical fibre and decrease again from 2018 to 2020 due to moderating demand growth and the decline in price of raw materials.

Strong demand is expected to continue to support an approximately CAGR of 5.0% increase in cable production capacity in the PRC from 2016 to 2020. Freedonia estimated that the utilisation rate of optical cable production in the PRC will increase from 76% in 2015 to 88% in 2020.

PRICING TRENDS FOR MAJOR RAW MATERIALS

The primary raw materials for optical fibre cable production are optical fibres and other raw materials (such as PE, PVC, steel and aluminum).

Optical fibre

As in the telecommunications industry, the market environment in the optical fibre market in the PRC is also impacted by macroeconomic environment, increasing Internet and mobile penetration, capital investment, government initiatives, new technologies, and legal and regulatory issues. The demand for optical fibres in the PRC accounted for 61.7% of that in global context by volume in 2015, and its weight against global demand will continuously enlarge to 69.8% by volume in 2020. Annual growth for the demand in the optical fibre market in the PRC is projected at 8.1% from 2015 to 2020, driven by the government initiatives to upgrade the Internet and mobile infrastructure.

The optical fibre industry in the PRC is relatively centralised with the five largest optical fibre suppliers accounting for more than two thirds of the total optical fibre market in the PRC in 2015. The optical fibre industry in the PRC heavily depends on domestic companies and the market is largely supplied by the domestic shipments. The imports of optical fibres accounted for only 6% of the overall demand in the PRC in 2015.

The table below sets out the market shares of the leading domestic optical fibre suppliers, in descending order in terms of sales volume in the PRC in 2015:

Ranking	Company name	Capacity in the PRC[(1)]	Total production	Capacity utilisation	Total PRC sales[(2)]	Market share[(3)]
		(000 fkm)	*(000 fkm)*	*(%)*	*(000 fkm)*	*(%)*
1	Yangtze Optical Fibre and Cable Joint Stock Limited Company	56,000	44,500	79	41,200	17.8
2	Hengtong	50,000	41,600	84	38,800	16.8
3	Futong Group Co., Ltd.	35,000	34,700	99	33,700	14.6
4	FiberHome Telecommunications Technologies Company Limited	30,000	25,000	83	24,200	10.5
5	Jiangsu Zhongtian Technology Company Limited	25,000	23,800	95	22,600	9.8
	Other domestic companies	94,000	65,900	48	57,000	24.6
	Import suppliers				14,000	6.0
	Total	290,000	235,500	74	231,500	100.0

Notes:

(1) Figures as of end of 2015.

(2) Sales figures refer to actual shipments and do not include inter-company shipments.

(3) Percentages may not add up to 100% due to rounding.

Source: The Freedonia Report

The table below sets out historical and estimated volume demand, net import (export), volume shipped by domestic manufacturers and shipment value of optical fibres in the PRC for the periods indicated:

	2011	2012	2013	2014	2015	2016(E)	2017(E)	2018(E)	2019(E)	2020(E)
Optical fibre demand *(million fkm)*	105.0	138.0	132.0	167.0	231.5	280.5	305.0	317.5	330.0	342.5
Net import (export) *(million fkm)*	2.5	16.0	9.0	(2.5)	(4.0)	(10.0)	(14.0)	(16.5)	(20.0)	(24.0)
Domestic suppliers' shipment volume *(million fkm)*	102.5	122.0	123.0	169.5	235.5	290.5	319.0	334.0	350.0	366.5
Optical fibre shipments *(RMB million)*	7,400	8,650	8,600	10,350	13,650	17,450	19,800	20,350	21,000	21,600
Implied average selling price *(RMB/fkm)*	72	71	70	61	58	60	62	61	60	59

Source: The Freedonia Report

Suppliers of fibre preforms in Japan are among the key suppliers of fibre preforms to the PRC optical fibre market. The 2011 earthquake in Japan led to tightened supplies of optical preforms in the PRC which in turn resulted in increases in the prices of optical fibres, while the "Broadband China" Strategic Implementation Plan boosted demand and tightened supply of optical fibre. Hence, prices of optical fibre remained at a relatively high level during 2011 at the average selling price of RMB72 per fkm and the first half of 2012 at the annual average selling price of RMB71 per fkm. By late 2012, with increases in domestic production and imports, supply tightness subsided and some optical fibre suppliers reduced prices to attract and retain more clients. Optical fibre production increased substantially with the expansion of production capacity for optical fibres in the PRC from 2013 to 2015. Furthermore, the open tendering of centralised procurement by the Major PRC Telecommunications Network Operators caused intense price competition among optical fibre suppliers. The prices of optical fibres in the PRC declined substantially from 2013 to 2015, despite the construction of 4G and 100G backbone networks resulting in a strong demand increase in the same period. As a result, the annual average selling price decreased from RMB70 per fkm in 2013 to RMB61 per fkm, further to RMB58 per fkm.

It is expected that the growth in demand for optical fibre will remain robust with the construction of 5G and 400G backbone networks in the forthcoming two years, providing concrete support for the prices of optical fibres. Tightness in supply will result in a slight increase in the average selling price of optical fibres in the PRC from RMB60 per fkm in 2016 to RMB62 per fkm in 2017. However, technological developments, capacity expansion and decreases in prices of raw material are expected to further lower the average selling price of optical fibres in the PRC from RMB61 per fkm in 2018 to RMB59 per fkm in 2020.

Other raw materials

The table below shows the historical average selling price in the PRC of other raw materials commonly used in optical fibre cable production for the period indicated:

	2011	**2012**	**2013**	**2014**	**2015**
PE price *(yuan/ton)*	10,250	10,400	11,900	10,700	9,436
PVC price *(yuan/ton)*	7,400	7,000	6,900	6,100	5,400
Steel price *(yuan/ton)*	4,967	4,150	3,820	3,400	2,450
A00 aluminum spot price *(yuan/ton)*	20,000	15,608	14,467	13,521	12,050

Source: The Freedonia Report

Other raw materials used in production of optical fibre cables experienced price declines from 2013 to 2015 due to the following reasons:

- trends in thermoplastics (PE and PVC) pricing in the PRC were consistent with those in the global market and were affected by raw material costs (e.g., calcium carbide), petroleum prices, and other energy and production costs;

- the global economic slowdown in the past few years, together with increases in steel production and decreases in iron ore prices, led to further declines in steel prices in the PRC; and
- weak demand and overcapacity in aluminum production have led to continued declines in pricing in recent years.

COMPETITIVE LANDSCAPE IN THE PRC OPTICAL FIBRE CABLE MARKET

The PRC optical fibre cable market is relatively concentrated, with the first tier of producers accounting for the majority share of the overall shipment volume. The competitive landscape is expected to remain stable, with the Major PRC Telecommunications Network Operators striving to prevent dominance by any one optical fibre/optical fibre cable supplier or a group of these suppliers. In 2015, there were more than 100 manufacturers in the communication optical cable industry in the PRC, most of which are small-sized regional enterprises with limited optical fibre cable production capacity and a limited number of optical fibre cable products. The 10 largest suppliers of optical fibre cables in the PRC accounted for approximately 78% of the overall communication type optical cable shipments by volume in 2015. According to the Industry Consultant, the Major PRC Telecommunications Network Operators have implemented the centralised procurement policies since 2004 and the centralised procurement policies through open tendering processes adopted by the Major PRC Telecommunications Network Operators limit the portion of the total procurement amount that is allotted to any single supplier selected. Therefore, no single optical fibre cable supplier can dominate the whole optical fibre cable market. According to the Industry Consultant, it has been a common industry practice for the optical fibre cable manufacturers, which also have capability in the production of optical fibre preforms and/or optical fibres, to form cooperative ventures, such as Nanfang Optic, with other optical fibre cable manufacturers as a way to win more bids than the supply limit allotted to a given supplier set forth in the Procurement Limit, which has been implemented by the Major PRC Telecommunications Network Operators. This practice has been common for the large optical fibre cable manufacturers, as they would be more likely to reach the procurement allotment limit on their own and therefore would benefit from such cooperative venture arrangements. To the best of our Directors' knowledge, some of the leading domestic optical fibre cable manufacturers, such as, Hengtong and Yangtze Optical Fibre and Cable Joint Stock Limited Company have formed cooperative ventures with other optical fibre cable manufacturers.

The table below sets out the market shares of the leading domestic optical fibre cable suppliers, in descending order in terms of sales volume in the PRC in 2015:

Ranking	Company name	Capacity in the PRC(1)	Total production	Capacity utilisation	Total PRC sales(2)	Market share(3)
		(000 fkm)	*(000 fkm)*	*(%)*	*(000 fkm)*	*(%)*
1	Hengtong	30,000	26,700	89	25,500	12.8
2	Yangtze Optical Fibre and Cable Joint Stock Limited Company	35,000	25,500	73	23,600	11.8
3	Jiangsu Zhongtian Technology Company Limited	25,000	30,700	123	22,300	11.2
4	FiberHome Telecommunications Technologies Company Limited	25,000	24,000	96	18,900	9.5
5	Futong Group Co., Ltd.	25,000	21,500	86	18,100	9.1
6	Jiangsu Tongding Optic-Electronic Company Limited	21,000	17,900	85	15,700	7.9
7	Shenzhen SDG Information Company Limited	13,000	11,700	90	11,000	5.5
8	Hubei Kaile Science and Technology Co., Ltd.	12,000	8,600	72	7,900	4.0
9	Jiangsu Etern Company Limited	8,000	6,600	83	6,500	3.3
10	Our Group	6,600	4,900	87(4)	6,300	3.2
	Other domestic companies	89,400	42,400	47	43,400	21.7
	Import suppliers				800	0.4
	Total	290,000	220,500	76	200,000	100.0

Notes:

(1) Figures as of end of 2015.

(2) Sales figures refer to actual shipments and do not include inter-company shipments.

(3) Percentages may not add up to 100% due to rounding.

(4) For the details of calculation for the utilisation rate for our Group for the year ended 31 December 2015, please refer to the paragraph headed "Business – Production" of this prospectus.

Source: The Freedonia Report

Our Group was the No. 10 optical fibre cable supplier to the communication type optical fibre cable market in the PRC in terms of sales volume in 2015, with a market share of 3.2%. The top two suppliers were Hengtong and Yangtze Optical Fibre and Cable Joint Stock Limited Company, with market shares of 12.8% and 11.8% in terms of sales volume in 2015, respectively.

There are several factors affecting competition in the communication optical fibre cable market, including:

(i) price is the primary competitive factor. The Major PRC Telecommunications Network Operators are pursuing to cut down procurement costs through open tendering processes. China Mobile and China Unicom award tenders to the lowest bidder, whereas China Telecom's scoring system assigns a higher score to the bidding price with a smaller deviation from its benchmark price;

(ii) technical characteristics of communication optical fibre cables also play an important role in competition. However, in respect of this factor the differentiation among manufacturers is relatively small compared to other factors. Our Group has a relatively strong research and development capacity compared to the small-and-medium sized cable manufacturers. As at the Latest Practicable Date, we owned 51 domestic patents, including 10 invention patents and 41 utility model patents, whereas small-and-medium sized cable manufacturers own very few patents. Our research and development department has been recognised as one of the provincial recognised enterprise technical centre (省認定企業技術中心) and we were certified as a high and new technology enterprise (高新技術企業); and

(iii) after-sale service (e.g. the product warranty period and the promptness of after-sale service), production capacity, performance records, company credit, and other operational indicators also impact competition. Our service network covers major provinces and cities in the PRC, equipped with 24-hour service hotline, through which we answer enquiries and provide technical support. In comparison, most small-and-medium sized cable manufacturers only cover a market range of local provinces.

In addition to the analysis above, we also possess the following strengths and advantages compared to other competitors in the optical fibre cable market in the PRC:

(i) we provide a wide range of communication type optical fibre cable products. Our Group produces over 50 models of communication type optical fibre cable products, which meets the clients' demand in various applications. This is an advantage compared to small-and-medium sized cable manufacturers, whose product mix is limited;

(ii) based on our rich experience and high brand recognition, we took part in establishment of standards of communication optical cable manufacturing and testing technology, including 1 national standard and 8 industry standards. Except for a few leading companies, most optical cable manufacturers have not taken part in establishment of any national or industry standards;

(iii) we maintain long-term relationship with our major suppliers and have a stable supply of raw materials for our products; and

(iv) we and our products are recognised in the optical fibre cable market in the PRC. We received short-listed award as one of the most potential enterprises in the PRC (中國最具潛力企業入圍獎) jointly by Ernst & Young and Fudan University in 2015 and awarded as the excellent quality suppliers of telecommunications cables in the PRC (中國通信光電纜優質供應商) accredited by CCTIME.com in 2015. We were also affirmed as the AAA class of creditworthy telecommunications enterprise (通信行業企業信用AAA 級) in 2016 accredited by CACE and won National May Day Brand Construction Brand Award – Innovative Enterprise (全國五一品牌建設獎 – 創新企業) in 2016 China Brand Innovation Forum and National May Day Brand Construction Award Electing activities (2016中國品牌創新論壇暨全國五一品牌建設獎推選活動) in May 2016. In comparison, most small-and-medium sized cable manufacturers do not own such honors.

Barriers to enter into the communication type optical cable industry are relatively low compared to the optical fibre and optical fibre preform markets, from the production point of view and in terms of capital investment. Electrical cable manufacturers can reconfigure their production lines to make optical fibre cables with very limited investment.

FUTURE OPPORTUNITIES AND THREATS FOR OPTICAL FIBRE CABLE MARKET

Compared to the only competitive substitute product – copper cables, optical fibre cables hold significant competitive advantages, such as higher transmission speeds, longer transmission distances, resistance to interferences by electromagnetic fields, lower production cost and longer useful lives. Due to the aforesaid competitive strengths, optical fibre cables will continue to replace copper cables in all data transmission related applications in telecommunications and in other applications, such as railway transportation and power grids.

On the other hand, there are some drawbacks of the optical fibre cables, such as lower strength than metallic cables, higher requirements for cutting and connection of fibre cables in terms of technology and equipment which lead to higher maintenance costs, and a larger bending radius required for optical fibres. Metal cables, which are mainly copper-made, will continue to be used in some niche applications. Further, technologies used in mainstream optical cable products are quite mature. Despite innovative products used for special applications, such as fireproof cables, current mainstream products, including normal bow-type drop cables and overhead outdoor cables, will retain their dominant position in the optical cable market.

Government initiatives targeting development of broadband infrastructure and networks will continue to support expansion in the optical fiber cable market. Nevertheless, given that high internet penetration and mobile phone subscription rates, and the existing large telecommunications infrastructure base will prevent faster growth in optical fiber cable demand. Long useful life of optical fiber cables will also temper market gains.

Our Company principally engages in the manufacture and sale of optical fibre cable products through our PRC operating subsidiaries namely, Nanfang Communication and Yingke. This section sets out a summary of certain aspects of the laws and regulations that affect our business in the PRC. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to us.

FOREIGN INVESTMENT

According to the Catalogue of Industries for Guiding Foreign Investment (2015 version) (外商投資產業指導目錄(2015年修訂)) (the "**Catalogue**"), which was jointly amended by NDRC and MOFCOM on 10 March 2015 and came into effect on 10 April 2015, foreign investment industries are classified into four categories, namely, encouraged, permitted, restricted and prohibited. According to the Catalogue, the manufacturing and sales of optical fibre cables fall into the scope of encouraged category.

Being the foreign invested entities (the "**FIEs**"), our PRC operating subsidiaries shall be subject to relevant laws and regulations on foreign investment enterprises. Basically FIEs can take many forms such as wholly foreign owned enterprise (the "**WFOE**"), equity joint venture, contractual joint venture, and foreign invested partnership enterprise. WFOEs are governed by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) promulgated on 12 April 1986 and amended on 31 October 2000, the Implementation Regulation of the Wholly Foreign-owned Enterprise Law(《中華人民共和國外資企業法實施細則》), promulgated on 12 December 1990, amended on 12 April 2001 and 1 March 2014 (collectively the "**Foreign Enterprises Law**"), and the Company Law of the PRC (《中華人民共和國公司法》) promulgated on 29 December 1993, amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively with the latest amendment came into effect on 1 March 2014. In light of the foregoing statutes, establishment of a WFOE shall be approved by the MOFCOM or its delegated authorities, and after the MOFCOM grants the WFOE an approval, the WFOE shall apply for a business licence with the State Administration for Industry and Commerce (or its delegated authorities) prior to commencing its business operation.

REGULATIONS RELATING TO TENDER AND BIDDING

Pursuant to the Tender and Bidding Law of the People's Republic of China(《中華人民共和國招標投標法》) which was promulgated by the Standing Committee of the National People's Congress on 30 August 1999 and came into effect on 1 January 2000, a bid must be invited for a construction engineering project if it is carried out in the PRC and meets certain criteria, including the engineering exploration, design, construction and supervision of project, as well as procurement of important equipment and materials relating to construction works, large scale infrastructure or public utility projects concerning public safety or public interests, and projects funded by the State or receiving state loans. No company or individual is permitted to evade the bidding process by splitting a project for which a bid must invited according to law or by any other means. A bid inviter may, in light of the various characteristics of a construction engineering project, conduct an overall bidding process for exploration and design; or conduct separate process in stages as required without prejudicing the integrity and continuity of the project.

INDUSTRY REGULATIONS

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

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

ENVIRONMENTAL PROTECTION

Pursuant to the PRC Environmental Protection Law (《中華人民共和國環境保護法》), which was promulgated on 26 December 1989 and amended on 24 April 2014, the environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The provincial governments and the local governments in autonomous regions and municipalities may also promulgate local standards for environmental protection on matters not specified under national standards, provided that local governments must report such standards to the relevant department of environmental protection administration under the State Council for record.

Pursuant to the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》), which was promulgated on 28 October 2002 and became effective on 1 September 2003, an entity undertaking any construction project must submit an environmental impact study report to the relevant government authority setting forth the impact that the proposed construction project may have on the environment and the measures to prevent or mitigate the impact prior to commencement of construction of the relevant project.

The State Council promulgated the PRC Law on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) on 5 September 1987 as amended on 29 August 2015, the PRC Law on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) on 11 May 1984 as amended on 28 February 2008, the PRC Law on the Prevention and Control of Noise Pollution (《中華人民共和國環境噪聲污染防治法》) on 29 October 1996 and the PRC Solid Waste Pollution Prevention and Control Law (《中華人民共和國固體廢物污染環境防治法》) on 30 October 1995 as amended on 24 April 2015. These laws set out the regulations governing the prevention and control of air, water, noise and waste pollution in order to protect and improve the environment, safeguard public health and promote economic and social development. In particular, they stipulate concrete requirements for prevention and control of air, water, noise and solid waste pollution for a variety of activities, including residential, industrial and commercial activities.

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

LABOUR LAW

Employment

The principal labour laws and regulations in the PRC include the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》), the Implementation Rules of the PRC Labour Contract Law (《中華人民共和國勞動合同法實施條例》).

Pursuant to the PRC Labour Law and the PRC Labour Contract Law, employers must enter into written labour contracts with employees in order to establish employment relationship. Employers must compensate their employees with wages in an amount equal to or above the local minimum wage standards, establish a labour safety and workplace sanitation system, strictly comply with state rules and standards and provide employees with appropriate training on workplace safety. Violations of the PRC Labour Contract Law and the PRC Labour Law may result in imposition of fines and other administrative liabilities, and incur criminal liabilities in the case of serious violations.

Social securities

The Chinese social security system basically comprised of five major types of social insurances, namely maternity insurance, endowment insurance, medical insurance, unemployment insurance and industrial injury insurance, and each company in the PRC is required to contribute social insurance for its employees. The Law of Social Insurance of PRC (《中華人民共和國社會保險法》) ("**The Social Securities Law**"), promulgated by the Standing Committee of the NPC, was promulgated on 28 October 2010 and came into force from 1 July 2011.

Under article 63 of the Social Securities Law, in the event any company fails to fully pay the social insurance premiums, relevant administration authority on social insurance premiums collection (the "**Administrator on Collection**") shall order such company to fully pay the outstanding social insurance premiums within a time limit, failing to do so, the Administrator on Collection is entitled to check its deposit account with banks or other financial institutions, and will order the opening bank of such company or other financial institutions in writing to settle the outstanding social insurance premiums with the money in such company's bank account subject to the decision of relevant administrative department on or above the state level. If the balance of the company's deposit account is lower than the amount of the social insurance premiums payable, Administrator on Collection is entitled to require such company to provide guarantee and enter into an agreement in relation to late payment of social insurance premiums. Provided such company fails to fully pay the social insurance premiums and has not provided any guarantee, Administrator on Collection is entitled to apply to the people's court to detrain, seal up and auction such company's property, and the income from the auction will be appropriated by Administrator on Collection to pay up the outstanding social insurance premiums.

Housing provident fund

According to the Regulation Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》), implemented since 3 April 1999 and amended on 24 March 2002, employers in the PRC must register with the housing provident fund management centre. Employers will then need to open housing fund accounts with specified banks for their employees and contribute to the fund at a rate of not less than 5% of the employee's average monthly salary in the previous year.

Any entity failing to make payment and deposit registration of housing provident fund or go through the formalities for opening housing provident fund account for its employees will be ordered by the housing provident management centre to process the foregoing within prescribed period, otherwise it will be imposed a fine ranged from RMB10,000 to RMB50,000. Any entity fails to make payment of housing provident fund within the time limit or have shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management centre is entitled to apply for compulsory enforcement with the people's court.

PRODUCTION SAFETY LAW

The principal law on work safety is the PRC Production Safety Law (《中華人民共和國安全生產法》) promulgated by the Standing Committee of the National People's Congress on 29 June 2002, as amended on 31 August 2014, effective on 1 December 2014. Pursuant to the PRC Production Safety Law, manufacturing companies should establish a control system for work safety and improve work conditions as provided by the Production Safety Law and relevant laws, administrative regulations and national standards or industrial specifications. Manufacturing companies that do not meet such standards or industrial specifications are not allowed to engage in manufacturing activities.

Violation of the PRC Production Safety Law will cause various penalties, including being ordered to take corrective actions within a specified time, suspension of business, confiscation of illegal proceeds and payment of fine in accordance with the particular circumstances. In serious circumstances, business licenses will be revoked or criminal offences will be charged. Enterprises and persons directly responsible for the offences may be subject to criminal liability.

PRODUCT QUALITY LAW

The PRC Product Quality Law (《中華人民共和國產品質量法》) was promulgated by the Standing Committee of the National People's Congress on 22 February 1993 and amended on 27 August 2009. Under the PRC Production Quality Law, industrial products that impose possible health or safety threats to human being or property must comply with relevant national and industry standards. Production and sale of industrial products that are inconsistent with such standards and requirements are prohibited. The State Council is authorised to promulgate specific administrative measures with respect to the matter.

Violations of the Product Quality Law will result in various penalties, including being ordered to take corrective actions within a specified time, suspension of business, confiscation of illegal proceeds and payment of fine in accordance with the particular circumstances. In serious circumstances, business licenses will be revoked and criminal offences will be charged. Enterprises and persons directly responsible for the offences may be subject to criminal liability.

INTELLECTUAL PROPERTY

Patent law

In accordance with the PRC Patent Law (《中華人民共和國專利法》) promulgated on 12 March 1984, amended by the Standing Committee of the National People's Congress on 27 December 2008 and became effective on 1 October 2009, the patent administration division of the State Council shall be responsible for the patent administration throughout the PRC, and shall accept and examine patent applications and grant patent rights in accordance with laws. The patent administration department of the people's governments of provinces, autonomous regions or municipalities shall be responsible for the patent administration within their respective own jurisdictions.

The Chinese patent system adopts a "first-to-file" principle, which means that, where more than one person files a patent application for the same invention, a patent will be granted to the person who first filed the application. In addition, the PRC requires absolute novelty in order for an invention to be patentable. Pursuant to this requirement, any written or oral publication, demonstration or use prior to the filing of the patent application prevents an invention from being patented in the PRC. Generally, only one patent right will be granted for each invention-creation. However, if an applicant applies for both the invention patent and utility-model patent for one invention creation on the same day, and the applicant waives a previously granted utility-model patent right, then a patent for invention may be granted to the applicant.

The patent right for inventions shall be valid for 20 years, and the patent right for utility models and designs shall be valid for 10 years, in both case from the initial filing date of the patent application.

Trademark law

In accordance with the PRC Trademark Law (《中華人民共和國商標法》) promulgated on 23 August 1982, amended by the Standing Committee of the National People's Congress on 30 August 2013 and effective on 1 May 2014, the Trademark Office of the administrative department for industry and commerce under the State Council shall be responsible for the registration and administration of trademarks in the PRC. The administrative department for industry and commerce under the State Council has established a Trademark Review and Adjudication Board to be responsible for handling trademark disputes. Any individual, legal person or other entity that needs to acquire the right to exclusive use of a trademark for the commodities produced, manufactured, processed, selected or marketed shall apply to the Trademark Office for trademark registration.

Like patents, the PRC has adopted a "first-to-file" principle with respect to trademarks. If two or more applicants apply for registration of identical or similar trademarks for the same or similar commodities, the application that was first filed would receive preliminary approval and public announcement. For applications that were filed on the same day, the trademark that was first used shall obtain preliminary approval and shall be publicly announced.

Registered trademarks shall be valid for 10 years from the date when the registration is approved. If a registrant needs to continue to use the registered trademark after its expiration, an application for registration renewal shall be made within six months before the expiration date. If the registrant fails to apply in a timely manner, a grace period of an additional six months may be granted. If no application has been filed before the grade period expires, the registered trademark shall be deregistered. Each renewal of registration shall be valid for 10 years.

Domain names

Pursuant to the Measures for the Administration of Internet Domain Names of China(《中國互聯網絡域名管理辦法》) on 5 November 2004 and came into effect on 20 December 2014, the MIIT is in charge of the administration of the PRC Internet domain names. The domain name services follow a "first-to-register" principle. An applicant for domain name registration shall submit truthful, accurate, and complete domain name registration information, and sign a user registration agreement with the relevant domain name registration service agency. The applicants will become the holder of such domain names upon the completion service agency. The applicants will become the holder of such domain names upon the completion of the registration procedure.

SUPERVISION AND ADMINISTRATION OVER FOREIGN EXCHANGE

According to the PRC Regulations on the Control of Foreign Exchange (《中華人民共和國外匯管理條例》), which were promulgated by the State Council on 29 January 1996, amended on 14 January 1997 and 1 August 2008, and came into effect on 5 August 2008, foreign exchange receipts of domestic institutions or individuals may be transferred to the PRC or deposited abroad; the conditions for transfer to the PRC or overseas deposit, time limit and other details will be specified by the foreign exchange control department of the State Council. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaging in the settlement of foreign exchange in accordance with relevant regulations. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of the State. Accordingly, domestic institutions or individuals that make direct investments abroad or are engaging in the overseas distribution or trade of valuable securities or derivative products should register according to the provisions of the foreign exchange control department of the State Council. Relevant institutions or individuals should submit relevant documentation for examination and approval or for record-filing prior to foreign exchange registration, if they are required to file with, or receive approval from, the competent administration departments in advance as required by the State. However, no prior approval from the SAFE is required for a foreign invested enterprise to convert after-tax dividends into foreign exchange and to remit abroad such foreign exchange from their bank accounts in the PRC. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

SAFE Circular No. 37

The Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in the Investment and Financing and Round-trip Investment Conducted by the PRC Residents via Special Purpose Vehicles (SAFE Circular No. 37) (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) to supersede the Notice on the Administration of Foreign Exchange Involved in the Financing and Round-trip Investment Conducted by the PRC Residents via Offshore Special Purpose Vehicles (SAFE Circular No. 75) (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) and its appendices were promulgated and became effective on 4 July 2014.

According to SAFE Circular No. 37, a "Special purpose vehicle" (the "**SPV**") refers to an overseas company directly established or indirectly controlled by a domestic resident (including domestic institutions and domestic individual residents) for the purpose of engaging in investment and financing with assets or interests which the domestic entity legally holds, or with the overseas assets or interests it legally holds.

"Round-trip investments" refer to direct investment activities carried out within the territory of the PRC by a domestic resident directly or indirectly via a special purpose vehicle, i.e., establishing a foreign-invested company or project (collectively the "**foreign-invested company**") within the territory of the PRC through new establishment, merger, acquisition or otherwise, and obtaining ownership, control, operation and management and other rights and interests.

"Domestic institutions" refer to companies, public institutions, legal persons or other economic organisations legally established within the territory of the PRC. A "domestic individual resident" refers to a Chinese citizen who holds a Chinese domestic resident, military or Armed Police ID card, as well as any overseas individual who has no legal identity within the territory of the PRC but habitually resides within the territory of the PRC for reasons of economic interest. "Control" refers to the rights to carry out the business operations of, or to gain proceeds from or to make decisions on behalf of, a special purpose vehicle by means of acquisition, trusteeship, holding shares on behalf of others, voting rights, repurchase, convertible bonds, etc.

Pursuant to the SAFE Circular No. 37, the PRC individual residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments. SAFE Circular No. 37 also requires the PRC residents to file changes to their registration where their offshore special purpose vehicles undergo material events such as the change of basic information including the PRC residence, name and operation period, as well as capital increase or decrease, share transfer or exchange, merger or division.

According to Item 10 "The Registration of the Special Purpose Vehicles by PRC Resident Individuals," Appendix 1 "Operating Guidelines for Businesses Involved in the Foreign Exchange Administration of Round-trip Investment" of SAFE Circular No. 37, the PRC individual residents shall only register the (first layer) SPV directly established or controlled by the applicant.

SAFE Circular No. 13

Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (SAFE Circular No. 13) (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) was promulgated on 13 February 2015 and became effective on 1 June 2015.

Foreign exchange registration for domestic direct investment and foreign exchange registration for overseas direct investment will be directly reviewed and handled by banks in accordance with SAFE Circular No. 13 and the Operating Guidelines for Direct Investment-related Foreign Exchange Business (《直接投資外匯業務操作指引》) (which is the appendix to SAFE Circular No. 13), and SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via the aforementioned banks.

To improve the efficiency on foreign exchange management, the SAFE has cancelled (a) confirmation of foreign exchange registration under domestic direct investment and confirmation of foreign exchange registration under overseas direct investment; (b) registration for confirmation of the non-cash capital contribution of foreign investors under domestic direct investment and the registration for confirmation of the capital contribution made by foreign investors for acquisition of the equity interests of the Chinese side; (c) filling of overseas re-investment; and (d) annual inspection on direct investment foreign exchange.

SAFE Circular No. 16

Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (SAFE Circular No. 16) (《國家外匯管理局關於改革和規範資本專案結匯管理政策的通知》) was promulgated and became effective on 9 June 2016.

Discretionary settlement of foreign exchange capital of domestic companies refers to that foreign exchange capital in the capital account of domestic companies (including foreign exchange capital, debt capital, and repatriation of IPO proceeds, as explicitly permitted by relevant policies) can be settled at the banks based on the actual operating needs of the companies. The proportion of discretionary settlement of foreign exchange capital for domestic companies is temporarily set at 100%.

Capital by domestic companies should only be used for legitimate operating needs within the business scope and as permitted by laws and regulations. The capital of domestic companies and capital in RMB obtained through foreign exchange settlement should not be used for the following purposes:

(1) directly or indirectly used for payments outside the business scope or for payments prohibited under relevant laws and regulations;

(2) directly or indirectly used for investment in securities or for investment in financing products other than principle guaranteed products provided by banks, unless otherwise provided by laws and regulations;

(3) used for granting loans to non-related enterprises, unless permitted by the scope of business; and

(4) used for constructing or purchasing of real estate that is not for self-use, unless such company is a real estate company.

MERGERS AND ACQUISITIONS

On 8 August 2006, MOFCOM, together with SASAC, SAT, SAIC, CSRC and SAFE issued the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**Circular No. 10**" or the "**M&A Rules**"), which became effective on 8 September 2006 and were amended on 22 June 2009. A merger and acquisition under the M&A Rules can be either an equity merger and acquisition or an asset merger and acquisition.

An equity merger and acquisition is a merger and acquisition of equity interest in a PRC domestic company or the subscription of registered capital of a PRC domestic company by foreign investors for the purpose of converting such PRC domestic company into a foreign-invested company.

An asset merger and acquisition is a merger and acquisition of a domestic PRC company's assets (i) by a foreign-invested company for the purpose of controlling such assets and using them in business operations or (ii) by foreign investors, through contract, in order to establish a foreign-invested company for the purpose of conducting business operations.

According to the Circular No. 10, where a domestic company, enterprise or natural person intends to merger with or acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls, the merger or acquisition shall be subject to the examination and approval of the MOFCOM; and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose vehicle, any overseas listing of that special purpose vehicle shall be subject to approval by the CSRC.

DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises include the PRC Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法》), which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Rules on the PRC Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法實施細則》), which was promulgated by the State Council on 12 December 1990 and amended on 12 April 2001 and 19 February 2014.

Under these regulations, wholly foreign-owned enterprises in the PRC may pay dividends only out of their accumulated profits, if any, and as determined in accordance with the PRC GAAP and regulations. In addition, wholly foreign-owned enterprises in the PRC are required to set aside at least 10% of their after-tax profit based on the PRC GAAP each year to its statutory reserve fund until the accumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a wholly foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds, which may not be distributed to equity owners except in the event of liquidation.

TAX

Enterprise income tax

According to the EIT Law, which was promulgated by the NPC on 16 March 2007 and came into effect on 1 January 2008, and the Implementation Regulations of EIT Law (《企業所得稅法實施條例》), which was promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008, a uniform income tax rate of 25% applies to all PRC companies, foreign-invested companies and foreign companies which have established production and operation facilities in the PRC. These companies are classified as either resident companies or non-resident companies. Under the EIT Law, enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC are considered "resident enterprises" and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. Also, the Implementation Measures of EIT Law defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises". Certain high and new technology enterprises are entitled to a reduced enterprise income tax rate of 15%. According to the Administrative Measures for the Determination of High and New Technology Enterprise (《高新技術企業認定管理辦法》) issued by Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation on 29 January 2016 and came into effect from 1 January 2016 superseding the old version issued on 14 April 2008, a company that is to be recognized as a High and New Technology Enterprise shall meet certain criteria. Once an enterprise obtains the high and new technology enterprise qualification, it may apply for the tax reduction or exemption to the competent tax authorities.

According to the Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), which was promulgated by SAT on 21 August 2006 and came into effect on 21 August 2006, a company incorporated in Hong Kong will be subject to withholding tax at the lower rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% interest or more in the PRC company. According to the Notice on the Understanding and Identification of the Beneficial Owners in the Tax Treaty (《關於如何理解和認定稅收協議中"受益所有人"的通知》) (國稅函[2009]601號), which was promulgated by SAT and became effective on 27 October 2009, a beneficial ownership analysis will be used based on a substance-over-form principle to determine whether or not to grant tax treaty benefits.

Tax for overseas indirect transfer of the PRC equity interests

On 3 February 2015, the SAT issued the Announcement on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**Circular 7**"). According to the Circular 7, where a non-resident enterprise indirectly transfers equities and other properties of a Chinese resident enterprise to evade its obligation of paying enterprise income tax by implementing arrangements that are not for bona fide commercial purpose, such indirect transfer shall, in accordance with the provisions of Article 47 of the EIT Law, be reidentified and recognised as a direct transfer of equities and other properties of the Chinese resident enterprise.

The indirect transfer of Chinese taxable property refers to the transaction which produces a result identical or substantially similar to direct transfer of Chinese taxable property by a non-resident enterprise through transfer of equities and other similar interests (the "**Equities**") of foreign enterprises directly or indirectly holding Chinese taxable properties (excluding Chinese resident enterprises registered outside the PRC) (the "**Foreign Enterprises**"), including changes in Foreign Enterprises' shareholders due to restructuring of the non-resident enterprise. A non-resident enterprise indirectly transferring Chinese taxable property is known as an equity transferor. Where the proceeds from indirect transfer of real estate or equities are subject to enterprise income tax according to the Notice, the entity or individual that has the direct liability for the relevant payment obligation to the equity transferor according to the relevant laws and regulations or contracts shall be identified as the withholding agent. Where the withholding agent fails to withhold the tax due or withhold the tax due in full, the equity transferor shall declare to the competent tax authority for payment of such tax within seven days after the tax payment obligation comes into being, and shall provide information relevant to the calculation of equity transfer income and tax.

Value-added tax

According to the Announcement of the State Administration of Taxation on Matters relating to Tax Levying and Administration concerning the Comprehensive Promotion of the Pilot Collection of Value-added Tax in lieu of Business Tax (the "**Announcement No. 23**") (《國家稅務總局關於全面推開營業稅改徵增值稅試點有關稅收徵收管理事項的公告》), which was promulgated on 4 April 2016 and became effective on 1 May 2016, the declaration period for value-added tax for June 2016 is extended to 27 June 2016, so as to ensure the completion of the first declaration; provincial offices of the SAT may appropriately extend the period for the final settlement of enterprise income tax in 2015, to the extent of no later than 30 June 2016. The Announcement No. 23 also specifies that the annual taxable sales amount from taxable actions conducted by a taxpayer included in the pilot program before the implementation thereof shall be calculated at the following formula: annual taxable sales amount from taxable actions = total turnover from taxable actions within a period no longer than 12 consecutive months/(1 + 3%); for taxpayers included in the pilot program subject to business tax at the difference according to the existing provisions on business tax, their turnover from taxable actions shall be calculated at the amount before deduction; and the contingent turnover from transfer of real estate by a taxpayer included in the pilot program before the implementation thereof will not be included in the annual taxable sales amount from taxable actions.

HISTORY AND DEVELOPMENT

The history of our Group can be traced back to April 2005 when the Yu Family first obtained control of the entire equity interests in Nanfang Communication, one of our PRC operating subsidiaries. Immediately before the Yu Family obtaining control of the entire equity interests in Nanfang Communication, the paid up registered capital of Nanfang Communication was RMB50 million. Nanfang Communication was then owned as to 90% by the Rural Committee of Luodong (洛東村委會) of Jiangsu Province, the PRC, a collective organisation set up by villagers in the countryside to promote economic development and administer social welfare of the villagers and 10% by Mr. Yu. Mr. Yu has been acting as the legal representative of Nanfang Communication since its establishment and a director of Nanfang Communication since 1998. His capital contribution of RMB5 million, representing 10% of the registered capital of Nanfang Communication, was funded by his own financial resources.

In April 2005, the Rural Committee of Luodong (洛東村委會) of Jiangsu Province, the PRC entered into an equity transfer agreement with each of Mr. Yu, Ms. Yu and Ms. Yu RP for the transfer of its 70%, 10% and 10% equity interests in Nanfang Communication to Mr. Yu, Ms. Yu and Ms. Yu RP respectively at the consideration of RMB35 million, RMB5 million and RMB5 million, which were determined based on the then paid up registered capital of Nanfang Communication in the amount of RMB50 million. Since then, the Yu Family had taken control of the entire equity interests in Nanfang Communication. As a result of the said transfer, Mr. Yu increased his equity interests in Nanfang Communication to 80% and each of Ms. Yu and Ms. Yu RP, the daughters of Mr. Yu, held 10% equity interests in Nanfang Communication. The Yu Family decided to take up the entire equity interests in Nanfang Communication because they were confident about the future potential of the optical fibre cable business of Nanfang Communication and intended to develop it into their family business after Mr. Yu and Ms. Yu gained knowledge and experience in the optical fibre cable industry.

In view of the increasing demand for our optical fibre cable products, in addition to Wu Jin Factory which is held by Nanfang Communication, Jin Tan Factory, being our second production base which was established by Yingke, one of our PRC operating subsidiaries, started trial production of optical fibre cables in the fourth quarter of 2015.

The table below sets out some of our major events and milestones in the development of our business:

Year	Events
April 2005	The Yu Family first obtained control of the entire equity interests in Nanfang Communication, one of our PRC operating subsidiaries
Since March 2007	We have been shortlisted as a supplier of all the Major PRC Telecommunications Network Operators

Year	Events
June 2010	We were recognised as a high and new technology enterprise (高新技術企業)
November 2011	We were recognised as one of the provincial recognised enterprise technical centres (省認定企業技術中心)
June 2013	We partnered with Hengtong to establish Nanfang Optic which principally engages in the production of optical fibres
Fourth quarter of 2015	We increased our production capacity of optical fibre cables through the establishment of Jin Tan Factory, our second production base, which started trial production of optical fibre cables

CORPORATE DEVELOPMENT

As at the Latest Practicable Date, our Group comprised our Company, Century Planet, Nanfang Hong Kong, Changzhou Delong, Nanfang Communication and Yingke. We underwent the Reorganisation for the purpose of the Global Offering, further details of which are set out in the paragraph headed "Reorganisation" below.

Our Group

The table below sets out some brief details of our Company and its subsidiaries as at the Latest Practicable Date:

Entity	Date of incorporation/ establishment	Place of incorporation/ establishment	Amount of registered capital/issued share capital	Amount of paid up capital	Principal activities
Our Company	10 May 2016	Cayman Islands	HK$380,000	HK$0.10	Investment holding
Century Planet	4 January 2016	BVI	US$50,000	US$1	Investment holding
Nanfang Hong Kong	10 March 2016	Hong Kong	HK$10,000	HK$10,000	Investment holding
Changzhou Delong	16 May 2016	PRC	US$17 million	RMB113.3 million(1)	Research and development of communication devices and accessories, technology consultation and transfer of technology
Nanfang Communication	27 July 1992	PRC	RMB308.9 million	RMB222.2 million(2)	Manufacturing and sale of optical fibre cables
Yingke	8 August 2013	PRC	RMB10 million	RMB10 million	Manufacturing and sale of optical fibre cables

Notes:

1. According to the articles of association of Changzhou Delong, the registered capital of Changzhou Delong is required to be fully paid up within three years from 16 May 2016.

2. According to the articles of association of Nanfang Communication, the registered capital of Nanfang Communication is required to be fully paid up in phases by 22 June 2041.

Nanfang Optic

In June 2013, we partnered with Hengtong to establish Nanfang Optic which principally engages in the production of optical fibres, a major type of raw materials for the production of optical fibre cables. For further details on Nanfang Optic, please refer to the paragraph headed "Business – Establishment of Nanfang Optic" of this prospectus. At the time of its establishment, Nanfang Optic was held as to 49% by Nanfang Communication, our indirect wholly owned subsidiary and 51% by Hengtong, an Independent Third Party. The table below sets out some brief details of Nanfang Optic as at the Latest Practicable Date:

Entity	Date of establishment	Place of establishment	Amount of registered capital/issued share capital	Amount of paid up capital	Principal activities	Equity interest attributable to our Group
Nanfang Optic	19 June 2013	PRC	RMB150 million	RMB150 million	Manufacturing of optical fibres	49%

Note: As at the Latest Practicable Date, Nanfang Optic was held as to 49% by Nanfang Communication, 47% by Hengtong and 4% by Suzhou Saitong Advanced Materials Company Limited (蘇州賽通新材料有限公司), both of which are Independent Third Parties.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 May 2016. At the time of its incorporation, the initial authorised share capital of our Company was HK$380,000 divided into 380,000,000 Shares of HK$0.001 each. Please refer to the paragraph headed "Statutory and general information – A. Further information about our Group – 2. Changes in the share capital of our Company" of this prospectus for further details of the changes in our Company's share capital.

Century Planet

On 4 January 2016, Century Planet was incorporated as an investment holding company in the BVI with limited liability. The number of authorised shares of Century Planet is 50,000 shares of US$1.00 each. On 25 February 2016, one share in Century Planet was allotted and issued to Ms. Lo Moon Fong ("**Ms. Lo**"), our company secretary and finance manager. On 17 June 2016, Ms. Lo transferred the entire issued share capital of Century Planet to our Company at the consideration of US$1, being the nominal amount of the share in Century Planet held by Ms. Lo. The consideration was fully settled in cash on 17 June 2016. As a result, Century Planet became a direct wholly owned subsidiary of our Company on 17 June 2016.

Nanfang Hong Kong

Nanfang Hong Kong is an investment holding company which was incorporated in Hong Kong on 10 March 2016. Its authorised share capital was HK$10,000 divided into 10,000 shares of HK$1 each. On the date of its incorporation, 10,000 shares in Nanfang Hong Kong were allotted and issued to Century Planet at a total subscription price of HK$10,000. As a result, Nanfang Hong Kong became wholly owned by Century Planet.

Changzhou Delong

Changzhou Delong is a wholly foreign owned enterprise established in the PRC on 16 May 2016. As at the date of its establishment, the registered capital of Changzhou Delong was US$1.0 million. On 29 August 2016, the registered capital of Changzhou Delong was increased to US$17.0 million. As at the Latest Practicable Date, the paid up registered capital of Changzhou Delong was approximately RMB113.3 million. Changzhou Delong has been wholly owned by Nanfang Hong Kong since its establishment. The business scopes of Changzhou Delong include research and development of communication devices and accessories, technology consultation and transfer of technology.

Nanfang Communication

Nanfang Communication was established in the PRC on 27 July 1992. Immediately before the Yu Family obtaining control of the entire equity interests in Nanfang Communication, the paid up registered capital of Nanfang Communication was RMB50 million. Nanfang Communication was then owned as to 90% by the Rural Committee of Luodong (洛東村委會) of Jiangsu Province, the PRC and 10% by Mr. Yu.

In April 2005, the Rural Committee of Luodong (洛東村委會) of Jiangsu Province, the PRC entered into an equity transfer agreement with each of Mr. Yu, Ms. Yu and Ms. Yu RP for the transfer of its 70%, 10% and 10% equity interests in Nanfang Communication to Mr. Yu, Ms. Yu and Ms. Yu RP respectively at the consideration of RMB35 million, RMB5 million and RMB5 million, which were determined based on the then paid up registered capital of Nanfang Communication in the amount of RMB50 million. The consideration was fully settled in cash and the transfer was completed in April 2005. Since then, the Yu Family had taken control of the entire equity interests in Nanfang Communication. As a result of the said transfer, Mr. Yu increased his equity interests in Nanfang Communication to 80% and each of Ms. Yu and Ms. Yu RP, the daughters of Mr. Yu, held 10% equity interests in Nanfang Communication.

By 2007, the paid up registered capital of Nanfang Communication was RMB108.9 million. The equity interests in Nanfang Communication were held as to 10% by Ms. Yu, 10% by Ms. Yu RP and 80% by Mr. Yu.

In November 2011, Mr. Yu transferred (i) 50% of his equity interests in Nanfang Communication to Ms. Yu at the consideration of RMB54.45 million; and (ii) 20% of his equity interests in Nanfang Communication to Ms. Yu RP at the consideration of RMB21.78 million. The consideration was determined based on the then paid up registered capital of Nanfang

Communication in the amount of RMB108.9 million and the consideration was fully settled in cash and the transfer was completed in December 2011. As a result of the said transfer, each of Mr. Yu, Ms. Yu and Ms. Yu RP was interested in 10%, 60% and 30% equity interests in Nanfang Communication.

In February 2012, Ms. Yu transferred 30% of her equity interests in Nanfang Communication to Mr. Shi at the consideration of RMB32.67 million. The consideration was determined based on the then paid up registered capital of Nanfang Communication in the amount of RMB108.9 million and the consideration was fully settled in cash and the transfer was completed in March 2012. Following the transfer, Nanfang Communication was owned as to 30% by Mr. Shi, 30% by Ms. Yu, 30% by Ms. Yu RP and 10% by Mr. Yu.

On 19 November 2014, the registered capital of Nanfang Communication was increased from RMB108.9 million to RMB398.9 million. Subsequent to the increase in the registered capital, Nanfang Communication remained to be held as to 30% by Mr. Shi, 30% by Ms. Yu, 30% by Ms. Yu RP and 10% by Mr. Yu. The amount of increase in the registered capital, being RMB290 million, had not been paid up up to and prior to the Reorganisation. For further details of the change in registered capital and paid up capital of Nanfang Communication pursuant to the Reorganisation, please refer to the paragraph headed "Reorganisation – Change in the registered capital of Nanfang Communication and acquisition of the entire equity interests in Nanfang Communication by Changzhou Delong" below in this section.

Nanfang Communication principally engages in the manufacture and sale of optical fibre cables and is the owner of Wu Jin Factory.

Yingke

Yingke was established in the PRC on 8 August 2013 with an initial registered capital of RMB100 million. At the time of its establishment, the equity interests of Yingke were held as to 95% by Nanfang Communication and 5% by Mr. Shi. Its registered capital was fully paid up by Nanfang Communication and Mr. Shi in October 2013.

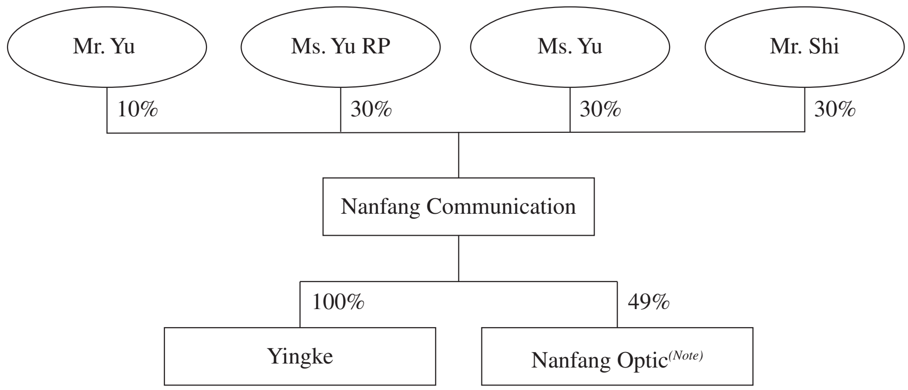
On 28 July 2015, the paid up registered capital of Yingke was decreased to RMB10 million by way of capital reduction from Nanfang Communication and Mr. Shi in the aggregate amount of RMB90 million which was released in July 2015. Immediately after the decrease in the paid up registered capital, Yingke was held as to 95% by Nanfang Communication and 5% by Mr. Shi.

On 31 August 2015, Mr. Shi transferred to Nanfang Communication his entire equity interests in Yingke for a consideration of RMB0.5 million. The consideration was determined based on the then paid up registered capital of Yingke in the amount of RMB10 million and the consideration was fully settled in cash and the transfer was completed on 9 September 2015. Upon completion of the said transfer and prior to the Reorganisation, Yingke became wholly owned by Nanfang Communication.

Yingke principally engages in the manufacture and sale of optical fibre cables and is the owner of Jin Tan Factory.

REORGANISATION

The shareholding and group structure of our Group, together with Nanfang Optic prior to our Reorganisation is as follows:



Note: As at the Latest Practicable Date, Nanfang Optic was owned as to 49% by Nanfang Communication, 47% by Hengtong and 4% by Suzhou Saitong Advanced Materials Company Limited (蘇州賽通新材料有限公司), both of which are Independent Third Parties.

Our Group underwent the Reorganisation prior to Listing which involved the following steps:

Incorporation of Century Planet

On 4 January 2016, Century Planet was incorporated in the BVI with limited liability with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 25 February 2016, one share in Century Planet was allotted and issued to Ms. Lo, our company secretary and finance manager. As a result, Ms. Lo was interested in the entire issued share capital of Century Planet.

Incorporation of Nanfang Hong Kong

Nanfang Hong Kong was incorporated in Hong Kong on 10 March 2016 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each. On the date of its incorporation, 10,000 shares in the Nanfang Hong Kong were allotted and issued to the Century Planet at a total subscription price of HK$10,000. As a result, Nanfang Hong Kong became wholly owned by Century Planet.

Incorporation of our Company and its acquisition of the entire issued capital of Century Planet

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 May 2016. At the time of its incorporation, the initial authorised share capital of our Company was HK$380,000 divided into 380,000,000 Shares of HK$0.001 each.

On date of its incorporation, one Share was allotted and issued, fully paid, to the initial subscriber, who then on the same day transferred that one Share to Pacific Mind, and additional 99 Shares were allotted and issued, fully paid, to Pacific Mind, our Controlling Shareholder.

On 17 June 2016, Ms. Lo transferred her entire equity interest in Century Planet to our Company at the consideration of US$1, being the nominal amount of the share in Century Planet held by Ms. Lo. The consideration was fully settled in cash on 17 June 2016. As a result, Century Planet became a direct wholly owned subsidiary of our Company and Nanfang Hong Kong became an indirect wholly owned subsidiary of our Company on 17 June 2016.

Establishment of Changzhou Delong

Changzhou Delong is a wholly foreign owned enterprise established in the PRC on 16 May 2016. As at the date of its establishment, the registered capital of Changzhou Delong was US$1.0 million. Changzhou Delong has been wholly owned by Nanfang Hong Kong since its establishment.

Change in the registered capital of Nanfang Communication and acquisition of the entire equity interests in Nanfang Communication by Changzhou Delong

On 17 June 2016, the paid up registered capital of Nanfang Communication was decreased to RMB10 million by way of capital reduction in the aggregate amount of RMB98.9 million of the paid up registered capital. Immediately after the decrease in the paid up registered capital, Nanfang Communication was held as to 30% by Mr. Shi, 30% by Ms. Yu, 30% by Ms. Yu RP and 10% by Mr. Yu.

On 23 June 2016, the registered capital of Nanfang Communication was increased to RMB308.9 million. Immediately after the increase in the registered capital, Nanfang Communication was held as to 96.76% by Changzhou Delong, 0.97% by Mr. Shi, 0.97% by Ms. Yu, 0.97% by Ms. Yu RP and 0.33% by Mr. Yu. As at the Latest Practicable Date, the remaining RMB86.7 million of the registered capital of Nanfang Communication was not paid up.

On 25 June 2016, pursuant to an equity transfer agreement amongst Mr. Shi, Ms. Yu, Ms. Yu RP and Mr. Yu and Changzhou Delong, each of Mr. Shi, Ms. Yu, Ms. Yu RP and Mr. Yu transferred to Changzhou Delong their respective equity interests in Nanfang Communication for a consideration of RMB3 million, RMB3 million, RMB3 million and RMB1 million respectively. The consideration was determined based on the paid up registered capital of Nanfang Communication in the amount of RMB10 million and it was fully settled in cash and the transfer was completed in June 2016. Subsequent to the transfer, Nanfang Communication became a direct wholly owned subsidiary of Changzhou Delong and an indirect wholly owned subsidiary of Pacific Mind which was then wholly owned by the Yu Family.

Acquisition of the entire equity interests in Yingke by Changzhou Delong

On 27 June 2016, pursuant to an equity transfer agreement between Nanfang Communication and Changzhou Delong, Nanfang Communication transferred to Changzhou Delong its equity interests in Yingke for a consideration of RMB10 million. The consideration was determined based on the paid up registered capital of Yingke in the amount of RMB10 million and it was fully settled in cash and the transfer was completed in June 2016. Subsequent to the transfer, Yingke became a direct wholly owned subsidiary of Changzhou Delong.

Upon completion of the Reorganisation in June 2016, our Company became the holding company of our Group.

CONCERT PARTIES CONFIRMATORY DEED

On 17 June 2016, Ms. Yu, Mr. Shi, Ms. Yu RP and Mr. Yu entered into the Concert Parties Confirmatory Deed to acknowledge and confirm:

(a) among each of them that they are parties acting in concert of the relevant member of our Group (collectively the "**Relevant Companies**") since the date they all became the shareholders of such Relevant Company and continue as at and after the date of the Concert Parties Confirmatory Deed. Mr. Shi confirmed that he will not participate in the voting in Shareholders' meetings unless he will hold any Share(s) in the future;

(b) the Yu Family shall give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of the Relevant Companies including, but not limited to, their financing and operating activities;

(c) the Yu Family shall cast unanimous vote collectively for or against all resolutions in all meetings and discussions of the Relevant Companies; and

(d) they shall cooperate with each other to obtain and maintain the collective control and the management of the Relevant Companies.

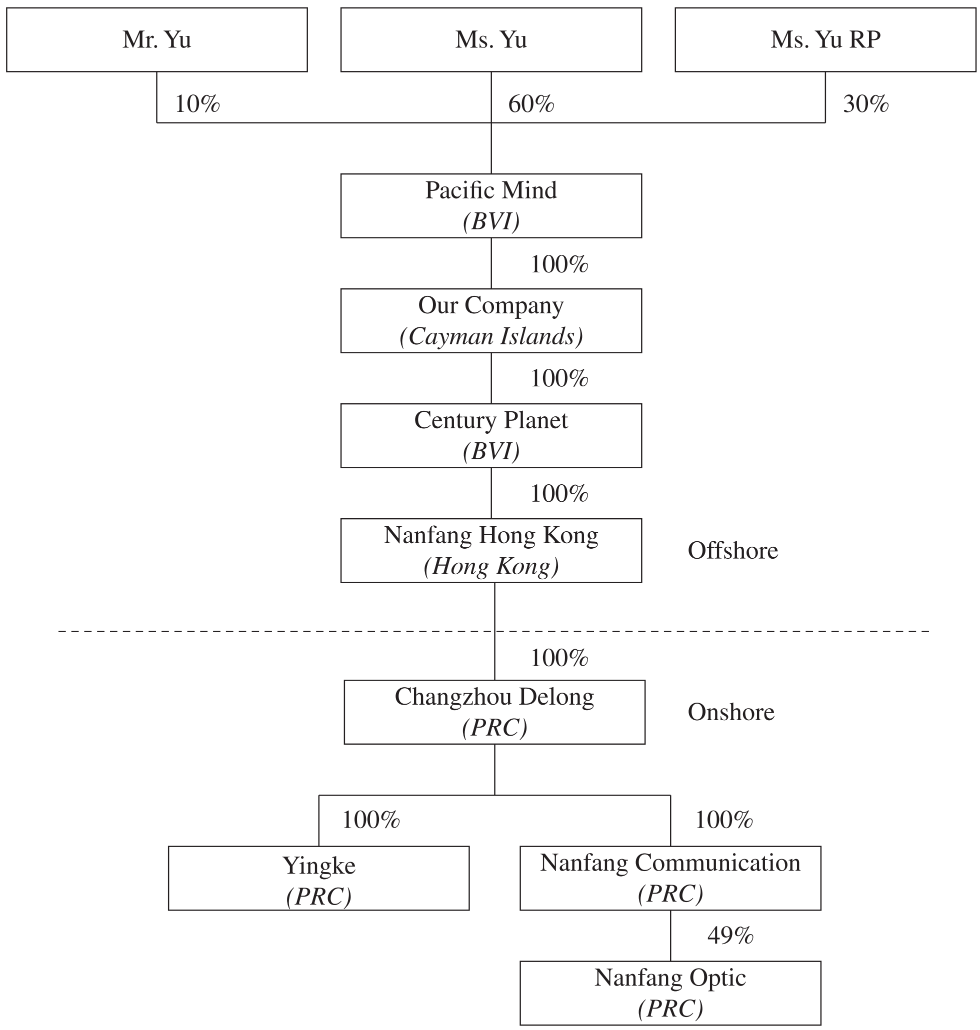
The business of our Group has been operated and managed by the Yu Family with the participation of Mr. Shi since 2007 and he was a shareholder of Nanfang Communication between February 2012 and prior to completion of the Reorganisation in late June 2016. Mr. Shi confirmed with the Yu Family in writing that while Mr. Shi was a shareholder of Nanfang Communication prior to the Reorganisation, he acted in accordance with the instructions of the Yu Family for the voting decisions in respect of his shares in Nanfang Communication and as such, Ms. Yu, Mr. Shi, Ms. Yu RP and Mr. Yu then voted in the same direction in the shareholders' meeting of Nanfang Communication.

Mr. Shi also confirmed in writing that in the event that he owns any Shares in the future, he shall continue to act in accordance with the instructions of the Yu Family for such voting decisions in respect of these Shares.

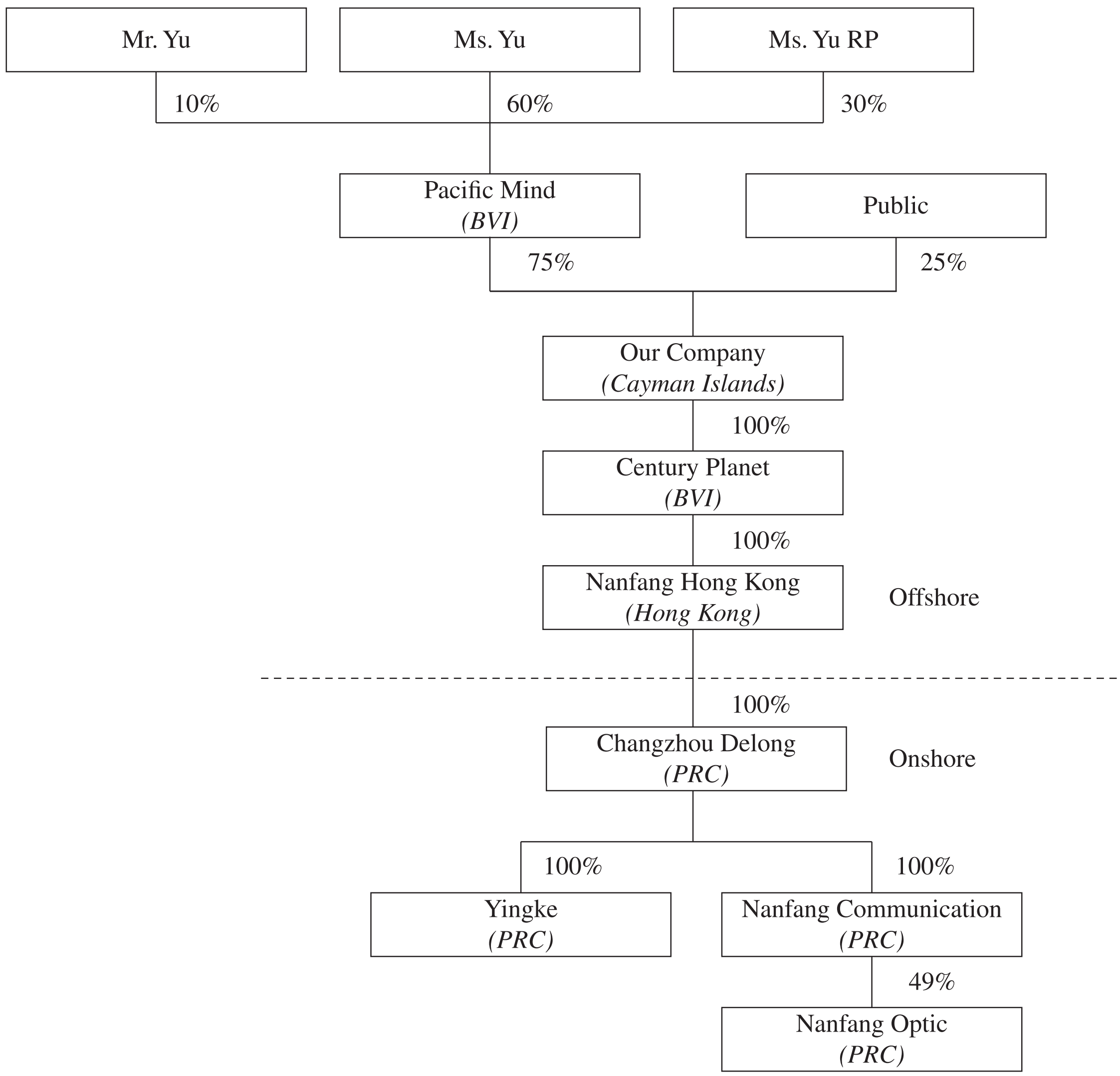
Although Mr. Shi acted in accordance with the instructions of the Yu Family at the shareholders' meetings of Nanfang Communication in respect of his Shares in Nanfang Communication prior to completion of the Reorganisation, Mr. Shi shall cast vote in his capacity as a director of each of our Company and its subsidiaries, namely, Century Planet, Nanfang Hong Kong, Changzhou Delong and Yingke, at the board of directors' meetings of the relevant companies.

CORPORATE AND SHAREHOLDING STRUCTURE

The following chart shows the shareholding structure of our Company immediately after the Reorganisation but before completion of the Capitalisation Issue and the Global Offering:



The following chart shows the shareholding structure of our Company immediately following completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised at all):



Each of the acquisitions and equity transfers pursuant to the Reorganisation has been properly and legally completed and settled, including all applicable regulatory approvals having been obtained.

M&A RULES

According to Article 2 of the Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), which was jointly promulgated by six ministries and commissions, including MOFCOM, China Securities Regulatory Commission (the "**CSRC**") and SAFE, implemented on 8 September 2006 and amended on 22 June 2009 by MOFCOM, "mergers and acquisitions of domestic enterprises by foreign investors" referred to in the M&A Rules shall mean that a foreign investor purchases the equity interest of a shareholder in a domestic non-foreign-invested enterprise ("**domestic company**") or subscribes for increased capital of a domestic company so as to convert such domestic company into a foreign-invested enterprise ("**merger and acquisition of equity interest**"); or a foreign investor establishes a foreign-invested enterprise, through which it purchases and operates the assets of a domestic enterprise by agreement, or a foreign investor purchases the assets of a domestic enterprise by agreement and then invests such assets to establish a foreign-invested enterprise and operates the assets ("**merger and acquisition of assets**").

According to Article 11 of the M&A Rules, the merger and acquisition of a domestic company ("**target company**") by an overseas company legitimately incorporated or controlled by a domestic company, enterprise or individual that has a related party relationship with the target company, shall be subject to examination and approval by MOFCOM. The parties involved shall not use domestic investment by foreign invested enterprises or other methods to circumvent the aforesaid requirements.

The procedures in connection with the onshore Reorganisation for the purpose of the Listing are as follows:

1. The establishment of Changzhou Delong, which is a wholly foreign owned enterprise, is subject to the Foreign-invested Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法》), and Changzhou Delong has obtained the relevant approval from the local office of the MOFCOM and completed the registration with the local office of the SAIC.

2. The increase of the registered capital in Nanfang Communication ("**Registered Capital Increase**") and acquisition of 100% equity interest in Nanfang Communication by Changzhou Delong and the acquisition of 100% equity interest in Yingke by Changzhou Delong ("**Acquisitions**") shall be registered with the local office of the SAIC in accordance with the Company Law of the People's Republic of China (《中華人民共和國公司法》). The Registered Capital Increase and the Acquisitions do not change Nanfang Communication or Yingke from a domestic company into a foreign-invested enterprise. Therefore, the Registered Capital Increase and the Acquisitions do not constitute the "mergers and acquisitions of domestic enterprises by foreign investors" referred to in the M&A Rules and are not subject to the M&A Rules.

3. Since Ms. Yu, our single largest Shareholder, who has obtained a passport of Antigua and Barbuda, is not considered as a PRC "domestic individual" under the M&A Rules, Article 11 of the M&A Rules did not apply to the Acquisitions, and we do not require approval from CSRC for the Listing.

Our PRC Legal Adviser has advised us that the M&A Rules are not applicable to the onshore Reorganisation for the purpose of the Listing.

FOREIGN EXCHANGE REGISTRATION UNDER SAFE CIRCULAR NO. 37 AND SAFE CIRCULAR NO. 13

Pursuant to the SAFE Circular No. 37, where domestic individual residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments. A "domestic individual resident" refers to a Chinese citizen who holds a Chinese domestic resident, military or armed police ID card, as well as any overseas individual who has no legal identity within the territory of the PRC but habitually resides within the territory of the PRC for reasons of economic interest. "Control" refers to the rights to carry out the business operations of, or to gain proceeds from or to make decisions on behalf of, a special purpose vehicle by means of acquisition, trusteeship, holding shares on behalf of others, voting rights, repurchase, convertible bonds, etc.

Pursuant to the SAFE Circular No. 13, Foreign exchange registration for domestic direct investment and foreign exchange registration for overseas direct investment (hereinafter collectively referred to as "direct investment-related foreign exchange registration") will be directly reviewed and handled by banks in accordance with SAFE Circular No. 13 and the Guidelines for Direct Investment-related Foreign Exchange Business (《直接投資外匯業務操作指引》) (which is the appendix to SAFE Circular No. 13), and SAFE and its branches (hereinafter referred to as the "foreign exchange regulatory authorities") shall perform indirect regulation over the direct investment-related foreign exchange registration via the aforementioned banks.

As advised by our PRC Legal Adviser, Ms. Yu, Ms. Yu RP and Mr. Yu, each being a domestic individual resident as defined under the SAFE Circular No. 37, has completed the foreign exchange registration according to the SAFE Circular No. 37 and the SAFE Circular No. 13 with Changzhou Wu Jin Branch, Shanghai Pudong Development Bank on 15 June 2016.

SHARE OPTION SCHEME

Please refer to the paragraph headed "Statutory and general information – D. Share Option Scheme" in Appendix IV to this prospectus for a summary of the principal terms of the Share Option Scheme.

OVERVIEW

We are a well-established optical fibre cable supplier with our headquarters based in Changzhou City, Jiangsu Province, the PRC. We principally manufacture and sell a wide range of optical fibre cable products. Our customers principally include national and regional telecommunications network operators and telecommunications supporting services providers in the PRC. According to the Industry Consultant, we were No. 10 optical fibre cable supplier to the communication type optical fibre cable market in the PRC in 2015 in terms of sales volume. Our market share of the communication type optical fibre cable market in the PRC in terms of sales volume increased from 2.0% in 2013 to 3.2% in 2015.

We had experienced a significant growth in revenue during the Track Record Period. Our revenue for the three years ended 31 December 2015 was approximately RMB265.2 million, RMB380.6 million and RMB612.6 million, respectively, representing a CAGR of approximately 52.0% between 2013 and 2015. Our revenue increased by approximately 43.5% from RMB265.2 million for the year ended 31 December 2013 to RMB380.6 million for the year ended 31 December 2014, and further increased by approximately 61.0% to RMB612.6 million for the year ended 31 December 2015. Our revenue increased by approximately 58.5% from RMB201.3 million for the five months ended 31 May 2015 to RMB319.0 million for the five months ended 31 May 2016. Such increases were primarily due to (i) the increasing demand of the optical fibre cable market in the PRC; and (ii) the increase in the sales orders awarded to us by the Major PRC Telecommunications Network Operators, which our Directors believe, was mainly attributable to our product quality, market reputation and competitive prices offered to them which have been reflected by the positive results from the evaluation conducted by them and our stable and long-term business relationships with them ranging from nine to 11 years.

Our profit attributable to owners of our Company for the three years ended 31 December 2015 was approximately RMB14.6 million, RMB23.5 million and RMB72.2 million, respectively, representing a CAGR of approximately 122.5% between 2013 and 2015. Further, our profit attributable to owners of our Company increased by 92.1% from approximately RMB19.0 million for the five months ended 31 May 2015 to RMB36.5 million for the five months ended 31 May 2016.

We are highly regarded in the optical fibre cable market in the PRC. We were awarded ISO 9001:2008 and ISO 14001:2004 certificates in relation to manufacturing of optical fibre cable products and were recognised by the Science and Technology Department of Jiangsu Province in the PRC as a high and new technology enterprise (高新技術企業) in 2010. Moreover, our research and development department was recognised as one of the provincial recognised enterprise technical centres (省認定企業技術中心) credited to our ability of product research and development. We also participated in the drafting of the national and telecommunications industry standards initiated by CCSA for publication by the government authorities for optical fibre cables in the PRC. We believe that, by leveraging our strengths on product quality and research ability, we have successfully enhanced our product recognition in the market.

Products and production

Supported by our two production sites, Wu Jin Factory and Jin Tan Factory, both of which are located in Changzhou City, Jiangsu Province, the PRC, we principally manufacture and sell optical fibre cables. We offer a wide range of models of optical fibre cables with different specifications to cater for our customers' needs. Our optical fibre cables can be used in traditional applications, such as mobile communication networks, internet networks and fixed telephone networks in the telecommunications industry, and can be installed under different conditions, including aerial, direct burial, duct and air-blown installations. To a lesser extent, we also (a) manufacture and sell ancillary products such as (i) copper-made communication cables for use in local telephone networks and (ii) copper-made enamelled wires for use as winding wires for various electric appliances such as transformers, and (b) sell cable supporting products such as optical fibre connectors procured from third parties.

Wu Jin Factory, our first production site, had an annual production capacity of 5.0 million fkm as at the Latest Practicable Date. Phase I of our Jin Tan Factory, our second production site, started trial production of optical fibre cables in the fourth quarter of 2015 with an initial annual production capacity of 1.6 million fkm in 2015 and its annual production capacity was ramped up to 5.3 million fkm as at the Latest Practicable Date. As at the Latest Practicable Date, our aggregate annual production capacity was 10.3 million fkm, which comprised the production capacity of 5.0 million fkm of our Wu Jin Factory and the full production capacity of 5.3 million fkm of the phase I of our Jin Tan Factory. Our actual production volume of optical fibre cable increased by 29.6% from 2.2 million fkm for the year ended 31 December 2013 to 2.8 million fkm for the year ended 31 December 2014, and further increased by 74.4% to 4.9 million fkm for the year ended 31 December 2015. Upon completion of the phase II expansion plan of our Jin Tan Factory, which is expected to be in the first quarter of 2019, we anticipate that our aggregate annual production capacity will reach 15 million fkm, which will include the full production capacity of 4.7 million fkm of the phase II of our Jin Tan Factory. Our increased production capacity as a result of our newly added production lines during the Track Record Period enables us to better capture market opportunities and maintain our competitive position in the optical fibre cable market in the PRC. Moreover, in 2013, we partnered with Hengtong to establish Nanfang Optic which principally engages in the production of optical fibres, a major type of raw materials for the production of optical fibre cables.

Customers

We sold our products directly to our customers which include mainly the Major PRC Telecommunications Network Operators. For the three years ended 31 December 2015 and the five months ended 31 May 2016, the Major PRC Telecommunications Network Operators (including their respective provincial or local subsidiaries or branches) in aggregate accounted for approximately 92.6%, 93.2%, 95.4% and 99.7% of our total sales, respectively. For the same periods, our largest customer, which was one of the Major PRC Telecommunications Network Operators, accounted for approximately 57.0%, 56.9%, 65.6% and 50.7% of our total sales, respectively.

COMPETITIVE STRENGTHS

We believe our success and our potential for further growth are attributable to our competitive strengths below:

We have established stable and long-term relationships with our key customers and we are a trusted brand

We have established stable business relationships with our customers. Our Directors believe that our ability to secure and maintain stable and long-term business relationships with our major customers is one of the key factors of our success. We have maintained stable business relationships with our top five customers, among which were the Major PRC Telecommunications Network Operators. The potential customer base in our industry is relatively concentrated. The Major PRC Telecommunications Network Operators are the ultimate customers of a substantial portion of the domestic optical fibre cable suppliers in the PRC. Up to the Latest Practicable Date, the length of the business relationships between our five largest customers and our Group varied from one to 11 years, and in particular, we have maintained between nine and 11 years of relationship with the Major PRC Telecommunications Network Operators.

We were recognised as "Excellent Suppliers (優秀供應商)" by one of our major customers for each year during the Track Record Period. We believe that we are able to maintain stable and long-term relationships with our key customers due to our product quality, market reputation and competitive prices offered to our customers which was evidenced by the stable and long-term business relationships with the Major PRC Telecommunications Network Operators. According to the Industry Consultant, the Major PRC Telecommunications Network Operators in aggregate contributed approximately 85% of total demand by volume for optical fibre cables in the PRC in 2015, and the Major PRC Telecommunications Network Operators usually pay great attention to product quality, market reputation of their suppliers and competitive prices offered by their suppliers.

We believe that our stable product quality and our ability to deliver a wide range of products to our customers have enabled us to earn recurring business from our major customers. Further, we have implemented a full set of policies to collect customers' responses for examining customer satisfactions, addressing customers inquiries and better understanding customers' needs. Please also refer to the paragraph headed "We produce quality products, possess in-depth industry understanding and deliver responsive customer services" below in this section for details of our strength in relation to our product quality and customer services.

We produce quality products, possess in-depth industry understanding and deliver responsive customer services

Through providing optical fibre cable products for our customers over the past years, we have gained extensive knowledge and experiences of the production technologies and quality control processes required for meeting our customers' quality standards. As a result of our strict quality and safety control policies, we have obtained the ISO 9001:2008, the ISO 14001:2004 and GB/T 28001-2011 certifications. Further, we believe that the quality and stable performance of our products, and competitive pricing are the key factors which enabled us to be retained in the optical fibre cable supplier lists of the Major PRC Telecommunications Network Operators during the Track Record Period. We believe our continuous implementation of strict quality control and safety standards will assure the quality of our products and help us to maintain our reputation.

In addition, we believe that the success of our business in the PRC is also attributable to our in-depth industry understanding, which enables us to continuously introduce new products with different functions, such as our non-metallic lightning proof light optical cables (非金屬防雷輕型光纜) and non-metallic rat proof optical cables (非金屬防鼠光纜). Our participation in the drafting of the national and telecommunications industry standards for optical fibre cables in the PRC initiated by CCSA for publication by the government authorities is also an evidence of our in-depth industry understanding. We have also cooperated with the research and development department of one of the Major PRC Telecommunications Network Operators to jointly conduct various researches on optical fibre cables and their applications. Such cooperation provides us with extensive opportunities to understand the current demands and product trends of the Major PRC Telecommunications Network Operators, which in turn enables us to better serve these customers by developing and offering optical fibre cables that satisfy their needs. We believe that our products with consistent quality and our in-depth understanding of the telecommunications industry have enabled us to successfully expand our customer base which, in turn, has contributed to the growth in our business and total revenue. For details of our products, please refer to the paragraph headed "Our products" in this section.

In addition to our diversified and quality product portfolios and in-depth industry understanding, we believe that our responsive and extensive customer service is our competitive strength to maintain and expand our customer base. For example, we have maintained sales and customer services staff to serve our customers based on our comprehensive industry understanding. Our sales representatives would visit our potential and existing customers in various provinces in the PRC to provide dedicated customers support and to better understand their needs. Our sales and customer services staff addresses customer inquiries relating to our products, and we also maintained technical staff to better respond to technical enquiries. Our service call centre is available 24 hours a day and seven days a week. As per customer request, we also provide training sessions to our customers in order to ensure safe installation of our products. Please refer to the paragraph headed "Customers, sales and marketing – After-sales services" below in this section for more details about customer satisfaction. We believe our customer-oriented corporate culture and all above measures have contributed to our good reputation and sustainable customer relationship.

Strict quality control procedures ensuring reliable products with stable performance

We have quality control procedures to ensure that our products are able to satisfy our customers' requirements. As at the Latest Practicable Date, we had a quality control team of 52 employees and implemented over 200 detailed internal quality control procedures, covering various aspects of our operations from procurement, production to product testing. We performed quality control inspection at purchase of raw materials, different stages of the manufacturing process and on our finished products to ensure the quality of our products. We followed the ISO standards and adopted an ISO standard compliance process policy to ensure strict adherence to the ISO standards in every production process. For details, please refer to the paragraphs headed "Quality control" and "Production – Production processes" below in this section. Further, we focused on strengthening our quality control. We plan to cooperate with Nanjing University of Post and Telecommunications to research and develop quality detecting online system for optical fibre cable production. We believe that such system will prevent defective products from our production line, eliminate possibility of producing defective products in bulk, and eventually improve the acceptance and qualified ratio of our products.

As a result of our quality control measures during the entire production process, we are able to achieve stable performance and quality metrics for our products, and have obtained certifications in the PRC as to the quality of our products. We have received awards and prizes for our product quality from authorities, customers and industry associations. For details, please refer to the paragraph headed "Certifications, awards and recognitions" below in this section.

Continuous production and technology breakthroughs to offer comprehensive product development and manufacturing solutions

Nanfang Communication, one of our principal operating subsidiaries, has been accredited as a high and new technology enterprise by the Science and Technology Department of Jiangsu Province in the PRC since 2010. With our research and development capabilities, we are capable of offering a comprehensive product development and manufacturing solution to our customers by developing and producing our products based on our customers' requirements. We believe that our research and development capabilities could enhance the production efficiency of our products, shorten the rollout time for new products and secure the continuous orders for the production of our products. In addition, we established an integrated research and development department in 2008, which focused on developing advanced production machineries and technologies for existing optical fibre cables and new optical fibre cable products and their applications. As at the Latest Practicable Date, we had 30 research and development personnel. For the three years ended 31 December 2015 and the five months ended 31 May 2016, our research costs amounted to approximately RMB7.8 million, RMB12.2 million, RMB20.1 million and RMB8.7 million, respectively. We also have received the Advanced Technology Product Certificate (高新技術產品認定證書) issued by the Science and Technology Department of Jiangsu Province for our product models of (i) central unitube optical fibre cables and (ii) layer stranded optical fibre cables. We believe that our research and development capabilities enable us to continuously achieve competitive market position in product innovation.

In addition to product development, we have upgraded our production technologies and processes by leveraging our research and development capacity, improving our operating efficiency and production capacity as a result. For example, by optimising our secondary coating production machinery, which is one of the key production processes in optical fibre cables production, we were able to increase the processing speed of secondary coating from 180-200 metres per minute to 280-400 metres per minute. Such optimisation largely enhanced the processing speed and production efficiency.

As at the Latest Practicable Date, we had obtained 51 domestic patents including 10 patents for invention and 41 patents for utility models in the PRC. In addition, we also had 20 pending patents for invention registrations in the PRC. For further details, please refer to the section headed "Statutory and general information – B. Further information about our business – 2. Intellectual property rights" in Appendix IV to this prospectus.

Our scale of production facilities enables us to achieve economies of scale thereby lowering our production cost and we benefit from our close relationship with Nanfang Optic which provides us with an additional source of supply of optical fibres

Our production sites, namely Wu Jin Factory and Jin Tan Factory, currently have an aggregate annual production capacity of 10.3 million fkm. We currently have 10 secondary coating production lines, 15 stranding production lines, 15 sheathing production lines, 11 filler production lines, one production line for tight buffered optical fibre cable series, six production lines for bow-type optical cables series, and 14 optical fibre colouring machines and one fibre ribboning machine to enable us to satisfy our customers' needs.

We believe that the scale of our production facilities enables us to achieve economies of scale thereby lowering our production cost and enhancing our production efficiency, which was evidenced by the high utilisation rates of our optical fibre cable production capacities. During the Track Record Period, the utilisation rates of our production capacities were approximately 71.9%, 81.4%, 87.3% and 87.9%, respectively. We believe that our highly-occupied production capacity enhances our production efficiency, and therefore reduces our overall production cost through economies of scale, which in turn improves our capability to offer competitive prices.

Further, we can produce various high quality optical fibre cable products at the same production line with only a few adjustments due to the similar production processes for the production of our different products. Apart from benefiting from our scale of production facilities, we are able to benefit from our close relationship with Nanfang Optic by providing us with an additional source of supply of optical fibres which are the backbone of our optical fibre cable products. Nanfang Optic has been one of our suppliers of optical fibres since September 2014 and such stable supply relationship enables us to better manage the quality and cost of our optical fibres, which in turn, we believe has led to a competitive pricing structure of our optical fibre cable products. For details, please refer to the paragraph headed "Establishment of Nanfang Optic" below in this section.

We have an experienced and dedicated management team with extensive industry experience

Our executive Directors and senior management possess relevant operational expertise and experience, and are familiar with the optical fibre cable industry, which enable us to successfully achieve a competitive position in the optical fibre cable industry in the PRC. Mr. Shi, our chief executive officer and executive Director, has more than 15 years of experience in business management and possesses extensive experience in executing business strategies. His working experience in the PRC operations of two of the Global Top 500 enterprises gave him an in-depth understanding of conducting business in the PRC and an ability to analyse the market trend. After joining our Group, Mr. Shi led our business growth and won "National May Day Brand Construction Award – Leading Person (全國五一品牌建設獎–領軍人物)" in 2016 China Brand Innovation Forum and National May Day Brand Construction Award Electing activities (2016中國品牌創新論壇暨全國五一品牌建設獎推選活動) in May 2016, and "Innovative Individual in Telecommunications Industry in the PRC (中國通信光電纜新銳人物)" by CCTIME.COM (飛象網) in 2015. He is responsible for the overall management strategic development and major decision-making for our Group. Ms. Yu, our executive Director, has over 15 years of experience in the optical fibre cable industry. Moreover, Mr. Huang Zhengou, our deputy general manager who joined our Group in 2012, has over 21 years of experience in the optical fibre cable industry. Mr. Huang is a qualified senior engineer (高級工程師) and was appointed as a member of the committee of communication cables and optical cables experts (通信電纜光纜專家委員會) by the CACE in April 2015. Based on his experience and extensive understanding of the industry trends, he is responsible for guiding the overall project development of our Group. For details, please refer to the section headed "Directors, senior management and employees" of this prospectus.

We believe that our growth and development have been largely attributable to the extensive experiences of our executive Directors and senior management team, and our experienced and stable senior management team has been critical in ensuring the consistent application of our development and operating strategies, and delivery of quality products.

BUSINESS STRATEGIES

We intend to achieve our objectives of enhancing and strengthening our competitive position in the PRC optical fibre cable industry and increasing our market share in the PRC through the implementation of the following strategies:

Increase market share and penetration in the PRC, promote our brand and brand awareness in the PRC and continue to increase our production capacity

According to the Industry Consultant, the optical fibre cable market in the PRC will continue to grow with a CAGR of approximately 4.8% from 240 million fkm in 2016 to 290 million fkm in 2020. With an aim to maintaining our continuous business growth, we intend to increase market share and penetration in the PRC by actively increasing our exposure through strengthening our relationships with our key customers, in particular those state-owned enterprises in the PRC. As exemplified by our recent substantial increase in sales in the PRC market, we believe that our Group could continue to expand in PRC market. Accordingly, we will place more resources and efforts to enhance our market penetration in the PRC to capture the potential growth.

We will also adopt a number of measures to source new customers, such as, proactively approach potential customers for business opportunities by contacting them through business referrals and our business network. To achieve a more diversified geographical coverage, we also intend to strengthen our marketing efforts in and tap into the abovementioned markets. Our marketing efforts mainly include paying visits to our customers and potential customers and sharing with them market intelligence on optical fibre cable and production know-how. To further promote our Group, we also placed advertisements (such as advertisement pages in industry magazines and advertisement board) in the industry conference and summit in which we participated. We will also expand our sales force to source more potential customers. Therefore, in case we fail to win sufficient tenders arranged by the Major PRC Telecommunications Network Operators, we will be able to diversify our sales to our existing customers, customers with whom we had business relationship before, and other new customers.

According to the Industry Consultant, we were No. 10 optical fibre cable supplier to the communication type optical cable market in the PRC in 2015 in terms of sales volume. We will continue to provide a comprehensive range of quality products to strengthen our relationships with our existing customers, and to develop and explore new customers through offering new products and improving our current products in order to satisfy their needs. We intend to enhance recognition of our brand through further employment of various media channels such as participating in trade exhibitions.

During the Track Record Period, the utilisation rate of our production capacity at Wu Jin Factory was approximately 71.9%, 81.4%, 91.9% and 92.9%, respectively. Wu Jin Factory had an annual production capacity of 5.0 million fkm as at the Latest Practicable Date. In order to meet the expected increasing demand of our customers and to increase our production efficiency, we had established our new production site, Jin Tan Factory with an initial annual production capacity of 1.6 million fkm in 2015 and its annual production capacity was ramped up to 5.3 million fkm, which was the full production capacity of phase I of our Jin Tan Factory, as at the Latest Practicable Date. As such, our aggregate annual production capacity was 10.3 million fkm as at the Latest Practicable Date.

We believe that our competitive market position in the optical fibre cable industry of the PRC and the quality of our products have enabled us to generate strong demand for our products. In some occasions when our customers' orders exceed our production capacity, we would outsource certain production processes to third-party subcontractors to satisfy the surplus demand. For the same reason and the reasons stated below, we plan to expand our production capacity and increase our production efficiency by implementing phase II expansion plan of our Jin Tan Factory, which is expected to increase our aggregate annual production capacity to 15 million fkm, which will include the full production capacity of 4.7 million fkm of the phase II of our Jin Tan Factory, by the first quarter of 2019.

Set forth below is the implementation plan, the expected capital expenditures of, and the government approvals and/or permits required for, phase II expansion plan of our Jin Tan Factory, which had not yet commenced and no capital expenditure had been incurred as at the Latest Practicable Date:

For the six months ending 31 December 2016

Stages	Implementation activities	Expected capital expenditures and source of funding
		HK$ (million)
Prepare for the investment project and apply for the relevant approvals and/or permits	Apply for enterprise investment project recordal (企業投資項目備案), construction land use planning permit (建設用地規劃許可證) and prepare environment evaluation	N/A

For the six months ending 30 June 2017

Stages	Implementation activities	Expected capital expenditures and source of funding
		HK$ (million)
Acquire the land	Obtain the land transfer contract and certificate of state-owned land use right	29.5 (To be funded by the net proceeds from the Global Offering)
Construction planning and design	Confirm the construction plan and design and the construction contractors	N/A
Apply for the relevant approvals and/or permits	Apply for construction planning permit (建設工程規劃許可證), certificate of construction drawing review (施工圖審查合格證), design recordal in respect of fire safety (消防設計備案), and environmental assessment report approval (環評批覆)	N/A

For the six months ending 31 December 2017

Stages	Implementation activities	Expected capital expenditures and source of funding
		HK$ (million)
Apply for the relevant approvals and/or permits	Apply for construction work commencement permit (建築工程施工許可證)	N/A
	Obtain construction work commencement permit (建築工程施工許可證)	N/A
Construction	Construction work of the buildings begins	14.8 (To be funded by the net proceeds from the Global Offering)

For the six months ending 30 June 2018

Stages	Implementation activities	Expected capital expenditures and source of funding
		HK$ (million)
Construction	Continue construction work of the buildings	14.7 (To be funded by the net proceeds from the Global Offering)
Purchase and install production facilities and equipment	Seek for quotations and hold tendering	61.0 *(Note)* (To be funded by the net proceeds from the Global Offering)
	Purchase production facilities and equipment	
	Install and test facilities and equipment	

Note: The new equipment and production facilities to be installed under phase II expansion plan of our Jin Tan Factory will be used for increasing its production capacity, enhancing its quality control as well as strengthening its ability in providing specialty optical cables, such as rat proof cables, submarine cables, 8-figured self-supporting cables (8字自承式光纜) and all-dielectric self-supporting (ADSS) optical cables. For detailed breakdown of the expected capital expenditures in relation to the purchase of equipment and production facilities, please refer to the paragraph headed "Future plans and proposed use of proceeds – use of proceeds" of this prospectus.

For the six months ending 31 December 2018

Stages	**Implementation activities and expected production capacity**	**Expected capital expenditures and source of funding**
		HK$ (million)
Completion of construction	Completion of construction	N/A
Apply for completion approvals and/or permits	Apply for environmental protection completion inspection approval (環境保護竣工驗收意見), fire safety completion inspection recordal (消防竣工驗收備案), planning work completion inspection approval (規劃竣工驗收), and work completion inspection recordal (工程竣工驗收備案)	N/A
Trial production	Expected annual production capacity will be 1.6 million fkm since the fourth quarter of 2018	N/A

For the three months ending 31 March 2019

Stages	**Implementation activities and expected production capacity**	**Expected capital expenditures and source of funding**
		HK$ (million)
Reach full production capacity	Expected full annual production capacity will be 4.7 million fkm	N/A
	Total:	120.0 (To be fully funded by the net proceeds from the Global Offering)

Based on our implementation plan for phase II expansion plan of our Jin Tan Factory above, as the implementation activities are expected to take place and the relevant government approvals and/or permits are expected to be obtained by stages, it is expected that completion of phase II expansion plan of our Jin Tan Factory and its trial production will take place in the fourth quarter of 2018 and its full production capacity of 4.7 million fkm will be reached in the first quarter of 2019. As advised by our PRC Legal Adviser, there will be no legal impediment on obtaining the approvals and/or permits required for phase II expansion plan of our Jin Tan Factory listed above if we submit all necessary application materials as required by relevant laws and regulatory authorities on a timely basis.

In general, the sales of our products to our major customers, in particular the Major PRC Telecommunications Network Operators, are usually conducted through open tendering processes. During the Track Record Period, we achieved 100% success rate of acceptance of our submitted tenders in the centralised procurement tendering processes held by the Major PRC Telecommunications Network Operators. For the details on success rate of acceptance of our submitted tenders during the Track Record Period, please refer to the paragraph headed "Customers, sales and marketing – Our customers" below in this section.

During the Track Record Period, we experienced a substantial increase in our sales of optical fibre cables to the Major PRC Telecommunications Network Operators. The table below sets out our total sales volume to the Major PRC Telecommunications Network Operators and the corresponding percentage of growth rate during the Track Record Period:

	Year ended 31 December			Five months ended 31 May
	2013	**2014**	**2015**	**2016**
Total sales volume ('*000 fkm*)	2,204.3	3,388.9	6,144.0	3,463.5
Percentage of growth rate compared to previous year/period (%)	79.9	53.7	81.3	85.7

Our total sales volume of optical fibre cables to the Major PRC Telecommunications Network Operators increased by approximately 53.7% from approximately 2.2 million fkm for the year ended 31 December 2013 to approximately 3.4 million fkm for the year ended 31 December 2014, and further increased by 81.3% to approximately 6.1 million fkm for the year ended 31 December 2015, respectively. Such sales volume increased by approximately 85.7% from approximately 1.9 million fkm for the five months ended 31 May 2015 to approximately 3.5 million fkm for the five months ended 31 May 2016. Based on the above and assuming the annual growth for 2016 to be maintained at 85.7%, the average annual growth rate of our sales to the Major PRC Telecommunications Network Operators between 2013 and 2016 would be approximately 75.2%. Our Directors believe that such an increasing trend was primarily due to the increasing demand for optical fibre cable by the Major PRC Telecommunications Network Operators which was resulted from (i) the increasing demand of the optical fibre cables market in the PRC; and (ii) the increase in the sales orders awarded to us by the Major PRC Telecommunications Network Operators, which our Directors believe, was mainly attributable to our product quality, market reputation and competitive prices offered to them which have been reflected by the positive results from the evaluation conducted by them and our stable and long-term business relationships with them ranging from nine to 11 years.

According to the Industry Consultant, the expected volume demand in the communication optical cable market in the PRC in 2016 is estimated to reach 240.0 million fkm, representing an increase of 40.0 million fkm or 20.0%, from 200.0 million fkm in 2015. Such expected volume demand is projected to increase by approximately 20.8% from 240.0 million fkm in 2016 to 290.0 million fkm in 2020, driven by continued investment in 4G infrastructure and the implementation of Fibre-To-The-Home in second-tier and smaller cities and rural areas. The construction of experimental 5G mobile communication networks will also stimulate demand. Given the increasing demand of the communication optical cable market in the PRC and the implementation of phase II expansion plan of our Jin Tan Factory, our Directors believe that the demand for our optical fibre cables is expected to continue to increase in line with the market trend in the following years. According to the Industry Consultant, based on the assessment performed by the Major PRC Telecommunications Network Operators after each tendering process held under their centralised procurement policy, our ranking in the procurement bidding winner list of Customer A rose from No. 8 in 2013 to No. 3 in 2014; our ranking in the procurement bidding winner list of Customer B rose from No. 12 in 2013 to No. 10 in 2015; and we were ranked No. 11 in the procurement bidding winner list of Customer C in 2013.

For three years ended 31 December 2015, our utilisation rate was 71.9%, 81.4% and 87.3%, respectively. For the five months ended 31 May 2016, our utilisation rate was further increased to 87.9%. During the five months ended 31 October 2016, our Group completed sales orders of approximately RMB322.7 million, equivalent to approximately 3.1 million fkm in terms of sales volume. Based on our sales orders on hand as at 31 October 2016 of approximately RMB83.6 million, equivalent to approximately 0.77 million fkm in terms of sales volume, we estimate that our utilisation rate for the year ending 31 December 2016 would remain at a high level. For the details on annual production capacity and actual production volume of our optical fibre cable products during the Track Record Period, please refer to the paragraph headed "Production – Production capacity and utilisation rate" in this section. According to the Industry Consultant, the estimated utilisation rate of optical cable production in the PRC will increase from 76% in 2015 to 88% in 2020. Based on the increasing demand of the communication optical cable market and the estimated high level of utilisation rate of optical cable production in the PRC going forward, our Directors consider that we would be able to maintain a relatively high utilisation rate after implementation of phase II expansion plan of our Jin Tan Factory.

According to the Industry Consultant, we were No. 10 optical fibre cable supplier to the communication type optical fibre cable market in the PRC with a market share of approximately 3.2% in 2015 in terms of sales volume. We expect that our Group would be able to maintain our market position and market share in the future. Furthermore, as one of the competitive suppliers of the optical fibre cables in the PRC, we are well-positioned to capture these growing opportunities and increasing demand, compared to those small-and-medium sized optical fibre cable manufacturers with limited research and development capacities.

Having taken into account (i) the estimated average growth of approximately 75.2% in our sales volume to the Major PRC Telecommunications Network Operators between 2013 and 2016 while our aggregate annual production capacity of 10.3 million fkm as at the Latest

Practicable Date only represented an increase of approximately 56% when compared to our aggregate annual production capacity of 6.6 million fkm for the year ended 31 December 2015; (ii) our relatively high historical utilisation rate during the Track Record Period, our utilisation rate for the year ending 31 December 2016 expected to remain high given that we had sales orders on hand as at 31 October 2016 of approximately RMB83.6 million, equivalent to approximately 0.77 million fkm in terms of sales volume, the utilisation rate of optical cable production in the PRC estimated to increase from 76% in 2015 to 88% in 2020; (iii) our market position as we were No. 10 optical fibre cable supplier to the communication type optical fibre cable market in the PRC with a market share of approximately 3.2% in 2015 in terms of sales volume; (iv) that the estimated optical fibre cable demand in the PRC is expected to grow to 260.0 million fkm in 2017 and steadily to 290.0 million fkm in 2020, our aggregate annual production capacity of 10.3 fkm as at the Latest Practicable Date would account for an expected market share of approximately 3.96% in 2017 and our aggregate annual production capacity of 15 million fkm upon completion of phase II expansion plan of our Jin Tan Factory would account for an expected market share of approximately 5.17% in 2020; and (v) our aggregate annual production capacity of 6.6 million fkm for the year ended 31 December 2015 only represented approximately 22% of the annual production capacity of the largest optical fibre cable supplier in the PRC (i.e. approximately 30.0 million fkm for the year ended 31 December 2015), our Directors believe that our Group could procure sufficient orders to support our expansion plan and the phase II expansion plan for our Jin Tan Factory is feasible and reasonable. Further, our Directors are of the view that based on our long-term relationship with the Major PRC Telecommunications Network Operators, we can receive more sales orders from such customers when their demand will increase in the future.

As set out in the section headed "Future plans and proposed use of proceeds" of this prospectus, we plan to apply approximately 48.9% of the net proceeds from the Global Offering (or approximately HK$120.0 million) to expand our production capacity and increase our production efficiency by implementing our phase II expansion plan of our Jin Tan Factory. Details of the allocation on use of proceeds in this respect are set out in the section headed "Future plans and proposed use of proceeds" of this prospectus.

Strengthen our product research and development capabilities and optimise our product offerings to capture emerging industry growth potentials

We believe that product research and development capabilities are crucial to our success. Most of our optical fibre cables are used in traditional applications, such as mobile communication networks, internet networks and fixed telephone networks in the telecommunications industry. While we will continue to strengthen our competitive market position in the optical fibre cable market for the traditional applications, we will also constantly study and identify industry trends through cooperating with our customers and universities with an aim to develop new products or new applications of optical fibre cables so as to diversify our product portfolio and capture potential market opportunities.

Our research and development plan for the next five years would focus on the design and development of new products, and set up a laboratory accredited by China National Accreditation Service for Conformity Assessment. We expect that our research cost will be approximately RMB24.3 million, RMB43.7 million, RMB36.7 million, RMB42.8 million and RMB48.9 million for the five years ending 31 December 2020, respectively. Particularly, in 2016, we will focus on enhancing our research on fireproof optical cables, all-dry series of optical fibre cables and invisible cables, which we believe have great market potential. The fireproof optical fibre cables will be largely used in key communication networks that require special care for fire safety, such as networks for data centre, aerospace industry, metro system and public areas. Such cables would help to ensure smooth communication and continued operation of key equipment during fires and other disasters. In addition, all-dry series of optical fibre cables could satisfy various installation conditions and such cables help simplify skinning and connection, according to the Industry Consultant. We plan to prepare for the establishment of the laboratory accredited by China National Accreditation Service for Conformity Assessment in 2017 and start conducting research on increasing the amount of fibre ribbons contained within the optical fibre cables with fibre ribbon construction, which are specifically for indoor use, generally have limited size and require higher tensile strength than that of the standard optical fibre cables, so as to improve the transmission speed. We also plan to conduct research on rat/bird proof optical cables so as to improve their resistance to biological attack. We will (i) start conducting research on active optical cables, which convert electrical signal to optical signal to increase the speed of transmission, and mini unitube optical cables and optical fibres cables specifically for underground exploration, which can be repeatedly used as detector in drilling and petroleum industry in 2018; (ii) further improve our existing products and researches; and (iii) study the technology and the knowledge and skills on the production of optical fibres. In 2019 and 2020, despite the improvement of our existing researches, we plan to further enhance our technology in improving the strength of the optical fibres and study the production technology of optical fibre preforms.

As set out in the section headed "Future plans and proposed use of proceeds" of this prospectus, we plan to apply approximately 10.1% of the net proceeds from the Global Offering (or approximately HK$24.7 million) for research and development of diversified new products and services, and setting up a laboratory accredited by China National Accreditation Service for Conformity Assessment.

Further vertically integrate our optical fibre cable production value chain with the upstream production of key raw materials

Our optical fibre cables are produced primarily from optical fibres that are bound and encased together. We partnered with Hengtong to establish Nanfang Optic in June 2013 to provide us with an additional source of supply of optical fibres, our major type of raw materials. Nanfang Optic commenced its production of Optical fibres since September 2014 and we have started our business relationship with Nanfang Optic since then. For the two years ended 31 December 2015 and the five months ended 31 May 2016, purchase of optical fibres from Nanfang Optic represented approximately 7.1%, 40.1% and 55.9% of our total purchase, respectively. Our current business relationship with Nanfang Optic has provided significant benefit to our business. As part of our investment, we also shared positive operational results of Nanfang Optic, which generated from its production and sales of optical fibres. Please refer to the paragraph headed "Establishment of Nanfang Optic – Optical fibre supply arrangement with Nanfang Optic" in this section for the details of our optical fibre supply agreement with Nanfang Optic. Based on past performance, our Directors believe that Nanfang Optic has provided us with an additional source of supply of key raw materials at competitive prices and with reliable product quality. As having a reliable source of raw materials is important for the production of optical fibre cables, we intend to further vertically integrate our optical fibre cable production value chain with upstream production of key raw materials. Currently, we do not have any concrete plans although we may consider implementing this strategy by way of partnerships with other suppliers for the production of raw materials, acquisition of raw materials suppliers or setting up factories for production of raw materials on our own. For the future acquisition or development, we intend to acquire or cooperate with other optical fibre suppliers to set up a domestic optical fibre manufacturer with annual production capacity of 8 million fkm to 10 million fkm within four years. We believe that such plan will help provide additional source of stable supply of raw materials to support our continued growth while also ensuring the quality of such materials. Further, our Directors believe that after we satisfy our demand for optical fibres for the production of our optical fibre cables by sourcing from Nanfang Optic and/or other optical fibre manufacturers newly acquired or set up, we may be able to increase their production and to sell them to customers. We believe that we can diversify our customer base by our upstream development plans.

As set out in the section headed "Future plans and proposed use of proceeds" of this prospectus, we plan to apply approximately 28.5% of the net proceeds from the Global Offering (or approximately HK$70.0 million) for upstream development or acquisition of the optical fibre cable production value chain. As at the Latest Practicable Date, no target for acquisition had been identified. Should our Company fail to identify any target for acquisition, this portion of proceeds will be reassigned for setting up factories for production of optical fibres.

Establish integrated business management information system

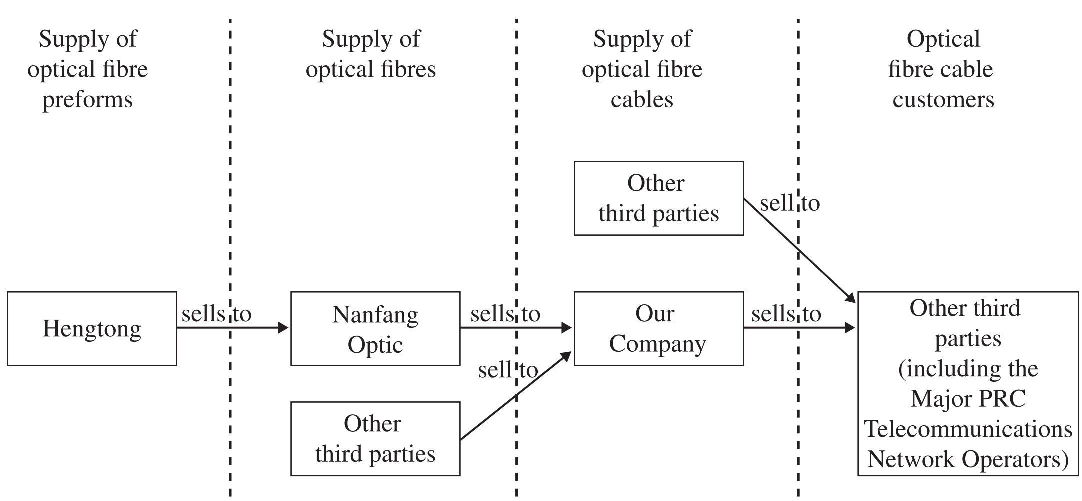
As we intend to improve our production efficiency, we believe that an integrated business management information system is important to our ability to closely and centrally monitor and control our production processes. In order to prepare for our growing business and enlarged production capacity, we plan to adopt a central control system for our optical fibre cable production in our Jin Tan Factory. Such system could provide us with detailed manufacturing and testing data, quality specifications and inventory management data for the production of our optical fibre cables. Through tracking and collecting production and testing data and analysis, the system could enable our production and quality control team to closely monitor our product quality and efficiently track and identify defective products throughout our production process, preventing such defective products from entering into the next phase of production. We believe the system could further lower our labour costs and raw materials costs, enhance the inventory management of different stages of our production and provide timely information to improve our production processes.

In addition, we plan to cooperate with Nanjing University of Post and Telecommunications to research and develop quality detecting online system for optical fibre cable production. If successful, such system could automatically detect any defects on the surface of our optical fibre cable products during our production procedure. We believe such system could upgrade our quality control system.

OUR BUSINESS MODEL

The value chain of the optical fibre cable industry mainly comprises the production of optical fibre preforms, the production of optical fibres and the production of optical fibre cables. We engage in the production of optical fibre cables. Given that we are at the bottom of the value chain of the optical fibre cable industry, having a secure supply of optical fibres as our key raw material source is paramount to our business model. As such, we have strategically partnered with a major manufacturer with the capability to produce optical fibres preform, optical fibre and optical fibre cables in the PRC, namely, Hengtong, to establish Nanfang Optic which principally engages in the production of optical fibres. For details of the establishment of Nanfang Optic, please refer to the paragraph headed "Business – Establishment of Nanfang Optic" of this prospectus. According to the Industry Consultant, it has been a common industry practice for the optical fibre cable manufacturers, which also have capability in the production of optical fibre preforms and/or optical fibres, to form cooperative ventures, such as Nanfang Optic, with other optical fibre cable manufacturers as a way to win more bids than the supply limit allotted to a given supplier set forth in the Procurement Limit, which has been implemented by the Major PRC Telecommunications Network Operators. This practice has been common for the large optical fibre cable manufacturers, as they would be more likely to reach the procurement allotment limit on their own and therefore would benefit from such cooperative venture arrangements. To the best of our Directors' knowledge, some of the leading domestic optical fibre cable manufacturers, such as, Hengtong and Yangtze Optical Fibre and Cable Joint Stock Limited Company have formed cooperative ventures with other optical fibre cable manufacturers. As advised by our PRC Legal Adviser, the establishment of Nanfang Optic to win more bids than the Procurement Limit allotted to Hengtong does not violate the relevant PRC laws, and the terms and conditions of the tendering processes held by the Major PRC Telecommunications Network Operators.

The chart below sets out the value chain of the optical fibre cable industry and our Group's position in the value chain.



During the Track Record Period, a majority of the sales of our optical fibre cables was derived from tender contracts won in the open tendering processes held by the Major PRC Telecommunications Network Operators under their centralised procurement policy. Such centralised procurement policy is to centralise the tender awarding decisions at the headquarters of the Major PRC Telecommunications Network Operators. The remaining balance of our sales was generated from direct sales to our customers other than the Major PRC Telecommunications Network Operators. Apart from our participation in the open tendering processes held by the Major PRC Telecommunications Network Operators under their centralised procurement policy during the Track Record Period, we also participated in other procurement processes which were organised by their provincial branches and local subsidiaries or entities and hence were smaller in scale. For details of the tendering processes in which we participated during the Track Record Period, please refer to the paragraph headed "Business – Customers, sales and marketing – Our customers" of this prospectus.

Although we currently do not have our own production facilities to produce optical fibres, our key raw materials, and have to rely on third party optical fibre suppliers in particular Nanfang Optic which was established between our Group and Hengtong, there is no requirement for us to jointly participate together with Hengtong and/or Nanfang Optic in the same open tendering process for an optical fibre cable tender contract held by the Major PRC Telecommunications Network Operators under their centralised procurement policy.

Our business model therefore relies on, among others, our ability to (i) win tenders in the open tendering processes held by the Major PRC Telecommunications Network Operators under their centralised procurement policy and (ii) source optical fibres from our suppliers and is inherently subject to the following key risk factors:

Possible abolishment of the Procurement Limit by the Major PRC Telecommunications Network Operators may intensify the market competition and increase our difficulty to access to the optical fibre supply

The Major PRC Telecommunications Network Operators in aggregate contributed about 85% of the total demand by volume for optical fibre cables in 2015, any possible change in their procurement policies which result in an abolishment of the Procurement Limit may intensify the competition in the PRC optical fibre cable industry in which we operate, as the leading optical fibre cable suppliers may dominate the market by increasing their supply of optical fibre cable products to their customers. Further, as our business model also relies on setting up cooperative ventures with key market players within the PRC optical fibre industry such as the establishment of Nanfang Optic to provide us with an additional source of optical fibre supply, the possible abolishment of the Procurement Limit may render the key market players to lose incentive to enter into cooperative ventures with us and/or cease to sell optical fibres to us because they may retain their optical fibres for sales or for their own use in order to cater for the potential increase in purchase orders to be placed to any single optical fibre/optical fibre cable supplier by the Major PRC Telecommunications Network Operators as a result of the possible abolishment of the Procurement Limit. Consequently, the competition for optical fibres as our key raw materials among our competitors and us may intensify and we may be unable to source optical fibres at prices favourable to us or at all.

Possible abolishment of the centralised procurement policy by the Major PRC Telecommunications Network Operators may have an adverse effect on our sales of our optical fibre cables

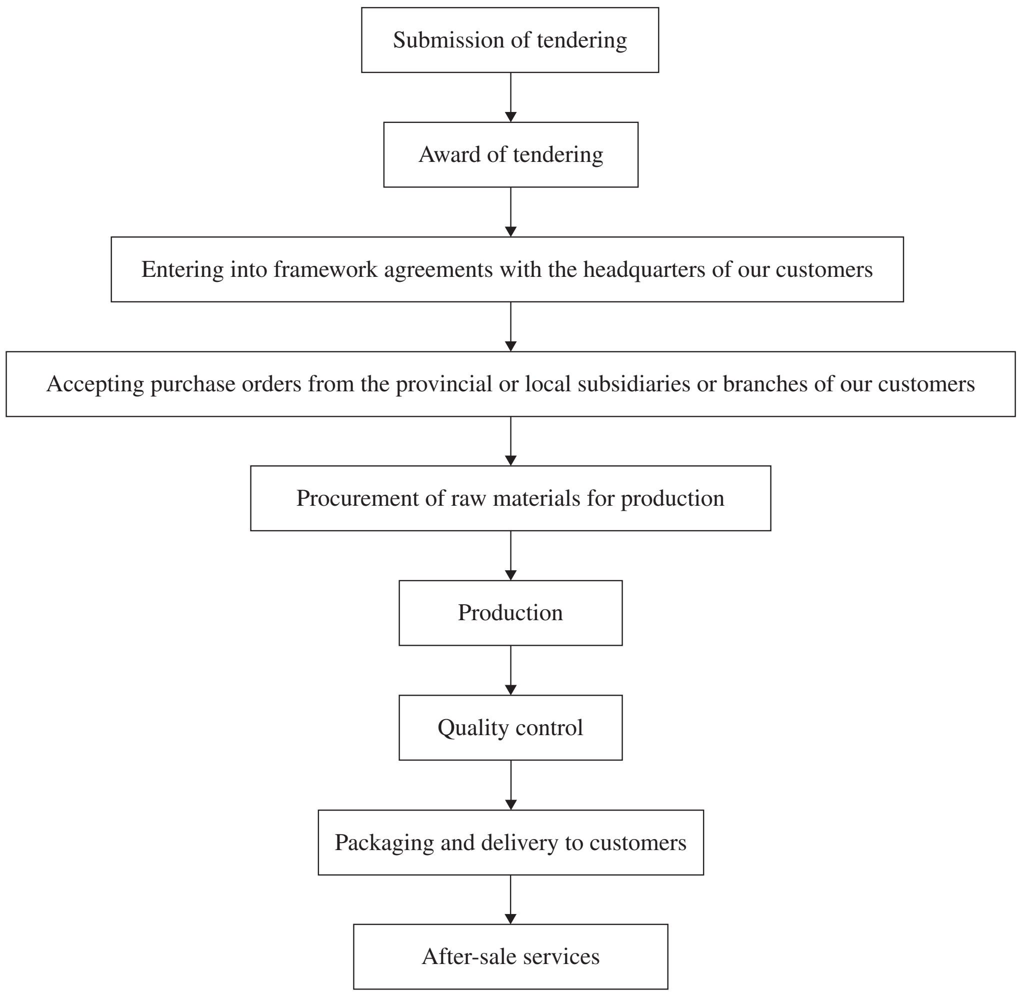
Our business model relies on, among others, our ability to win tenders in the open tendering processes held by the Major PRC Telecommunications Network Operators under their centralised procurement policy. During the Track Record Period, a majority of the sales of our optical fibre cables was derived from these tender contracts won under such centralised policy and we were able to sell our products to customers in different provinces and receive their orders collectively as the Major PRC Telecommunications Network Operators centralised the procurement from their provincial branches and local subsidiaries or entities. If there is any change in the procurement policy of the Major PRC Telecommunications Network Operators resulting in an abolishment of such centralised procurement policy, we will not be able to sell our products to customers in different provinces and receive their orders collectively, and hence our sales will be adversely affected.

We have limited or no control over the prices of optical fibres, our key raw materials, and optical fibre cable products

Our major customers are the Major PRC Telecommunications Network Operators which generally require us to purchase optical fibres from suppliers designated by them and the cost of optical fibres is usually predetermined between them and their designated suppliers, which limit our ability to manage the suppliers and thus, our control over the prices of our key raw materials. Furthermore, as such telecommunications network operators usually have stronger bargaining power than us, we usually are required to accept the terms of the agreements provided by them. In such circumstances, if their designated suppliers increase the prices of optical fibres, we may not be able to pass on this increased cost to our major customers. Any increases in raw material costs that we cannot effectively pass on through increases in prices of our products could reduce our profitability. If the prices of our optical fibre cable products decrease or fluctuate, it will materially affect out operating results, profitability and financial results.

For other risks about our business, please refer to the paragraph headed "Risk factors – Risks relating to our business" of this prospectus.

A typical overall workflow for our business model with customers which award contracts through open tendering can be summarised as follows:



Submission of tendering and awards of tendering

Our major customers adopted open tendering processes to select optical fibre cable suppliers. For example, the Major PRC Telecommunications Network Operators implement centralised procurement policies and each of them would announce annual procurement plans and hold open tendering. Optical fibre cable suppliers including us that participate in the open tendering processes would submit the tendering documents and then wait for announcements of tender winners. Please also refer to the paragraph headed "Customers, sales and marketing – Our customers" in this section for more details about the open tendering processes. The typical time from the date of tender invitation to the date of tender submission ranges from 20 days to 60 days. We may receive the award of tendering within 60 days to 150 days after our submission of tendering if we win the tender.

Contract and purchase order arrangements between our major customers and our Group

After we are selected as an optical fibre cable supplier, a framework agreement will be entered into with the customers. The total procurement amounts provided in the framework agreement are on an estimated basis and the procurement amounts are subsequently assigned by our customer to its provincial or local subsidiaries or branches, and we are then required to enter into more detailed purchase orders with such provincial or local subsidiaries or branches when they place orders from time to time. For more details about contract terms, please refer to the paragraph headed "Customers, sales and marketing – Our customers" in this section.

The term of the framework agreement generally ranges from one to two years. The Major PRC Telecommunications Network Operators have centralised procurement policies through tendering based on their annual procurement. However, they may not hold centralised procurement tendering every year. If the Major PRC Telecommunications Network Operators do not hold the centralised procurement tendering for the year, they will place purchase orders for additional amount pursuant to the same terms as specified in the framework agreement of the last centralised procurement tendering. We may accept first purchase order within seven days to 10 days after we have entered into the framework agreement.

Procurement and production

According to the product specifications and technical requirements set out in the framework agreements entered into with our customers and further detailed in the purchase orders, we make production plans. Our production plans specify the raw materials required, product models and specifications, production amounts, and time for delivery in the production process. The general lead time for procurement of our raw materials ranges from three to nine days. For details about production process, production time for each critical process, production machineries and technologies, please refer to the paragraph headed "Production" in this section.

Quality control

Our Group has adopted stringent quality control procedures. We believe that the stable performance of our products is the key to maintain our reputation in the industry. Our quality control system covers the purchase of raw materials, production, machinery and equipment management, sales and staff quality awareness system. We have over 200 detailed inspection and testing procedures in each stage of our production. For the details of our quality control, please refer to the paragraph headed "Quality control" in this section. We also conducted testing for our end products to ensure that such products meeting the relevant specifications and requirements prior to delivery to customers. For the details and time of product testing, please refer to the paragraph headed "Production – Production processes" in this section.

Packaging and delivery to customers

Packaging requirements may be specified in the framework agreements with some of our customers for product safety and delivery purpose. Pursuant to the terms of the framework agreement or the purchase orders, our customers may collect the ordered products from our factories through their own logistics arrangements or we may be required to deliver our products through third party logistics companies to the destinations specified by our customers. If we arrange for the delivery of our products, the transportation costs will be borne by our customers and included as part of the total purchase price stipulated in the purchase orders. Generally, it may take us approximately seven days to 30 days to package the products and deliver the products to customers.

We typically offer a quality warranty period of 36 months after the sale for our products. For the details of our after-sales services, please refer to the paragraph headed "Customers, sales and marketing – After-sales services" in this section.

For the contracts which we do not obtain through open tendering process, the customers may seek quotations from us and enter into agreements with us after negotiation.

OUR PRODUCTS

We offer a wide range of optical fibre cables with different specifications to cater for our customers' needs. Our optical fibre cables can be used in traditional applications, such as mobile communication networks, internet networks and fixed telephone networks in the telecommunications industry, and can be installed under different conditions, including aerial, direct burial, duct and air-blown installations. Our products were mainly sold to the Major PRC Telecommunications Network Operators during the Track Record Period. We generated revenue from the sales of optical fibre cable products of approximately RMB265.2 million, RMB380.6 million, RMB612.6 million and RMB319.0 million for the three years ended 31 December 2015 and the five months ended 31 May 2016, respectively.

The table below sets out a breakdown of our revenue by type of our optical fibre cable products and their sales amounts as a percentage of our revenue for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Optical fibre cables										
Layer stranded optical fibre cables	232,134	87.5	318,386	83.7	494,824	80.8	171,617	85.3	281,774	88.3
Central unitube optical fibre cables	21,354	8.1	25,507	6.7	67,611	11.0	14,264	7.1	24,125	7.6
Other types*(Note)*	11,675	4.4	36,719	9.6	50,202	8.2	15,388	7.6	13,073	4.1
Total	**265,163**	**100.0**	**380,612**	**100.0**	**612,637**	**100.0**	**201,269**	**100.0**	**318,972**	**100.0**

Note: Other types of optical fibre cables included bow-type drop cables and specialty optical cables.

During the Track Record Period, to a lesser extent, we also (a) manufactured and sold ancillary products such as (i) copper-made communication cables for use in local telephone networks and (ii) copper-made enamelled wires for use as winding wires for various electric appliances such as transformers, and (b) sold cable supporting products such as optical fibre connectors procured from third parties.

Optical fibre cables

Optical fibre cables are our main products which can be used in communications between telecommunications networks, radio and television communications networks, utilities, mining, petroleum and military communications networks, multisite organisations, transportation and various other long-range communications for office and home applications. Optical fibre cables are produced from one or more optical fibres by firstly colouring the optical fibre and then encasing the optical fibre in protective jackets. Optical fibre cables are often designed to withstand challenging environmental conditions such as water penetration, temperature changes or animal damages and other disturbances such as construction works, smoke, air pollution or fire.

The main components of an optical fibre cable may include the following five groups of materials:

(i) *Cable core*: the core of optical fibre cable is usually formed by using one or more optical fibre units. The required number of optical fibres in the cable and the type of application of the cable will determine what kind of optical fibre unit structure is selected.

(ii) *Optical fibre coatings*: to protect the optical fibre surface, a composite primary coating is applied at the fibre drawing stage. The primary coating of an optical fibre must withstand handling of the optical fibre during cable manufacture and installation. The primary coating materials are selected to ensure stability over the range of temperature to be considered and in the presence of moisture. A secondary protection of the primary coated fibre may also be applied by using several protection methods. The primary coated fibre may be protected by a secondary protection, which includes loose tube, micromodule construction, tight polymer coating or ribbon construction. The secondary protection method should be selected taking into account the optical fibre unit structure.

(iii) *Strength members*: the strength members are used to enhance the strength and durability of the cable to ensure that the optical fibres are not strained beyond their permissible limit taking into account the dynamic strain introduced during handling of the cable. Any type of strength member can be employed, metallic or non-metallic, as long as the optical fibre strain is held within permissible values.

(iv) *Water-blocking materials (if necessary)*: the water-blocking materials are a means of protecting the optical fibres from the ingress of water or moisture. A filling compound, swelling tape, swelling powder or a combination of materials may be used. The filling compound or swelling powder is distributed into interstices of the optical fibre unit and the cable core. The filling compound can also be used as a filler of a tube. Swelling tape is usually wrapped around the optical fibre unit or the cable core.

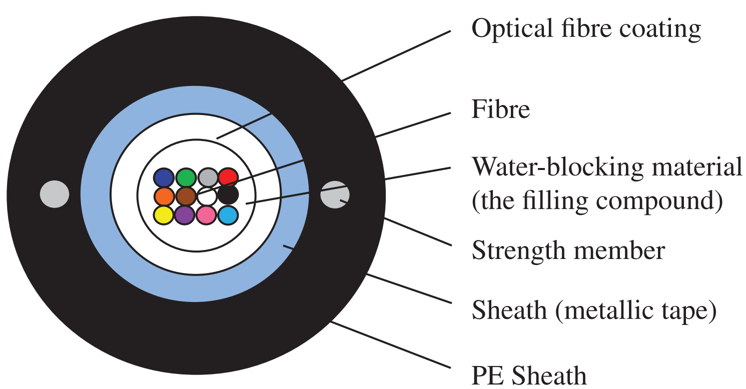
(v) *Sheath and armour materials (if necessary)*: the cable sheath protects the cable core from mechanical and environmental damage. The material of cable sheath is chosen based on characteristics such as hydrogen generation, climatic performance, air tightness, moisture penetration resistance, chemical resistance, mechanical stability, diameter, weight, fire resistance and rodent resistance.

Based on the assembly process structures, our optical fibre cable products can be divided into two major categories, which contributed mainly to our revenue, namely: (i) central unitube optical fibre cables (中心管式光纜) and (ii) layer stranded optical fibre cables (層絞式光纜). We also produced and offered other types of optical fibre cables, such as bow-type drop cables (蝶形引入光纜) and specialty optical cables (特種光纜) during the Track Record Period.

Central unitube optical fibre cables (中心管式光纜)

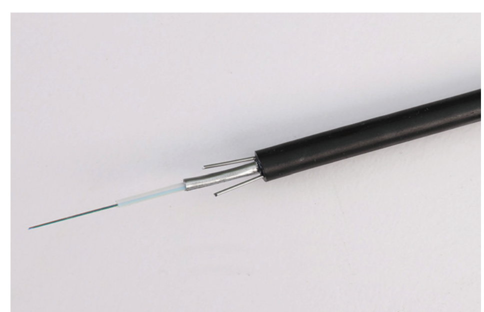
The table and diagram below illustrate the principal structure and functions of our central unitube optical fibre cables:

Product structure diagram and illustrations



- The following pictures show typical types of central unitube optical fibre cables we produced:

Central unitube optical fibre cable (ribbon fibre construction)



Central unitube optical fibre cable (discrete fibre construction)

Product structure description

- An optical fibre unit is defined as the basic unit for constituting the core of an optical fibre cable. Central unitube optical cables are generally single unit cables. The unit consists of certain number of fibres and the number of fibres in the unit ranges from two to 576 depending on the type of applications.

Product structure description

- Fibre is protected by a primary coating. The tube around the coated fibres is the secondary protection. The protection method can be selected from a loose packaging within a tube or a tight polymer coating. In general, our products adopt loose tube protection. The loose tubes are made from materials with high hydrolysis resistance and high intensity to provide sufficient protection to the coated fibres.

- Tube filling is used within the protective tube to prevent longitudinal migration of water. Special filling compound or gel may be used as water blocking material and as tube filler minimising the slip between the tube and the fibre or between the strength member and the sheath to ensure the movements of fibres are not constrained by stickiness.

- Strength members may be metallic strength members such as steel wires, or non-metallic strength members, for example fibreglass yarns, FRP pole, FRP tape and aramid yarns.

- Various kinds of cable sheath may be applied for protecting the cable core from external damage. Our customers can choose different types of sheath or different layers of sheath depending on their needs. The sheath may be plastic sheath, LSZH sheath, multiple plastic and nylon sheaths, plastic or LSZH sheath with metallic tapes or layers, and cable sheath with armour. Cable sheath improves the flexibility and crushing strength of the cable, and forms an impervious moisture barrier.

- Our central unitube optical fibre cable products can be further divided into two major categories pursuant to the different construction of cable core, comprising (i) discrete fibre construction type; and (ii) ribbon fibre construction type. The principal difference between these two types is that the cable core of ribbon fibre construction consists of fibre ribbons instead of separate fibres. A ribbon construction is a linear array of fibres assembled together, which allows greater fibre density within a cable.

- Central unitube optical fibre cables are characterised as small diameter, light weight and easy installation. They are applicable in various industries including telecommunications and broadcasting industry, mining industry, petroleum industry, transportation industry and education industry and can satisfy aerial, direct burial and tunnel installation conditions.

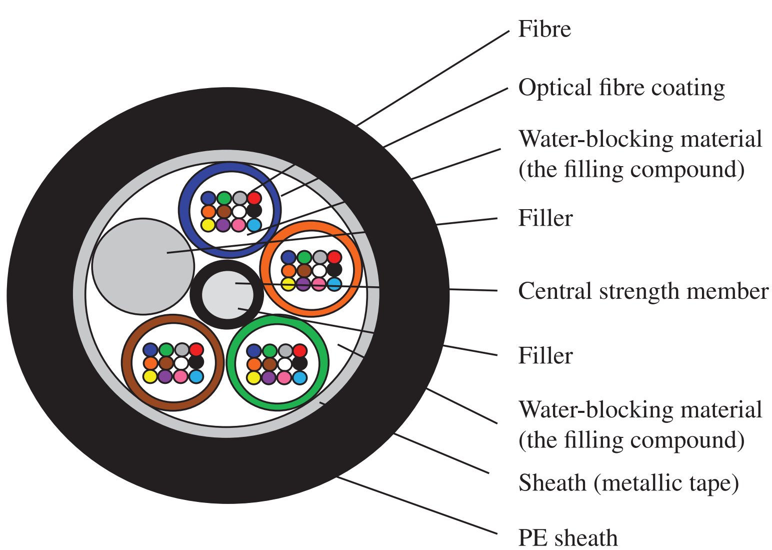
- We provide a wide range of products to meet our customers' need. Based on customers' requirements on strength members, cable sheathes, and water blocking materials, as at the Latest Practicable Date, we offered 10 different models of discrete fibre construction type and two models of ribbon fibre construction type for our central unitube optical fibre cable products.

As at the Latest Practicable Date, we offered 12 models of central unitube optical fibre cables, including discrete fibre construction type that contains two to 288 fibres and ribbon fibre construction type that contains 24 to 576 fibres.

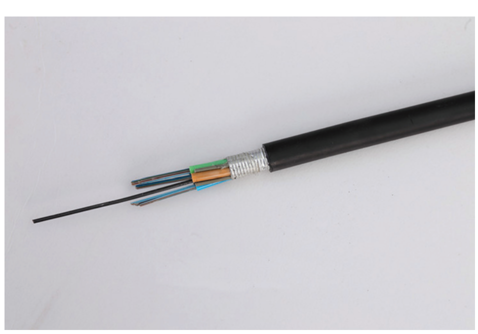
Layer stranded optical fibre cables (層絞式光纜)

The table and diagram below illustrate the principal structure and functions of our layer stranded optical fibre cables:

Product structure diagram and illustrations



- The following pictures show typical types of layer stranded optical fibre cables we produced:



Layer stranded optical fibre cable (ribbon fibre construction)

Layer stranded optical fibre cable (discrete fibre construction)

Product structure description

- Layer stranded optical fibre cable differentiates from central unitube optical fibre cable by the numbers of optical fibre unit. Central unitube optical fibre cable consists of single unit, whereas layer stranded optical fibre cable has multiple optical fibre units which are covered by loose tubes, together around a central strength member.

- In general, the loose tubes are stranded over central strength members within appropriate stranding pitch. By precisely controlling the excess fibre length and adjusting the stranding pitch, the cable obtained tensile strength and temperature performance.

- Where there is gap within the cable and the tubes or other compounds of cable are not tightly bundled, a filler may be used to provide mechanical protection for the cable, fill in the interspace and enhance the waterproof performance.

- Our layer stranded optical fibre cable products can also be further divided into discrete fibre construction type and ribbon fibre construction type.

- Based on customers' requirements on strength members, cable sheath types, and water blocking materials, as at Latest Practicable Date, we offered 26 different models of discrete fibre construction type and 11 models of ribbon fibre construction type for our layer stranded optical fibre cable products.

As at Latest Practicable Date, we offered 37 models of layer stranded optical fibre cables, including discrete fibre construction type that contains two to 288 fibres and fibre ribbon construction type that contains 24 to 576 fibres.

Other types of optical fibre cables

Apart from two major types of optical fibre cables, we produce bow-type drop cables (蝶形引入光纜). We also produce nine types of specialty optical cables (特種光纜) based on the specific requests of our customers including non-metallic lightning proof light optical cables, 8-figured self-supporting cables, submarine cables, rat proof cables, air-blown micro-duct cables, opto-electronic hybrid cables, all-dielectric self-supporting (ADSS) optical cables, mini unitube optical cables and optical power line communication (OPLC) cables for specific applications. In particular, the non-metallic lightning proof light optical cables consist of special non-metallic strength members and upgraded product characteristics to eliminate the damage of lightning and thunder, which make this cable more suitable for outdoor applications.

Our comprehensive range of optical fibre cables can satisfy various complicated installation conditions, including aerial, direct burial, duct or air-blown installations, and can be used in telecommunications networks, broadcast television networks, mining, petrochemical, railway industry and military communication system.

We are currently conducting research and development on new products, such as fireproof optical cables, all-dry series of optical fibre cables and invisible cables, to satisfy customers' needs and adopt the market trend.

Analysis of selling prices and sales volume of our products

During the Track Record Period, all of our optical fibre cables were sold to customers which were Independent Third Parties. The below table sets out the total volume of optical fibre cables we sold for the periods indicated:

	Year ended 31 December			Five months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	fkm'000	*fkm'000*	*fkm'000*	*fkm'000*	*fkm'000*
Total	2,268.0	3,508.1	6,335.7	1,944.9	3,466.7

The below table sets out the price ranges (including VAT) for our two major types of optical fibre cable products for the periods indicated. The difference in prices for our optical fibre cable products during the Track Record Period was primarily due to different structures of our optical fibre cables and number of optical fibres contained in the cables.

	Year ended 31 December						Five months ended 31 May			
	2013		**2014**		**2015**		**2015**		**2016**	
	Low end	**High end**	**Low end**	**High end**	**Low end**	**High end**	**Low end**	**High end**	**Low end**	**High end**
	(RMB per fkm)									
Central unitube optical fibre cables	100.4	146.2	94.7	128.8	82.6	152.8	88.3	150.7	98.4	142.9
Layer stranded optical fibre cables	94.9	186.2	76.6	157.8	52.7	238.7	61.6	235.0	63.7	245.9

The table below sets out a breakdown of average selling price and sales volume by type of our optical fibre cable products for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	Average selling price *RMB per fkm*	**Sales volume** *'000 fkm*	**Average selling price** *RMB per fkm*	**Sales volume** *'000 fkm*	**Average selling price** *RMB per fkm*	**Sales volume** *'000 fkm*	**Average selling price** *RMB per fkm*	**Sales volume** *'000 fkm*	**Average selling price** *RMB per fkm*	**Sales volume** *'000 fkm*
Optical fibre cables										
Layer stranded optical fibre cables	113.7	2,041.4	103.7	3,071.7	91.6	5,399.1	97.4	1,762.8	89.0	3,164.2
Central unitube optical fibre cables	126.0	169.4	108.6	234.9	105.2	642.7	127.5	111.9	106.2	227.2
Other types[(Note)]	204.2	57.2	182.2	201.5	170.8	293.9	219.2	70.2	173.5	75.3

Note: Other types of optical fibre cables included bow-type drop cables and specialty optical cables.

Please see the section headed "Industry overview – Optical fibre cable market in the PRC" for the future price trend of optical fibre cables.

Other products and services

Our other products primarily include copper-made communication cables and copper-made enamelled wires. Copper-made communication cables are used by the telecommunications network operators to provide local telephone services, while copper-made enamelled wires are used as winding wire for various electric appliances such as transformers.

We also sell cable supporting products such as optical fibre connectors procured from third parties. Optical fibre connectors are integrated devices for connecting fibre pigtails. Based on the requirements of the Major PRC Telecommunications Network Operators, they may order our cable products with cable supporting products produced by third parties as a package.

We also provide our customers with various value-added services by leveraging our technology and know-how. Such services include construction consulting services, testing services, consulting services and customised training programs to meet our customers' needs during their deployment and use of our products.

PRODUCTION

Production sites

We manufacture our products at Wu Jin Factory and Jin Tan Factory, our production sites, both located in Changzhou City, Jiangsu Province, the PRC. Wu Jin Factory was our first production site. Jin Tan Factory, our second production site, started trial production of optical fibre cables in the fourth quarter of 2015. The production sites and other ancillary facilities we operate have a total site area of approximately 76,882.3 sq.m. The production facilities of our Wu Jin Factory and Jin Tan Factory are similar and interchangeable for the production of our optical fibre cable products. As at the Latest Practicable Date, we had 269 employees in our production department.

Wu Jin Factory

Our Wu Jin Factory is located in Luoyang town, Changzhou City. It occupies a total site area of 26,795.3 sq.m. and a total gross floor area of 25,730.5 sq.m., comprising factory buildings, warehouse and other ancillary buildings. Our Wu Jin Factory had an annual production capacity of approximately 5.0 million fkm as at the Latest Practicable Date. We had not experienced any significant disruption of operation arising from any shortage of electricity at our Wu Jin Factory during the Track Record Period. We carry out regular inspection and routine maintenance and preservation of our production facilities and equipment at Wu Jin Factory to ensure that our production lines operate efficiently and at optimal levels.

Jin Tan Factory

To strengthen our market position and to cope with increasing demand from our customers, we continue to expand our production facilities to cater for our further development. Our Jin Tan Factory is our new production site which is located at Jin Tan Development Zone, Changzhou City. Our Jin Tan Factory occupies a total site area of 50,087.0 sq.m. and a total gross floor area of 38,950.5 sq.m.. The trial production at our Jin Tan Factory commenced in the fourth quarter of 2015. As at 31 May 2016, our Group incurred capital expenditures in relation to phase I of Jin Tan Factory (including land, building and machineries) amounting to RMB73.8 million, which was funded by our internal resources. As at the Latest Practicable Date, our Jin Tan Factory had an annual production capacity of 5.3 million fkm, since the phase I of our Jin Tan Factory was able to produce at its full production capacity in mid June 2016.

In capturing the anticipated growth of the optical fibre cable market in the PRC, it is one of our strategies to continue to increase our production capacity by implementing phase II expansion plan of our Jin Tan Factory. It is expected that the total capital expenditures for phase II expansion plan of our Jin Tan Factory would amount to approximately HK$120 million, which is expected to be funded by the net proceeds from the Global Offering. Upon completion of phase II expansion plan of our Jin Tan Factory in the first quarter of 2019, it is expected that our aggregate annual production capacity would increase to 15 million fkm.

Since our production lines can be modified and interchangeable to produce different types of products, the product mix does not affect the calculation of our annual production capacity in respect of our major products. For details of the phase II expansion plan of our Jin Tan Factory, please refer to the paragraph headed "Business – Business strategies – Increase market share and penetration in the PRC, promote our brand and brand awareness in the PRC and continue to increase our production capacity" of this prospectus.

Production capacity and utilisation rate

The table below sets out the annual production capacity and actual standardised production volume of our optical fibre cable products, and the effective utilisation rate of our two factories for each of the three years ended 31 December 2015:

	Year ended 31 December				
	2013	2014	2015		
	Wu Jin Factory	Wu Jin Factory	Wu Jin Factory	Jin Tan Factory[3]	Our Group
Annual production capacity[1] *('000 fkm)*	3,024.0	3,460.8	5,026.6	1,612.8[3]	6,639.4
Actual standardised production volume *('000 fkm)*	2,174.5	2,817.9	4,618.8	294.9	4,913.7
Utilisation rate[2] *(%)*	71.9	81.4	91.9	73.1[4]	87.3[5]

Notes:

(1) The annual production capacity is calculated for illustration purpose only, based on the production of standardised optical fibre cables and the production facilities operating 20 effective working hours a day and based on 350 working days a year except for public holidays where applicable.

(2) The utilisation rates are calculated by dividing the actual standardised production volume of a year by annual production capacity.

(3) The trial production of Jin Tan Factory began in the fourth quarter of 2015 during which Jin Tan Factory did not run at its full capacity. Hence, the annual production capacity of Jin Tan Factory for the year ended 31 December 2015 was calculated by annualising the production capacity of 403,200 fkm for the fourth quarter of 2015. As at the Latest Practicable Date, Jin Tan Factory had an annual production capacity of 5.3 million fkm, which was the full production capacity of phase I of Jin Tan Factory.

(4) Due to the commencement of the trial production of Jin Tan Factory in the fourth quarter of 2015, the utilisation rate for Jin Tan Factory for the year ended 31 December 2015 was calculated by dividing the actual standardised production volume of 294,885 fkm by a production capacity of 403,200 fkm for the fourth quarter of 2015 on a pro-rata basis.

(5) The utilisation rate for Wu Jin Factory and Jin Tan Factory, on a combined basis, for the year ended 31 December 2015 was calculated by dividing the sum of (i) the actual standardised production volume of Wu Jin Factory of 4,618,800 fkm and (ii) the annualised standardised production volume of Jin Tan Factory of 1,179,600 fkm (i.e. 294,900 fkm x 4) by our aggregate annual production capacity of 6,639,400 fkm.

The table below sets out the annual production capacity and actual standardised production volume of our optical fibre cable products, and the effective utilisation rate of our two factories for the five months ended 31 May 2016:

	Five months ended 31 May 2016		
	Wu Jin Factory	**Jin Tan Factory**	**Our Group**
Production capacity[1] *('000 fkm)*	2,094.4	1,589.8	3,684.2
Annual production capacity *('000 fkm)*	5,026.6	3,815.4[2]	8,842.0
Actual standardised production volume *('000 fkm)*	1,946.4	1,291.7	3,238.1
Utilisation rate[3] *(%)*	92.9	81.3	87.9

Notes:

(1) The production capacity is calculated for illustration purpose only, based on the production of standardised optical fibre cables and the production facilities operating 20 effective working hours a day and based on 150 working days for the five months ended 31 May 2016 except for public holidays where applicable.

(2) The annual production capacity of Jin Tan Factory for the year ending 31 December 2016 is calculated by annualising the production capacity of 1,589,760 fkm for the five months ended 31 May 2016.

(3) The utilisation rates are calculated by dividing the actual standardised production capacity for the indicated period by the production capacity for the indicated period.

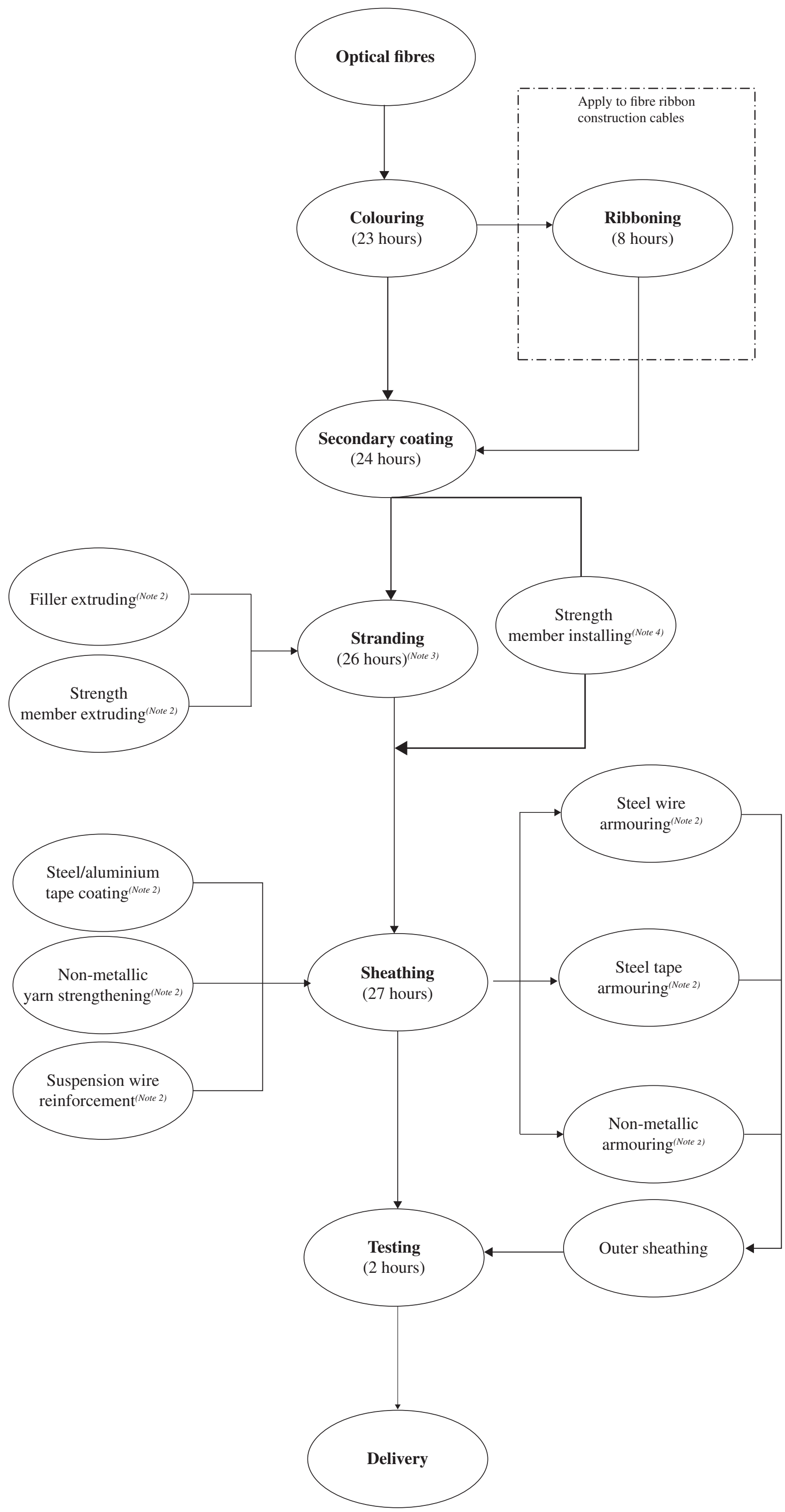
Production processes

Due to the product characteristics, we are able to adjust the computer programmes and numbers of our production lines so that we can accommodate the production of different products, to cater for and to capture business opportunities arising from any change in market demand or customers' preference of any particular products.

Our production of central unitube optical fibre cables primarily involves (i) optical fibre colouring; (ii) optical fibre ribboning (for fibre ribbon construction cables only); (iii) optical fibre secondary coating; (iv) strength member installing; (v) sheathing; and (vi) packaging and delivery.

Our production of layer stranded optical fibre cables primarily includes (i) optical fibre colouring; (ii) optical fibre ribboning (for fibre ribbon construction cables only); (iii) optical fibre secondary coating; (iv) stranding; (v) sheathing; and (vi) packaging and delivery.

The following workflow illustrates the primary production processes for our two major types of optical fibre cables, that is, central unitube optical fibre cables (中心管式光纜) and layer stranded optical fibre cables (層絞式光纜):



Notes:

1. The production time for colouring, secondary coating, stranding and sheathing is estimated based on standard production of 100 km optical fibre cables containing 24 fibres, for ribboning is estimated based on standard production of 100 km fibre ribbon containing 12 fibres and required time for testing is estimated based on testing for 2 km of optical fibre cable.

2. These processes are optional processes depending on cable structures and customers' specifications.

3. This process is applicable to layer stranded optical fibre cable products.

4. This process is applicable to central unitube optical fibre cable products.

5. We have quality checks in each of the production processes, details of which are further described in table below.

Details of the key production processes of our optical fibre cables include the following:

Colouring

- For fibre identification purpose, each optical fibre may be coloured with high quality UV-curable inks that do not affect any transmission characteristic, so that different optical fibres in multi-fibre cables within one tube or one ribbon can easily be distinguished.

- The fibre colouring machine applied fibre colouring technology to make sure colours on the fibres do not move or fade, even rubbing the fibres with alcohol.

- We conduct quality control here to test fibre attenuation coefficient, which means the intensity in which the light wave is reduced as it passes through the optical fibre, for each coloured optical fibre in a cable.

Ribboning (for fibre ribbon construction cables only)

- Bundling multiple coloured optical fibres together to form a ribbon coated with acrylic acid prepolymer.

- Optical fibre ribbon provides higher fibre density per unit than individual optical fibres stranded in a bundle, reducing cable diameter.

- The fibre ribboning machine applied high-speed optical fibre ribbon preparation technology to ensure optical fibres are aligned in a row and bound by coating material, and fibres shall remain parallel and do not cross.

- We conduct quality control here to test fibre attenuation coefficient and geometric parameters of fibre ribbons.

Secondary coating

- Individual or multiple optical fibre unit(s) or fibre ribbons is laid into a tube that is then filled with gel or other filler.

- Optical fibres are provided with primary coated and be protected by secondary coating, such as loosing packaging within a tube, micromodule construction or tight polymer coating.

- The secondary coating production line applied automatic lock technology for controlling excess fibre length to ensure appropriate excess fibre length.

- We need to control the outside diameter and wall thickness of the loose tube, and ensure that filling gel is sufficiently filled into interstices of the optical fibre units and the tube.

Stranding (for layer stranded optical fibre cable only)

- For layer stranded optical fibre cables, tubes with optical fibres or optical fibre ribbons are helically stranded over the central strength members by way of so-called stranding, which is a reverse oscillating process that periodically reverses the rotation direction of stranding to facilitate cable mid-span entry and allow for stretching, twisting and bending.

- Filler extrusion process may be added to enhance completeness of the structure of cable core, and to further improve water resistance and to fill in the interspace, basing on the installation environment and the customers' requirements.

- To improve the stability of optical transmission and reduce the optical loss during dimensional changes associated with temperature variations, a layer of secondary coated optical fibres may need to be tightly stranded around a central strength member.

- The stranding production line applied loose/tight tube stranding technology and high-speed yarn dual cross binding technology to advance flexibility and bending of the cable.

- As a quality control inspection, we will conduct a stranding pitch test which ensures that each fibre has sufficient excess fibre length so as to strengthen mechanical performance.

Sheathing

- The coated cable core is extruded with an outside protective sheath, usually made from polyethylene and is filled with gel or other materials to fill in the slip between the cable core and the sheath.

- Extra water blocking materials such as yarn, tape or other compounds may be added into the interspace between sheath and the coated cable core to improve the anti-moisture performance.

- Suspension wire (metallic or non-metallic) as reinforcement/bearing element may be placed within the sheath for the self-supporting cable.

- A number of armour oversheaths may be used for added protection to meet particular environmental conditions.

- Additional layers of materials may be added for additional strength such as metallic or non-metallic tape strengthening, or outer sheath protection depending on the use of the optical fibre cables.

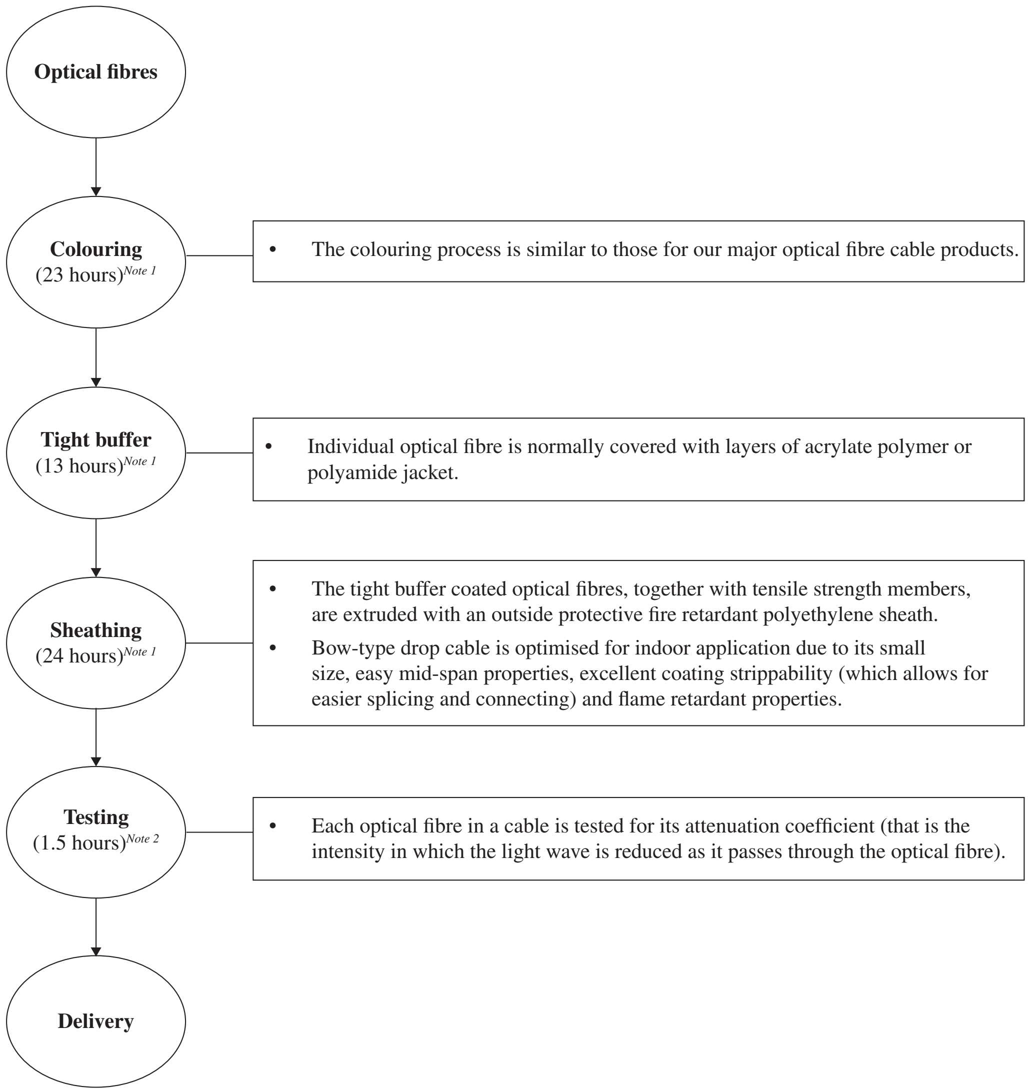
- We conduct quality test to ensure that the cables meet all product specifications and are ready for packaging by testing performance indicators of optical fibres and optical fibre cables, and geometric size of the optical fibre cable.

Testing

- Sample testing is conducted for polarisation mode dispersion (whether there are any distortion of light waves in the optical fibre).

- Full testing is conducted for attenuation coefficient (meaning the intensity in which the light wave is reduced as it passes through the optical fibre) of each optical fibre in the cable and length of optical fibre cable.

We also produced and sold bow-type drop cables (蝶形引入光纜) during the Track Record Period. The primary production processes for bow-type drop cables are illustrated as below:



Notes:

1. The production time of each production processes above is estimated based on standard production of 100 km optical fibre cables containing single optical fibre.

2. The required time for testing is estimated based on testing for 1 km of optical fibre cable.

Our production machinery, equipment and technology

We purchase machineries and equipment required for the production and quality testing of our optical fibre cable products. During the Track Record Period, we had upgraded or modified machineries and equipment we purchased for the production of our products to better improve their performance and to meet our production needs. For instance, we upgraded sheath extruding device in sheathing production process and raw material supply system in production processes. As at the Latest Practicable Date, we obtained and were in the process of applying for certain patents for our improvements in production machineries and equipment. The major machineries and equipment used in our production facilities are fibre colouring machine, fibre ribboning machine, secondary coating production line, stranding production line and sheathing production line. During the Track Record Period, such machineries and equipment were purchased from third parties. For details, please refer to the paragraph headed "Production – Production processes" above in this section.

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

Key technologies applied in the manufacturing of our products include optical fibre colouring technology, loose tube preparation technology, loose tube stranding technology, automatic lock technology for controlling excess fibre length, cable sheathing technology, high-speed optical fibre ribbon preparation technology, high-speed yarn dual cross binding technology and batch-type gel filling technology. For details, please refer to the paragraph headed "Production – Production processes" above in this section.

PROCUREMENT AND SUPPLIERS

During the Track Record Period, suppliers of goods and services which were specific to our business and were required by us on a regular basis to enable us to continue to carry on our business included (i) suppliers of raw materials; and (ii) subcontractors performing certain production processes of our optical fibre cables. We use a variety of raw materials in our production processes. Optical fibres are our principal raw materials for our production of optical fibre cable products. We also procure other raw materials such as steel tapes, aluminium tapes and sheathing materials from our suppliers.

Our total purchase amounted to approximately RMB245.5 million, RMB320.6 million, RMB519.5 million and RMB249.5 million, respectively, for the three years ended 31 December 2015 and the five months ended 31 May 2016. During the Track Record Period, there was no material amount of defective raw materials returned to our suppliers or unsatisfactory finished products reprocessed or disposed of by our Group.

Procurement policies

Depending on the kind of raw materials, we have two different procurement procedures: (i) procuring from designated suppliers, and (ii) seeking quotations.

Procuring from designated suppliers

Our major type of raw materials is optical fibres. The Major PRC Telecommunications Network Operators generally require optical fibre cable suppliers to use optical fibre only from their designated suppliers as specified in the relevant contracts. The majority of our regular optical fibre suppliers are usually on the supplier list designated by the Major PRC Telecommunications Network Operators. The cost of optical fibre is set forth in the contracts between the telecommunications network operators and the designated suppliers, which is usually determined by referring to the prevailing market prices for such raw materials. To provide us with an additional source of supply of optical fibres, our major type of raw materials, we partnered with Hengtong to establish Nanfang Optic in June 2013. We currently have a 15-year long-term optical fibre supply agreement with Nanfang Optic. For details, please refer to the paragraph headed "Establishment of Nanfang Optic – Optical fibre supply arrangement with Nanfang Optic" in this section.

Seeking for quotations

For raw materials other than optical fibres, we generally select suppliers by way of seeking quotations from different suppliers, where we will undergo independent negotiations on an order-by-order basis. Depending on the type of the respective raw materials and our production schedule, we plan the procurement of raw materials after the receipt and confirmation of customers' purchase orders, which typically set forth the amount, quality specifications, warranty, payment terms, unit price and delivery terms. The lead time for our individual procurement generally ranges from three days to nine days, subject to the location and the means of transportation.

We constantly monitor and evaluate current and potential suppliers on their ability to meet our requirements and standards. Our quality control department evaluates our suppliers on monthly basis. For further details, please refer to the paragraph headed "Quality control" in this section. We believe we do not significantly rely on any particular supplier for these raw materials.

Total purchase of raw materials

The table below sets out a breakdown of our purchase amounts of major raw materials and the corresponding amount as a percentage of our total purchases for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Purchase of raw materials										
Optical fibres	113,274	46.1	157,997	49.3	242,914	46.8	66,930	42.4	143,221	57.4
Steel tapes	4,715	1.9	5,656	1.8	8,506	1.6	2,688	1.7	6,326	2.5
Aluminium tapes	7,161	2.9	9,832	3.1	15,315	2.9	4,819	3.1	8,878	3.6
Sheathing materials	42,606	17.4	58,474	18.2	71,856	13.8	21,728	13.8	39,262	15.7
Other materials	65,396	26.6	55,986	17.5	75,894	14.7	29,422	18.6	34,127	13.7
Total purchase of raw materials	233,152	94.9	287,945	89.9	414,485	79.8	125,587	79.6	231,814	92.9
Subcontracting fee	2,162	0.9	21,902	6.8	74,192	14.3	22,497	14.3	6,987	2.8
Others	10,198	4.2	10,737	3.3	30,861	5.9	9,774	6.1	10,722	4.3
Total	245,512	100.0	320,584	100.0	519,538	100.0	157,858	100.0	249,523	100.0

To ensure a stable supply of raw materials, we generally purchase raw materials from multiple sources wherever possible and maintain strategically cooperation business relationships with our suppliers. We partnered with Hengtong to establish Nanfang Optic in June 2013 which engages in the production of optic fibres, a major type of raw materials for the production of optical fibre cables. By having such additional source of supply of optical fibres, we are able to reduce reliance on third party suppliers. We believe that our relationships with suppliers would allow us to obtain competitive prices in order to control our production cost, therefore maintaining the price competitiveness of our final products.

For further details, please refer to the paragraph headed "Inventory management" below in this section.

Major suppliers

All of our major suppliers are located in the PRC and all of our purchases are denominated in RMB. We usually pay our suppliers by bank bills issued by banks and cash by bank transfer. Save as the situations where our customers require us to source directly from their designated suppliers for raw materials, we select our suppliers by assessing various factors such as the size of their operations, price, source of their raw materials, product quality and their ability in ensuring timely delivery.

As at the Latest Practicable Date, our five largest suppliers have had a business relationship with us for a period ranging between one year and 11 years. Please refer to the table below for details of the five largest suppliers during the Track Record Period.

For the three years ended 31 December 2015 and the five months ended 31 May 2016, purchases from our five largest suppliers were approximately RMB146.8 million, RMB170.4 million, RMB328.1 million and RMB184.4 million, respectively, which in aggregate accounted for approximately 59.8%, 53.1%, 63.1% and 74.0%, respectively, of our total purchases. The purchases from our largest supplier were approximately RMB52.5 million, RMB51.8 million, RMB208.5 million and RMB139.4 million, which accounted for approximately 21.4%, 16.1%, 40.1% and 55.9%, of our total purchases for each of the three years ended 31 December 2015 and the five months ended 31 May 2016.

Nanfang Optic commenced its production of optical fibres in September 2014. The amount of optical fibres we purchased from Nanfang Optic for the two years ended 31 December 2015 and the five months ended 31 May 2016 accounted for approximately 7.1%, 40.1% and 55.9% of our total purchases, respectively. For details, please refer to the paragraph headed "Establishment of Nanfang Optic" in this section.

The tables below set out the details of our five largest suppliers during the Track Record Period:

For the year ended 31 December 2013

Supplier	Background and business nature	Major products/ services purchased	Purchase amount for the year	% of our total purchases	Years of relationship (up to the Latest Practicable Date)
			(RMB'000)		
Supplier A	A Hong Kong listed company engaged in the production and sales of optical fibre preforms, optical fibres and optical fibre cables	Optical fibres	52,520	21.4	11
Supplier B	A wholly-owned subsidiary of a PRC listed company which principally provides optical fibres	Optical fibres	44,152	18.0	Eight
Supplier C	A private PRC company engaged in the production and sales of sheathing materials such as polyethylene and other polymers	Sheathing materials	22,647	9.2	11
Supplier D	A private PRC company engaged in the production and sales of copper	Copper	15,900	6.5	10
Supplier E	A NEEQ listed company engaged in the production and sales of filling gel for optical fibre cables and communication cables	Filling gel	11,540	4.7	11

For the year ended 31 December 2014

Supplier	Background and business nature	Major products/ services purchased	Purchase amount for the year	% of our total purchases	Years of relationship (up to the Latest Practicable Date)
			(RMB'000)		
Supplier B	A wholly-owned subsidiary of a PRC listed company which principally provides optical fibres	Optical fibres	51,767	16.1	Eight
Supplier C	A private PRC company engaged in the production and sales of sheathing materials such as polyethylene and other polymers	Sheathing materials	49,039	15.3	11
Supplier A	A Hong Kong listed company engaged in the production and sales of optical fibre preforms, optical fibres and optical fibre cables	Optical fibres	33,098	10.3	11
Nanfang Optic	A private PRC company engaged in the production and sales of optical fibres, and in which our Group holds 49% equity interests	Optical fibres	22,755	7.1	Two
Supplier F	A PRC listed company engaged in the production and sales of telecommunications products	Optical fibres	13,723	4.3	11

For the year ended 31 December 2015

Supplier	Background and business nature	Major products/ services purchased	Purchase amount for the year	% of our total purchases	Years of relationship (up to the Latest Practicable Date)
			(RMB'000)		
Nanfang Optic	A private PRC company engaged in the production and sales of optical fibres, and in which our Group holds 49% equity interests	Optical fibres	208,518	40.1	Two
Supplier G	A private PRC company engaged in the production and sales of optical fibre cables	Optical fibres and provided subcontracting services for certain production processes of optical fibre cables	37,931	7.3	Two
Supplier C	A private PRC company engaged in the production and sales of sheathing materials such as polyethylene and other polymers	Sheathing materials	29,488	5.7	11

Supplier	Background and business nature	Major products/ services purchased	Purchase amount for the year	% of our total purchases	Years of relationship (up to the Latest Practicable Date)
			(RMB'000)		
Supplier A	A Hong Kong listed company engaged in the production and sales of optical fibre preforms, optical fibres and optical fibre cables	Optical fibres	27,513	5.3	11
Supplier E	A NEEQ listed company engaged in the production and sales of filling gel for optical fibre cables and communication cables and production of telecommunications products	Filling gel and provided subcontracting services for certain production processes of optical fibre cables	24,605	4.7	11

For the five months ended 31 May 2016

Supplier	Background and business nature	Major products/ services purchased	Purchase amount for the period	% of our total purchases	Years of relationship (up to the Latest Practicable Date)
			(RMB'000)		
Nanfang Optic	A private PRC company engaged in the production and sales of optical fibres, and in which our Group holds 49% equity interests	Optical fibres	139,441	55.9	Two
Supplier C	A private PRC company engaged in the production and sales of sheathing materials such as polyethylene and other polymers	Sheathing materials	20,858	8.4	11
Supplier H	A private PRC company engaged in the production and sales of aluminium products	Aluminium tapes	8,534	3.4	10
Supplier E	A NEEQ listed company engaged in the production and sales of filling gel for optical fibre cables and communication cables and production of telecommunications products	Filling gel	7,906	3.2	11
Supplier I	A private PRC company engaged in production and sales of sheathing materials such as polyethylene	Sheathing materials	7,699	3.1	One

Save as the optical fibre supply agreement entered into between Nanfang Optic and our Group, we have not entered into any long-term agreements or committed any minimum purchase amount with our suppliers. For the details of the salient terms of the optical fibre supply agreement between Nanfang Optic and our Group, please refer to the paragraph headed "Establishment of Nanfang Optic – Optical fibre supply arrangement with Nanfang Optic" below in this section.

During the Track Record Period, there were no material cancellation of purchase orders placed by us with our suppliers. So far as is known to our Directors, none of our suppliers had filed for bankruptcy, insolvency or similar proceedings during the Track Record Period. We did not experience any material shortage or delay in the supply of raw materials, and services we required from our suppliers during the Track Record Period.

Our suppliers typically grant us a credit term within four months, and the general lead time of our raw materials ranges from three to nine days. Transportation fees are usually borne by our suppliers.

Our Directors confirm that none of our Directors, their respective close associates or shareholders holding more than 5% of the issued share capital in our Company had any interest in our five largest suppliers and all of them were Independent Third Parties during the Track Record Period and up to the Latest Practicable Date.

Subcontracting arrangements

Our Group entered into subcontracting arrangements with subcontractors to perform certain production processes to satisfy the surplus demand. Our Directors confirm that our Group is able to perform all the production processes independently as our Group owns all the required production equipment.

During the Track Record Period, we had engaged three, four, eight and one subcontractor(s), respectively. Our Directors confirm that none of our Directors, their respective close associates or shareholders holding more than 5% of the issued share capital in our Company had any interest in our subcontractors and all of them were Independent Third Parties during the Track Record Period and up to the Latest Practicable Date. Our subcontractors were primarily responsible to perform certain production processes of our Group during the Track Record Period. Up to the Latest Practicable Date, we had an average of over two years of relationship with these subcontractors. During the Track Record Period, we did not enter into any long-term agreements with our subcontractors. We use a standard form of subcontracting agreements to be entered into with our subcontractors. The subcontracting agreements are generally renewable and have a term of one year, and typically contain the following salient terms:

Contract term:	one year
Service scope:	subcontractors should follow our technical requirements to perform the production processes
Raw materials:	we should provide required optical fibres for the subcontractors and they should be responsible for the portion of optical fibres exceeding the standardised amount for production
Pricing:	prices for different types of products are mutually agreed and set out in the contract
Payment method:	6-month bank bills issued by banks
Delivery:	we should deliver optical fibres for undergoing production processes to the subcontractors upon receipt of subcontractors' written confirmation and subcontractors should report production progress on a daily basis
Testing:	we have quality control staff stationed at our subcontractors' facilities on a full time basis to conduct standard quality inspections and to closely monitor subcontractors' production processes carried out for our products. Subcontractors are required to conduct product tests before delivery and we will carry out product inspection upon receipt of products delivered from our subcontractors

Subcontractors' warranties:	(a) the raw materials we provide to subcontractors should only be used for production of our products; (b) the subcontractors are responsible for any quality defects caused by them; and (c) the subcontractors are required to warrant the production capacity as stipulated in the agreement to ensure on-time delivery of products
Warranty period:	24 months
Renewal:	renewable within 30 days prior to expiry of the relevant subcontracting agreement

We evaluate the performance of our existing subcontractors regularly and collect information about potential subcontractors from time to time for the purpose of comparison before placing orders. Our subcontractors which provided subcontracting services to us during the Track Record Period were Independent Third Parties.

To select our subcontractors, we conduct an initial assessment of potential subcontractors before certifying them to perform certain production processes for our products. This initial assessment usually involves trial production sample testing and on-site evaluation of the subcontractors' equipment, facilities and manufacturing capabilities. Approved subcontractors will perform certain production processes in accordance with our quality standards, and they are reassessed on a regular basis to ensure that they meet our quality standards consistently. We provide our subcontractors with the raw materials needed for the production of our products. Such raw materials will have to pass our internal quality inspections before they are delivered to subcontractors to ensure the quality of materials used for our products. During the Track Record Period, we did not experience any material delay of supply due to defaults of our subcontractors. Our Directors had confirmed that none of our subcontractors was our major customer during the Track Record Period. In the event that any subcontracting agreement is terminated for whatever reason, our Directors are of the view that we do not anticipate there would be any material difficulties in sourcing new subcontractors for replacement.

In addition to ensure product quality, we will perform quality control inspection on the products delivered by the subcontractors to our Group for further processing. In general, our subcontractors are responsible for product liability claims relating to subcontracted products. For the three years ended 31 December 2015 and the five months ended 31 May 2016, subcontracting costs amounted to approximately RMB2.2 million, RMB21.9 million, RMB74.2 million and RMB7.0 million, respectively, representing approximately 1.0%, 7.0%, 15.1% and 2.7% of our total cost of sales, respectively. Our Directors believe the amounts of subcontracting costs will gradually diminish as our production capacity increased.

INVENTORY MANAGEMENT

We have an inventory control policy to monitor our inventory levels and minimise obsolete inventory. We monitor the usage of our inventory and estimate the amount of any obsolete raw materials and finished goods.

Our inventory balance includes raw materials, work in progress and finished goods. We produce procurement plan for raw materials on a monthly basis based on our production activities, which is subject to adjustment according to actual purchase orders that we receive. We also adjust our raw material procurement according to our production processes, taking into account lead time required for each type of raw materials, so as to maintain our inventory of raw materials at an appropriate level. We normally maintain sufficient levels of inventory to ensure that our production processes are not interrupted.

Upon receiving purchase orders from customers, our sales manager will make a record of the orders and pass such record to our production department. Our production department will then prepare a monthly record, which is then passed to our procurement department to place orders to our suppliers for the requisite raw materials. We may pay a pre-payment of less than 30% of the procurement sum to our suppliers to secure the raw material provision and fix the price of the same in anticipation of the occasion where there might be an increase in the price of our raw materials. Further, most of our sales was derived from contracts awarded through open tendering held by the Major PRC Telecommunications Network Operators. Our quotation provided in the tendering document normally includes two parts, namely the raw material costs and our production fee. As these telecommunications network operators will hold separate tendering for optical fibres, our major type of raw materials, the costs of optical fibres for our production in our quotation will be fixed by them and we do not bear the risk of fluctuation raw material costs.

CUSTOMERS, SALES AND MARKETING

Our customers

Our products are mainly sold in the PRC. Our customers are mainly telecommunications network operators and telecommunications supporting service providers. For each of the three years ended 31 December 2015 and the five months ended 31 May 2016, sales to our Group's five largest customers were approximately RMB273.5 million, RMB380.8 million, RMB601.5 million and RMB319.1 million, which accounted for approximately 95.9%, 96.2%, 97.2% and 99.9% of our total sales, whereas sales to our largest customer were approximately RMB162.5 million, RMB225.1 million, RMB406.4 million and RMB161.8 million, which accounted for approximately 57.0%, 56.9%, 65.6% and 50.7% of our total sales for the same periods.

The tables below set out the details of our five largest customers during the Track Record Period:

For the year ended 31 December 2013

Customer	Background and business nature	Major products sold	Sales amount for the year	% of our total sales	Years of relationship (up to the Latest Practicable Date)
			(RMB'000)		
Customer A	One of the Major PRC Telecommunications Network Operators	Optical fibre cables	162,537	57.0	Nine
Customer B	One of the Major PRC Telecommunications Network Operators	Optical fibre cables	80,113	28.1	11
Customer C	One of the Major PRC Telecommunications Network Operators	Optical fibre cables	21,369	7.5	11
Customer D	A private PRC company engaged in the production and sales of electronic components such as transformers	Enamelled wires	5,611	2.0	Three
Customer E	A private PRC company engaged in the production and sales of transformers	Enamelled wires	3,836	1.3	Three

For the year ended 31 December 2014

Customer	Background and business nature	Major products sold	Sales amount for the year	% of our total sales	Years of relationship (up to the Latest Practicable Date)
			(RMB'000)		
Customer A	One of the Major PRC Telecommunications Network Operators	Optical fibre cables	225,092	56.9	Nine
Customer B	One of the Major PRC Telecommunications Network Operators	Optical fibre cables	98,490	24.9	11
Customer C	One of the Major PRC Telecommunications Network Operators	Optical fibre cables	45,415	11.4	11
Customer D	A private PRC company engaged in the sales of electronic components such as transformers	Enamelled wires	6,957	1.8	Three
Customer F	A private PRC company engaged in providing telecommunications supporting services	Optical fibre cables	4,816	1.2	Two

For the year ended 31 December 2015

Customer	Background and business nature	Major products sold	Sales amount for the year	% of our total sales	Years of relationship (up to the Latest Practicable Date)
			(RMB'000)		
Customer A	One of the Major PRC Telecommunications Network Operators	Optical fibre cables	406,386	65.6	Nine
Customer B	One of the Major PRC Telecommunications Network Operators	Optical fibre cables	118,304	19.1	11
Customer C	One of the Major PRC Telecommunications Network Operators	Optical fibre cables	65,919	10.7	11
Customer F	A private PRC company engaged in providing telecommunications supporting services	Optical fibre cables	5,881	1.0	Two
Customer G	A wholly-owned subsidiary of a Hong Kong listed company, providing telecommunications supporting services in the PRC	Optical fibre cables	4,966	0.8	Two

For the five months ended 31 May 2016

Customer	Background and business nature	Major products sold	Sales amount for the period	% of our total sales	Years of relationship (up to the Latest Practicable Date)
			(RMB'000)		
Customer A	One of the Major PRC Telecommunications Network Operators	Optical fibre cables	161,814	50.7	Nine
Customer B	One of the Major PRC Telecommunications Network Operators	Optical fibre cables	131,797	41.2	11
Customer C	One of the Major PRC Telecommunications Network Operators	Optical fibre cables	25,083	7.8	11
Customer H	A private PRC company engaged in providing telecommunications supporting services	Optical fibre cables	249	0.1	One
Customer G	A wholly-owned subsidiary of a Hong Kong listed company, providing telecommunications supporting services in the PRC	Optical fibre cables	160	0.1	Two

We have developed long and stable business relationships with the Major PRC Telecommunications Network Operators which were our top three customers during the Track Record Period. We have maintained relationship with the Major PRC Telecommunications Network Operators for between nine and 11 years.

The sales of our products to major customers, such as the Major PRC Telecommunications Network Operators, are typically conducted through open tendering processes. The Major PRC Telecommunications Network Operators have centralised procurement policies, under which each of these operators announces to the public their annual procurement plans and hold open tendering. Such announcements include the total amounts of each type of products they expect to procure in the next 12 to 24 months, with detailed product specifications. Optical fibre cable suppliers that participate in the open tendering processes, including us, would then submit the tendering documents, which include product specifications, manufacturer's qualification, production capacities and other requisite information. Applicants are considered and selected by the Major PRC Telecommunications Network Operators, generally based on product quality, product performance, brand reputation, operation track record, bidding prices and after-sales support.

A framework agreement contains detailed terms such as product pricing, raw material prices, the suppliers from which such raw materials are to be sourced, transportation costs, related service fees and insurance fees, will be entered into by such telecommunications network operators and each of the tender winners. The total procurement amounts provided in the framework agreement are on an estimated basis and the actual procurement amounts are subsequently assigned by the Major PRC Telecommunications Network Operators to their respective provincial or local subsidiaries or branches, and the tender winners are then required to enter into more detailed purchase orders with such provincial or local subsidiaries or branches when they place orders from time to time. According to the relevant sales agreements with the major state-owned telecommunications companies, the first instalment, typically representing 70% to 90% of the total procurement amount, is made, among others, upon completion of delivery of goods in accordance with the purchase orders and issue of invoices. We generally receive such initial payment in 12 months with the remainder to be paid in the following six months.

From time to time, the provincial or local subsidiaries or branches of the Major PRC Telecommunications Network Operators may need to purchase more than their allocated quantity based on the originally announced procurement amount. Under the framework agreements, such local subsidiaries or branches may, subject to a certain upward ceiling, purchase such additional amount pursuant to the same terms as specified in the framework agreement and at the relevant prices set forth in the framework agreements.

Generally, the headquarters of the Major PRC Telecommunications Network Operators conduct centralised procurement open tendering processes for their annual consumption of optical fibre cables based on their corresponding planned construction level of infrastructure network every year. As such, the demand for optical fibre cables of each of the Major PRC Telecommunications Network Operators varies every year. During the Track Record Period, we took part in all the centralised procurement open tendering processes organised by the headquarters of the Major PRC Telecommunications Network Operators as well as in certain other smaller scale open tendering processes organised by their local entities.

According to the Industry Consultant, the purchases held by the Major PRC Telecommunications Network Operators through centralised procurement accounted for approximately 90% of their total purchases. The table below sets out the number of tenders we submitted for tendering processes held by the Major PRC Telecommunications Network Operators under the centralised procurement policies and our success rates of tender acceptance for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May
	2013	**2014**	**2015**	**2016**
Number of tenders submitted	3	1	1	–
Number of tenders won	3	1	1	–
Success rate (%)	100.0%	100.0%	100.0%	–

Our Directors confirmed that we had attended all tenders in relation to our major products held by the Major PRC Telecommunications Network Operators under the centralised procurement policies during the Track Record Period. Based on our Directors' past experience, there is no fixed schedule as to when the tendering processes under centralised procurement policies are held by the Major PRC Telecommunications Network Operators for the optical fibre cable products. For example, Customer A held such tendering processes every year during 2011 to 2014 but not for 2015 and not yet for 2016. Customer B held such tendering processes in 2011, 2013 and 2015 (i.e. every two years during 2011 to 2015). However, Customer B also held open tendering processes for optical fibre cables under the centralised procurement policies in September 2016. We were ranked No. 8 in this tender and won approximately 2.5 million fkm, representing approximately 4.04% of the total procurement amount of this tender. In respect of Customer C, no tendering process under centralised procurement policies for the optical fibre cable products has been held since 2013. According to the framework agreements entered into between the Major PRC Telecommunications Network Operators and our Group, the term of such agreements generally ranges from one to two years. However, based on our Directors' experience, if no new tenderings are held after the expiry of the term, such telecommunications network operators will generally continue to place orders for additional amount pursuant to the same terms as specified in the signed framework agreements until they organise next open tendering processes. As such, the purchase periods under such framework agreements are variable based on the schedules of the open tendering processes held by such telecommunications network operators. Since January 2016 and up to October 2016, Customer A and Customer C had not held such tendering processes for optical fibre cables and to the best of our Directors' knowledge, up to the Latest Practicable Date, there was no information announced as to when Customer A and Customer C will hold the forthcoming tendering processes.

Meanwhile, we also participated in other procurement processes held by the Major PRC Telecommunications Network Operators which are not under the centralised procurement policies and smaller in scale organised by their local entities during the Track Record Period. Such procurement processes are held under the similar procedures as the tendering processes under centralised procurement policies. The table below sets out the number of tenders we submitted for other procurement processes held by the Major PRC Telecommunications Network Operators and our success rates of tender acceptance for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May
	2013	2014	2015	2016
Number of tenders submitted	3	3	2	2
Number of tenders won	3	2	1	1
Success rate (%)	100.0%	66.7%	50.0%	50.0%

During the Track Record Period, we had submitted tenders for the tenderings of optical fibre cable products held by other customers. The table below sets out the number of tenders we submitted for those tenderings and our success rates of tender acceptance for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May
	2013	2014	2015	2016
Number of tenders submitted	2	2	1	1
Number of tenders won	2	2	1	1
Success rate (%)	100.0%	100.0%	100.0%	100.0%

According to the Industry Consultant, our industry is dominated by the Major PRC Telecommunications Network Operators, which contributed an aggregate of 85% of the total volume demand for optical fibre cable in the PRC in 2015. For the three years ended 31 December 2015 and the five months ended 31 May 2016, the Major PRC Telecommunications Network Operators accounted for approximately 92.6%, 93.2%, 95.4% and 99.7% of our total sales, respectively. Our customer base with concentration of the Major PRC Telecommunications Network Operators may subject us to risks relating to increasing trade and bills receivables as their dominance in the telecommunications industry in the PRC leads to their strong bargaining power over their suppliers, including us, in respect of payment settlement. The increasing trade and bills receivables from major customers may also adversely affect our level of gearing by restricting our liquidity. For more details, please refer to the paragraphs headed "Risk factors – Risks relating to our business – We have a concentrated customer base and the key customers churn may affect our business, financial condition and results of operations", "Risk factors – Risks relating to our business – Our customer concentration may expose us to risks relating to increasing trade and bills receivables, long average trade receivables turnover days and level of gearing" and "Financial information – Net current assets – Trade and bills receivables" of this prospectus.

We did not enter into any long-term agreement or committed any minimum purchase amount with our customers during the Track Record Period.

Our Directors confirm that none of our Directors, their respective close associates or any of our shareholders holding more than 5% of our issued share capital after the Global Offering, to the knowledge of our Directors, held any interests in any of our five largest customers during the Track Record Period and up to the Latest Practicable Date. All of them were Independent Third Parties and none of these customers was our supplier at the same time.

Relationship with the Major PRC Telecommunications Network Operators

According to the Industry Consultant, the optical fibre cable industry in which we operate is dominated by the Major PRC Telecommunications Network Operators, which were Customer A, Customer B and Customer C, our three largest customers during the Track Record Period. Customer A is an integrated information service providing integrated information service solutions including mobile services, broadband internet access, information service applications and fixed-line telephone services. Customer B mainly deals with mobile voice, data, IP telephone and multimedia services, and the right to operate internet services and the international gateways and Customer C has subsidiaries in 31 provinces (including autonomous regions and municipalities) across the PRC and in many countries and regions around the world.

Based on the Freedonia Report, as the demand for optical fibre cables from the Major PRC Telecommunications Network Operators contributed approximately 85% of the total demand for optical fibre cables by volume in the PRC in 2015 and the export market still represented a limited portion of the domestic shipments, the optical fibre cable producers in the PRC are significantly dependent on the telecommunications facility spending by the Major PRC Telecommunications Network Operators to generate their revenue. Given the market landscape of the telecommunications industry in the PRC, our Directors are of the view that it is an industry specific characteristics that it is unlikely for any optical fibre cable providers to break off reliance on the Major PRC Telecommunications Network Operators entirely. Due to the dominance of the Major PRC Telecommunications Network Operators, they together accounted for a significant portion of our total sales for the Track Record Period.

For the three years ended 31 December 2015 and the five months ended 31 May 2016, Customer A accounted for approximately 57.0%, 56.9%, 65.6% and 50.7% of our total sales, respectively, Customer B accounted for approximately 28.1%, 24.9%, 19.1% and 41.2% of our total sales, respectively, while Customer C for approximately 7.5%, 11.4%, 10.7% and 7.8% of our total sales, respectively. The Major PRC Telecommunications Network Operators, in aggregate, accounted for approximately 92.6%, 93.2%, 95.4% and 99.7% of our total sales, respectively for the same periods.

Despite the reliance on the Major PRC Telecommunications Network Operators, our Directors consider that our Group's business model is sustainable and we are capable of maintaining our revenue in the future due to the following factors:

- *No single optical fibre cable supplier and a group of these suppliers can dominate the entire market as the Major PRC Telecommunications Network Operators strive to prevent dominance by these suppliers*

  According to the Industry Consultant, the centralised procurement policies through open tendering processes adopted by the Major PRC Telecommunications Network Operators limit the portion of the total available tenders that is allotted to any single supplier selected, as a result of which, it is unlikely that any one optical fibre cable supplier or a group of these suppliers would be able to dominate the optical fibre cable supply to the Major PRC Telecommunications Network Operators. In this connection, our Directors believe that even the other optical fibre cable suppliers which are larger than us in size and capital could not take up the entire market and this gives us opportunities to gain a share of the market. Although the Major PRC Telecommunications Network Operators limit the portion as mentioned above, they do not specify the amount of such limitation to the optical fibre cable suppliers. According to the Industry Consultant, the total production capacity of the optical fibre cables in the PRC in 2015 was approximately 290 million fkm. The production capacity of the largest domestic optical fibre cable supplier in 2015 was approximately 30 million fkm, representing approximately 10.3% of the total production capacity in the PRC in 2015; whereas our production capacity in 2015 was approximately 6.6 million fkm, representing approximately 2.3% of the total production capacity in the PRC in 2015. Assuming that we had reached the full production capacity of approximately 15 million fkm upon completion of phase II expansion plan of our Jin Tan Factory, such expanded production capacity will only represent approximately 50% of the total production capacity of the largest domestic optical fibre cable supplier in PRC, approximately 60% of that of the No. 5 domestic optical fibre cable supplier in PRC and approximately 5.0% of the total production capacity of the entire optical fibre cable market in the PRC in 2015. In view of our expanded production capacity relative to those of the leading optical fibre cable suppliers in PRC in 2015, the relatively high capacity utilisation rate achieved by these major suppliers in 2015 and the anticipated growth in demand for optical fibre cables in the PRC, the details of which were disclosed in the section headed "Industry overview" of this prospectus, our Directors believe that the policy imposed by the Major PRC Telecommunications Network Operators which limits the portion of the total available tenders that can be awarded to any single supplier selected will not have a material impact on our expansion plan, as our proposed expanded production capacity would not change our proportion in the total production capacity in the PRC significantly due to the large amount procured by them and our production capacity after expansion would still be much smaller than that of the largest optical fibre cable supplier. For details of the market information and the competitive landscape in the PRC optical fibre cable market, please refer to the section headed "Industry overview" of this prospectus.

However, there is no assurance that the Procurement Limit will not be changed in the future. On the assumption that there is any change in the Procurement Limit which results in an abolishment of such policy by the Major PRC Telecommunications Network Operators and that the 15-year Optical Fibre Supply Agreement expires, is terminated or is not renewed (Please refer to paragraph headed "Business – Establishment of Nanfang Optic – Optical fibre supply arrangement with Nanfang Optic" of this prospectus for details of the 15-year Optical Fibre Supply Agreement), it may intensify the competition in the PRC optical fibre cable industry in which we operate, as the leading optical fibre cable suppliers may dominate the market by increasing their supply of optical fibre cable products to their customers, and as our business model relies on, among others, setting up cooperative ventures with key market players within the PRC optical fibre industry such as the establishment of Nanfang Optic to provide us with an additional source of optical fibre supply, the possible abolishment of the Procurement Limit may render the key market players to lose incentive to enter into cooperative ventures with us and/or cease to sell optical fibres to us because they may retain their optical fibres for sales or for their own use in order to cater for the potential increase in purchase orders to be placed to any single optical fibre/optical fibre cable supplier by the Major PRC Telecommunications Network Operators as a result of the possible abolishment of the Procurement Limit. Consequently, our financial conditions and results of operations may be adversely affected. For details, please refer to the paragraph headed "Risk factors – Risks relating to our business – Any change in the procurement policy of the Major PRC Telecommunications Network Operators resulting in an abolishment of the Procurement Limit could affect our business and results of operation" of this prospectus.

- *Increasing market demand for optical fibre cables in the PRC*

According to the Industry Consultant, the volume demand for the optical fibre cable increased at a CAGR of approximately 34.4% from 110.8 million fkm in 2013 to 200.0 million fkm in 2015 and the demand of the communication optical cable market in the PRC is projected to grow at a CAGR of approximately 7.7% from 2015 to 2020. The volume demand for the communication optical cable in the PRC is expected to increase by approximately 20.8% from 240.0 million fkm in 2016 to 290.0 million fkm in 2020, driven by continued investment in 4G infrastructure and the implementation of Fibre-To-The-Home in second-tier and smaller cities and rural areas. The construction of experimental 5G mobile communication networks will also stimulate demand.

For the three years ended 31 December 2015 and the five months ended 31 May 2016, our sales volume of optical fibre cables was approximately 2.3 million fkm, 3.5 million fkm, 6.3 million fkm and 3.5 million fkm, respectively, and the projected market demand for communication optical cable in the PRC from 2016 to 2018 are 240.0 million fkm, 260.0 million fkm and 270.0 million fkm, respectively, which are substantially larger than our total sales. Further, according to the Industry Consultant, our market share for communication optical cable in terms of sales volume increased from 2.0% in 2013 to 3.2% in 2015. It is mainly due to our Group's ability to win new tenders. Given the increasing volume demand for the optical fibre cable in the PRC going forward, we expect that the sales of our Group will experience an upward trend if we will be able to maintain the percentage of our market share or grow our market share in the future. Based on the continuous growth of the demand for the optical fibre cables, and our ability of winning the tenders in the future, our Directors are of the view that our Group is capable of maintaining our revenue in the future.

- *The small-and-medium sized optical fibre cable manufacturers or manufacturers that do not fulfil their stringent requirements under the centralised procurement policies are unlikely to win in the tendering processes. We have an edge under the centralised procurement policies*

The Major PRC Telecommunications Network Operators have gradually implemented centralised procurement policies since 2004, and they placed strong emphasis on product quality and market reputation of the suppliers when selecting qualified suppliers through open tendering processes. The Major PRC Telecommunications Network Operators only have a relatively small number of qualified suppliers due to their stringent selection processes for suppliers. Although these telecommunications network operators hold separate open tenderings for procurements, we believe that our stable product quality, well-established brand reputation and long-term relationship with each of them have enabled us to secure substantial orders and derive recurring revenue from them. We believe that the centralised procurement policies benefit established suppliers like us as such policies reduce the market share of small-and-medium sized optical fibre cable manufacturers who cannot satisfy their stringent requirements.

- *High success rate of tender acceptance*

During the Track Record Period, we had submitted five tender applications for the open tendering processes held by the Major PRC Telecommunications Network Operators under the centralised procurement policies and won all these tenders for providing optical fibre cable products. Given our proven track records and quality products, our experience and understanding in the tendering procedures of the Major PRC Telecommunications Network Operators and our high success rates of tender acceptance, our Directors believe that we would be able to maintain our relationship with the Major PRC Telecommunications Network Operators and continue to win the tenders arranged by them in the future. According to the tender documents of the Major PRC Telecommunications Network Operators, our Directors consider that price is one of the most important factors when the Major PRC Telecommunications Network Operators select the optical fibre cable suppliers. In this connection, our Directors believe that we would be able to win the tenders held by the Major PRC Telecommunications Network Operators as long as we can offer a competitive price. Further, as the Major PRC Telecommunications Network Operators are separate legal entities and our Directors believe that each of the Major PRC Telecommunications Network Operators can make its own procurement independently without being affected by the others. As such, our Directors consider that the failure of winning a tender held by one of the Major PRC Telecommunications Network Operators would not affect the chance of winning a tender held by the others.

- *After we entered into framework agreements with the headquarters of the Major PRC Telecommunications Network Operators, we directly sold to different provincial or local subsidiaries or branches of each of them. The proportion of our sales to each of the different provincial or local subsidiaries or branches was not high*

Although we entered into framework agreements with the headquarters of the Major PRC Telecommunications Network Operators, under the centralised procurement policies, our end customers were those provincial or local subsidiaries or branches of each of the Major PRC Telecommunications Network Operators and the concentration on our sales to each of the subsidiaries or branches was not high. The total procurement amounts provided in framework agreements were assigned by the Major PRC Telecommunications Network Operators to their respective provincial or local subsidiaries or branches. Our Group was required to enter into separate purchase orders with such provincial or local subsidiaries or branches when they placed orders. We sold our products directly to such provincial or local subsidiaries or branches. As such, our sales to each of the provincial or local subsidiaries or branches of the Major PRC Telecommunications Network Operators were relatively diverse during the Track Record Period. For the three years ended 31 December 2015 and the five months ended 31 May 2016, our sales to the respective provincial or local subsidiaries or branches of (i) Customer A ranged from 0.1% to 10.8%, less than 0.1% to 15.5%, less than 0.1% to 13.7% and 0.6% to 9.3% of our total sales respectively; (ii) Customer B ranged from 1.2% to 10.0%, 0.3% to 6.2%, 0.3% to 6.3% and 0.7% to 17.6% of our total sales respectively; and (iii) Customers C ranged from 0.2% to 3.7%, less than 0.1% to 9.0%, less than 0.1% to 6.9% and less than 0.1% to 4.6% of our total sales respectively.

- *Long-standing business relationship and complementary relationship with the Major PRC Telecommunications Network Operators*

We have a long-standing business relationship with the Major PRC Telecommunications Network Operators for over nine years. For instance, we have obtained various awards of "Excellent Suppliers (優秀供應商)" and "Most Valuable Cooperative Partner (最具價值合作夥伴)" from the subsidiaries or local branches of Customer A. For details of this competitive strength and the awards from these major customers, please refer to paragraphs headed "Competitive strengths – We have established stable and long-term relationships with our key customers and we are a trusted brand" and "Certifications, awards and recognitions" above in this section.

Our Directors consider that we have a complementary business relationship with the Major PRC Telecommunications Network Operators. We believe that our experience, products and our proven track record as a quality optical fibre cable supplier also give business advantage to the Major PRC Telecommunications Network Operators to ensure their procurements are executed on time, within budget and in accordance with their quality standards. We also conduct research and development jointly with one of the Major PRC Telecommunications Network Operators to develop products that satisfy their needs. In case they switch to other suppliers, the switch cost would be high to meet the requirements of such telecommunications network operators.

- *Product quality and market reputation*

According to the Industry Consultant, the Major PRC Telecommunications Network Operators place strong emphasis on product quality, market reputation and price competitiveness of their suppliers. We believe that the quality and stable performance of our products, and competitive pricing are the key factors which enabled us to be retained in the optical fibre cable supplier lists of the Major PRC Telecommunications Network Operators during the Track Record Period. According to the Industry Consultant, we were No. 10 optical fibre cable supplier to the communication type optical fibre cable market in the PRC in 2015 in terms of sales volume. In the view of the above, our Directors believe that it takes time and effort for the Major PRC Telecommunications Network Operators to replace us with the suppliers with the comparable quality and scale. We also consider our continuous implementation of strict quality control and safety standards will assure the quality of our products and help us to maintain our reputation. For details of this competitive strength, please refer to the paragraph headed "Competitive strengths – Strict quality control procedures ensuring reliable products with stable performance" above in this section.

- *Our expansion plan will enhance our ability to diversify our customer base*

Our current production capacity limits our ability to diversify our customer base as the demand from the Major PRC Telecommunications Network Operators has taken up significant portion of our production. In this connection, we plan to expand our production capacity and increase our production efficiency by implementing phase II expansion plan of our Jin Tan Factory. For the details of our expansion plan, please refer to the paragraph headed "Business strategies – Increase market share and penetration in the PRC, promote our brand and brand awareness in the PRC and continue to increase our production capacity" above in this section and the section headed "Future plans and proposed use of proceeds" of this prospectus. Our Directors believe that the increased production capacity would enable us to take up the contracts and orders from the customers other than the Major PRC Telecommunications Network Operators or export our products to the overseas markets.

In view of the above, our Directors consider that we would be able to continue our good business relationship with the Major PRC Telecommunications Network Operators and our business prospects and sustainability would not be affected by the concentration of our customer. In the event that we fail to win sufficient tenders arranged by the Major PRC Telecommunications Network Operators, we believe that we would still be able to sustain our business for the following reasons:

- *Our production facilities can be easily changed to serve other customers and reduce the level of reliance on the Major PRC Telecommunications Network Operators, and we have the necessary skills and technology to do so*

Our quality products, capability and research and development ability enable us to meet the requirements of different customers not only restricted to the Major PRC Telecommunications Network Operators. We offer a wide range of optical fibre cables with different specifications to cater for our customers' needs. Our optical fibre cables can be used in traditional applications, such as mobile communication networks, internet networks and fixed telephone networks in the telecommunications industry, and can be installed under different conditions, including aerial, direct burial, duct and air-blown installations. With our research and development capabilities, we are capable of offering a comprehensive product development and manufacturing solution to our customers by developing and producing our products based on our customers' requirements. As such, our Directors consider that if we failed to win tenders arranged by the Major PRC Telecommunications Network Operators, our Group could service other existing customers and new customers by allocating our production capacity expeditiously, since our products can satisfy other customers' requirements.

- *We had supplied our products to customers other than the Major PRC Telecommunications Network Operators during the Track Record Period. In the event that we fail to win sufficient tenders arranged by the Major PRC Telecommunications Network Operators, we would increase our sales to these customers*

It is our strategy to target the Major PRC Telecommunications Network Operators as our top priority customers and sell a higher proportion of our products to them given their dominant market leader positions and since our Directors consider that managing these three customers could result in more streamlined operations and reduced overheads.

In the event that we fail to win sufficient tenders arranged by the Major PRC Telecommunications Network Operators, we would adjust our strategy and increase our sales to other customers so as to reduce the level of our reliance on the Major PRC Telecommunications Network Operators. According to the Industry Consultant, the Major PRC Telecommunications Network Operators in aggregate contributed approximately 85% of the total demand by volume for optical fibre cables in the PRC in 2015. As such, the optical fibre cable consumers other than the Major PRC Telecommunications Network Operators consumed the remaining 15% of total volume demand in the PRC in 2015. Assuming that the market share of 15% attributable to these other potential customers remains unchanged going forward, our Directors estimated that the volume demand from such customers would be approximately 36 million fkm, 39 million fkm and 40.5 million fkm during the period between 2016 and 2018, respectively, given the projected demand of 240 million fkm, 260 million fkm and 270 million fkm in the optical fibre cable market in the PRC during the same period based on the Freedonia Report. Such estimated future demand from these potential customers would be sufficient to cover our proposed aggregate annual production capacity of 15 million fkm upon completion of the phase II expansion plan of our Jin Tan Factory in the first quarter of 2019. As such, we expect that such estimated future demand from these potential customers would be able to take up part of our production capacity that is not utilised by the Major PRC Telecommunications Network Operators in the event that we would generate sales from them at a level less than what we would anticipate in the future.

- *We have the ability and necessary production capacity to enlarge our customer base and we will vertically integrate our production value chain to diversify our customer base*

In view of the relatively concentrated customer base, our Directors considered to seek to expand and diversify our customer base by accepting tender invitation and returning tender submission to the potential customers. Since June 2016 and up to the Latest Practicable Date, we received sales orders from six new customers of an aggregate amount of approximately RMB65.0 million, which was equivalent to approximately 0.4 million fkm in terms of sales volume. In July 2016, we received the certification result notice from a new customer, which confirmed that we satisfied the certification requirements and the procurement framework agreement will be signed in due course. The procurement framework agreement had been signed in August 2016. Our Directors confirm that we are qualified to provide the optical fibre cables to this new customer after signing the framework agreement. The procurement amount of this new customer is determined by the purchase orders actually placed by it, which will not be fixed in the framework agreement. As at the Latest Practicable Date, we had not yet received the purchase orders from this new customer. According to Industry Consultant, this new customer is a joint venture established by the Major PRC Telecommunications Network Operators and an Independent Third Party promoted by the PRC Government to reduce the duplicated network construction. Our Directors believe that the cooperation with this new customer can secure certain demand and further diversify our customer base. Despite the sales to new customers, the majority of our revenue was still generated from the Major PRC Telecommunications Network Operators.

In order to further diversify our customer base, we intend to implement the following plan. Firstly, we will continue to seek for opportunities with potential customers and submit tender applications to customers other than the Major PRC Telecommunications Network Operators as long as our production capacity can satisfy the additional demand. And we will continue to explore customers from different sectors such as broadcast and television communications network operators and specialised communications network operators (e.g. railway, highway and military communication network operators) where there is potential demand for our optical fibre cable products. Secondly, after we implement our expansion plan of our production capacity, we will have more production capacity to accommodate a larger customer base. We intend to expand our production capacity and increase our production efficiency by implementing phase II expansion plan of our Jin Tan Factory to accommodate a larger demand from the customers other than the Major PRC Telecommunications Network Operators.

We will also adopt a number of measures to source new customers, such as, proactively approach potential customers for business opportunities by contacting them through business referrals and our business network. To achieve a more diversified geographical coverage, we also intend to strengthen our marketing efforts in and tap into the abovementioned markets. Our marketing efforts mainly include paying visits to our customers and potential customers and sharing with them market intelligence on optical fibre cable and production know-how. To further promote our Group, we also placed advertisements (such as advertisement pages in industry magazines and advertisement board) in the industry conference and summit we participated. We will also expand our sales force to source more potential customers. Therefore, in case we fail to win sufficient tenders arranged by the Major PRC Telecommunications Network Operators, we will be able to diversify our sales to our existing customers, customers with whom we had business relationship before, and other new customers.

Further, we intend to acquire or cooperate with other optical fibre suppliers to set up a domestic optical fibre manufacturer with annual production capacity of 8 million fkm to 10 million fkm within four years. We believe that such plan will help provide additional source of stable supply of raw materials to support our continued growth while also ensuring the quality of such materials. Further, our Directors believe that after we satisfy our demand on optical fibres for the production of optical fibre cables by sourcing from Nanfang Optic and/or other newly set up or acquired optical fibre manufacturers, we may be able to build up the knowledge and skills on the production of optical fibres and increase their production and to sell them to other cable manufacturers. We believe that we can diversify our customer base by our upstream development plans.

As our plans to diversify our customer base in order to reduce our reliance on the Major PRC Telecommunications Network Operators, which dominate the volume demand of the optical fibre cables in the PRC, may take time to materialise, therefore, our sales to new customers during and subsequent to the Track Record Period were insignificant. And we anticipate that our reliance on the Major PRC Telecommunications Network Operators as our major customer will continue for the foreseeable future. For details, please refer to the paragraph headed "Risk factors – Risks relating to our business – We have a concentrated customer base and the key customers churn may affect our business, financial condition and results of operations" of this prospectus.

Sales and distribution

We sell our products to end customers primarily through our own sales personnel. Our sales department had 35 employees as at the Latest Practicable Date, targeting domestic optical fibre cable customers and public communication network service providers. In addition, we provide enhanced customer support to the Major PRC Telecommunications Network Operators and also to better understand their needs, as well as dedicated sales support staff to address customer inquiries as to our products. We also send our sales representatives to majority of provinces in the PRC to serve each of the key regions in the PRC and the local subsidiaries or branches of the Major PRC Telecommunications Network Operators located in each of such regions.

During the Track Record Period, sales completed through centralised open tendering processes organised by the Major PRC Telecommunications Network Operators and through direct sales to other customers by our sales team in aggregate accounted for the majority of our total turnover. During the Track Record Period, a majority of our sales was derived from tender contracts and the remaining balance of our sales was generated from direct sales to our customers.

We usually enter into written contracts with our customers. The contracts provide product specifications, prices, delivery schedules and other commercial terms. The contracts are confirmed by both our customers and our sales representatives, and are subject to the review and approval by our Directors. The approved contracts are then monitored by our sales representatives and subsequent production schedules are passed to our production team. The production and delivery status of products under the sales contracts are then captured by our system which enable the sales representatives to monitor execution of each stage of sales contracts.

After-sales services

We typically offer a quality warranty period of 36 months after the sale for our products. Our product warranty usually does not cover normal wear and tear during the products' use. Given the interchangeability of our products, our sales contracts generally do not provide typical goods return policy. Due to our quality control measures during our production processes as well as the on-site product inspection conducted by us together with our customers when such products arrive at the relevant customers' warehouse, we rarely encounter material quality defects of our products after they are inspected and accepted by our customers. In case of any product liability claim within the warranty period, we repair the defective products or replace them for the customer with another new batch of products at our own cost. During the Track Record Period, such corresponding replacement and delivery costs involved were not material. We would also examine and check those defective products to find out the underlying causes. In general, our suppliers would bear the product liabilities if the defective products were found to be caused by defective raw materials. During the Track Record Period, we had not encountered any material product liability claim and the volume of defective products that was subject to the repair or replacement policy was insignificant.

We provide extensive after-sales services to our customers. Our local sales staff will conduct on-site examination once we receive customer service request as to the quality of our products and will coordinate with our technical team to diagnose and resolve the relevant technical issues. We generally assign not only sales representatives but also technical staff for each of our local service team in order to better respond to technical enquiries of our customers from time to time. We usually require our sales and technical staff to respond within 24 hours and resolve customer service requests within 48 hours. Our sales and technical support team is dedicated to provide technical services, conduct on-site inspections, and offer operation consulting services and technical training to our customers on a timely basis. We also operate an all-day service call centre to respond to customer enquiries, complaints and service requests and provide timely responses and consulting services through Internet social platforms.

Customers' complaints are passed to relevant departments to come out with resolutions and our sales and customers services team and production department will follow up the problems and check whether the complaints have been resolved. We also conduct annual customer surveys to better understand our customers' feedback as to our products and services and to better anticipate the changing needs of our customers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any customer complaints that had a material adverse effect on our business or results of operation.

Marketing and promotion

We adopt a customer-centred approach in marketing. In order to strengthen the relationship with our existing customers, our sales and marketing personnel keep in touch with them from time to time to keep abreast the latest trend of the market and to explore further business opportunities.

We place great emphasis on the promotion of customers' awareness of our brands and products. Our marketing and promotional activities include participating in summits, conferences as well as new product promotion seminars to promote our brand name, showcase our products and seek end-user feedback for our products. Such events also help us to capture the most recent technical trends and market opportunities. Further, we are members of several industry associations, such as CCSA, CACE and CESA, which allow us to follow the latest standards for production, advertise our products and understand customers' preferences. We leverage new social media platforms to promote our brand names and publish product information. Furthermore, our marketing activities also centre on improving our abilities to provide customers with customised specialty products that are suitable for their specific needs.

In addition, in order to maintain our competitive market position, we strategically market our products by providing various solution-based services, such as construction consulting, testing and training services. We believe such solution-based services will continue to be an efficient way to promote our new products and enhance our brand recognition.

We have cooperated with our major customers to understand industrial trends and their needs. We currently conducted further researches on the non-metallic lightning proof light optical cables, rat proof cables and their applications together with one of the Major PRC Telecommunications Network Operators. We believe we will be benefited from the ability to effectively pursue potential market for these products and we are also able to promote our products and leverage our major customers' advanced research capability to further verify the quality and application of our new products.

We generally adopt the prices agreed between our customers and our Group in the contracts, thus we do not provide any additional rebate or discount to our customers for promotion purpose.

PRICING STRATEGIES

Product specifications, including the technical requirements, are the main factors affecting the pricing of a specific product. We usually adopt a cost-plus pricing approach and take into account various factors such as production cost, prices of raw materials, competition, changes and improvements in technical innovations, and supply and demand balance of current market. In addition, tailored products subject to specific customer requirements are generally more expensive than standardised products in the same amount, due to special raw materials required, unique manufacturing processes or additional research efforts. However, since our major customers are the Major PRC Telecommunications Network Operators, we typically adopt the prices as agreed in relevant tendering documents. For customers other than the Major PRC Telecommunications Network Operators, we usually price our products based on the prevailing market prices.

SEASONALITY AND PERIODICITY

Our operations and sales fluctuate due to various factors. In particular, the utilisation rate of our optical fibre cables production capacity is generally lower in the first and fourth quarter of each calendar year due to the long Chinese New Year holidays and less telecommunications network installation activities due to the cold weather conditions in northern China. There is no other particular seasonality in the telecommunications industry according to the Industry Consultant. However, our business has relatively clear periodicity since we are largely affected by the annual construction plans of the telecommunications network operators in the PRC, whose investment plans in turn heavily depend on the national macroeconomic policies, guidance policies for the industry development and expected market demand.

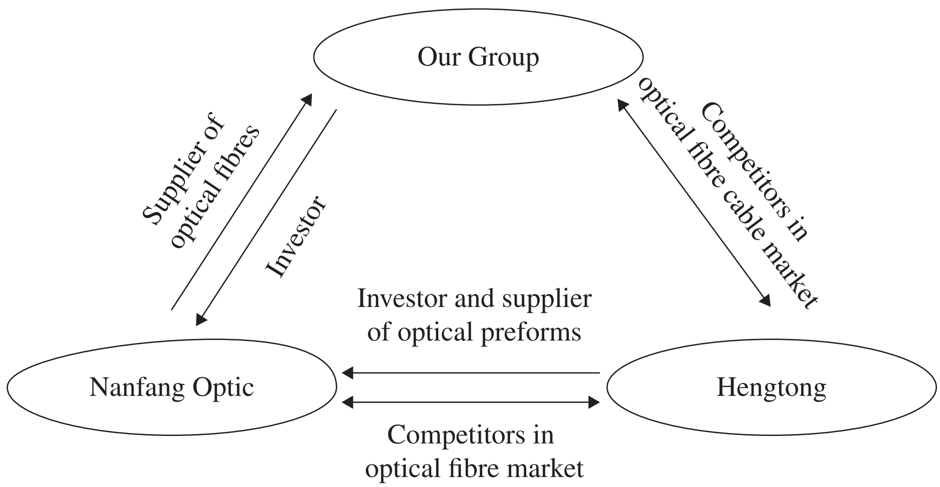
ESTABLISHMENT OF NANFANG OPTIC

Overview

Pursuant to the Nanfang Optic Shareholders' Agreement, we partnered with Hengtong to establish Nanfang Optic which principally engages in the production of optical fibres, our major type of raw materials. At the time of establishment of Nanfang Optic in June 2013, it was held as to 51% by Hengtong, an Independent Third Party, and 49% by Nanfang Communication, our indirect wholly-owned subsidiary. As at the Latest Practicable Date, Nanfang Optic was held as to 47% by Hengtong, 4% by Suzhou Saitong Advanced Materials Company Limited, an Independent Third Party, and 49% by Nanfang Communication. For further details, please refer to the paragraph headed "History, reorganisation and corporate structure – Corporate development" of this prospectus.

Nanfang Optic commenced its production of optical fibres in September 2014 and has started business relationship with us since then. For the two years ended 31 December 2015 and the five months ended 31 May 2016, our purchase of optical fibres from Nanfang Optic amounted to approximately RMB22.8 million, RMB208.5 million and RMB139.4 million, respectively, representing approximately 7.1%, 40.1% and 55.9%, of our total purchases for the same periods, respectively.

As Nanfang Optic does not engage in the production of optical fibre cables, Nanfang Optic does not compete with us. The chart below sets out the supply relationships among Hengtong, Nanfang Optic and us under the 15-year Optical Fibre Supply Agreement:



Reasons for, and benefits of, establishing Nanfang Optic

According to the Industry Consultant, it has been a common industry practice for the optical fibre cable manufacturers, which also have capability in the production of optical fibre preforms and/or optical fibres, to form cooperative ventures, such as Nanfang Optic, with other optical fibre cable manufacturers as a way to win more bids than the supply limit allotted to a given supplier set forth in the Procurement Limit, which has been implemented by the Major PRC Telecommunications Network Operators. This practice has been common for the large optical fibre cable manufacturers, as they would be more likely to reach the procurement allotment limit on their own and therefore would benefit from such cooperative venture arrangements. To the best of our Directors' knowledge, some of the leading domestic optical fibre cable manufacturers, such as, Hengtong and Yangtze Optical Fibre and Cable Joint Stock Limited Company have formed cooperative ventures with other optical fibre cable manufacturers.

As such, we have strategically partnered with Hengtong to set up Nanfang Optic which provides us with an additional source of supply of optical fibres, our major type of raw materials. Hengtong is a PRC listed company that provides integrated cable products, including fibre preforms, optical fibres and optical fibre cables. In our cooperation with Hengtong to establish Nanfang Optic, we are able to secure a stable supply of optical fibres as Nanfang Optic has entered into the 15-year Optical Fibre Supply Agreement with us to be one of our major optical fibre supplier. Hengtong itself also produces optical fibre cables and is one of the major suppliers of optical fibre cables in the PRC according to the Industry Consultant and would compete with us in supplying optical fibre cables. However, both our Directors and the directors of Hengtong believed that the cooperation to set up Nanfang Optic would bring mutual benefits to them for the following reasons.

Benefits to our Group

The establishment of Nanfang Optic allows us to enjoy the advanced technologies provided by Hengtong as a strategic partner and to save more costs than setting up our own production of optical fibres since the manufacturing of optical fibres generally requires a higher investment capital than those of optical fibre cables. We believe that the supply of optical fibres by Nanfang Optic lowers the overall risk for the potential shortage of our key production raw material, i.e. optical fibres and enables us to obtain competitive prices. We also benefit from the close geographic proximity of the location of Nanfang Optic to our production sites in Changzhou City, which shortens product delivery time, lowers the transportation and packaging expense and provides more cost advantages.

Benefits to Hengtong

As indicated in Hengtong's announcement dated 29 May 2013, Hengtong could benefit from its investment in Nanfang Optic for the following reasons: (i) it could realise both partners' respective resources and strengths; (ii) it was in line with Hengtong's development strategies; (iii) Hengtong could increase its competitive strength and their market share of optical fibre industry in the PRC; and (iv) it could strengthen the profitability of Hengtong's core business. The directors of Hengtong confirmed that from the perspective of Hengtong, the establishment of Nanfang Optic was primarily to increase its share of the PRC optical fibre market by supplying optic fibres through Nanfang Optic to customers including our Group and the Major PRC Telecommunications Network Operators. According to the Industry Consultant, the centralised procurement policies through open tendering processes adopted by the Major PRC Telecommunications Network Operators limit the portion of the total procurement amount that is allotted to any single supplier selected. In addition to the direct participation by Hengtong as a separate entity in the tendering processes of the Major PRC Telecommunications Network Operators, Hengtong was able to benefit from its investment in Nanfang Optic and the sale of optical fibre preforms to Nanfang Optic and Nanfang Optic's production of optical fibre products which were able to participate in those tendering processes separately from Hengtong's optical fibre products. As such, Hengtong, together with Nanfang Optic, could potentially be able to win more tenders than the Procurement Limit.

Further, the directors of Hengtong considered that the establishment of Nanfang Optic with us as a strategic partner was to increase its market share of optical fibres while taking the cost-saving advantage by sharing the capital required to gain such target, as opposed to making the investment entirely on its own. The directors of Hengtong believe that this has allowed Hengtong to strategically prioritise its resources on higher value-added production work streams of the manufacture of optical fibre preforms, which require more sophisticated production technologies and generally have higher profit margins than those of optical fibres, so as to generate more profit. In connection to this, as optical fibre preforms are Hengtong's upstream products used as feed materials in the production of optical fibres, the requirement for optical fibre preforms by Nanfang Optic for its production of optical fibres has also generated additional demand for optical fibre preforms from Hengtong. As such, the establishment of Nanfang Optic had helped increase Hengtong's sales of its optical fibre preforms.

The directors of Hengtong also believed that Hengtong, as one of the shareholders of Nanfang Optic, would also benefit from securing our Group as one of Nanfang Optic's customers through entering into the 15-year Optical Fibre Supply Agreement between Nanfang Optic and Nanfang Communication, one of our indirect wholly owned subsidiaries upon the establishment of Nanfang Optic. Further, the directors of Hengtong believed that Hengtong can benefit from the increasing demand for the optical fibres preforms and the potential increase in sales of optical fibres as a result of the establishment of Nanfang Optic.

Although we as an optical fibre cable supplier may potentially compete with one of Hengtong's principal businesses which is also the production of optical fibre cables, the directors of Hengtong believed that, given the large market size of the entire optical fibre cable market in the PRC, the cooperation between Hengtong and our Group to set up Nanfang Optic will not substantially affect Hengtong's market position.

Optical fibre supply arrangement with Nanfang Optic

After Nanfang Optic's establishment, we entered into the 15-year Optical Fibre Supply Agreement (as supplemented and amended) with Nanfang Optic to purchase optical fibres from Nanfang Optic as raw materials for the production of our optical fibre cables during the ordinary course of our production.

The agreement contains the following salient terms:

Contract term:	15 years
Responsibilities:	Nanfang Optic shall ensure the supply of optical fibres to us and should satisfy our additional demand if possible. At the end of each month, we shall prepare an optical fibre procurement plan based on our actual needs in the forthcoming month, and provide such plan to Nanfang Optic. As such, our Group is not obliged to purchase all the optical fibres produced by Nanfang Optic if our Group does not have actual demand for optical fibres. Subject to the availability of its production capacity, Nanfang Optic is obliged to accept such optical fibre procurement plan in full and provide us the optical fibres set out in such plan. Nanfang Optic shall provide us with all the qualified optical fibres it produces except the portion of optical fibres in respect of the sales orders which were confirmed by its board and committed to other customers.

Pricing:	the price is determined by the board of Nanfang Optic, in particular: (i) the price of optical fibre to be submitted to the tendering processes of the Major PRC Telecommunications Network Operators through tendering is generally determined by the board of Nanfang Optic; *(for the avoidance of doubt, the details of the prices of optical fibres sold by Nanfang Optic to our Group for inclusion in tender documents to the Major PRC Telecommunications Network Operators, please refer to page 174 of this prospectus)* (ii) except for the price of optical fibre to the Major PRC Telecommunications Network Operators through tendering processes as referred to (i) above, the price of optical fibre offered by Nanfang Optic cannot be higher than the average market price of optical fibre in the PRC; and (iii) if we find the prices of optical fibre offered by Nanfang Optic deviate from the average market prices, we have the right to disagree with such prices and provide with evidence showing the market prices of similar optical fibre products. After Nanfang Optic receives notice of the said disagreement and it is confirmed that there is proven evidence, Nanfang Optic is required to adjust their optical fibre prices offered to us in accordance with the market prices.
Credit term:	less than 90 days after delivery of the products
Payment method:	bank transfer
Delivery:	transportation costs shall be borne by the Nanfang Optic

Quality control:	Nanfang Optic shall adopt industry and national standards for their optical fibres and we will carry out product inspection upon arrival of products
Warranty:	Nanfang Optic shall replace any defective products or refund to us, and be responsible for any quality defects caused by them
Termination:	upon the expiry of the term or early termination of Nanfang Optic Shareholders' Agreement the Nanfang Optic Shareholders' Agreement may be terminated under the circumstances, including (i) mutual consent from the parties; (ii) improper transfer of shares of Nanfang Optic; (iii) not obtaining certain permits/approval from relevant authorities within the prescribed time; and (iv) force majeure.

When determining the prices of optical fibres sold by Nanfang Optic to our Group for inclusion in the tender documents to the Major PRC Telecommunications Network Operators, Nanfang Optic confirmed that it would take into account the following factors: (i) estimated production costs and estimated gross profit margin; (ii) its production schedule, the available production capacity of its production facilities and the amount of customers' orders on hand; (iii) the market demand and supply of the optical fibres and the then prevailing market prices of optical fibres; and (iv) evaluation of the competitiveness of its competitors.

Further, as the directors of Hengtong confirmed that Hengtong could benefit from the establishment of Nanfang Optic to increase its share of the PRC optical fibre market by supplying optical fibres through Nanfang Optic to customers including the Major PRC Telecommunications Network Operators, our Directors believe that the board of Nanfang Optic, which is controlled by Hengtong, would set the prices of optical fibres sold to such telecommunications network operators at prices more favourable than or in line with the prevailing market prices to secure its market share in the PRC optical fibre industry. Our Directors confirmed that given the large volume of optical fibre purchased, the prices of optical fibres sold by Nanfang Optic to our Group for inclusion in the tender documents to the Major PRC Telecommunications Network Operators were at a discount ranging between 8.8% and 10.1% to the then prevailing market prices of the optical fibres.

Our Directors are of the view that our purchases from Nanfang Optic during the Track Record Period were subject to normal commercial terms on the basis that our Directors have reviewed (i) the optical fibre supply agreements entered into between our Group and other optical fibre suppliers during the Track Record Period; and other quotations and terms offered by other optical fibre suppliers available in the market, and found that the terms set out in the optical fibre supply agreement with Nanfang Optic are comparable with the aforesaid agreements, quotations and terms; and (ii) according to the Industry Consultant, the prices of the optical fibres we purchased from Nanfang Optic are more favourable than or in line with the prevailing market prices of optical fibres. For additional information as to purchases from Nanfang Optic, see the paragraph headed "Procurement and suppliers – Major suppliers" of this section.

Management of Nanfang Optic

The board of directors of Nanfang Optic currently consists of five directors. In order to better manage the operation of Nanfang Optic primarily to ensure their product quality and operating efficiency, Mr. Shi and Ms. Yu have been nominated by our Group as two of the members of the board of Nanfang Optic. In addition, Ms. Yu RP has been appointed as a supervisor of Nanfang Optic. These personnel are also members of our management team. We believe that such arrangements are able to provide us with certain level of insight of the Nanfang Optic's operations and better facilitate us to align the interests of Nanfang Optic with the interests of us. The other three directors of Nanfang Optic were nominated by Hengtong.

According to the 2015 annual report of Hengtong published on 6 April 2016, as Hengtong assigned three directors to the board of Nanfang Optic, it has control over the board of Nanfang Optic. As set out in the articles of association of Nanfang Optic, the board of directors of Nanfang Optic consists of five directors, three of whom shall be assigned by Hengtong and the other two shall be assigned by Nanfang Communication. As advised by our PRC Legal Advisers, under the relevant PRC laws, the consent from two-thirds or more of the voting rights of the shareholders of a company would generally be required if the terms relating to the nomination rights to the board of directors set out in the articles of association of that company are to be changed. As such, Nanfang Communication, although currently the single largest shareholder holding 49% interest in Nanfang Optic, would not be able to gain control of the board of directors of Nanfang Optic by having a majority in number unless consent can be obtained from Hengtong. As at the Latest Practicable Date, Hengtong had not indicated to Nanfang Communication that it would give such consent.

Further, based on the 2015 annual report of Hengtong published in April 2016, the production activities of Nanfang Optic have been controlled by Hengtong, as Hengtong (i) has nominated the general manager, legal representative and other key personnels of Nanfang Optic; (ii) has licensed certain technologies and patents in connection with optical fibre production to Nanfang Optic; and (iii) supplied the optical fibre production facilities to Nanfang Optic at the time of its establishment. Hengtong also controls the sales, finance and other material operational activities of Nanfang Optic.

Based on the above, our Group does not obtain control over Nanfang Optic after Hengtong reduced its shareholding interests in Nanfang Optic from 51% to 47% making Nanfang Communication the single largest shareholder holding 49% of the equity interest therein.

QUALITY CONTROL

Overview

We have a long-standing emphasis on quality control programmes and have implemented a comprehensive quality control system, as we believe that quality control is essential to our continued success. As at the Latest Practicable Date, we had 52 quality control staff in our production department.

Quality control procedures

Our quality control system includes the following processes:

- purchase of raw materials – we usually select our suppliers based on the quality of raw materials supplied, pricing and our internal manner on procurement standards of raw materials;

- production – every stage of the production process is monitored by the quality management department to ensure that the production process conforms to specific quality control requirements. Managers of different production processes also carry out regular inspection, while staff carry out simple testings themselves which are demonstrated during staff training;

- machinery and equipment management – regular inspections and maintenance are carried out by our equipment administrators to ensure optimum performance of our machinery and equipment;

- sales – each batch of finished products is subject to inspection and performance testing, and a final sample check before they are delivered to our customers. Our management is responsible for collecting customers opinions and handling customers' complaints appropriately and in a timely manner; and

- staff quality awareness system – training and continuous assessments of the performance of staff are conducted.

We were awarded ISO 9001:2008 and ISO 14001:2004 certificates in relation to the development and manufacture of optical fibre cable products. For details, please refer to the paragraph headed "Certifications, awards and recognitions" of this section. We have established a comprehensive ISO standards compliance process policy to ensure strict adherence to the ISO standards in every production process. The policy has been devised according to the requirements with guidance for use published by the International Organisation for Standardisation. It lays out the steps and measures which are required to be taken and allocates these measures to different departments. We believe that the ISO standards compliance process is built upon inter-departmental efforts.

Our senior manager has been designated with the role of implementing the policy and reporting to our executive Directors on the implementation progress and results. Such senior manager is also responsible for devising improvement plans and communicating to external parties in relation to quality control and environmental issues. To ensure the ongoing compliance with the requirements of the ISO standards, internal control reviews are conducted on our operations against the policy to discover non-compliance and carry out remedial measures accordingly.

During the Track Record Period and up to the Latest Practicable Date, there was no incident of failure of our quality control system which had a material impact on us.

Raw materials

Our quality control team carries out inspection on raw materials upon delivery on a sampling basis. We only purchase raw materials from suppliers that have passed our quality and reliability assessment and have been admitted to our list of qualified suppliers or to the lists of designated suppliers of our major customers. We select our suppliers based on a variety of factors, including their size, quality control over its production process, reputation, financial stability, price and services. Raw materials supplied by a new supplier need to pass our quality control tests before being procured in large production scale. We review our suppliers with respect to their quality of products and services, cost and delivery schedule, and will conduct a comprehensive evaluation on a monthly basis.

We return to suppliers any raw materials that do not pass our inspection and will replace a supplier if the raw material it supplies cannot fulfil our requirements or it is continuously assessed with a relatively low score in our monthly evaluation. In addition, we analyse and record the geometric and optical features of the optical fibres that we purchase as a continuous monitoring and verification process. As one of our major suppliers of optical fibres, we also require Nanfang Optic to implement our quality control standards and measures to ensure the quality of raw materials.

Production monitoring

We have over 200 detailed inspection and testing procedures in each stage of our production prepared and reviewed by members of our senior management in charge of production. We also conduct periodic inspections on our production lines to ensure operational functionality. Our quality control team would conduct selected inspection on our finished products before put into storage and carry out inspections on all main technical parameters of our work in progress. For further information about the quality control throughout our whole production processes, please refer to the paragraph headed "Production – Production processes" of this section.

Product testing

We conduct testing for our end products to ensure that such products meet the relevant specifications and requirements prior to delivery to customers, which covers extensive parameters in connection with the geometric, optical and mechanical features of our products, including the attenuation, dispersion, reflectance, diameter and tensile characteristics of such products. As a result of our adoption of testing equipment and quality control measures during the entire production process, we believe the defective rates of our finished products are relatively low. Upon customers' request, we also have specific packing and delivery instructions for each of products to ensure the safety and quality of our products during transportation.

As at the Latest Practicable Date, we had obtained 18 certificates for optical fibre cables from TLC Certification Centre. TLC Certification Centre is an affiliate subordinated to MIIT and is currently the only entity engaging in providing certification for telecommunications related enterprises in the PRC. For details, please refer to the paragraph headed "Certifications, awards and recognitions" of this section.

CERTIFICATIONS, AWARDS AND RECOGNITIONS

The table below sets out the details of some of the certifications obtained by Nanfang Communication for our operations and management system, as at the Latest Practicable Date:

Certification	Date of issue	Expiry date	Certifying organisations	Main content
ISO 9001:2008	26 September 2014	25 September 2017	TLC Certification Centre	Quality management system certificate relating the production and related service activities of optical cable and other telecommunications products
ISO 14001:2004	15 January 2014	14 January 2017	Beijing Zhongan Zhihuan Certification Centre	Environment management system certificate relating to the production and related activities of optical cable and other telecommunications products

Certification	Date of issue	Expiry date	Certifying organisations	Main content
GB/T 28001-2011	15 January 2014	14 January 2017	Beijing Zhongan Zhihuan Certification Centre	Occupational health and safety certificate relating to the production and related activities of optical cable and other telecommunications products
Certificate for measurement assurance	3 May 2013	2 May 2018	Jiangsu provincial bureau of quality and technical supervision (江蘇省質量技術監督局)	Measurement assurance for product quality and management

The table below sets out certifications that we applied for and the applications were pending for approval as at the Latest Practicable Date:

Certification	Date of application	Certifying organisations	Main content
TL 9000	12 May 2016	Quality Excellence for Suppliers of Telecommunications Forum	Quality management practice specialises the generic ISO 9001 to meet the needs of the international telecommunications industry
SA 8000	24 February 2016	Bureau Veritas Certification (Beijing) Company Limited	Auditable certification standard for organisations that develop, maintain and apply socially acceptable practices in the workplace

The table below sets out the major recognitions accredited to Nanfang Communication from the government entities:

Date of recognition	Expiry date	Title	Recognising organisation
November 2014	November 2019	High and New Technical Product* (高新技術產品) for outdoor optical cable (product code: GYTS)	Science and Technology Department of Jiangsu Province (江蘇省科學技術廳)
November 2014	November 2019	High and New Technical Product* (高新技術產品) for outdoor optical cable (product code: GYTA)	Science and Technology Department of Jiangsu Province (江蘇省科學技術廳)
September 2013	September 2016 (Note)	High and New Technology Enterprise* (高新技術企業)	Science and Technology Department of Jiangsu Province (江蘇省科學技術廳)
May 2012	May 2017	High and New Technical Product* (高新技術產品) for optical cable (product code: GJX)	Science and Technology Department of Jiangsu Province (江蘇省科學技術廳)
May 2012	May 2017	High and New Technical Product* (高新技術產品) for optical cable (product code: GYD)	Science and Technology Department of Jiangsu Province (江蘇省科學技術廳)

Note: As at the Latest Practicable Date, this recognition certificate was in the process of being renewed.

The table below sets out the major awards received by us:

Year(s) of Award	Award	Awarding organisation or authority
2016	National May Day Brand Construction Award – Innovative Enterprise* (全國五一品牌建設獎–創新企業)	Asia Brand Association People's Daily Xinhua.net
2015	Creditworthy Telecommunications Enterprise (AAA class)* (通信行業企業信用AAA級)	CACE
2015	Short-listed Award for Most Potential Enterprises in the PRC* (中國最具潛力企業入圍獎)	Ernst & Young Fudan University
2015	Excellent Quality Supplier of telecommunications cables in the PRC* (中國通信光電纜優質供應商)	CCTIME.COM* (飛象網)
2015	Excellent Supplier* (優秀供應商)	Subsidiary of Customer A
2015	Creditworthy Enterprise (AAA class)* (工商信用良好企業AAA 級)	Administration for Industry & Commerce of Changzhou (常州市工商行政管理局)
2014	Excellent Supplier* (優秀供應商)	Jiangsu subsidiary of Customer A
2014	Creditworthy Enterprise (AAA class)* (工商信用良好企業AAA 級)	Administration for Industry & Commerce of Changzhou (常州市工商行政管理局)
2013	Excellent Supplier* (優秀供應商)	Subsidiary of Customer A

Year(s) of Award	Award	Awarding organisation or authority
2013	Creditworthy Enterprise (AAA class)* (工商信用良好企業AAA 級)	Administration for Industry & Commerce of Changzhou (常州市工商行政管理局)
2012	Excellent Supplier* (優秀供應商)	Subsidiary of Customer A
2012	Most Valuable Cooperative Partner* (最具價值合作夥伴)	Anhui subsidiary of Customer A
2009/2010	Top 200 Communication Cable Enterprises of comprehensive strength in the PRC (中國電線電纜企業綜合實力200強)	China Industrial Information Issuing Centre* (中國行業企業資訊發佈中心)
2009	Excellent Supplier* (優秀供應商)	Jiangsu subsidiary of Customer A
2006	Excellent Supplier* (優秀供應商)	China Netcom of Henan Province (河南網通)
2005	Excellent Supplier* (優秀供應商)	Jiangsu subsidiary of Customer A

*   For identification purposes only

RESEARCH AND DEVELOPMENT

We consider research and development to be of key importance of our success. We believe that our research and development activities have enhanced our current technologies and processes, improved the quality of our products and made our production processes more efficient, which would eventually improve our innovative capacity and market competitiveness.

For the year ended 31 December 2013, we incurred research cost of approximately RMB7.8 million in enhancing of our existing major types of optical cables, and starting to conduct researches on new product types, such as air-blown micro-duct cables that can be applied to micro ducts, optical power line communication (OPLC) cables that can transmit both electrical signal and light signal, and optical cables specifically for mining use, which can be installed underground to ensure underground communication. As at 31 December 2013, we completed enhancement on our existing major types of optical cables, while other products were still under development.

For the year ended 31 December 2014, we incurred research cost of approximately RMB12.2 million in continuing our researches on air-blown micro-duct cables and OPLC cables, enhancing product characteristics of our optical cables for mining use, and starting to conduct research on soft optical cables with ribbon construction and LSZH cables for extreme environment. As at 31 December 2014, we completed enhancement on optical cables for mining use and our research on soft optical cables with ribbon construction and air-blown micro-duct cables, while other products were still under development.

For the year ended 31 December 2015, we incurred research cost of approximately RMB20.1 million in enhancing our researches on OPLC cables and LSZH cables, and starting to conduct research on rat proof optical cables, all dielectric central unitube optical cables and all dielectric lightning proof light optical cables. As at 31 December 2015, we completed researches on aforesaid products and these products were ready for sale to the market.

For the five months ended 31 May 2016, we incurred research cost of approximately RMB8.7 million in developing fireproof cables, all-dry series of optical fibre cables and invisible cables. As at the Latest Practicable Date, such products were still under development.

As at the Latest Practicable Date, there were 30 personnel in our research and development department. Up to the Latest Practicable Date, these personnel had been with our Group for an average of approximately four years. 21 of our research and development employees have obtained tertiary or above qualifications. Mr. Huang Zhengou, our deputy general manager and head of production management centre, who is responsible for overall production and research and development, has over 21 years of experience in the optical fibre cable industry and was appointed as a member of committee of communication cables and optical cables experts by the CACE in April 2015. We believe Mr. Huang will lead our research and development activities and further enhance our product portfolio and production technology. In addition, our research and development centre was recognised as a provincial recognised enterprise technical centre jointly by authorities of Jiangsu Province.

Our research and development department is built on a system of inter-departmental coordination and participation. The development of new products involves our sales department, research and development department, production department and also our finance department and the general managers who are responsible for our overall strategy. Our research and development department works closely with our sales team, which communicates with our customers on a regular basis to gain a better understanding of customers' needs and market demands, so that we could capture potential business opportunities brought by new market trends and develop new products suitable for the market. Periodic visits to customers by our sales team help the research and development team collect feedback on new products from our customers and adjust our research projects on a timely basis. In addition, our research and development department also cooperates with our production department to jointly solve encountered problems during the production of our new products so as to commercialise our research and development efforts into successful products in time.

We have been cooperating with the research and development department of one of the Major PRC Telecommunications Network Operators to jointly conduct various researches on optical fibre cables and their applications since 2014. Further, we have signed cooperation agreements with two departments of Nanjing University of Posts and Telecommunications to make use of human resources and advance technological researches from campus, and provide research and development bases for university students who have research interests in our industry. Based on these agreements, we expect the university to introduce emerging technologies, products and research results to us so that we could adjust our production structure to capture the market trend, assist to solve technical problems in our production or renovation of production machineries, and provide technical and potential talent training to us. The university also organises technology exchanges with us to solve practical problems. The research and experimental equipment is shared for mutual benefits. If there is any intellectual property right involved, it should be jointly owned by both parties in normal circumstances. In addition, we pay RMB20,000 to the university annually for the management training and strategic business plan provided by the university.

INTELLECTUAL PROPERTY

We recognise the importance of protecting and enforcing our intellectual property rights. We strive to maintain registration of intellectual property rights that are material to our business operation under appropriate categories and in appropriate jurisdictions.

As at the Latest Practicable Date, we had obtained 51 domestic patents including 10 patents for invention and 41 patents for utility models in the PRC. Further, as at the Latest Practicable Date, we were in the process of applying for the registration of 20 patents for invention in the PRC. Our patents are principally related to the formula, technology, process, improvement and design associated with our products.

As at the Latest Practicable Date, we had a registered trademark in each of the PRC and Hong Kong, both of which are material to our business. We were in the process of applying for eight trademarks in the PRC.

To the best of our knowledge, information and belief, we were not aware of any material infringement of our intellectual property rights as at the Latest Practicable Date and we believe that we have taken reasonable measures to prevent infringement of our own intellectual property rights.

To the best of our knowledge, information and belief, we are not aware of any pending or threatened claims against our Group relating to the infringement of intellectual property rights owned by third parties. Details of our registered intellectual property rights which we consider to be or may be material to our business are set out in the paragraph headed "Statutory and general information – B. Further information about our business – 2. Intellectual property rights" in Appendix IV to this prospectus.

COMPETITION

The industry in which we operate is highly competitive. We face direct competition both in the PRC and internationally across all products and price ranges. According to the Industry Consultant, our major competitors that are based in the PRC include Yangtze Optical Fibre and Cable Joint Stock Limited Company, Hengtong, Shenzhen SDGI Optical Fibre Co., Ltd., FiberHome Telecommunications Technologies Co., Ltd, Jiangsu Etern Co., Ltd., Tongding Group Co., Ltd and Futong Group Co., Ltd. The leading 10 optical fibre cable companies accounted for approximately 78% of the overall communication type optical cable shipments by volume in the PRC in 2015. Hengtong and Yangtze Optical Fibre and Cable Joint Stock Limited Company were the top two suppliers with market share of 12.8% and 11.8% in terms of sales volume in 2015, respectively. We were No. 10 optical fibre cable supplier to the communication type optical cable market in the PRC in 2015 in terms of sales volume with a market share of 3.2%.

Our industry is substantially affected by the macroeconomic factors such as government initiatives and capital investments by the Major PRC Telecommunications Network Operators. According to the Industry Consultant, the Major PRC Telecommunications Network Operators dominate the telecommunications industry in the PRC.

EMPLOYEES

As at the Latest Practicable Date, we employed a total of 365 employees, all of whom were located in the Changzhou City, the PRC. The table below sets out a breakdown of the number of our employees by function as at the Latest Practicable Date:

Function	Number of our employees
Management and administration	25
Finance	6
Production	269
Research and development	30
Sales and marketing	35
Total	**365**

We believe our working environment and employee development opportunities have contributed to good employee relations and employee retention. We recruit our employees based on a number of factors such as their work experience, educational background and our vacancy needs. We typically hire through internal referrals and campus recruitments.

We enter into individual employment agreements with our employees, with terms covering, among other things, positions, salaries, working hours, annual leave and other benefits. Our employees' remuneration depends on their particular functions: (i) our management personnel's remuneration follows annual salary system; (ii) the remuneration of our production personnel, technical personnel, professional personnel and administration personnel follows post-rank salary system; and (iii) our sales personnel's remuneration follows deduction wage system, which is based on the sales performance.

We place strong emphasis on the development and training of our employees. We conducted induction courses, training programs and safety courses to allow our employees to gain knowledge in the relevant field of studies and working safety awareness. We believe that this will also increase the overall competitiveness of our workforce. We strive to ensure that our employees are equipped with the required skills and safety knowledge when performing their duties. Additionally, we cooperated with Nanjing University of Post and Telecommunications with an aim to impart up-to-date knowledge and industry updates to them.

We have adopted labour unions for our employees to protect their rights and to encourage them to participate in the management of our business. During the Track Record Period and up to the Latest Practicable Date, none of our employees had negotiated with us on the employment terms through the labour unions or in a way of collective bargaining and we had not experienced any major labour disputes or labour strikes that have interfered with our operations in any material respect.

Pursuant to applicable PRC laws and regulations, employers are required to make contributions to, and employees are required to participate in, a number of social security funds, including funds for basic endowment insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and the housing provident fund. For more information, please refer to the section headed "Regulatory overview – Labour law" of this prospectus. During the Track Record Period, we failed to make sufficient contributions to our employees' housing provident fund accounts as required under the applicable PRC law, rules and regulations. For further details, please refer to the paragraph headed "Legal compliance and risk management – Non-compliance" below in this section.

INSURANCE

We have insurance coverage for our plant and machinery. We maintain cargo transport insurance policies for most of our products shipped to our customers and insurance policies for the real estate and the inventory, which were renewed on an annual basis. As of the Latest Practicable Date, we had not received any material insurance claims against us. Consistent with what we believe to be customary practice in the PRC, we do not carry any business interruption insurance. For details of the risk relating to our insurance, please refer to the paragraph headed "Risk factors – We may not maintain sufficient insurance coverage for the risks associated with our business operations in the PRC" of this prospectus.

Our insurance policies are typically reviewed on an annual basis. Our Directors consider that our existing insurance coverage of our business is adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice in the PRC.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We place great emphasis on occupational health and safety. During the Track Record Period and up to the Latest Practicable Date, none of our employees had been involved in any major workplace accident in the course of their employment, and we had not been subject to disciplinary actions with respect to labour protection issues, nor had we experienced any claims for personal or property damage that, individually or in aggregate, had a material effect on our financial condition and results of operations. Save as disclosed of this prospectus, during the Track Record Period and up to the Latest Practicable Date, we complied with all applicable labour and safety laws and regulations in all material respects.

We have implemented measures at our production facilities to promote occupational health and safety and to ensure compliance with applicable laws and regulations. We have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including factory safety, safety inspection and improvement, work-related injuries and emergency and evacuation procedures.

Manufacturing enterprises in the PRC are subject to various PRC environmental protection laws and regulations, which include the PRC Environmental Protection Law (《中華人民共和國環境保護法》). For further details, please refer to the section headed "Regulatory overview – Environmental protection" of this prospectus.

We are committed to operating in compliance with applicable environmental laws and regulations. We have established guidelines that set out our environmental operation control system and our internal environmental management procedures. We obtained ISO 14001:2004 system certification in 2014, an environmental management certification for our Changzhou production facilities, indicating that our environmental management system has complied with international standards.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we had not been subject to any material penalty or fines imposed by the relevant environmental protection authorities and we did not incur any extra expenses on compliance with applicable environmental protection laws and regulations.

As advised by our PRC Legal Adviser, as at the Latest Practicable Date, we had complied with the relevant environmental, health and safety laws and regulations of the PRC in all material aspects, save as disclosed in the paragraph headed "Legal compliance and risk management – Non-compliance" below in this section.

PROPERTIES

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

Pursuant to Rule 5.01A of the Listing Rules, this prospectus is exempt from the requirement to include valuation on property interests of our non-property activities if the carrying amount of a property interest is less than 15% of our total assets. A similar exemption applies under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), with respect to the requirement under section 342(1)(b) of, and paragraph 34(2) of the Third Schedule to, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

As at the Latest Practicable Date, our production facilities at Changzhou City, Jiangsu Province occupied a total gross floor area of approximately 64,681.0 sq.m. built on two parcels of land with an aggregate site area of approximately 76,882.3 sq.m.. Details of the major properties owned by our Group are as follows:

Location and type	Property	Description	Usage
Wu Jin Factory			
Land	Luodong Village Luoyang County Changzhou Jiangsu Province the PRC	A parcel of collectively-owned land with a site area of approximately 26,795.3 sq.m. According to Land Administration Law of the PRC and Urban Real Estate Administration Law of the PRC, the land use right of the collectively-owned land cannot be assigned, transferred or leased for non-agricultural use unless the owner is bankrupted, mergered or under other situations as stipulated by the relevant laws, rules or regulations. As advised by our PRC Legal Adviser, as long as we do not assign, transfer or lease our land use right of the collectively-owned land for non-agricultural use, our current usage of the land is legal. Our Directors confirmed and undertook that we have not assigned, transferred or leased and will not assign, transfer or lease our land use right of the collectively-owned land for non-agricultural use. We have obtained a written confirmation issued by Changzhou Bureau of Land Resources Wujin Branch confirming that, during the Track Record Period, we strictly complied with the PRC laws and regulations in relation to land administration and we were not imposed by any penalties for breaching such laws and regulations. As advised by our PRC Legal Adviser, Changzhou Bureau of Land Resources Wujin Branch is a competent local authority to issue such confirmation.	Industrial use

Location and type	Property	Description	Usage
Buildings	Luodong Village Luoyang County Changzhou Jiangsu Province the PRC	Buildings built on the parcel of land at Luodong Village, Luoyang County, Changzhou, Jiangsu Province, the PRC with an aggregate gross floor area of approximately 25,730.5 sq.m. According to Land Administration Law of the PRC and Urban Real Estate Administration Law of the PRC, the buildings built on the collectively-owned land cannot be assigned, transferred or leased for non-agricultural use unless the owner is bankrupted, merged or under other situations as stipulated by the relevant laws, rules or regulations. As advised by our PRC Legal Adviser, as long as we do not assign, transfer or lease the buildings built on the collectively-owned land for non-agricultural use, our current usage of the buildings is legal. Our Directors confirmed and undertook that we have not assigned, transferred or leased and will not assign, transfer or lease our buildings built on the collectively-owned land for non-agricultural use.	Production facilities, warehouses and other ancillary buildings
Jin Tan Factory			
Land	Nanhuan Second Road North, Jing Eighth Road East, Jintan Economic Development Zone, Changzhou, Jiangsu Province, the PRC	A parcel of land with a site area of approximately 50,087.0 sq.m.	Industrial use
Buildings	Nanhuan Second Road North, Jing Eighth Road East, Jintan Economic Development Zone, Changzhou, Jiangsu Province, the PRC	Buildings built on the parcel of land at Nanhuan Second Road North, Jing Eighth Road East, Jintan Economic Development Zone, Changzhou, Jiangsu Province, the PRC with an aggregate gross floor area of approximately 38,950.5 sq.m.	Production facilities

In respect of our Wu Jin Factory, as at the Latest Practicable Date, we had not undertaken the construction area amendment procedures for a building with total construction area of 9,383.83 sq.m.. The actual construction area exceeded the construction area allowed under the construction planning permit (建設工程規劃許可證). We had not obtained the construction work commencement permit (建設工程施工證) for this building, and had not completed the construction completion check and acceptance procedures (竣工驗收手續) for the said building as at the Latest Practicable Date. As a result, we had not obtained the building ownership certificate for the said building as at the Latest Practicable Date. For details of this non-compliance incident, please refer to the paragraph headed "Legal compliance and risk management – Non-compliance" below in this section.

In respect of our Jin Tan Factory, as at the Latest Practicable Date, we had not obtained the building ownership certificates for two buildings with a total construction area of 38,950.5 sq.m.. We had not obtained the design recordal for fire safety and fire safety completion inspection recordal within the prescribed time, the environmental protection completion inspection approval within the prescribed time, the work completion inspection report before commencement of production as at the Latest Practicable Date. For details of this non-compliance incident, please refer to the paragraph headed "Legal compliance and risk management – Non-compliance" below in this section.

As at the Latest Practicable Date, we did not lease any material property.

LEGAL COMPLIANCE AND RISK MANAGEMENT

Save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, there were no material legal proceedings, regulatory inquiries or investigations made or pending or threatened against our Group. We may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of business such as proceedings in respect of disputes with suppliers or customers, labour disputes or infringement of intellectual property rights.

We have in place a set of internal control and risk management procedures to address various potential operational, financial and legal risks identified in relation to our operations, including but not limited to procurement management, inventory management, investment project management, connected party transaction controls, information disclosure controls, human resources, IT management and other various financial control and monitor procedures. These risk management policies set forth procedures to identify, categorise, analyse, mitigate and monitor various risks. The procedures also set forth the relevant reporting hierarchy of risks identified in our operations. Our Board is responsible for overseeing our overall risk management.

After due consideration, our Directors are of the view that our current internal control measures are adequate and effective.

Licences and permits

As confirmed by our PRC Legal Adviser, we have obtained and renewed all the necessary licenses, consents, approvals, permits and registrations from appropriate regulatory authorities, all of which are in full force and effect, and have complied with all the applicable PRC laws and regulations in relation to our business and operations in all material respects. For details of the relevant laws and regulations, please refer to the section headed "Regulatory overview" of this prospectus. Since the establishment of each of the members of our Group and up to the Latest Practicable Date, we had not experienced any failure in applying for the renewal of our respective operation licences and permits.

Legal proceedings

During the Track Record Period, we were not involved in any actual or threatened material litigation, arbitration or claim. As at the Latest Practicable Date, none of our Company, any of our subsidiaries or any of our Directors was a party to any material litigation, arbitration or claim that could have a material adverse effect on our financial condition or results of operations. To the best of our knowledge, no such material litigation, arbitration or administrative proceedings had been threatened against our Company or any of our subsidiaries.

Non-compliance

According to our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date and save as disclosed herein, we had fully complied with all applicable laws and regulations in the PRC in all material aspects.

We were involved in certain regulatory non-compliance incidents during the Track Record Period and up to the Latest Practicable Date, the details of which together with a description of the rectification actions are set out below:

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequents and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
1.	In respect of our Wu Jin Factory, we have not undertaken the construction area amendment procedures for a building with a total construction area of 9,383.83 sq.m.. The actual construction area exceeded the construction area allowed under the construction planning permit (建設工程規劃許可證). We have not obtained the construction work commencement permit (建設工程施工證) for this building, and have not completed the construction completion check and acceptance procedures (竣工驗收手續) for the said building. As a result, we have not obtained the building ownership certificate for the said building.	Our Directors confirmed that the non-compliance incident in relation to Wu Jin Factory is a historical issue since Wu Jin Factory was built 20 years ago. The building without a building ownership certificate was not our core production site and the relevant project manager did not pay sufficient attention to the application procedures of the relevant certificate. Due to the unintended and inadvertent omission of the relevant project manager, we have not received the building ownership certificate for one building with an aggregate gross floor area of 9,383.83 sq.m..	As advised by our PRC Legal Adviser, we may be subject to a fine of up to RMB352,000.	As at the Latest Practicable Date, we were in the process of applying for the relevant permits, which are expected to be obtained in the first quarter of 2017. Our Directors expect to obtain the relevant building ownership certificate in the first quarter of 2017. Our Directors confirmed that the building is not currently being put into use and not crucial to our Group's operations. Our PRC Legal Adviser confirmed that there will be no legal impediment for the obtaining of the relevant permits and the building ownership certificate. We have implemented a set of internal control policies related to compliance with the relevant laws and regulations to obtain all relevant certificates and documentation required for our production sites. For details, please refer to the paragraph headed "Internal control measures to prevent future non-compliance" below in this section.	As at the Latest Practicable Date, our Directors were not aware of any incidents that have arisen due to the safety conditions of this building and our Directors were not aware that the relevant building ownership certificate was not obtained due to the safety conditions of this building. Our Directors considered that this building is safe to use on the basis that: (i) as advised by our PRC Legal Adviser, we had engaged competent design and construction companies to design and complete the construction of this building; (ii) based on the investigation report about the safety condition of this building issued by an independent property consultant, our PRC Legal Adviser advised that this building is safe to use. Our PRC Legal Adviser advised that this property consultant is competent to conduct the investigation and issue the opinion in relation to the safety condition of this building; (iii) historically, there was no accidents happened in relation to the safety condition of Wu Jin Factory; (iv) we were not subject to any investigations or penalties in relation to this building for lack of permits or approvals; and (v) this building is not currently being put into use. As advised by our PRC Legal Adviser, the risk of relocation and/or demolishment and/or penalties against us is low if we could obtain the relevant permits.

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequents and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
					Our Directors confirmed that this non-compliance incident does not relate to land cost matter. As advised by our PRC Legal Adviser, our rights to transfer, lease, mortgage or dispose of such building are restricted due to the fact that the building has no building ownership certificate and was built on a collectively-owned land. As at 31 May 2016, the net book value of this building was RMB395,000 and our Directors are of the view that the financial impact of this non-compliance on our Group is immaterial and this building is not critical to our operations.

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequents and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
2.	We failed to make sufficient contributions to our employees' housing provident fund accounts during the Track Record Period as required under the applicable PRC regulations.	Since our production sites are located at a rural area, the employees mainly include local farmers and migrant workers. Our Directors confirmed that these employees have houses at the rural area in Changzhou or they have received housing subsidies, and they do not have the initiative to make contributions to housing provident fund as they consider that they may not be able to enjoy the benefit arising from the housing provident fund. The employees who did not make contributions to housing provident fund comprise the following three types: (i) those who are reluctant to make contributions and received housing subsidies from us;	Pursuant to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), if our Group fails to make contributions to the housing providing fund accounts, our Group may be ordered to make contributions to the outstanding housing provident funds within a specified time period, and if our Group fails to do so within the specified time period, the relevant authorities may apply to PRC courts for compulsory enforcement of such payment.	Our Group had made a provision for the potential claim of unpaid housing provident fund contributions of approximately RMB5.3 million as at 31 May 2016. Our PRC Legal Adviser confirms that we have opened the housing provident fund accounts and made relevant contributions for all employees since November 2016. Our Directors have executed an undertaking letter to undertake that we shall make contributions to our employees' housing provident fund accounts as and when required by the relevant governmental authorities.	As at the Latest Practicable Date, no administrative action, demand of payment (for unpaid housing provident fund contributions), fine or penalty had been imposed by the relevant PRC governmental and authorities with respect to this non-compliance. We have obtained written confirmations from Wu Jin sub-branch of Changzhou Housing Provident Fund Management Centre (常州住房公積金管理中心武進分中心) and Jin Tan sub-branch of Changzhou Housing Provident Fund Management Centre (常州市住房公積金管理中心金壇分中心) respectively, which are the competent governmental authorities as advised by our PRC Legal Adviser, confirming that Nanfang Communication and Yingke, up to the respective dates of the written confirmations issued by the competent governmental authorities, were not subject to any penalties due to non-compliance of any laws and regulations in relation to housing provident fund. We have obtained written confirmations from employees who are unwilling to participate in the housing provident fund, which confirmed that they made voluntary decisions not to make contributions.

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequents and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
		(ii) those who resigned before they completed the housing provident fund accounts procedures and we were unable to complete such procedures on their behalf; and (iii) those who were rehired after retirement. We were unable to make contributions to our employees' housing provident fund for the employees mentioned above due to the following reasons: (i) we are required to submit the employees' information when we open the housing provident fund accounts for them and we cannot do it on their behalf without their consents; and (ii) the housing provident fund contributions comprise our Company's contribution and the employees' contribution.		Our Group actively liaised with the local government and tried to persuade our employees to open housing provident fund accounts and make housing provident fund contributions. We will provide training to our employees reminding them of the obligations to participate in and contribute to the housing provident fund in compliance with the applicable PRC laws and regulations and the consequences of the non-compliance. We required our human resources department to take in charge of housing provident fund matters, liaise with local government, and communicate with the employees. We have implemented a set of internal control policies related to compliance with the relevant laws and regulations about our housing provident fund contributions. For details, please refer to the paragraph headed "Internal control measures to prevent future non-compliance" below in this section.	According to the written confirmations issued by the relevant competent local authority as advised by our PRC Legal Adviser, during the Track Record Period, we were not imposed by any penalties for breaching the PRC laws and regulations in relation to housing provident fund. Our PRC Legal Adviser advised that the likelihood of our Group being penalised for the past non-compliance in the future is low. Our Directors are of the view that the financial impact of the unpaid housing provident fund contributions on our Group during the Track Record Period was immaterial.

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequents and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
		If our employees are unwilling to make housing provident fund contributions, we cannot make our Company's contribution on their behalf without their consents and/or force them to make such contributions or deduct such amount from their salaries without their consents.		During the Track Record Period, we had made housing provident fund contributions of RMB754,000, RMB1,030,000, RMB1,777,000 and RMB986,000. We undertook that, as long as the employees are willing to make housing provident fund contributions, we shall open housing provident fund accounts for the employees and make relevant housing provident fund contributions as required by the relevant PRC laws. Our Directors confirmed that we will change our template of employment contract so as to include the requirements that the employees should cooperate with us to fulfill the obligations under the laws and regulations in relation to the housing provident fund. Members of the Yu Family, our Controlling Shareholders, and Mr. Shi, our executive Director, have executed an undertaking letter to undertake that they shall (i) ensure that Nanfang Communication and Yingke will make contribution to our employees' housing provident fund accounts upon requests from the relevant governmental authorities; and (ii) bear all liabilities and risks if any penalty is imposed on us.	

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequents and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
3.	In respect of our Jin Tan Factory, as at the Latest Practicable Date, we had not obtained the following recordals and approvals for the two buildings in our Jin Tan Factory:	Our Directors confirmed that since the progress of construction of different buildings varied in Jin Tan Factory, we intended to first use the building where the construction work has been completed and the trial production permit has been obtained, and then to obtain the relevant recordals and approvals for these two buildings after completion of construction of all of the building facilities in Jin Tan Factory. Our Directors considered that this non-compliance incident occurred as a result of the responsible project manager's misunderstanding of the relevant rules and practices in the PRC.	Our PRC Legal Adviser has advised that:		

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequents and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
	(a) the design recordal in respect of fire safety (“消防設計備案”) and fire safety completion inspection recordal (“消防竣工備案”) within the prescribed time under the applicable PRC laws and regulations; and		(a) if we fail to obtain design recordal in respect of fire safety within seven days after obtaining the construction work commencement permit (建築工程許可證) and the fire safety completion recordal after completion of construction, under the relevant PRC laws and regulations, we may be ordered to rectify and/or imposed a maximum fine of RMB5,000 under each instance;	(a) As at the Latest Practicable Date, we had obtained the design recordal in respect of fire safety and fire safety completion inspection recordal.	(a) Our PRC Legal Adviser advised that, in view that (i) we have obtained the design recordal in respect of fire safety; and (ii) we have obtained fire safety completion inspection recordal, the risk of being penalised for not obtaining the design recordal in respect of fire safety and fire safety completion inspection recordal within the prescribed time is remote.
	(b) the environmental protection completion inspection approval (“環境保護竣工驗收意見”) within the prescribed time under the applicable PRC laws and regulations.		(b) in respect of the environmental protection completion inspection approval, if we fail to obtain such approval before commencement of production, we may be ordered to suspend production and/or imposed a maximum fine of RMB100,000.	(b) As at the Latest Practicable Date, we had obtained the environmental assessment report approvals and environmental protection completion inspection approval.	(b) Our PRC Legal Adviser advised that, in view that (i) we have obtained the environmental assessment report approval; and (ii) we have obtained environmental protection completion inspection approval, the risk of being penalised for not obtaining the environmental protection completion inspection approval within the prescribed time is remote.

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequents and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
			Since we failed to obtain the recordals under (a) above and the approval under (b) above within the prescribed time, we also failed to file the work completion inspection recordal (“工程竣工備案”) within the prescribed time under the applicable PRC laws and regulations. We may be ordered to rectify and/or imposed a fine of RMB200,000 to RMB500,000; and	As at the Latest Practicable Date, we had obtained the relevant recordals and approvals in respect of fire safety and environmental protection under (a) above and (b) above. Further, as at the Latest Practicable Date, we had completed the work completion inspection recordal, which was issued by the relevant design entity, supervision entity, survey entity, construction entity, and the regulatory authorities including the Quality and Safety Supervision Department of Jin Tan Planning Construction Bureau and the Housing and Urban-Rural Construction Committee in Jin Tan District.	Our PRC Legal Adviser advised that, in view that, amongst others, as at the Latest Practicable Date, (i) we had passed the work completion inspection (“竣工驗收合格”); (ii) we had obtained design recordal in respect of fire safety and fire safety completion inspection recordal; (iii) we had obtained the environmental assessment report approvals and environmental protection completion inspection approval; and (iv) we had obtained the work completion inspection recordal, the risk of being penalised for not obtaining work completion inspection recordal within the prescribed time is remote.

No.	Non-compliance incident	Reasons for the non-compliance	Legal consequents and maximum potential penalty	Rectification actions taken and to be taken	Potential operational and financial impact
	(c) the work completion inspection report ("工程竣工報告") before commencement of production.		(c) in respect of work completion inspection report, if we fail to obtain such work completion inspection report before the commencement of production under the relevant PRC laws and regulations, we may be ordered to rectify and/or imposed a fine in the amount of 2% to 4% of the total construction contract sum, as estimated by our Directors, being approximately RMB295,000 to RMB590,000.	(c) The construction project of Jin Tan Factory had passed the work completion inspection by the relevant design entity, supervision entity and construction entity and we obtained the work completion inspection report in the PRC on 28 January 2016. We have implemented a set of internal control policies related to compliance with the relevant laws and regulations to obtain all relevant certificates and documentation required for our production sites. For details, please refer to the paragraph headed "Internal control measures to prevent future non-compliance" below in this section.	(c) Our PRC Legal Adviser advised that, in view that, the construction project of Jin Tan Factory had passed the work completion inspection by the relevant design entity, supervision entity and construction entity in the PRC on 28 January 2016, the risk of being penalised for the commencement of production without the work completion inspection since the commencement of trial production and up to 28 January 2016 is remote. Our Directors confirmed that we were not imposed by any penalties for breaching the relevant PRC laws and regulations in respect of the non-compliance incident in relation to Jin Tan Factory. On the basis of the above, our Directors do not expect the above non-compliances in relation to Jin Tan Factory will have any material impact on our Group's operations. On the basis of the above, our PRC Legal Adviser advised that as at the Latest Practicable Date, (i) our Jin Tan Factory met the requirements under the applicable PRC laws in relation to inspection standard and passed building construction inspection (房屋建築工程驗收) and fire safety inspection (消防驗收); (ii) the Jin Tan Factory can be used for production legally; and (iii) it is safe to use Jin Tan Factory.

Internal control measures to prevent future non-compliance

To prevent the recurrence of the non-compliance incidents and to continuously improve our corporate governance, we have engaged an internal control adviser to review, evaluate and provide recommendations on our internal control systems, and follow up on the effectiveness of our enhanced internal control measures adopted to prevent recurrence of previous non-compliances. Following such review and evaluation performed by such internal control adviser, we have implemented all of its recommendation to its satisfaction and there is no material deficiency in our internal control system. The internal control measures are, amongst others, the following:

(a) we will appoint Ms. Yu, our executive Director, as our compliance officer. From time to time, Ms. Yu will attend training relating to matters such as the latest development on compliance and regulatory requirements on the laws and regulations relevant to our Group. In case of potential non-compliances identified, she will report such matters to our Board in a timely manner. Furthermore, our compliance department will be responsible for assisting our compliance officer to set up and improve our compliance and management system, and develop and implement our internal control measures. For further details of Ms. Yu's qualifications and experiences, please refer to the section headed "Directors, senior management and employees" of this prospectus;

(b) our internal policies have been revised to ensure that our operation and management will comply with all applicable laws and regulations, including the construction works provided by the relevant construction contractors being in compliance with those required under the construction planning permit (建築工程規劃許可證). If any of our construction plans would deviate from the construction planning permit, the relevant management team is required to obtain the necessary certificates, licenses, permits or approvals in a timely manner in compliance with the relevant laws and regulations. In order to achieve this, our management team is required to monitor construction progress on a regular basis, provide guidance and rectification instructions on any default identified in the inspection, follow up such default, and report the serious default identified to our compliance officer and our senior management;

(c) we have enhanced our internal policies so as to ensure that our Group will obtain all the relevant certificates and documentation required for our production sites by the relevant laws and regulations, such as building ownership certificates before commencement of our production. In determining the expansion plan and timetable for commencement of our production at the new production site, we will prescribe specific timelines within which the various licenses and permits should be applied for and should be obtained so that our management team will follow such timelines to make the necessary applications. We will also devise our new expansion timeline to allow sufficient time to obtain the necessary certificates, licenses, permits or approvals. Our executive Director, Ms. Yu, will be designated to review and monitor the progress of the license and permit applications in relation to properties and to monitor various stages of our expansion plan to ensure compliance with relevant laws and regulations. Our PRC Legal Adviser has also advised us and other members of our task forces on relevant laws and regulations. We will continue to seek PRC legal advice on compliance matters where required;

(d) our Directors confirmed that we have requested our human resources department to review periodically the total number of employees who are required to make housing provident fund contributions, and our administration department to review and check against the total number of employees before making payment for the contributions. We will conduct internal checking from time to time to ensure that we have paid housing provident fund contributions in accordance with the relevant PRC laws and regulations. We will continue to persuade those employees who have elected not to make any housing provident fund contributions of their own to pay such housing provident fund contributions so that our Group can make corresponding housing provident fund contributions for them in the future. We will also enhance the awareness of our employees with respect to the importance of participation in housing provident fund schemes by regularly reminding them to make contributions of their own portions;

(e) we will retain qualified PRC legal adviser after the Listing to advise our Group and provide training to our Directors and senior management personnel from time to time on the legal and regulatory requirements applicable to our operations in the PRC;

(f) we will establish the audit committee of our Board prior to the Listing, which will establish formal arrangements to apply financial reporting and internal control principles in accounting, financial and tax matters to ensure compliance with the Listing Rules and all applicable laws, rules and regulations;

(g) we will appoint a qualified independent professional firm to carry out internal audit functions to assist our Board to ensure due compliance of laws, rules and regulations applicable to our Group;

(h) our Group is reviewing our existing internal control framework and plans to adopt a set of internal control policies, including the corporate governance policies, which covers corporate governance, risk management, operations, legal matters, finance and audit, and the implementation of such internal control policies will be overseen by the qualified independent professional firm as referred to in paragraph (g) above;

(i) our Directors have attended training conducted by the legal advisers to our Company as to Hong Kong laws on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Listing Rules; and

(j) we have appointed the Sole Sponsor as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the Listing Rules and various requirements relating to directors' duties and corporate governance, and Ms. Lo Moon Fong, our company secretary and finance manager, will discuss with our compliance adviser on compliance matters in accordance with the Listing Rules on a regular basis such that any potential non-compliance incident identified will be reported to our Board on a timely basis and corresponding remedial action will be taken to address the potential issues.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders, collectively as the indemnifiers, entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any non-compliances of our Group on or before the date on which the Global Offering becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed "Statutory and general information – E. Other information – 1. Tax and other indemnity" in Appendix IV to this prospectus.

View of our Directors and the Sole Sponsor

Taking into account the foregoing, we believe that these measures will provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risks to protect the interest of our Group and our Shareholders. After undertaking relevant due diligence, the undertakings committed by our Company as described above, the legal consultation obtained by our Company, and subject to the full implementation and enforcement of these measures, our Directors are of the view, and the Sole Sponsor concurs, that these measures will provide a reasonably adequate and effective framework to assist our Company in identifying and monitoring any material risk in light of the current legal and regulatory requirements and the non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rule 3.08 and Rule 3.09 of the Listing Rules nor our suitability for Listing under the Listing Rules having taken into account that: (i) our Group has fully rectified all of the non-compliance incidents, if practicable; (ii) our Group has implemented (or will implement where applicable) the abovementioned measures to avoid recurrence of the non-compliance incidents; (iii) there was no reoccurrence of similar non-compliance incidents since the implementation of such measures; and (iv) the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our Directors, and did not raise any question as to the integrity of our Directors.

OUR CONTROLLING SHAREHOLDERS

Upon Listing, each of Pacific Mind, Ms. Yu, Ms. Yu RP and Mr. Yu will be a Controlling Shareholder under the Listing Rules. The table below sets out information regarding the ownership of our Shares immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme):

	Number of Shares held	Percentage of voting rights (%)
Pacific Mind*(Note)*	840,000,000	75
Other Shareholders	280,000,000	25
Total	1,120,000,000	100

Note: Pacific Mind is held as to 60% by Ms. Yu, 30% by Ms. Yu RP and 10% by Mr. Yu.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, our Controlling Shareholders and their respective close associates (other than members of our Group) taking into account the following factors:

Financial independence

Our Group has an independent financial system and makes financial decisions according to our business needs. Our Group has sufficient capital to operate our business independently, and has adequate internal resources to support our daily operations. During the Track Record Period, our Controlling Shareholders and a company owned by Mr. Yu provided guarantees to certain banks in favour of our Group for granting certain bank loans at nil consideration. For further details of these bank loans, please see note 24 to the financial information included in the accountants' report as set out in Appendix I to this prospectus. As at the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates had provided any share pledge, security, guarantee and other financial assistance in favour of our Group. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Listing as we expect that our working capital will be funded by cash generated from operating activities, the net proceeds from the Global Offering and our credit facilities maintained with banks.

Operational independence

We do not rely on our Controlling Shareholders for any significant amount of our revenue, product development, staffing or marketing and sales activities. Our Group holds all the production and operating facilities and technology necessary to our business operations.

Sales, marketing and administrative functions relating to our business are carried out independently by our Group. We have sufficient operational capacity in terms of capital, equipment and employees to operate our businesses independently of our Controlling Shareholders and their respective close associates (other than members of our Group). Our Controlling Shareholders have no interest in any of our top five customers, suppliers or other business partners. Our Directors consider that our Group can operate independently of our Controlling Shareholders from the operational perspective.

Management independence

Our management and operational decisions are made by our Board and our senior management personnel. Our Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the best interest of our Group and not to allow any conflict between his/her duties as a Director and his/her personal interest. Our independent non-executive Directors are all with extensive experience in different professions and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors with different background provides a balance of views and opinions. Please refer to the paragraph headed "Directors, senior management and employees – Directors" of this prospectus for the background of our Directors. Our Board acts collectively by majority decisions in accordance with the Articles of Association and applicable laws, and no single Director is supposed to have any decision making power unless otherwise authorised by our Board.

In the event that there is a potential conflict of interest arising from any transaction to be entered into between our Group and any of our Directors or their respective close associates (other than members of our Group), the interested Director(s) shall, unless otherwise permitted by the Articles, abstain from voting at the relevant Board meetings in respect of such transaction and shall not be counted in the quorum. In case Mr. Shi, Ms. Yu, Ms. Yu RP and/or Mr. Yu is/are required to abstain from voting at the Board meeting due to potential conflict of interest, other Directors will be able to form a quorum and will ensure that the decisions of our Board are made after due consideration of independent and impartial opinions.

In addition, our Group has a senior management team independent of our Controlling Shareholders and the background of our senior management personnel is set out in the paragraph headed "Directors, senior management and employees – Senior management" of this prospectus.

In view of the aforesaid, our Directors are of the view that our management independence is upheld.

COMPETITION UNDER RULE 8.10 OF THE LISTING RULES

Each of our Directors has confirmed that none of our Controlling Shareholders and their respective close associates (other than members of our Group) has any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly, with our business.

Further, each of our Directors has confirmed that he/she is not interested in any business apart from our business (where relevant), which competes or is likely to compete, either directly or indirectly, with our business.

DEED OF NON-COMPETITION

Our Controlling Shareholders and Mr. Shi have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), under which each of our Controlling Shareholders and Mr. Shi has undertaken to our Company that they shall not, and shall procure that none of their respective close associates and/or companies controlled by them (other than members of our Group) shall, during the Restricted Period (as defined below), directly or indirectly, either on their own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, invest, be interested in or involved or engaged in, acquire or hold any rights or interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business of manufacturing and sales of optical fibre and optical fibre cable and other related business which our Group may undertake from time to time after the Listing (the "**Restricted Business**").

The Deed of Non-competition does not apply to the relevant Controlling Shareholder and Mr. Shi in the circumstances where it/he has:

(a) any interest in the shares or other securities of any member of our Group from time to time; or

(b) interest in the shares of a company other than our Group provided that:

    (i) such shares are listed on a recognised stock exchange; and

    (ii) such shares or securities are listed on a recognised stock exchange and the aggregate interest of the relevant Controlling Shareholders and its/his close associates do not amount to more than 5% of the relevant share capital (individually or any of the Controlling Shareholders with their close associates collectively) of the company concerned (the "**Relevant Company**"), provided that (a) the shareholding of any one holder (and its/his associate, if applicable) in the Relevant Company is more than that of our Controlling Shareholder and its/his close associates in aggregate at any time; and (b) the total number of the representatives of our Controlling Shareholder or its/his close associates on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/its shareholding in the Relevant Company.

The "**Restricted Period**" stated in the Deed of Non-competition refers to the period during which:

(a) the Shares remain listed on the Stock Exchange (other than suspension of trading of the Shares for any other reason); or

(b) Mr. Shi and our Controlling Shareholders and their respective close associates (other than members of our Group), individually or jointly, remain to be deemed as controlling shareholder and/or a Director (within the meaning as defined in the Listing Rules from time to time) of our Company.

Each of our Controlling Shareholders and Mr. Shi has also undertaken that (i) it/he will promptly notify and provide our Company, in writing with any relevant information in respect of any new business opportunity which competes or may compete with the existing and future business of our Group (the "**New Opportunity**") to assess such new business opportunity, will grant a right of first refusal to our Group to take up such New Opportunity and will assist our Company in obtaining such business opportunity in the terms being offered to it/him or more favourable terms being acceptable to our Company, (ii) it/he will, and will procure its/his close associates with material interests to, abstain from voting at all meetings of Directors and Shareholders on resolutions involving the exercise or non-exercise of the right of our Group to participate in the relevant Restricted Business, (iii) it/he will provide all information reasonably required or necessary to our Company for the enforcement of the Deed of Non-Competition and (iv) it/he will make an annual declaration in favour of our Company on whether it/he has fully complied with its/his obligations under the Deed of Non-Competition, for inclusion in the annual reports of our Company in the manner consistent with the principles of making voluntary disclosures in the annual reports prepared in accordance with the requirements of the Listing Rules from time to time.

CORPORATE GOVERNANCE

The Deed of Non-competition provides that our Controlling Shareholders and their respective close associates (other than members of our Group) shall not compete with our Group. Our Directors consider that we have adequate corporate governance measures in place to resolve any actual and potential conflict of interest. To further avoid potential conflict of interest, we have implemented the following measures:

(a) our Company has adopted the Articles of Association which provide that a Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested;

(b) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and enforcement of the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to take up the New Opportunity;

(c) our Controlling Shareholders and Mr. Shi will, as stipulated under the Deed of Non-competition, provide all relevant information for the annual review by our independent non-executive Directors for compliance with and enforcement of the terms of the Deed of Non-competition;

(d) any New Opportunity under the Deed of Non-competition and all other matters determined by our Board as having a potential conflict of interest with our Controlling Shareholders and Mr. Shi will be referred to the independent non-executive Directors for discussion and decision. When necessary, such independent non-executive Directors will engage an independent financial adviser to advise them on these matters. In the event that any New Opportunity presented by otherwise arising in connection with any of our Controlling Shareholders and Mr. Shi are turned down by our Group according to the Deed of Non-competition, our Company will disclose such decision, as well as the basis of such decision in the annual report of our Company;

(e) our Company will disclose, from time to time, information on the New Opportunity, including but not limited to disclosing through our annual reports or announcements the decision of our independent non-executive Directors to pursue or decline the New Opportunity, together with the reason in case of decline;

(f) our Company will use our best endeavours to ensure that our Board includes a balanced composition of executive, non-executive and independent non-executive Directors. We have appointed three independent non-executive Directors whom we believe possess sufficient experience and are not involved in any business or other relationship which could interfere in any material manner with the exercise of their independent judgement. Background of our independent non-executive Directors are set out in the paragraph headed "Directors, senior management and employees – Directors" of this prospectus;

(g) further, if our Controlling Shareholder or our Director has a conflict of interest in a matter to be considered, he/she/it shall act in accordance with the requirements of the Listing Rules, regarding voting on such matter; and

(h) we have appointed Guotai Junan Capital as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the Listing Rules and various requirements relating to directors' duties and corporate governance.

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Number of Shares held immediately after completion of the Capitalisation Issue and the Global Offering	Percentage of shareholding in our Company immediately after completion of the Capitalisation Issue and the Global Offering
			(%)
Pacific Mind(2)	Beneficial owner	840,000,000 (L)	75
Ms. Yu(2)	Interests held jointly with another person; interest in a controlled corporation	840,000,000 (L)	75
Ms. Yu RP(2)	Interests held jointly with another person; interest in a controlled corporation	840,000,000 (L)	75
Mr. Yu(2)	Interests held jointly with another person; interest in a controlled corporation	840,000,000 (L)	75
Mr. Shi(3)	Interest of spouse	840,000,000 (L)	75
Ms. Zhu Qinying(4)	Interest of spouse	840,000,000 (L)	75
Mr. Yu Jianguang(5)	Interest of spouse	840,000,000 (L)	75

Notes:

(1) The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.

(2) Our Company is held as to 75% by Pacific Mind immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme). Pacific Mind is held as to 60%, 30% and 10% by Ms. Yu, Ms. Yu RP and Mr. Yu respectively.

(3) Mr. Shi is the spouse of Ms. Yu. Under the SFO, Mr. Shi is deemed to be interested in the same number of Shares in which Ms. Yu is interested.

(4) Ms. Zhu Qinying is the spouse of Mr. Yu. Under the SFO, Ms. Zhu Qinying is deemed to be interested in the same number of Shares in which Mr. Yu is interested.

(5) Mr. Yu Jianguang is the spouse of Ms. Yu RP. Under the SFO, Mr. Yu Jianguang is deemed to be interested in the same number of Shares in which Ms. Yu RP is interested.

Save as disclosed in this paragraph, our Directors are not aware of any persons who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

DIRECTORS

Our Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The table below sets out information regarding our Directors.

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship amongst them
Shi Ming (石明)	45	Chief executive officer and executive Director	2 June 2007	10 May 2016	Overseeing our overall management and operations, investment strategies and business development	Spouse of Ms. Yu, son-in-law of Mr. Yu and brother-in-law of Ms. Yu RP
Yu Rumin (於茹敏)	39	Executive Director	8 May 2001	10 May 2016	Overseeing our business development, financial control and human resources management	Spouse of Mr. Shi, daughter of Mr. Yu and sister of Ms. Yu RP
Yu Ruping (於茹萍)	41	Executive Director	25 September 2006	10 May 2016	Supervising our accounting and internal audit functions	Daughter of Mr. Yu, sister of Ms. Yu and sister-in-law of Mr. Shi
Yu Jinlai (於金來)	68	Chairman of our Board and non-executive Director	27 July 1992	10 May 2016	Providing strategic advice and making recommendations on the operations and management of our Group	Father of Ms. Yu and Ms. Yu RP and father-in-law of Mr. Shi
Wu Wing Kuen (胡永權)	59	Independent non-executive Director	24 November 2016	24 November 2016	Providing independent advice and making recommendations on the operations and management of our Group	None
Lam Chi Keung (林芝強)	46	Independent non-executive Director	24 November 2016	24 November 2016	Providing independent advice and making recommendations on the operations and management of our Group	None

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship amongst them
Chan Kai Wing (陳繼榮)	55	Independent non-executive Director	24 November 2016	24 November 2016	Providing independent advice and making recommendations on the operations and management of our Group	None

Executive Directors

Mr. Shi Ming (石明先生), aged 45, was appointed as our Director on 10 May 2016 and designated as our executive Director on 22 June 2016. He is also our chief executive officer. Mr. Shi was appointed as a general manager of Nanfang Communication in June 2007. Mr. Shi is mainly responsible for overseeing our overall management and operations, investment strategies and business development. Mr. Shi is also a director of each of Century Planet, Nanfang Hong Kong, Changzhou Delong, Yingke and Nanfang Optic.

Mr. Shi has over 15 years of experience in enterprise management and his working experience is set forth in the table below:

Company name	Principal business activities of the company	Position and responsibilities	Period
Yizheng Chemical Fibre Company Limited (儀征化纖股份有限公司) (currently known as Sinopec Oilfield Service Corporation), a company whose H shares are listed on the Stock Exchange (stock code: 1033) and whose A shares are listed on the Shanghai Stock Exchange (stock code: 600871)	Energy exploration, drilling and exploitation business	Employee	1996 to 1999
Metso Minerals (Tianjin) International Trading Company Limited (美卓礦機 (天津) 國際貿易有限公司)	Mining, construction and power generation business	Branch manager of Nanjing office, responsible for developing marketing plans and monitoring its implementation	1999 to 2001

Company name	Principal business activities of the company	Position and responsibilities	Period
General Electric (China) Co., Ltd (通用電氣 (中國) 有限公司)	Diversified business segments	Chief representative of Nanjing office, responsible for the business development, planning of marketing and product development strategies	2001 to 2004
Siemens Limited China (西門子 (中國) 有限公司)	Diversified business segments	Assistant of vice-president, responsible for business development	2004 to 2007

Mr. Shi received Industry Outstanding Contribution Award (產業突出貢獻獎) from Communication Cable and Fibre Optic Cable Professional Committee of CACE (中國通信企業協會通信電纜光纜專業委員會) in 2011. He was awarded "Innovative Individual in Telecommunications Industry in the PRC (中國通信光電纜新銳人物)" by CCTIME.com (飛象網) in 2015, and the "National May Day Brand Construction Award – Leading Person (全國五一品牌建設獎–領軍人物)" in 2016 China Brand Innovation Forum and National May Day Brand Construction Award Electing activities (2016中國品牌創新論壇暨全國五一品牌建設獎推選活動) in May 2016. Mr. Shi graduated from Jiangsu Institute of Petrochemical Technology (江蘇石油化工學院) (currently known as Changzhou University (常州大學)) in July 1994 with a bachelor degree in chemical engineering and also obtained a bachelor degree in industrial foreign trade from Nanjing University of Science and Technology (南京理工大學) in July 1996. Mr. Shi is a qualified senior operating manager (高級經營師). Mr. Shi has been admitted to the Doctoral of Professional Studies in Business program at the Gabelli School of Business in the Fordham University, the United States.

Ms. Yu Rumin (於茹敏女士), aged 39, was appointed as our Director on 10 May 2016 and designated as our executive Director on 22 June 2016. She is one of our Controlling Shareholders. Ms. Yu joined our Group as a manager in the enamelled wire business development department of Nanfang Communication in May 2001 and was appointed as a vice general manager of Nanfang Communication in October 2011. Ms. Yu is primarily responsible for overseeing business development, financial control and human resources management. Ms. Yu is also a director of each of Century Planet, Nanfang Hong Kong, Yingke and Nanfang Optic.

Ms. Yu has over 15 years of experience in communication optical cable industry. Prior to joining our Group, Ms. Yu worked for Luoyang Town's People's Government of Wujin District (武進區洛陽鎮人民政府) between 1996 and 2001. Ms. Yu graduated from Jiangsu Teachers University of Technology (江蘇技術師範學院) (currently known as Jiangsu University of Technology (江蘇理工學院)) in July 2004 with a major of financial accounting education. She is a qualified senior economist (高級經濟師) and a certified tax planner (注冊納稅籌劃師).

Ms. Yu Ruping (於茹萍女士), aged 41, was appointed as our Director on 10 May 2016 and was designated as our executive Director on 22 June 2016. She is one of our Controlling Shareholders. Ms. Yu RP joined our Group as a finance officer of Nanfang Communication in September 2006, and has been mainly responsible for supervising the accounting and internal audit functions of our Group. Ms. Yu RP is a director of each of Century Planet, Nanfang Hong Kong and Changzhou Delong. She is also a supervisor of Nanfang Optic.

Ms. Yu RP has over nine years of experience in communication optical cable industry. Ms. Yu RP completed a three-year study programme in pharmacy at the Professional School of Health Work of Wu Jin of Changzhou (常州市武進衛生職工中等專業學校) in December 2003. She is a certified tax planner (註冊納税籌劃師).

Non-executive Director

Mr. Yu Jinlai (於金來先生), aged 68, was appointed as our Director on 10 May 2016 and was designated as our non-executive Director on 22 June 2016. He is the chairman of our Board and one of our Controlling Shareholders. Mr. Yu has been acting as the legal representative of Nanfang Communication since July 1992 when Nanfang Communication was first established. He has been a director of Nanfang Communication since 1998. He is mainly responsible for providing strategic advice and making recommendations on the operations and management of our Group. Mr. Yu is also a director of Changzhou Delong and Yingke.

Mr. Yu has over 25 years of experience in enterprise management. Since May 1987, Mr. Yu has been a director of Changzhou Jingke Company Limited (常州精科實業有限公司), a company established in the PRC focusing on the manufacturing and sales of clocks and watches. Mr. Yu obtained an executive master course certificate in business administration from Shanghai Jiaotong University (上海交通大學) in November 2008.

Independent Non-executive Directors

Mr. Wu Wing Kuen (胡永權先生), aged 59, was appointed as our independent non-executive Director on 24 November 2016. Mr. Wu was awarded a Bronze Bauhinia Star from the Hong Kong Government in July 2012 in recognition for his meritorious public and community services. He is currently a member of the Chinese People's Political Consultative Conference of Harbin City and a member of the Chinese People's Political Consultative Conference of Nanshan District in Shenzhen. Mr. Wu is currently a voting member of the Hong Kong Jockey Club and the chairman of the Sha Tin District Community Fund. He is a member of the Sha Tin District Fight Crime Committee and a member of the Appeal Tribunals Panel of the Planning and Lands Branch of the Development Bureau of the Hong Kong Government.

Mr. Wu was a director of the following companies prior to their respective dissolutions:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Honest Supreme Limited (洪寶有限公司)	Hong Kong	Trading	10 July 2009	Deregistration under section 291AA of the Predecessor Companies Ordinance*(Note)*	Cessation of business
Janie Michele (H.K.) Knitters Limited	Hong Kong	Manufacturing of garment	19 May 2006	Deregistration under section 291AA of the Predecessor Companies Ordinance*(Note)*	Cessation of business
Jenzon Investment Limited (真誠投資有限公司)	Hong Kong	No active business activities	5 January 2007	Deregistration under section 291AA of the Predecessor Companies Ordinance*(Note)*	The company has never commenced business
Join Profit Industrial Limited (三豐實業有限公司)	Hong Kong	No active business activities	17 November 2006	Deregistration under section 291AA of the Predecessor Companies Ordinance*(Note)*	The company has never commenced business
Joint Victory Holdings Limited	Hong Kong	No active business activities	28 December 2012	Deregistration under section 291AA of the Predecessor Companies Ordinance*(Note)*	The company has never commenced business
Joy Luck International Limited (喜運國際有限公司)	Hong Kong	No active business activities	9 November 2007	Deregistration under section 291AA of the Predecessor Companies Ordinance*(Note)*	The company has never commenced business
King Brain Investment Limited (帝聰投資有限公司)	Hong Kong	No active business activities	20 July 2001	Deregistration under section 291AA of the Predecessor Companies Ordinance*(Note)*	The company has never commenced business
Land Treasure Limited (田珍有限公司)	Hong Kong	No active business activities	8 June 2001	Deregistration under section 291AA of the Predecessor Companies Ordinance*(Note)*	The company has never commenced business

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made by the company, a director of the company or a member of the company if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Wu confirmed that the above dissolved companies were solvent immediately prior to their dissolutions, those dissolutions were not sought by creditors and there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services as a director of these companies and that no misconduct or misfeasance had be involved in the dissolutions of these companies.

Mr. Lam Chi Keung (林芝強先生), aged 46, was appointed as our independent non-executive Director on 24 November 2016. Mr. Lam has over 15 years of professional experience in accounting and financial management and held various finance/accounting-related positions in international accounting firm and companies.

Mr. Lam was or has been a director or a senior management personnel of the following companies listed on the Stock Exchange:

Company name	Stock code	Principal business activities of the company	Position	Period
Ngai Shun Holdings Limited	1246	Provision of foundation piling services	Financial controller and company secretary	January 2014 to October 2014
Convoy Global Holdings Limited	1019	Insurance brokerage business and the provision of independent financial advisory services	Independent non-executive director	March 2014 to June 2016
Universe International Financial Holdings Limited	1046	Money lending, securities brokerage and margin financing, leasing of investment properties and securities investment, video distribution, film distribution and exhibition, licensing and sub-licensing of film rights, trading, wholesaling and retailing of optical products, watches and jewellery products	Independent non-executive director	December 2013 to present
Sino Haijing Holdings Limited	1106	Production and sale of expanded polystyrene packaging products for household electrical appliances in the PRC	Executive director	August 2015 to present
Co-Prosperity Holdings Limited	707	Processing, printing and sales of finished fabrics and trading of fabrics and clothing, money lending, securities investment and media, cultural, entertainment and advertising business	Chief financial officer and company secretary	September 2015 to May 2016
			Chief executive officer and executive director	May 2016 to present

Mr. Lam obtained a bachelor degree of science in accounting from Brigham Young University-Hawaii in December 1996. He also obtained a master degree of science in e-commerce from the Chinese University of Hong Kong in December 2002. Mr. Lam is a fellow of the HKICPA and a member of the American Institute of Certified Public Accountants.

Mr. Chan Kai Wing (陳繼榮先生), aged 55, was appointed as our independent non-executive Director on 24 November 2016. Mr. Chan has over 20 years of professional experience in accounting and financial advisory services.

Mr. Chan is currently the managing director and founder of Mandarin Capital Enterprise Limited, a company specialised in provision of financial advisory, mergers and acquisitions and fund raising for both listed and private companies in Hong Kong and the PRC. He founded Mandarin Capital Enterprise Limited in 2006 and started to provide financial advisory services to a wide range of industries.

Mr. Chan is currently a director of the following companies listed on the Stock Exchange:

Company name	Stock code	Principal business activities of the company	Position	Period
China Assurance Finance Group Limited	8090	Provision of financial guarantee services, performance guarantee services and advisory services in the PRC	Independent non-executive director	December 2011 to present
China Conch Venture Holdings Limited	586	Provision of energy preservation and environmental protection solutions, port logistics services, the manufacturing and sales of new building materials and investments	Independent non-executive director	December 2013 to present
Excel Development (Holdings) Limited	1372	Provision of civil engineering works and building construction and maintenance	Independent non-executive director	July 2015 to present
Sino Golf Holdings Limited	361	Manufacturing and trading of golf equipment, bags and other accessories	Independent non-executive director	August 2015 to present

Mr. Chan was also a director and the financial controller of Shenzhen China Bicycle Company (Holdings) Limited, a company whose A shares are listed on the Shenzhen Stock Exchange, between 1991 and 1999.

Mr. Chan obtained a bachelor degree of economics from Macquarie University, Australia in April 1986. He is a fellow member of CPA Australia.

Mr. Chan was a director of the following companies prior to their respective dissolutions:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Sinoview Pacific Limited (中耀太平洋有限公司)	Hong Kong	System integration	2 February 2007	Deregistration under section 291AA of the Predecessor Companies Ordinance *(Note)*	Cessation of business
Yangon Industries Limited (仰光實業有限公司)	Hong Kong	Manufacturing of garment	11 January 2013	Deregistration under section 291AA of the Predecessor Companies Ordinance *(Note)*	Cessation of business

Note: Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made by the company, a director of the company or a member of the company if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Chan confirmed that the above dissolved companies were solvent immediately prior to their dissolutions, those dissolutions were not sought by creditors and there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions, and that his involvement in the above companies was part and parcel of his services as a director of these companies and that no misconduct or misfeasance had be involved in the dissolutions of these companies.

Save as disclosed in this prospectus, each of our Directors confirmed that he or she (as the case may be) (i) did not hold any directorships in the last three years prior to the Latest Practicable Date in public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other positions with us or other members of our Group; and (iii) does not have any relationship with other Directors, senior management or Controlling Shareholders, if any, of our Company or any interest in our Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Other than our Directors, our senior management team consists of five members, who, together with our executive Directors, are responsible for the day-to-day management and operation of our Company. The table below sets out information in respect of our senior management personnel.

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
Huang Zhengou (黃正歐)	55	Deputy general manager and head of production management centre	November 2012	March 2016	Overall manufacturing management and research and development of our Group
Hong Liuming (洪留明)	44	Head of quality control centre	February 2016	February 2016	Management of the production quality control of our Group
Zhu Xiaolei (朱曉雷)	48	General manager in sales	May 1997	March 2016	Supervision of the overall sales strategies and bidding process of our Group
Dong Chunlan (董春蘭)	45	Head of supply chain management centre	May 2009	March 2016	Management of material procurement and logistics of our Group
Lo Moon Fong (羅滿芳)	40	Company secretary and finance manager	June 2016	June 2016	Financial reporting and compliance of our Group

Mr. Huang Zhengou (黃正歐先生), aged 55, was appointed as the deputy general manager and head of production management centre of Nanfang Communication in March 2016. He joined Nanfang Communication in November 2012 as a technical supervisor (技術總監). Mr. Huang is mainly responsible for the overall manufacturing management and research and development of our Group.

Mr. Huang graduated from Yangzhou Industry Technical College (揚州工業專科學校) in December 1981 with major in machinery manufacturing. Mr. Huang completed machinery design and manufacturing courses at Mechanical Engineer Further Education University (機械工程師進修大學) in October 1989. Mr. Huang is a qualified senior engineer (高級工程師). Prior to joining our Group, Mr. Huang worked for Yangzhou Tianhong Optical Cable Co., Ltd (揚州天虹光纜有限公司), a company with principal activity in production of optical fibre cables and electrical cables, as the chief engineer between 1994 and 2007. Between 2007 and 2012, Mr. Huang served as chief engineer at Hubei Kaile Science and Technology Company Limited (湖北凱樂科技股份有限公司), a company whose A shares are listed on the Shanghai Stock Exchange (stock code: 600260) with principal activity in production of optical fibre cables.

Mr. Hong Liuming (洪留明先生), aged 44, was appointed as head of quality control centre in February 2016. Mr. Hong is mainly responsible for the management of the production quality control of our Group. Mr. Hong received a bachelor degree in nuclear energy and heat energy utilisation from Tsinghua University (清華大學) in July 1996. Mr. Hong is a qualified senior engineer (高級工程師). Mr. Hong has more than 10 years of experience in product management. Prior to joining our Group, Mr. Hong worked for Jiangsu Fasten Photonics Co., Ltd (江蘇法爾勝光子有限公司), a company with principal activity in production of optical fibre cables, and his last position was assistant to the general manager between 2012 and 2016.

Mr. Zhu Xiaolei (朱曉雷先生), aged 48, was appointed as our general manager in sales in March 2016. Mr. Zhu joined our Group as a sales personnel in May 1997. Mr. Zhu is mainly responsible for supervising the overall sales strategies and bidding process of our Group. Prior to joining our Group, Mr. Zhu worked as a branch manager at Jiangsu Shinco Electronics Group Company Limited (江蘇新科電子集團有限公司), a company with principal activity in production of consumer electronic products, between 1991 and 1996. Mr. Zhu completed a three-year professional study in economic management from Cadre Correspondence School of CPC Jiangsu Provincial Party School (中共江蘇省委黨校幹部函授學院) in July 2008.

Ms. Dong Chunlan (董春蘭女士), aged 45, was appointed as a head of supply chain management centre in March 2016. She joined our Group as an operation management officer in May 2009. Ms. Dong is mainly responsible for managing material procurement and logistics of our Group. Ms. Dong graduated from Qinghai University (青海大學) with a bachelor degree in chemical engineering in July 1993. She also obtained a bachelor degree in industrial foreign trade from Nanjing University of Science and Technology (南京理工大學) in June 1997. Prior to joining our Group, Ms. Dong served as head of procurement department of Nanjing Guorui Technology (Group) Co., Ltd (南京國瑞科技(集團)有限公司), a company with principal activity in softwares development, between 2001 and 2003. She worked as a procurement manager for Nanjing Ingersoll Rand Compressor Co., Ltd (南京英格索蘭壓縮機有限公司), a company with principal activity in manufacturing of air compressors, between 2003 and 2009.

COMPANY SECRETARY

Ms. Lo Moon Fong (羅滿芳女士), aged 40, was appointed as our company secretary and finance manager in June 2016. She is responsible for financial reporting and compliance of our Group. Ms. Lo is currently licensed to act as a representative to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO.

She has over 18 years of experience in the accounting, tax and finance industry. Between August 1998 and October 2006, Ms. Lo worked in PricewaterhouseCoopers Limited in Hong Kong, specialising in tax services. Between September 2006 and June 2015, she worked in Convoy Financial Services Limited providing financial management and advisory services. Ms. Lo was the company secretary of New City Development Group Limited (stock code: 456), whose shares are listed on the Main Board of the Stock Exchange and a company with principal activity in property development and investment in the PRC, between April 2012 and July 2015.

Ms. Lo graduated with a bachelor degree in business administration from the Hong Kong University of Science and Technology in November 1998. She is a member of the HKICPA and is a Certified Financial Planner.

As at the Latest Practicable Date, none of the members of our senior management held any directorship in any listed companies in the past three years.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on 24 November 2016 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules has been adopted. The primary roles of the Audit Committee include, but not limited to, (a) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and 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 and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; (c) reviewing our financial controls, internal control and risk management systems. The Audit Committee consists of our three independent non-executive Directors namely, Mr. Lam Chi Keung, Mr. Chan Kai Wing and Mr. Wu Wing Kuen. Mr. Lam Chi Keung is the chairman of the Audit Committee, and he possesses the appropriate professional qualifications as required under Rule 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

Our Company established the Remuneration Committee on 24 November 2016 in compliance with Rule 3.25 of the Listing Rules. Written terms of reference in compliance with paragraph B.1.2 of the CG Code has been adopted. The primary roles of the Remuneration Committee include, but are not limited to, (a) making recommendations to our Board on our policy and structure for the remuneration of all of our Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) reviewing and approving our management's remuneration proposals with reference to our Board's corporate goals and objectives; and (c) making recommendations to our Board on the remuneration of non-executive Directors. The Remuneration Committee consists of three members, namely, Ms. Yu, Mr. Chan Kai Wing and Mr. Wu Wing Kuen. Mr. Wu Wing Kuen is the chairman of the Remuneration Committee.

Nomination Committee

Our Company established the Nomination Committee on 24 November 2016 in compliance with paragraph A.5.1 of the CG Code. Written terms of reference in compliance with paragraph A.5.2 of the CG Code has been adopted. The primary roles of the Nomination Committee include, but are not limited to, (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 our Board members and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; and (c) assessing the independence of our independent non-executive Directors. The Nomination Committee consists of three members, namely, Mr. Yu, Mr. Lam Chi Keung and Mr. Chan Kai Wing. Mr. Yu is the chairman of the Nomination Committee.

WAIVER GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see the paragraph headed "Waiver from strict compliance with the Listing Rules – Waiver in relation to management presence in Hong Kong" of this prospectus.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules concerning unusual movements in the price or trading volume of our Shares, the possible development of a false market in the Shares, or any other matters.

The term of the appointment shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits-in-kind, including our contribution to the pension scheme for our executive Directors, in their capacity as employees, according to the laws of the relevant jurisdiction. The aggregate amount of salaries, allowances, discretionary bonus and retirement benefits scheme contributions paid and benefits in kind granted to our Directors for the three years ended 31 December 2015 and the five months ended 31 May 2016 were approximately RMB729,000, RMB754,000, RMB812,000 and RMB769,000, respectively. Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the three years ended 31 December 2015 and the five months ended 31 May 2016. The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid by our Group to our five highest paid individuals, including Directors, for the three years ended 31 December 2015 and the five months ended 31 May 2016 were approximately RMB891,000, RMB925,000, RMB1,064,000 and RMB910,000, respectively. No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the three years ended 31 December 2015 and the five months ended 31 May 2016. No Director has waived or has agreed to waive any emoluments during the three years ended 31 December 2015 and the five months ended 31 May 2016. Under the arrangements presently in force, the estimated aggregate remuneration of our Directors for the year ending 31 December 2016, excluding discretionary bonus, is approximately RMB2,880,000.

For information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see note 12 to our combined financial information included in the accountants' report set out in Appendix I to this prospectus and "Statutory and general information" set out in Appendix IV to this prospectus.

AUTHORISED AND ISSUED SHARE CAPITAL

The authorised and issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering will be as follows.

Authorised share capital		*HK$*
8,000,000,000	Shares of HK$0.001 each	8,000,000

Shares issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering:

100	Shares in issue at the date of this prospectus	0.1
839,999,900	Shares to be issued under the Capitalisation Issue	839,999.9
280,000,000	Shares to be issued under the Global Offering (excluding any Shares which may be issued under the Over-allotment Option and any Shares which may be issued pursuant to exercise of the options which may be granted under the Share Option Scheme)	280,000
1,120,000,000	Shares in total	1,120,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional. The above table takes no account of Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate ("**Issuing Mandate**") given to our Directors to allot and issue or repurchase Shares as described below.

RANKING

The Offer Shares and the Shares that may be issued pursuant to exercise of the Over-allotment Option will rank *pari passu* in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus save for entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 24 November 2016. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in the paragraph headed "Statutory and general information – D. Share Option Scheme" in Appendix IV to this prospectus.

ISSUING MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (a) 20% of the aggregate nominal value of the share capital of our Company in issue as enlarged by the Global Offering and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the Over-allotment Option); and (b) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company under the Repurchase Mandate.

Our Directors may, in addition to the Shares which they are authorised to issue under the Issuing Mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options granted under the Share Option Scheme. The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this Issuing Mandate will not be reduced by the allotment and issue of such Shares.

This Issuing Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For further details of the Issuing Mandate, please see the paragraph headed "Statutory and general information – A. Further information about our Group – 5. Written resolutions of our sole Shareholder" in Appendix IV to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Global Offering and the Capitalisation Issue (but excluding any Shares of our Company which may be issued pursuant to the Over-allotment Option).

This Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph headed "Statutory and general information – A. Further information about our Group – 6. Repurchase of our own securities" in Appendix IV to this prospectus.

This Repurchase Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

whichever occurs first.

For further information about this Repurchase Mandate, please see the paragraph headed "Statutory and general information – A. Further information about our Group – 5. Written resolutions of our sole Shareholder" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Memorandum of Association and the Articles of Association, a summary of which is set out in the section headed "Summary of the Constitution of our Company and the Cayman Islands company law" in Appendix III to this prospectus.

*You should read the following discussion and analysis in conjunction with our combined financial information, including the accompanying notes thereto, included in accountants' report set out in Appendix I to this prospectus. Our combined financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), which may differ in certain material respects from generally accepted accounting principles in other jurisdictions.*

This discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual outcomes and developments will meet our expectations and predictions depends on various factors, including those set out in the sections headed "Forward-looking Statements" and "Risk Factors" of this prospectus.

OVERVIEW

We are an optical fibre cable supplier with our headquarters based in Changzhou City, Jiangsu province, the PRC where our two production sites are located, principally manufacture and sell optical fibre cables with different structures to cater our customers' needs and meet their specifications. Our products were mainly sold to major telecommunications network operators in the PRC. According to the Industry Consultant, we were No. 10 optical fibre cable supplier to the communication type optical cable market in the PRC in 2015 in terms of sales volume.

For further information about our business and operations, please refer to the section headed "Business" of this prospectus.

BASIS OF PRESENTATION

The financial information in the accountants' report included in Appendix I to this prospectus has been prepared under historical cost in accordance with all applicable IFRS. The financial information of our Group is presented in Renminbi.

Upon completion of the Reorganisation as detailed in the section headed "History, reorganisation and corporate structure", our Company has become the holding company of the companies now comprising our Group by interspersing our Company, Century Planet, Nanfang Hong Kong and Changzhou Delong, between our Controlling Shareholders, Mr. Shi and our operating subsidiaries, Nanfang Communication and Yingke. Our Group comprising our Company and our subsidiaries resulting from the Reorganisation are regarded as a continuing entity, accordingly, the combined financial statements have been prepared as if our Company had always been the holding company of our Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period and the combined statements of financial position as at 31 December 2013, 2014 and 2015 and 31 May 2016 are prepared using the then carrying amounts in the financial statements of companies comprising our Group as if the current group structure had been in existence throughout the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operation have been, and will continue to be, affected by many factors, some of which are beyond our control. The below section summarises certain such key factors which we believe have affected our results of operations during the Track Record Period, and shall continue to be so in the future.

Level of demand for our products and government and industry policies

Our revenue is mainly derived from a few major customers, namely the Major PRC Telecommunications Network Operators. Our sales to the Major PRC Telecommunications Network Operators (including their respective provincial or local subsidiaries or branches) amounted to approximately RMB264.0 million, RMB369.0 million, RMB590.6 million and RMB318.7 million, which accounted for approximately 92.6%, 93.2%, 95.4% and 99.7% of our total sales for the each of three years ended 31 December 2015 and the five months ended 31 May 2016. And sales to our largest customer for each of the three years ended 31 December 2015 and the five months ended 31 May 2016 amounted to approximately RMB162.5 million, RMB225.1 million, RMB406.4 million and RMB161.8 million, representing approximately 57.0%, 56.9%, 65.6% and 50.7% of our total sales.

In addition, the Major PRC Telecommunications Network Operators dominate the PRC telecommunications industry, of which development largely depends on the government policies of the PRC. As such, government initiatives and investments are a key factor of demand for optical fibre cable products. For details, please refer to the paragraph headed "Industry overview – The telecommunications industry in the PRC" of this prospectus. Therefore, our Directors believe that our business and results of operations have been, and will continue to be, affected by the government and industry policies on telecommunications industry, and the Major PRC Telecommunications Network Operators, together with other local operators, have been, and will continue to be, our major customers and contribute a significant portion of our revenue.

Customer demand for optical fibre cables in the PRC is expected to continue to grow in general, driven by the government initiatives and investments. According to the Industry Consultant, the volume demand for the communication optical cables in the PRC has increased from 111 million fkm to 200 million fkm, from 2013 to 2015 and is expected to keep increasing at a CAGR of approximately 7.7% from 2015 to 2020. Partially driven by the increasing customer demand, our revenue increased from approximately RMB265.2 million for the year ended 31 December 2013 to approximately RMB380.6 million for the year ended 31 December

2014 and further to approximately RMB612.6 million for the year ended 31 December 2015. And our revenue increased from approximately RMB201.3 million for the five months ended 31 May 2015 to approximately RMB319.0 million for the five months ended 31 May 2016. As the No. 10 optical fibre cable supplier to the communication type optical cable market in the PRC with approximately 3.2% market share in terms of sales volume in the PRC in 2015, according to the Industry Consultant, we believe that we are well positioned to further benefit from the increasing customer demand in the PRC.

Cost and availability of raw materials

Raw materials is a major component of our cost of sales and raw materials cost and changes in inventories, representing approximately 92.5%, 87.9%, 80.1% and 91.9% of our total cost of sales for the three years ended 31 December 2015 and the five months ended 31 May 2016. As a result, fluctuations in the cost of our raw materials will significantly affect our total cost of sales and our gross profit margins. During the Track Record Period, the principal raw materials used in our manufacturing of optical fibre cables were optical fibres. Our results of operations may be either favourably or unfavourably affected by the fluctuations in the cost of our raw materials. According to Industry Consultant, the price of optical fibres, our key raw material, had been continuously declined from 2011 to 2015 at a CAGR of approximately 5.3%.

Based on our best estimates, for illustrative purpose only, the table below shows the sensitivity of our overall gross profit during the Track Record Period with regard to certain possible changes in the cost of raw materials during the same period, assuming all other variables remain constant:

	Increase (decrease) in our overall gross profit				
	Year ended 31 December			**Five months ended 31 May**	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Changes in cost of raw materials:					
-10%	19,915	27,571	39,302	13,664	23,602
-5%	9,957	13,785	19,651	6,832	11,801
-1%	1,991	2,757	3,930	1,366	2,360
+1%	(1,991)	(2,757)	(3,930)	(1,366)	(2,360)
+5%	(9,957)	(13,785)	(19,651)	(6,832)	(11,801)
+10%	(19,915)	(27,571)	(39,302)	(13,664)	(23,602)

For each of the three years ended 31 December 2015 and the five months ended 31 May 2016, our gross profit amounted to approximately RMB49.8 million, RMB66.8 million, RMB122.0 million and RMB62.3 million. For illustrative purpose, we would have recorded a breakeven in our gross profit if the cost of our raw materials and changes in inventories increased by approximately 25.0%, 24.2%, 31.0% and 26.4% respectively from the corresponding period while our revenue maintains at the same amount.

In addition, the availability of key raw materials also has a significant impact on our business. Major factors affecting the availability of our principal raw materials include supply and demand in the market and market competition. According to the Industry Consultant, the volume demand for the optical fibres in the PRC is expected to increase from approximately 280.5 million fkm to approximately 305.0 million fkm and to approximately 317.5 million fkm, respectively, from 2016 to 2018. Although we have partnered with Hengtong to establish Nanfang Optic, which principally engages in the manufacturing and sales of optical fibres, to provide us an additional source of supply of optical fibre, any shortage or delay in the supply will have an adverse impact on our ability to timely meet our customers' orders and in turn, our results of operations. Further details, please refer to the section headed "Risk factors – Risks relating to our business – Fluctuations in prices of our raw materials could negatively impact our operations and may adversely affect our profitability" of this prospectus.

Production capacity and operating efficiency

We believe that the continuous growth of our revenue and market share depends to a large extent on our ability to expand our production capacity. In June 2014, we started construction of our Jin Tan Factory which is our second production site. Prior to such expansion, we were operating at almost full capacity. In some occasions when our customers' orders exceed our production capacity, we would outsource certain production processes to third-party subcontractors to satisfy the surplus demand. The trial operation of our Jin Tan Factory had started in the fourth quarter of 2015 with an initial annual production capacity of 1.6 million fkm in 2015 and its annual production capacity was ramped up to 5.3 million fkm as at the Latest Practicable Date. Together with the annual production capacity of 5.0 million fkm of Wu Jin Factory, our first production site, our aggregate annual production capacity was 10.3 million fkm as at the Latest Practicable Date. We expect to continue to strategically expand our facilities and install more production lines to meet our customer demand and increase the sales volume of our self-produced products. For more details about our production capacity and utilisation rate, please refer to the section headed "Business – Production – Production sites" of this prospectus.

Our financial performance is also related to our operating efficiency. We have taken initiatives in recent years to improve our production efficiency, such as improving our production technologies and equipment used in the production process in order to promote the processing speed and increase production capacity as to achieve economies of scale. Additionally, due to the similarity of certain production processes, we are able to modify our production lines so that we can accommodate the production of different products, to cater for and to capture business opportunities arising from any change in market demand or customers' preference of any particular products, which in turn enhanced our production efficiency.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumption concerning the future and other key sources of estimation uncertainty as at the end of each reporting period, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out in the note 5 to the accountants' report set out in Appendix I to this prospectus.

The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) useful lives and impairment assessment of property, plant and equipment; (ii) estimated impairment of trade receivables; and (iii) recognition if deferred tax assets. The determination of these items requires management judgments based on information and financial data that may change in the future periods, and as a result, actual results could differ from those estimates.

Our Directors believe that the estimates and judgments were accurate during the Track Record Period by comparing with actual results, and we confirm that there was no material change in our accounting policies, estimates and underlying assumptions during the Track Record Period, and as at the Latest Practicable Date, we did not expect to make any changes to such estimates and underlying assumptions in light of our current business operations and future plans.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of the Financial Information.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our combined financial information. Some of our critical accounting policies involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in detail in note 4 to the accountants' report included in Appendix I to this prospectus. The following paragraphs discuss certain significant accounting policies applied in preparing our Group's financial information.

Revenue recognition

Our revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to us and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss when our products are delivered at the customers' premises or collected by the customer which is taken to be the point in time when customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and other sales taxes and is after deduction of any trade discounts.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and our Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of raw materials are determined based on a “first-in-first-out” basis and costs of work-in-progress and finished goods are determined on a weighted average costing method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

When making estimates of net realisable value of inventories, we take into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories’ market prices and our historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and relevant taxes may vary based on the changes in market conditions and product saleability, manufacturing technology and the actual use of the inventories, resulting in the changes in provision for diminution in value of inventories. The net profit or loss may then be affected in the period when the provision for diminution in value of inventories is adjusted.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

We estimate impairment losses for bad and doubtful debts resulting from the inability of the customers and other debtors to make the required payments. We base the estimates on the aging of the receivable balance, debtors’ credit-worthiness, and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over the following estimated useful lives, using the straight-line method:

Buildings	20-30 years
Plant, machinery and equipment	5-10 years
Motor vehicles	5 years
Leasehold improvements	5 years

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Construction in progress, which represents assets under construction, is stated at cost less impairment loss, if any. When the assets are completed and ready for use, the carrying amount of the assets will be reclassified to our property, plant and equipment and depreciated in accordance with the policy as set out above.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets out the combined statements of profit or loss and other comprehensive income of our Group with line items in absolute amounts and as percentage of our revenue for the period indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Revenue	265,163	100.0	380,612	100.0	612,637	100.0	201,269	100.0	318,972	100.0
Cost of sales	(215,413)	(81.2)	(313,770)	(82.4)	(490,660)	(80.1)	(167,301)	(83.1)	(256,706)	(80.5)
Gross profit	49,750	18.8	66,842	17.6	121,977	19.9	33,968	16.9	62,266	19.5
Other income, gains, expenses and losses, net	1,950	0.7	(355)	(0.1)	(656)	(0.1)	299	0.1	42	–
Selling and distribution expenses	(4,840)	(1.8)	(4,820)	(1.3)	(8,976)	(1.5)	(2,631)	(1.3)	(3,004)	(0.9)
Administrative expenses	(11,122)	(4.2)	(13,104)	(3.4)	(16,488)	(2.7)	(5,996)	(3.0)	(7,089)	(2.2)
Listing expenses	–	–	–	–	–	–	–	–	(6,963)	(2.2)
Research costs	(7,804)	(2.9)	(12,220)	(3.2)	(20,101)	(3.3)	(6,485)	(3.2)	(8,715)	(2.7)
Finance costs	(10,702)	(4.0)	(9,944)	(2.6)	(8,542)	(1.4)	(4,023)	(2.0)	(2,460)	(0.8)
Share of results of Nanfang Optic	(303)	(0.1)	454	0.1	14,478	2.4	5,814	2.9	8,211	2.6
Profit before tax	16,929	6.4	26,853	7.1	81,692	13.3	20,946	10.4	42,288	13.3
Income tax expense	(2,351)	(0.9)	(3,364)	(0.9)	(9,538)	(1.6)	(1,947)	(1.0)	(5,796)	(1.8)
	14,578	5.5	23,489	6.2	72,154	11.8	18,999	9.4	36,492	11.4
Profit and total comprehensive income for the year/period attributable to:										
– Owners of our Company	14,578	5.5	23,489	6.2	72,154	11.8	18,999	9.4	36,492	11.4
– Non-controlling interests	–	–	–	–	–	–	–	–	–	–
	14,578	5.5	23,489	6.2	72,154	11.8	18,999	9.4	36,492	11.4

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Sales

Sales mainly consist of sales of optical fibre cables, enamelled wires and communication cables. The table below sets out a breakdown of sales by products in absolute amounts and as percentage of total sales for the periods indicated.

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Sales of optical fibre cables	265,163	93.0	380,612	96.2	612,637	99.0	201,269	98.5	318,972	99.9
Sales of other materials										
– sales of enamelled wires	12,007	4.2	11,917	3.0	4,416	0.7	2,918	1.4	147	0.0
– sales of communication cables	7,937	2.8	3,089	0.8	1,986	0.3	155	0.1	170	0.1
Total sales	285,107	100.0	395,618	100.0	619,039	100.0	204,342	100.0	319,289	100.0

Our main products are optical fibre cables, and our production facilities and production sites are principally for the purpose of manufacture of optical fibre cable products. Other materials, comprising enamelled wires and communication cables, are not our mainstream products and we do not put much sales and marketing efforts on the sales of these other materials. We will remain to offer other materials since some of our major customers may require enamelled wires or communication cables as auxiliary materials for their operation or the telecommunications network installation activities. However, the sales of other materials does not contribute to our revenue.

During the Track Record Period, sales of optical fibre cables accounted for a substantial portion of our total sales as optical fibre cables were the main products sourced by our major customers such as the Major PRC Telecommunications Network Operators. Sales of enamelled wires and communication cables only represented a relatively small percentage of our total sales as these were our ancillary products.

Revenue

We generated revenue principally from the manufacture and sale of optical fibre cables. Our revenue increased from approximately RMB265.2 million for the year ended 2013 to approximately RMB380.6 million for the year ended 2014 and further to approximately RMB612.6 million for the year ended 2015. Our revenue increased from approximately RMB201.3 million for the five months ended 31 May 2015 to approximately RMB319.0 million for the same period in 2016. Our Group's revenue can generally be analysed by type of products and by customers.

Revenue by type of products

We manage our business by products and we generate our revenue from optical fibre cables.

The table below sets out a breakdown of our revenue derived from optical fibre cables. Further, the table below also sets out a breakdown of our revenue by type of our optical fibre cable products in absolute amounts and as percentage of our revenue for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Optical fibre cables										
Layer stranded optical fibre cables	232,134	87.5	318,386	83.7	494,824	80.8	171,617	85.3	281,774	88.3
Central unitube optical fibre cables	21,354	8.1	25,507	6.7	67,611	11.0	14,264	7.1	24,125	7.6
Other types[(Note)]	11,675	4.4	36,719	9.6	50,202	8.2	15,388	7.6	13,073	4.1
Total	265,163	100.0	380,612	100.0	612,637	100.0	201,269	100.0	318,972	100.0

Note: Other types of optical fibre cables included bow-type drop cables and specialty optical cables.

A substantial portion of our revenue was derived from the sales of our layer stranded optical fibre cables primarily due to the higher demand on layer stranded optical fibre cables from our customers in particular the Major PRC Telecommunications Network Operators.

Revenue by customers

We sell a majority of our products to the Major PRC Telecommunications Network Operators, which are also our three largest customers. During the Track Record Period, we also sold products to other customers, including regional telecommunications network operators and telecommunications supporting services providers in the PRC. The table below sets out our revenue by customers and as percentage of our revenue for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Our three largest customers	256,846	96.9	366,285	96.2	588,623	96.1	192,648	95.7	318,525	99.9
Other customers	8,317	3.1	14,327	3.8	24,014	3.9	8,621	4.3	447	0.1
Total	265,163	100.0	380,612	100.0	612,637	100.0	201,269	100.0	318,972	100.0

Our revenue increased by 43.5% from approximately RMB265.2 million for the year ended 31 December 2013 to approximately RMB380.6 million for the year ended 31 December 2014 and further increased by 61.0% to approximately RMB612.6 million for the year ended 31 December 2015. Our revenue increased by 58.5% from approximately RMB201.3 million for the five months ended 31 May 2015 to approximately RMB319.0 million for the five months ended 31 May 2016. The continuous increase in revenue was primarily due to the increases in the sales volume of our optical fibre cable products. According to the Industry Consultant, our market share for communication optical cable in terms of sales volume in the PRC increased from 2.0% in 2013 to 3.2% in 2015 and we were No. 10 optical fibre cable supplier to the communication type optical fibre cable market in the PRC in 2015 in terms of sales volume.

These increases in the sales volume were resulting from (i) the increasing demand of the optical fibre cables market in the PRC; and (ii) the increase in the sales orders awarded to us by the Major PRC Telecommunications Network Operators, which our Directors believe, was mainly attributable to our product quality, market reputation and competitive prices offered to them which have been reflected by the positive results from the evaluation conducted by them and our stable and long-term business relationships with them ranging from nine to 11 years. We also obtained various awards of "Excellent Suppliers (優秀供應商)" and "Most Valuable Cooperative Partner (最具價值合作夥伴)" from the subsidiaries or local branches of Customer A during the Track Record Period which indicated that our products and services satisfy the requirements of our key customers.

Our sales volume of optical fibre cables increased by 54.7% from approximately 2.3 million fkm for the year ended 31 December 2013 to approximately 3.5 million fkm for the year ended 31 December 2014 and further increased by approximately 80.6% to approximately

6.3 million fkm for the year ended 31 December 2015. Our sales volume of optical fibre cables increased by approximately 78.3% from 1.9 million fkm for the five months ended 31 May 2015 to 3.5 million fkm for the five months ended 31 May 2016. For the three years ended 31 December 2015 and the five months ended 31 May 2016, our sales to the Major PRC Telecommunications Network Operators in terms of volume was approximately 2.2 million fkm, 3.4 million fkm, 6.1 million fkm and 3.5 million fkm, respectively.

Our Directors consider that we have a complementary business relationship with the Major PRC Telecommunications Network Operators. During the Track Record Period, we achieved 100% success rate of acceptance of our submitted tenders in the centralised procurement tendering processes held by the Major PRC Telecommunications Network Operators. For the details on success rate of acceptance of our submitted tenders during the Track Record Period, please refer to the paragraph headed "Business – Customers, sales and marketing – Our customers" of this prospectus. According to the Industry Consultant, based on the assessment performed by the Major PRC Telecommunications Network Operators after each tendering process held under their centralised procurement policy, our ranking in the procurement bidding winner list of Customer A rose from No. 8 in 2013 to No. 3 in 2014; our ranking in the procurement bidding winner list of Customer B rose from No. 12 in 2013 to No. 10 in 2015; and we were ranked No. 11 in the procurement bidding winner list of Customer C in 2013.

In particular, the amount we won in the tendering of the centralised procurement held by Customer B in May 2014 was significantly increased by approximately 2.1 million fkm compared to the previous tendering held by Customer B in December 2011. Such awarded amount was executed from July 2014 to January 2016, which contributed to the increase in our revenue from the year ended 31 December 2014 to the year ended 31 December 2015. Further, we won approximately 3.4 million fkm and 2.5 million fkm in the latest two tendering of the centralised procurement held by Customer B in November 2015 and September 2016, respectively. Such amount we won would continue to contribute to our revenue for the year ending 31 December 2016. The Major PRC Telecommunications Network Operators only have a relative small number of qualified suppliers due to their stringent selection processes for suppliers, in case they switch to other suppliers, the switch cost would be high to meet the requirements of such state-owned telecommunications network operators. Once framework agreements were entered into by the headquarters of the Major PRC Telecommunications Network Operators and our Group, the total procurement amounts provided in framework agreements then assigned to their respective provincial or local subsidiaries or branches and our Group worked directly with such provincial or local subsidiaries or branches. As such, our sales volume continuously increased during the Track Record Period.

Cost of sales

Cost of sales primarily includes (i) raw materials costs, (ii) subcontracting fees, (iii) direct labour costs, (iv) depreciation expense and (v) utilities associated with the production of our products.

The table below sets out a breakdown of our cost of sales by nature of expenses in absolute amounts and as percentage of total cost of sales for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Raw material costs and changes in inventories	199,149	92.5	275,705	87.9	393,020	80.1	136,642	81.7	236,022	91.9
Subcontracting fees	2,162	1.0	21,902	7.0	74,192	15.1	22,497	13.4	6,987	2.7
Direct labour costs	7,486	3.5	8,737	2.8	13,079	2.7	4,744	2.8	6,866	2.7
Depreciation expense	2,455	1.1	2,617	0.8	3,396	0.7	1,089	0.7	2,505	1.0
Utilities	4,161	1.9	4,809	1.5	6,973	1.4	2,329	1.4	4,326	1.7
Total	215,413	100.0	313,770	100.0	490,660	100.0	167,301	100.0	256,706	100.0

The table below sets out a breakdown of our raw material costs and changes in inventories by type of raw materials for the period indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Optical fibres	103,593	52.0	158,018	57.3	226,010	57.5	68,825	50.4	134,932	57.2
Sheathing materials	38,494	19.3	54,920	19.9	72,072	18.3	24,015	17.6	40,761	17.3
Aluminium tapes	6,728	3.4	8,622	3.1	15,462	3.9	5,097	3.7	8,902	3.8
Steel tapes	4,955	2.5	4,430	1.6	8,813	2.2	3,139	2.3	6,091	2.6
Other materials *(Note)*	45,379	22.8	49,715	18.1	70,663	18.1	35,566	26.0	45,336	19.1
Total raw material costs and changes in inventories	199,149	100.0	275,705	100.0	393,020	100.0	136,642	100.0	236,022	100.0

Note: Other materials mainly included filling gel, FRP tapes, PBT and LSZH materials.

Raw material costs continuously increased during the Track Record Period due to increasing sales volume resulting from generally growing demand in the PRC for optical fibre cables. Raw material costs and changes in inventories as a percentage of total cost of sales decreased from 92.5% for the year ended 31 December 2013 to 87.9% for the year ended 31 December 2014 and further to 80.1% for the year ended 31 December 2015. Such decrease was primarily due to the decrease in the selling price of optical fibres, the key raw materials for our production of optical fibre cables. Our raw material cost and changes in inventories increased by 72.7% from approximately RMB136.6 million for the five months ended 31 May, 2015 to approximately RMB236.0 million for the five months ended 31 May 2016. The increase was primarily due to the increase in our sales of optical fibre cables, which in line with the growth of our business.

Our subcontracting fee mainly represented the processing fee (not including the raw material costs) charged by our subcontractors. For the three years ended 31 December 2015, our subcontracting fee showed a significant increasing trend, which was mainly attributable to increased volume outsourced to our subcontractors to process in order to satisfy the surplus demand, upon the increased demand for optical fibre cables from our customers. However, for the five months ended 31 May 2015 and 2016, our Group experienced a significant decrease in subcontracting fee, which was primarily due to our increasing production capacity resulting from the expansion of our Jin Tan Factory. Such increase in production capacity enabled us to satisfy the surplus demand using our self-produced products.

Our depreciation expense was incurred for our buildings, plants, and machineries and equipment used directly for our production activities. Our depreciation expense remained stable during the first two years of the Track Record Period and showed a significant increase afterwards, it was due to our expansion of operation, primarily for our Jin Tan Factory. For the risk of depreciation expenses from the phase II expansion plan of our Jin Tan Factory, please refer to the paragraph headed "Risk factors – Risks relating to our business – We expect to incur substantial depreciation expenses from the phase II expansion plan of our Jin Tan Factory, which may adversely affect our results of operations and financial condition" of this prospectus.

Our utilities and direct labour costs increased during the Track Record Period primarily resulting from the growth of our production for the increased demand from our customers.

Gross profit and gross profit margin

The table below sets out our gross profit and gross profit margin during the Track Record Period:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Gross profit	49,750	18.8	66,842	17.6	121,977	19.9	33,968	16.9	62,266	19.5

The table below sets out a breakdown of our gross profit and gross profit margin by type of our optical fibre cable products for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Optical fibre cables										
Layer stranded optical fibre cables	40,001	17.2	43,966	13.8	75,570	15.3	21,089	12.3	48,550	17.2
Central unitube optical fibre cables	3,505	16.4	4,517	17.7	21,160	31.3	3,895	27.3	7,048	29.2
Other types[(Note)]	6,244	53.5	18,359	50.0	25,247	50.3	8,984	58.4	6,668	51.0
Total	49,750	18.8	66,842	17.6	121,977	19.9	33,968	16.9	62,266	19.5

Note: Other types of optical fibre cables included bow-type drop cables and specialty optical cables.

Our gross profit margin slightly decreased from 18.8% for the year ended 31 December 2013 to 17.6% for the year ended 31 December 2014 primarily due to the competitive prices we strategically offered to the Major PRC Telecommunications Network Operators in order to increase our chance of winning the tenders.

The increase in our gross profit margin from 17.6% for the year ended 31 December 2014 to 19.9% for the year ended 31 December 2015 was primarily due to a higher rate of increase in our revenue than that of our cost of sales since we increased our purchase amount of optical fibres which were our key raw materials from Nanfang Optic which offered us more competitive prices than our other suppliers of key raw materials. We only started our purchase of optical fibres from Nanfang Optic in September 2014 and the amount of optical fibres we purchased from Nanfang optic as a percentage of our total purchases increased from approximately 7.1% for the year ended 31 December 2014 to approximately 40.1% for the year ended 31 December 2015.

The increase in our gross profit margin from 16.9% for the five months ended 31 May 2015 to 19.5% for the five months ended 31 May 2016 was primarily due to higher rate of increase in our revenue than that of our cost of sales. As a result of our increased production capacity through the establishment of phase I our Jin Tan Factory in the fourth quarter of 2015, the proportion of sales of our self-produced optical fibre products increased while our cost of sales decreased for the five months ended 31 May 2016 due to the decrease in subcontracting fee as a percentage of our cost of sales from 13.4% for the five months ended 31 May 2015 to 2.7% for the five months ended 31 May 2016 as we engaged only one subcontractor during the five months ended 31 May 2016 while we engaged eight subcontractors during the five months ended 31 May 2015.

Other income, gains, expenses and losses, net

Our other income, gains, expenses and losses, net principally represents interest income, gain/loss on sales of other materials such as communication cables, enamelled wires and other cable supporting products such as optical fibre connectors and others.

The table below sets out a breakdown of the components of other income, gains, expenses and losses, net in absolute amounts and as percentages of other income, gains, expenses and losses, net for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Interest income	1,288	66.0	1,021	(287.6)	1,702	(259.5)	439	146.8	891	2,121.4
Gain (loss) on sales of other materials	1,134	58.2	(693)	195.2	(1,043)	159.0	849	283.9	175	416.7
Allowance for impairment of trade receivables	(268)	(13.7)	(677)	190.7	(1,121)	170.9	(795)	(265.9)	(1,017)	(2,421.4)
Others	(204)	(10.5)	(6)	1.7	(194)	29.6	(194)	(64.8)	(7)	(16.7)
Total	1,950	100.0	(355)	100.0	(656)	100.0	299	100.0	42	100.0

Our Group's other income, gains, expenses and losses, net mainly consist of interest income and gain/loss on sales of other materials.

The other income, gains, expenses and losses, net recorded a decrease from approximately a gain of RMB2.0 million for the year ended 31 December 2013 to a loss of approximately RMB0.4 million for the year ended 31 December 2014, and a slight decrease to a loss of RMB0.7 million for the year ended 31 December 2015, it was generally due to the fluctuations of the gain/loss on sales of other materials and interest income. The other income, gains, expenses and losses, net decreased from approximately a gain of RMB0.3 million for the five months ended 31 May 2015 to a gain of approximately of RMB0.04 million for the five months ended 31 May 2016, which was due to (i) the decrease in the gain/loss on sales of other materials by approximately RMB0.7 million as our Group focused on the production and sales of optical fibre cables; (ii) the increase in interest income by approximately RMB0.5 million due to our increasing bank deposits; and (iii) the increase in allowance for impairment of trade receivables by approximately RMB0.2 million.

Interest income mainly represents interest on our bank deposits. Gains or loss on sales of other materials mainly represented our sales of communication cables, enamelled wires, other cable supporting products and other auxiliary materials along with our sales of optical fibre cables. The sales of communication cables and enamelled wires were approximately RMB19.9 million, RMB15.0 million, RMB6.4 million and RMB0.3 million for the three years ended 31 December 2015 and the five months ended 31 May 2016, respectively, as our Group focused on the production and sales of optical fibre cable products.

Selling and distribution expenses

Selling and distribution expenses mainly consist of transportation costs and salary and welfare for our staff of sales department. The table below sets out a breakdown of the components of our selling and distribution expenses in absolute amounts and as percentage of our total selling and distribution expenses for the periods indicated:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Transportation costs	2,976	61.5	3,155	65.5	6,403	71.3	1,671	63.5	1,849	61.6
Salary and welfare	1,519	31.4	1,470	30.5	2,408	26.8	887	33.7	1,061	35.3
Others	345	7.1	195	4.0	165	1.9	73	2.8	94	3.1
Total	4,840	100.0	4,820	100.0	8,976	100.0	2,631	100.0	3,004	100.0

As illustrated in the above table, for the each of three years ended 31 December 2015 and the five months ended 31 May 2016, we incurred selling and distribution expenses of approximately RMB4.8 million, RMB4.8 million, RMB9.0 million and RMB3.0 million, accounting for approximately 1.8%, 1.3%, 1.5% and 0.9%, of our revenue for the corresponding periods. Transportation costs and staff salary and welfare were the major components of our total selling and distribution expenses, the former representing 61.5%, 65.5%, 71.3% and 61.6%, and the latter representing 31.4%, 30.5%, 26.8% and 35.3% of our total selling and distribution expenses for each of the three years ended 31 December 2015 and the five months ended 31 May 2016.

Our Group's selling and distribution expenses of approximately RMB4.8 million for the year ended 31 December 2013 was relatively stable compared to those of approximately RMB4.8 million for the year ended 31 December 2014, due to relatively stable transportation costs and staff salary and welfare resulting from our effective expense control. Our staff salary and welfare remain stable from 2013 to 2014 because our products are largely sold through open tendering process of our customers, and our staff generally performed routine tender submission processes, followed up on customers' orders and chasing settlements, regardless of the tender size. The transportation costs recorded a slight increase from approximately RMB3.0 million for the year ended 31 December 2013 to approximately RMB3.2 million for the year ended 31 December 2014 notwithstanding the sales growth, because deliveries to several provincial subsidiaries of the Major PRC Telecommunications Network Operators were directly arranged by themselves, which led to a lower percentage increase in our transportation costs than that of our revenue.

Our Group's selling and distribution expenses increased by 86.2% from approximately RMB4.8 million for the year ended 31 December 2014 to approximately RMB9.0 million for the year ended 31 December 2015, was primarily due to (i) the increase in staff salary and welfare as a result of the increase in the number of our staff (as we hire more persons to cover those orders from the newly increased areas) as well as the increase in the average salary level paid to these personnel; and (ii) the increase in transportation costs as a result of the wider distribution areas covered by our customer orders and increased sales of our products which our Group was responsible for arranging the delivery.

The approximately RMB0.4 million increase in our Group's selling and distribution expenses for the five months ended 31 May 2016 compared to the five months ended 31 May 2015, representing an increase of approximately 14.2%, was primarily due to the increase in staff salary and welfare resulting from the increased number of our sales staff compared the five months ended 31 May 2016 to the same period in 2015 and the increase in the transportation costs in line with our increase in sales of our products.

Administrative expenses

Administrative expenses mainly consist of salary, welfare of our administrative staff, travelling expenses, general office expenses and various taxes and surcharges.

The table below sets out a breakdown of our administrative expenses by components for the period indicated in absolute amounts and as percentage of total administrative expenses:

	Year ended 31 December						Five months ended 31 May			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Travelling expenses	1,016	9.1	1,085	8.3	1,884	11.4	408	6.8	84	1.2
Salary and welfare	2,926	26.3	3,777	28.8	5,310	32.2	1,774	29.6	2,831	39.9
General office expenses	3,741	33.6	3,359	25.6	3,888	23.6	1,470	24.5	1,752	24.7
Other taxes and surcharges*(Note1)*	551	5.0	400	3.1	1,273	7.7	719	12.0	518	7.3
Amortisation of prepaid lease premiums	29	0.3	29	0.2	29	0.2	12	0.2	107	1.5
Others*(Note2)*	2,859	25.7	4,454	34.0	4,104	24.9	1,613	26.9	1,797	25.4
Total	11,122	100.0	13,104	100.0	16,488	100.0	5,996	100.0	7,089	100.0

Notes:

1. Other taxes and surcharges mainly included the land use tax, stamp duty and property tax.

2. Others mainly included bank charges, professional fee, service fee, postage and delivery expenses.

As illustrated in the above table, for the each of three years ended 31 December 2015 and the five months ended 31 May 2016, our Group's administrative expenses was approximately RMB11.1 million, RMB13.1 million, RMB16.5 million and RMB7.1 million, respectively. Salary and welfare, travelling expenses and general office expenses were the major components of our total administrative expenses.

Our Group's administrative expenses increased by 17.8% from approximately RMB11.1 million for the year ended 31 December 2013 to approximately RMB13.1 million for the year ended 31 December 2014, which was primarily due to the increase in the salary and welfare of our administrative staff, upon the increased number of headcounts and the general growth in the salary level and the increase in the others which consisted of bank charges, professional fee, service fee, postage and delivery expenses. The increase in the others resulted from (i) the large increase in patent related professional fee resulting from our increased application of patent registration in the PRC; and (ii) tendering related service fee increased with the growth in frequency of tendering.

Our Group's administrative expenses increased by 25.8% from approximately RMB13.1 million for the year ended 31 December 2014 to approximately RMB16.5 million for the year ended 31 December 2015, which was primarily due to (i) the increase in the salary and welfare expenses to our administrative staff, upon the increased number of headcounts and the general growth in our salary level; (ii) the increase in the travelling expenses upon our business expansion with wider geographical coverage; and (iii) the increase in the other taxes and surcharges primarily due to the increase in the land use tax and the increase in the stamp duty as the increasing amounts of our signed contracts growing with the expansion of our business.

The approximately RMB1.1 million increase in our Group's administrative expenses for the five months ended 31 May 2016 compared to the five months ended 31 May 2015, representing an increase of approximately 18.2%, was primarily due to the increase in salary and welfare expenses to our administrative staff by approximately RMB1.1 million due to the increased number of headcounts of our administrative staff.

Research costs

The table below sets out a breakdown of the components of research costs for the periods indicated in absolute amounts and as percentage of total research costs:

	Year ended 31 December						**Five months ended 31 May**			
	2013		**2014**		**2015**		**2015**		**2016**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Materials used	4,625	59.3	7,882	64.5	15,900	79.1	5,161	79.6	7,299	83.8
Salary and welfare	2,162	27.7	2,871	23.5	2,381	11.8	852	13.1	862	9.9
Depreciation expenses	406	5.2	624	5.1	346	1.7	144	2.2	127	1.5
Utilities	314	4.0	403	3.3	579	2.9	111	1.7	106	1.2
Others	297	3.8	440	3.6	895	4.5	217	3.4	321	3.6
Total	7,804	100.0	12,220	100.0	20,101	100.0	6,485	100.0	8,715	100.0

Research costs constantly increased during the Track Record Period. The research costs increased from approximately RMB7.8 million for the year ended 31 December 2013 to approximately RMB12.2 million for the year ended 31 December in 2014, which was primarily due to our research projects on developing new type of optical fibre cables and cooperation with Nanjing University of Posts and Telecommunications. The increase from approximately RMB12.2 million for the year ended 31 December 2014 to approximately RMB20.1 million for the year ended 31 December 2015 was due to our research cooperation with one of the Major PRC Telecommunications Network Operators to develop a new non-metallic lightning proof light optical cables. The increase from approximately RMB6.5 million for the five months ended 31 May 2015 to approximately RMB8.7 million for the five months ended 31 May 2016 was primarily due to our research and development activities in developing new products such as fireproof optical cables, all-dry series of optical fibre cables and invisible cables.

We did not capitalise the research and development expenses incurred during the Track Record Period because most of the expenses was related to research activities towards the original and planned investigations undertaken with the prospect of gaining new technical knowledge on improvement and enhancement of our production of optical fibre cables. The expenditures on development activities were very limited since the period of application of research findings or other knowledge to a plan or design for the production before the start of its commercial use was always short. Accordingly, our Directors believe that our research and development expenditures are not qualified for capitalisation since they cannot predict the future cash flow generated from our research and development activities could recover the costs incurred. Therefore, research costs were recognised as expenses when they were incurred during the Track Record Period.

Finance costs

Finance costs during the Track Record Period primarily consisted of interest on bank and other loans. Continuous decrease in finance costs was primarily due to the decrease in our interest-bearing borrowings, given that we have sufficient cash generated from our operating activities, and the decrease in interest rates for our borrowings. The increase in our operating cash flow was attributable to (i) increase in our revenue; (ii) stronger ability to collect cash from clients upon the increased number of headcounts of selling personnel who engage in contacting customers for settlement; and (iii) stronger bargaining power with our suppliers as sourcing raw materials in bulk due to our increased production capacity.

Share of results of Nanfang Optic

Nanfang Communication, one of our operating subsidiaries, holds 49% equity interest in Nanfang Optic, which is a manufacturer of optical fibres. A share of loss of approximately RMB0.3 million, a share of profit of approximately RMB0.5 million, a share of profit of approximately RMB14.5 million and a share of profit of approximately RMB8.2 million, respectively, were attributable from Nanfang Optic for the three years ended 31 December 2015 and the five months ended 31 May 2016. For the year ended 31 December 2013, we incurred loss of approximately RMB0.3 million on share of Nanfang Optic because Nanfang Optic was under construction for the year. Nanfang Optic started production in September 2014 but only generated minor net profit in the same year. We incurred profit of approximately RMB0.5 million on share of Nanfang Optic after offsetting the unrealised profit of those optical fibres sold by Nanfang Optic to our Group remained unsold as at 31 December 2014. For the year ended 31 December 2015, Nanfang Optic recorded a significant increase in profit upon the full year production, as the result, we incurred profit of approximately RMB14.5 million on share of Nanfang Optic after offsetting the unrealised profit of those optical fibres sold by Nanfang Optic to our Group remained unsold as at 31 December 2015. For the five months ended 31 May 2016, we incurred profit of approximately RMB8.2 million on share of Nanfang Optic after offsetting the unrealised profit of those optical fibres sold by Nanfang Optic to our Group remained unsold as at 31 May 2016.

The table below sets out the production capacity, total sales volume and revenue of Nanfang Optic, and the amount of sales to our Group for the period indicated:

	Year ended 31 December		**Five months ended 31 May**
	2014	**2015**	**2016**
	'000 fkm	*'000 fkm*	*'000 fkm*
Production capacity *(Note)*	2,733	8,200	3,690
Total sales volume	1,615	7,202	3,229

	Year ended 31 December		**Five months ended 31 May**
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue of Nanfang Optic	59,053	278,839	139,470
Sales to our Group	22,755	208,518	139,441

Note: Nanfang Optic started production in September 2014. The annualised production capacity of Nanfang Optic was approximately 8.2 million fkm for the year ended 31 December 2014 and would be approximately 8.9 million fkm for the year ending 31 December 2016.

Income tax expense

Income tax expense primarily represent the income tax charged on our PRC entities.

Pursuant to the laws and regulations of the Cayman Islands and the BVI, we are not subject to any taxation in the Cayman Islands and the BVI.

We were not subject to Hong Kong Profits Tax as our Hong Kong subsidiary had not yet been set up during the Track Record Period.

Entities located in the PRC are subject to a statutory income tax rate of 25.0%. Nanfang Communication was recognised as a high and new technology enterprise in June 2010 for three consecutive years and successfully renewed the qualification for another three years in September 2013. As a result, Nanfang Communication was subject to a 15.0% income tax rate during the Track Record Period. For more details as to the criteria of qualifying as a high and new technology enterprise, see "Regulatory overview – Tax – Enterprise income tax" of this prospectus. As at the Latest Practicable Date, our high and new technology enterprise recognition certificate was in the process of being renewed.

Our income tax expense increased by 43.1% from approximately RMB2.4 million for the year ended 31 December 2013 to approximately RMB3.4 million for the year ended 31 December 2014, by approximately 183.5% from approximately RMB3.4 million for the year ended 31 December 2014 to approximately RMB9.5 million for the year ended 31 December 2015. The significant increase for the three years ended 31 December 2015 was in line with our increased sales of our products and increased profit before tax. The effective tax rate for the same periods continuously decreased from 13.9% to 12.5% and further to 11.7%, which was primarily due to the effect of increasing proportion of share of results of Nanfang Optic.

Our income tax expense increased by 197.7% from approximately RMB1.9 million for the five months ended 31 May 2015 to approximately RMB5.8 million for the five months ended 31 May 2016, which was primarily due to the increase in profit before tax and incurred listing expenses which can not be deducted from our taxable income. The effective tax rate increased from 9.3% for the five months ended 31 May 2015 to 13.7% for the same period in 2016. Such increase was due to the increase of incurred listing expenses which can not be deducted from our taxable income.

The income tax on our profit before income tax differs from the theoretical amount that would arise using the statutory tax rates in Hong Kong and the PRC. The reconciliation between the tax at applicable tax rate at 15% and the income tax is disclosed in Note 10 to the financial information in the accountants' report as set out in Appendix I to this prospectus.

As at the date of this prospectus, we had not received any notice of administrative investigations or penalties from the relevant tax authorities.

Our Directors confirm that we have paid all relevant taxes and are not subject to any dispute or unsolved tax issues with the relevant tax authorities in the PRC.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five months ended 31 May 2016 compared to five months ended 31 May 2015

Revenue

Our revenue increased by 58.5% from approximately RMB201.3 million for the five months ended 31 May 2015 to approximately RMB319.0 million for the five months ended 31 May 2016, which was primarily due to our increasing sales of optical fibre cables in line with our business growth.

Cost of sales

Cost of sales increased by 53.4% from approximately RMB167.3 million for the five months ended 31 May 2015 to approximately RMB256.7 million for the five months ended 31 May 2016 upon our business expansion.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 83.3% from approximately RMB34.0 million for the five months ended 31 May 2015 to approximately RMB62.3 million for the five months ended 31 May 2016 and our gross profit margin increased from 16.9% for the five months ended 31 May 2015 to 19.5% for the five months ended 31 May 2016, which was primarily due to the significant decrease of subcontracting fee as a result of the increased production capacity from the expansion of our Jin Tan Factory.

Other income, gains, expenses and losses, net

Other income, gains, expenses and losses, net decreased from approximately RMB0.3 million for the five months ended 31 May 2015 to approximately RMB0.04 million for the five months ended 31 May 2016, primarily due to (i) the decrease in the gain/loss on sales of other materials by approximately RMB0.7 million as our Group focused on our production and sales of optical fibre cables; and (ii) the increase in interest income by approximately RMB0.5 million due to our increasing bank deposits.

Selling and distribution expenses

Selling and distribution expenses increased by 14.2% from approximately RMB2.6 million for the five months ended 31 May 2015 to approximately RMB3.0 million for the five months ended 31 May 2016, primarily due to the increase in salary and welfare expenses to our sales staff and the increasing transportation costs upon business growth.

Administrative expenses

Administrative expenses increased by 18.2% from approximately RMB6.0 million for the five months ended 31 May 2015 to approximately RMB7.1 million for the five months ended 31 May 2016. Such increase was attributable to the increase in salary and welfare expenses to our administrative staff.

Research cost

Research cost increased by 34.4% from approximately RMB6.5 million for the five months ended 31 May 2015 to approximately RMB8.7 million for the five months ended 31 May 2016, primarily due to our research on new products such as fireproof optical cables, all-dry series of optical cables and invisible cables.

Finance costs

Finance costs decreased from approximately RMB4.0 million for the five months ended 31 May 2015 to approximately RMB2.5 million for the five months ended 31 May 2016. This was due to the decrease in our interest-bearing borrowings, given that we have sufficient cash generated from our operating activities, and the decrease in interest rates for our borrowings.

Share of results of Nanfang Optic

Share of results of Nanfang Optic increased from approximately RMB5.8 million for the five months ended 31 May 2015 to approximately RMB8.2 million for the five months ended 31 May 2016. This was primarily due to the increasing production capacity of Nanfang Optic which generated higher sales of its products.

Profit before tax

As a result of the foregoing, profit before tax increased by 101.9% from approximately RMB20.9 million for the five months ended 31 May 2015 to approximately RMB42.3 million for the five months ended 31 May 2016. Profit before tax as a percentage of our revenue increased from 10.4% for the five months ended 31 May 2015 to 13.3% for the five months ended 31 May 2016.

Income tax expense

Our income tax expenses increased by 197.7% from approximately RMB1.9 million for the five months ended 31 May 2015 to approximately RMB5.8 million for the five months ended 31 May 2016, primarily due to the increase in profit before tax and the increase in the incurred listing expenses which cannot be deducted from our taxable income. Our effective tax rate was 9.3% and 13.7%, respectively, for the five months ended 31 May 2015 and 2016.

Profit for the period attributable to owners of our Company

As a result of the foregoing, the profit for the period attributable to owners of our Company increased by 92.1% from approximately RMB19.0 million for the five months ended 31 May 2015 to approximately RMB36.5 million for the five months ended 31 May 2016. Profit attributable to owners of our Company as a percentage of our revenue increased from 9.4% for the five months ended 31 May 2015 to 11.4% for the five months ended 31 May 2016. Such increase was primarily due to a higher rate of increase in our revenue than that of our cost of sales since we increased our purchase amount of optical fibres which were our key raw materials from Nanfang Optic at more competitive prices than our other suppliers of key raw materials. Since our cost of raw materials was a major component of the cost of sales, our purchase of optical fibres at a more competitive price in turn enabled us to offer our optical fibre cable products at a more competitive price to our customers and secured more sale orders. Our revenue increased by 58.5% from approximately RMB201.3 million for the five months ended 31 May 2015 to approximately RMB319.0 million for the five months ended 31 May 2016, while the cost of sales increased by 53.4% from approximately RMB167.3 million for the five months ended 31 May 2015 to approximately RMB256.7 million for the five months ended 31 May 2016. Our raw material cost and changes in inventories increased by approximately 72.7% from approximately RMB136.6 million for the five months ended 31 May, 2015 to approximately RMB236.0 million for the five months ended 31 May 2016. The increase was primarily due to the increase in sales of optical fibre cables, which was in line with the growth of our business. Our expenses increased at a lower rate than that of our revenue. In addition, as a result of our increased production capacity through the establishment of our Jin Tan Factory in the fourth quarter of 2015, the proportion of sales of our self-produced optical fibre cables increased for the five months ended 31 May 2016. Moreover, our cost of sales was decreased due to the decrease in subcontracting fee as a percentage of our cost of sales from 13.4% to 2.7%. As a result of our increased production capacity through the establishment of Jin Tan Factory in the fourth quarter of 2015, we used less subcontracting services and only engaged one subcontractor during the five months ended 31 May 2016 while we engaged eight subcontractors during the five months ended 31 May 2015. The increase in our revenue during the Track Record Period was partially driven by the increasing customer demand. Our revenue increased from approximately RMB201.3 million for the five months ended 31 May 2015 to approximately RMB319.0 million for the five months ended 31 May 2016. For details on the volume demand for the communication optical cables in the PRC, please refer to the section headed "Industry overview – Optical fibre cable market in the PRC". Our revenue was mainly derived from a few major customers, namely the Major PRC Telecommunications Network Operators. The Major PRC Telecommunications Network Operators dominate the PRC telecommunications industry, of which development largely depends on the government policies of the PRC. For details on the level of demand for our products and government and industry policies, please refer to the paragraph headed "Key factors affecting our results of operations – Level of demand for our products and government and industry policies" in this section. As the Procurement Limit prevents any single optical fibre cable supplier from dominating the optical fibre cable market, we believe that such procurement policy would prevent the larger optical fibre cable suppliers from having more sales but would benefit smaller scale optical fibre cable suppliers like us. As such, our

Directors believe that the optical fibre cable suppliers which are larger than us in terms of size and capital could not take up the entire market which gave us opportunities to gain market share and win the bids through tendering held by the Major PRC Telecommunications Network Operators.

Year ended 31 December 2015 compared to year ended 31 December 2014

Revenue

Our revenue increased by 61.0% from approximately RMB380.6 million for the year ended 31 December 2014 to approximately RMB612.6 million for the year ended 31 December 2015, which was primarily due to the increases in the sales volume of our optical fibre cable products for the year ended 31 December 2015, resulting from the increased volume of optical fibre cables sold to the Major PRC Telecommunications Network Operators upon the continuous demand growth of their domestic telecommunications and Internet services.

Cost of sales

Cost of sales increased by 56.4% from approximately RMB313.8 million for the year ended 31 December 2014 to approximately RMB490.7 million for the year ended 31 December 2015, which was generally in line with the increase in our revenue. Our cost of sales increased with a relatively lower percentage than that of our revenue, which was primarily attributable to (i) a increased portion of raw materials procured from Nanfang Optic upon its fully operation for the year ended 31 December 2015, and the competitive price offered by Nanfang Optic primarily due to lower transportation costs as a result of location proximity between our production factories and Nanfang Optic; and (ii) the generally improved production efficiency and bargaining power with our suppliers benefited from the economies of scale of our Group.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 82.5% from approximately RMB66.8 million for the year ended 31 December 2014 to approximately RMB122.0 million for the year ended 31 December 2015 upon the increase in our revenue and our gross profit margin increased from 17.6% for the year ended 31 December 2014 to 19.9% in 2015 due to the increase in our cost of sales by lower percentage than that of our revenue as discussed.

Other income, gains, expenses and losses, net

Other income, gains, expenses and losses, net slightly decreased from a loss of approximately RMB0.4 million in 2014 to a loss of approximately RMB0.7 million for the year ended 31 December 2015, primarily due to the increase in interest income for the year ended 31 December 2015 upon our increasing bank balances resulting from cash inflow from our operating activities and partially offset by the increase in the loss on sales of other materials and allowance for impairment of trade receivables during the year ended 31 December 2015.

Selling and distribution expenses

Selling and distribution expenses increased by 86.2% from approximately RMB4.8 million for the year ended 31 December 2014 to approximately RMB9.0 million for the year ended 31 December 2015, primarily due to (i) the increase in salary and welfare as a result of the increase in the headcount of our selling and marketing personnel as well as the increase in the average salary level paid to these personnel; and (ii) the increase in transportation costs as a result of wider distribution areas covered by our customer orders and the increased sales of our products which our Group was responsible for arranging the delivery.

Administrative expenses

Administrative expenses increased by 25.8% from approximately RMB13.1 million for the year ended 31 December 2014 to approximately RMB16.5 million for the year ended 31 December 2015, primarily due to (i) increase in the salary and welfare expenses to our administrative staff, upon the increased number of headcounts and the general growth in our salary level; (ii) increase in the travelling expenses upon our business expansion with wider geographical coverage; and (iii) increase in the other taxes and surcharges, primarily due to the increase in the land use tax and the increase in the stamp duty resulting from the increased amount of signed contract amount with our customers, which in line with the expansion of our business.

Research costs

Research costs increased by 64.5% from approximately RMB12.2 million for the year ended 31 December 2014 to approximately RMB20.1 million for the year ended 31 December 2015, primarily due to a cooperation project with one of the Major PRC Telecommunications Network Operators to develop a new non-metallic lightning proof light cables.

Finance costs

Finance costs decreased by 14.1% from approximately RMB9.9 million for the year ended 31 December 2014 to approximately RMB8.5 million for the year ended 31 December 2015, primarily due to the decline in our balance of interest bearing borrowings, resulting from our net repayment for the borrowings by our operating cash inflow along with our business expansion.

Share of results of Nanfang Optic

Share of results of Nanfang Optic increased from a share of profit of approximately RMB0.5 million for the year ended 31 December 2014 to a share of profit of approximately RMB14.5 million for the year ended 31 December 2015, primarily due to the full-year production by Nanfang Optic during the year ended 31 December 2015.

Profit before tax

As a result of the foregoing, along with the business expansion, profit before tax increased by 204.2% from approximately RMB26.9 million for the year ended 31 December 2014 to approximately RMB81.7 million for the year ended 31 December 2015.

Income tax expense

Income tax expenses increased by 183.5% from approximately RMB3.4 million for the year ended 31 December 2014 to approximately RMB9.5 million for the year ended 31 December 2015, primarily due to increase in profit before tax along with our business expansion. Our effective tax rate was remained stable at 12.5% and 11.7%, respectively, for 2014 and 2015.

Profit for the year attributable to owners of our Company

As a result of the foregoing, our profit for the year increased by 207.2% from approximately RMB23.5 million for the year ended 31 December 2014 to approximately RMB72.2 million for the year ended 31 December 2015. Net profit margin increased from 6.2% for the year ended 31 December 2014 to 11.8% for the year ended 31 December 2015. Such increase was primarily due to a higher rate of increase in our revenue than that of our cost of sales since we increased our purchase amount of optical fibres, our key raw materials, from Nanfang Optic at more competitive prices than our other suppliers of key raw materials. Since our cost of raw materials was a major component of our cost of sales, our purchase of optical fibres at a more competitive price in turn enabled us to offer our optical fibre cable products at a more competitive price to our customers and secured more sales orders. Our raw material costs and changes in inventories increased from approximately RMB275.7 million for the year ended 31 December 2014 to approximately RMB393.0 million for the year ended 31 December 2015 due to the increased sales volume resulting from the growing demand for optical fibre cables in the PRC during the same period. Regarding the reasons for the growing demand for optical fibre cables in the PRC, please refer to the paragraph headed "Key factors affecting our results of operations – Level of demand for our products and government and industry policies" in this section. Our raw material costs and changes in inventories as a percentage of our cost of sales decreased from 87.9% for the year ended 31 December 2014 to 80.1% for the year ended 31 December 2015. Such decrease was primarily due to the decrease in the selling price of optical fibres, the key raw materials for our production of optical fibre cables. Since raw material is a major component of the cost of sales, a more competitive price of the optical fibre allowed us to offer a more competitive price of our optical fibre cables to our customers and secured more sales orders. As the Procurement Limit prevents any single optical fibre cable supplier from dominating the optical fibre cable market, our Directors believe that even the other optical fibre cable suppliers which are larger than us in terms of size and capital could not take up the entire market which gave us opportunities to gain a share of the market and win the bids through tendering held by the Major PRC Telecommunications Network Operators. Our revenue increased by 61.0% from approximately RMB380.6 million for the year ended 31 December 2014 to approximately RMB612.6 million for the year ended 31 December 2015, while our cost of sales increased by 56.4% from approximately RMB313.8 million for the year ended 31 December 2014 to approximately RMB490.7 million for the year ended 31 December 2015.

Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue

Our revenue increased by 43.5% from approximately RMB265.2 million for the year ended 31 December 2013 to approximately RMB380.6 million for the year ended 31 December 2014, which was primarily due to increased demand for optical fibre cables in 2014 in the PRC along with the continuous demand of the PRC telecommunications and Internet services, that led to an increase in the total volume of our products sold, mainly to the Major PRC Telecommunications Network Operators.

Cost of sales

Cost of sales increased by 45.7% from approximately RMB215.4 million for the year ended 31 December 2013 to approximately RMB313.8 million for the year ended 31 December 2014 primarily due to the increase in the volume of our products sold. However, cost of sales as a percentage of our revenue slightly increased from 81.2% for the year ended 31 December 2013 to 82.4% for the year ended 31 December 2014, which was primarily due to the decrease in average price of optical fibre cables, resulting from the competitive market. Particularly, one of the Major PRC Telecommunications Network Operators, reduce its number of suppliers for optical fibre cables. Subject to the fierce competition, we offered competitive prices compared to the prevailing market prices during the year so as to obtain the tender.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 34.4% from approximately RMB49.8 million for the year ended 31 December 2013 to approximately RMB66.8 million for the year ended 31 December 2014 along with the business expansion and our gross profit margin slightly decreased from 18.8% for the year ended 31 December 2013 to 17.6% for the year ended 31 December 2014 due to the intense competition from supply side of optical fibre cables as mentioned above.

Other income, gains, expenses and losses, net

Other income, gains, expenses and losses, net decreased by 118.2% from a gain of approximately RMB2.0 million for the year ended 31 December 2013 to a loss of approximately RMB0.4 million for the year ended 31 December 2014 primarily due to the loss on sales of other materials of approximately RMB0.7 million (2013: gain of approximately RMB1.1 million) and increase in allowance for impairment loss on trade receivables. Our Group focused on manufacturing and selling optical fibre cables. With small production volume of other materials, we could not enjoy the economies of scale, which led to the loss on sales of other materials of approximately RMB0.7 million.

Selling and distribution expenses

Selling and distribution expenses remained stable from 2013 to 2014 primarily due to the stable salary and welfare for our selling and marketing personnel and the stable transportation costs.

Our salary and welfare remained stable mainly because our sales orders are mainly conducted through open tendering process held by our customers and our selling and marketing personnel generally performed routine tender submission processes, followed up purchase orders and chased settlements, regardless of the tender size.

Our stable transportation costs notwithstanding our sales growth were mainly due to the fact that part of the deliveries to several provincial subsidiaries of the Major PRC Telecommunications Network Operators was directly arranged by themselves.

Administrative expenses

Administrative expenses increased by 17.8% from approximately RMB11.1 million for the year ended 31 December 2013 to approximately RMB13.1 million for the year ended 31 December 2014 primarily due to a large increase in others and salary and welfare. Others increased from approximately RMB2.9 million to approximately RMB4.5 million by 55.8% due to (i) the large increase in patent related professional fee resulting from our increased application of patent registration in the PRC; and (ii) tendering related service fees increased with the growth in frequency of tendering.

Research cost

Research costs increased by 56.6% from approximately RMB7.8 million for the year ended 31 December 2013 to approximately RMB12.2 million for the year ended 31 December 2014, primarily due to a research project on developing new types of optical fibre cables, such as optical power line communication (OPLC) cables, air-blown micro-duct cables and optical fibre cables for mining.

Finance costs

Finance costs decreased by 7.1% from approximately RMB10.7 million for the year ended 31 December 2013 to approximately RMB9.9 million for the year ended 31 December 2014. This is due to the decrease in interest on bank and other loans as a result of the decrease in our interest-bearing borrowing balances resulting from our net repayment for the borrowings by our operating cash inflow upon our business growth.

Share of results of Nanfang Optic

Share of results of Nanfang Optic turned around from a share of loss of approximately RMB0.3 million for the year ended 31 December 2013 to share of profit of approximately RMB0.5 million for the year ended 31 December 2014, primarily due to Nanfang Optic was under construction during the year ended 31 December 2013 and started trial production in September 2014.

Profit before tax

As a result of the foregoing, profit before tax increased by 58.6% from approximately RMB16.9 million for the year ended 31 December 2013 to approximately RMB26.9 million for the year ended 31 December 2014 mainly due to the increase in our gross profit. Profit before tax as a percentage of our revenue increased from 6.4% for the year ended 31 December 2013 to 7.1% for the year ended 31 December 2014 mainly due to the relative lower percentage growth in our selling and distribution expenses, administrative expenses and finance costs, comparing with that of our gross profit.

Income tax expense

Our income tax expenses increased by 43.1% from approximately RMB2.4 million for the year ended 31 December 2013 to approximately RMB3.4 million for the year ended 31 December 2014, primarily due to the increase in taxable profits generated for the year ended 31 December 2014, which partially offset by an increase in tax deductible income relating to our research and development activities. Our effective tax rate was 13.9% and 12.5%, respectively, for the years ended 31 December 2013 and 2014.

Profit for the year attributable to owners of our Company

As a result of the foregoing, the profit for the period attributable to owners of our Company increased by 61.1% from approximately RMB14.6 million for the year ended 31 December 2013 to approximately RMB23.5 million for the year ended 31 December 2014. Net profit margin increased from 5.5% for the year ended 31 December 2013 to 6.2% for the year ended 31 December 2014. Such increase was primarily due to a higher rate of increase in our revenue than that of our expenses. Our revenue increased by 43.5% from approximately RMB265.2 million for the year ended 31 December 2013 to approximately RMB380.6 million for the year ended 31 December 2014, while our expenses remained the stable from 2013 to 2014. Our revenue increased by 43.5% from approximately RMB265.2 million for the year ended 31 December 2013 to approximately RMB380.6 million for the year ended 31 December 2014, which was primarily due to increased demand for optical fibre cables in the PRC during the same period along with the continuous demand of the PRC telecommunications and Internet services, that led to an increase in the total volume of our products sold mainly to the Major PRC Telecommunications Network Operators. Regarding the reasons for the growing demand for optical fibre cables in the PRC, please refer to the paragraph headed "Key factors affecting our results of operations – Level of demand for our products and government and industry policies" in this section. As the Procurement Limit prevents any single optical fibre cable supplier from dominating the optical fibre cable market, we believe that such procurement policy would prevent the larger optical fibre cable suppliers from having more sales but would benefit smaller scale optical fibre cable suppliers like us. As such, our Directors believe that the optical fibre cable suppliers which are larger than us in terms of size and capital could not take up the entire market which gave us opportunities to gain market share and win the bids through tendering held by the Major PRC Telecommunications Network Operators.

LIQUIDITY AND CAPITAL RESOURCES

Source of liquidity

We financed our operations primarily through cash generated from our operating activities and bank loans. As at 31 December 2013, 2014 and 2015 and 31 May 2016, we had restricted bank balances, bank balances and cash of approximately RMB132.3 million, RMB189.2 million, RMB326.0 million and RMB243.0 million, respectively. As at 30 September 2016, we had utilised all of banking facilities.

Working capital

Taking into account our cash generated from operating activities, the net proceeds we expect to receive from the Global Offering and our credit facilities maintained with banks, our Directors are of the opinion and the Sponsor concurred that we will have available sufficient working capital for our operations at least for the 12 months following the date of this prospectus.

Further, our Directors confirmed that we had no material defaults in payment of our trade, bills and other payables and bank borrowings, or breaches of financial covenants during the Track Record Period.

We currently do not expect any significant changes in the mix and the relative costs of our capital resources. As at the date of this prospectus, we do not have any definitive external financing plan.

Cash flow analysis

The table below sets out our cash flows for the periods indicated:

	Year ended 31 December			**Five months ended 31 May**	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash from (used in) operating activities	6,893	71,773	152,082	(26,053)	(65,117)
Net cash from (used in) investing activities	(22,348)	(73,107)	6,276	15,797	(3,190)
Net cash from (used in) financing activities	46,662	(22,386)	(49,101)	(14,023)	2,276
Net increase (decrease) in cash and cash equivalents	31,207	(23,720)	109,257	(24,279)	(66,031)
Cash and cash equivalents at the beginning of the year/period	73,897	105,104	81,384	81,384	190,641
Cash and cash equivalents at the end of the year/period	105,104	81,384	190,641	57,105	124,610

Net cash generated from operating activities

For the five months ended 31 May 2016, our Group had net cash used in operating activities of approximately RMB65.1 million, primarily as a result of the profit before tax of approximately RMB42.3 million, as adjusted for items with no operating cash effect and non-operating items, amounted to approximately RMB4.1 million, and the net cash outflow from the movement in working capital amounted to approximately RMB110.3 million. The net cash outflow from the movement in working capital was mainly attributable to the increase in trade, bills and other receivables of approximately RMB116.1 million due to our business expansion, partially offset by the decrease in restricted bank balances by approximately RMB17.0 million due to the decrease in bills issue.

For the five months ended 31 May 2015, our Group had net cash used in operating activities of approximately RMB26.1 million, primarily as a result of the profit before tax of approximately RMB20.9 million, as adjusted for items with no operating cash effect and non-operating items, amounted to approximately RMB0.1 million, and the net cash outflow from the movement in working capital amounted to approximately RMB46.7 million. The net cash outflow from the movement in working capital was mainly attributable to the increase in trade, bills and other receivables of approximately RMB70.1 million upon business expansion, partially offset by the decrease in restricted bank balances by approximately RMB14.6 million due to the decrease in bills issue.

For the year ended 31 December 2015, our Group had net cash from our operating activities of approximately RMB152.1 million, primarily as a result of the profit before tax of approximately RMB81.7 million, as adjusted for items with no operating cash effect and non-operating items, amounted to approximately RMB2.6 million, and the net cash inflow from the movement in working capital amounted to approximately RMB74.1 million. The net cash inflow from the movement in working capital was mainly attributable to the increase in trade, bills and other payables by approximately RMB233.2 million upon business expansion, partially offset by (i) the increase in trade, bills and other receivables by approximately RMB125.5 million primarily due to our business expansion; and (ii) the increase in restricted bank balances by approximately RMB27.6 million, which was pledged as security for issuing bills payable, and such increase was mainly due to more bills to issue for the year ended 31 December 2015.

For the year ended 31 December 2014, our Group had net cash from our operating activities of approximately RMB71.8 million, primarily as a result of the profit before tax of approximately RMB26.9 million, as adjusted for items with no operating cash effect and non-operating items, amounted to approximately RMB12.5 million, and the net cash inflow from the movement in working capital amounted to approximately RMB33.3 million. The net cash inflow from the movement in working capital was mainly attributable to the increase in trade, bills and other payables by approximately RMB166.6 million primarily due to the increase in trade and bills payables by approximately RMB144.3 million and the increase in VAT and other taxes payable by RMB8.6 million upon business expansion, partially offset by (i) the increase in trade, bills and other receivables by approximately RMB55.9 million primarily due to our business expansion; and (ii) the increase in restricted bank balances by approximately RMB80.6 million due to the increase in bills issue.

For the year ended 31 December 2013, our Group had net cash from our operating activities of approximately RMB6.9 million, primarily as a result of the profit before tax of approximately RMB16.9 million, as adjusted for items with no operating cash effect and non-operating items, amounted to approximately RMB13.2 million, and the net cash outflow from the movement in working capital amounted to approximately RMB22.6 million. The net cash inflow from the movement in working capital was mainly attributable to (i) the increase in inventories by approximately RMB27.6 million primarily due to more purchase to cope with our expanded production; and partially offset by (ii) the decrease in restricted bank balances by approximately RMB8.6 million due to less bills were issued for the year ended 31 December 2014.

Net cash used in investing activities

For the five months ended 31 May 2016, our Group had net cash used in investing activities of approximately RMB3.2 million, which was primarily attributable to our acquisition of property, plant and equipment and prepaid lease payments of approximately RMB4.1 million, partially offset by interest income amounting to approximately RMB0.9 million.

For the five months ended 31 May 2015, our Group had net cash from investing activities of approximately RMB15.8 million, which was primarily attributable to our acquisition of property, plant and equipment and prepaid lease payments of approximately RMB13.1 million, partially offset by net repayment from related parties and others for our previous advances to them amounting to approximately RMB28.4 million.

For the year ended 31 December 2015, our Group had net cash from investing activities of approximately RMB6.3 million, which was primarily attributable to our acquisition of property, plant and equipment and prepaid lease payments of approximately RMB36.1 million mainly for our Jin Tan Factory, partially offset by net repayment from related parties and others for our previous advances to them amounting to approximately RMB40.1 million.

For the year ended 31 December 2014, our Group had net cash used in investing activities of approximately RMB73.1 million, which was primarily attributable to (i) our acquisition of property, plant and equipment for production capacity expansion of approximately RMB25.8 million; (ii) an additional investment in Nanfang Optic of approximately RMB34.3 million; and (iii) net advances to related parties and others amounting to approximately RMB16.5 million.

For the year ended 31 December 2013, our Group had net cash used in investing activities of approximately RMB22.3 million, which was primarily attributable to (i) the first instalment of investment in Nanfang Optic of approximately RMB39.2 million; (ii) our acquisition of property, plant and equipment and prepaid lease payments mainly for production capacity expansion of approximately RMB4.7 million; and (iii) an equity investment in a partnership in the PRC of RMB3.0 million, partially offset by net repayment from related parties and others for our previous advances to them amounting to approximately RMB23.3 million.

Net cash generated from/used in financing activities

For the five months ended 31 May 2016, our Group had net cash from financing activities of approximately RMB2.3 million, which was primarily attributable to our net borrowings of approximately RMB5.5 million, partially offset by (i) the interest expenses for our interest-bearing borrowings during the period of approximately RMB1.9 million; and (ii) listing expenses during the period of approximately RMB1.4 million.

For the five months ended 31 May 2015, our Group had net cash used in financing activities of approximately RMB14.0 million, which was primarily attributable to (i) our net repayment of the borrowings of approximately RMB10.0 million, and (ii) the interest expenses for our interest-bearing borrowings during the period of approximately RMB4.0 million.

For the year ended 31 December 2015, our Group had net cash used in financing activities of approximately RMB49.1 million, which was primarily attributable to (i) our net repayment of the borrowings of approximately RMB35.0 million; (ii) the interest expenses for our interest-bearing borrowings during the year of approximately RMB9.1 million; and (iii) repayment of capital to a non-controlling shareholder and acquisition of non-controlling interests amounting to approximately RMB5.0 million.

For the year ended 31 December 2014, our Group had net cash used in financing activities of approximately RMB22.4 million, which was primarily attributable to our net repayment of the borrowings of approximately RMB13.0 million together with the interest expenses for our interest-bearing borrowings during the year of approximately RMB9.4 million.

For the year ended 31 December 2013, our Group had net cash from financing activities of approximately RMB46.7 million, which was primarily attributable to our net borrowings of approximately RMB57.0 million, partially offset by the interest expenses for our interest-bearing borrowings during the year of approximately RMB10.3 million and payment of dividend of approximately RMB5.0 million.

NET CURRENT ASSETS

As at 31 December 2013, 2014 and 2015 and 31 May 2016, we had net current assets of approximately RMB173.9 million, RMB141.8 million, RMB141.5 million and RMB168.5 million, respectively. The table below sets out the breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2013	**2014**	**2015**	**2016**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
CURRENT ASSETS					
Inventories	53,250	49,534	52,556	49,107	59,742
Trade receivables	274,850	336,717	443,688	566,742	498,192
Bill receivables	2,523	462	4,381	3,148	15,340
Prepaid lease payments	29	29	29	258	258
Prepayments, deposits and other receivables	39,595	51,499	24,930	20,489	14,654
Available-for-sale investment	230	230	230	230	230
Restricted bank balances	27,158	107,781	135,362	118,350	121,573
Bank balances and cash	105,104	81,384	190,641	124,610	157,424
Total current assets	502,739	627,636	851,817	882,934	867,413
CURRENT LIABILITIES					
Trade payables	56,247	89,596	235,403	282,218	224,045
Bill payables	59,220	170,130	239,082	174,450	198,029
Advance from customers and other payables	28,033	50,905	86,798	98,473	104,122
Borrowings	177,000	164,000	129,000	134,500	113,595
Current income tax liabilities	8,356	11,162	19,997	24,788	29,135
Total current liabilities	328,856	485,793	710,280	714,429	668,926
NET CURRENT ASSETS	173,883	141,843	141,537	168,505	198,487

Our current assets consist primarily of inventories, trade and bills receivables, prepayments, deposits and other receivables, restricted bank balances and bank balances and cash. Our current liabilities consist primarily of trade and bills payables, borrowings and advances from customers and other payables and income tax liabilities. Our net current assets, the difference between total current assets and total current liabilities remained positive during the Track Record Period.

Our net current assets decreased by approximately RMB32.0 million, or 18.4%, from approximately RMB173.9 million as at 31 December 2013 to approximately RMB141.8 million as at 31 December 2014. Such decrease was mainly attributable to the increased trade and bills payables balances upon our business expansion.

Our net current assets remained stable at approximately RMB141.8 million and RMB141.5 million as at 31 December 2014 and 2015, respectively.

Our net current assets increased by approximately RMB27.0 million from approximately RMB141.5 million as at 31 December 2015 to approximately RMB168.5 million as at 31 May 2016. Such increase was mainly attributable to the increased trade and bills receivables upon our business expansion.

Our net current assets increased by approximately RMB30.0 million from approximately RMB168.5 million as at 31 May 2016 to approximately RMB198.5 million as at 30 September 2016, being the latest practicable date for the preparation of the working capital sufficiency statement in this prospectus. Such increase was mainly due to the increased bank balances and cash upon our business expansion.

Inventories

Our inventories primarily consist of raw materials, work in progress and finished goods. To minimise the risk of excessive inventories, we review our inventory levels on a monthly basis. We believe maintaining appropriate levels of inventories can help us produce and deliver our products on a timely basis without adversely affecting our liquidity. For details of our inventory management, please refer to the paragraph headed "Business – Inventory management" of this prospectus.

The table below sets out a summary of our inventory balance at the dates indicated:

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	36,370	27,777	20,261	23,670
Work in progress	2,158	1,994	2,220	5,677
Finished goods	14,722	19,763	30,075	19,760
Total	**53,250**	**49,534**	**52,556**	**49,107**

Our inventories decreased from approximately RMB53.3 million as at 31 December 2013 to approximately RMB49.5 million as at 31 December 2014 primarily because (i) we consumed the raw materials inventory during the year ended 31 December 2013 for our production in the year ended 31 December 2014 and (ii) we accelerated our production of goods since our customers were in urgent need of optical fibre cables for the year ended 31 December 2014, resulting in decrease in work in progress and increase in finished good. Our inventories increased from approximately RMB49.5 million as at 31 December 2014 to approximately RMB52.6 million as at 31 December 2015 because Jin Tan Factory started its trial production. Further, our inventories remained stable at approximately RMB52.6 million as at 31 December 2015 and approximately RMB49.1 million as at 31 May 2016.

The table below sets out average inventory turnover days for the periods indicated:

	Year ended 31 December			Five months ended 31 May
	2013	2014	2015	2016
Average inventory turnover days*(Note)*	67	60	38	30

Note: Average inventory turnover days are based on the average balance of inventory divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period.

Average inventory turnover days decreased gradually during the Track Record Period primarily for the reason that we need to deliver our products shortly after the completion of production resulted from the increase of our customers' need.

As at 30 September 2016, approximately RMB49.1 million of inventories which accounted for almost 100% of the inventory as at 31 May 2016 was consumed or sold.

Trade and bills receivables

The table below sets out our trade and bill receivables as at the end of each reporting period:

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	276,198	338,742	446,834	570,905
Bills receivables	2,523	462	4,381	3,148
Less: Impairment	(1,348)	(2,025)	(3,146)	(4,163)
Total	**277,373**	**337,179**	**448,069**	**569,890**

Our trade receivables primarily consist of receivables from our customers for sales of our products. According to the relevant sales agreements with state-owned telecommunications companies, the first instalment, typically representing 70% to 90% of total procurement amount, is made, among others, upon completion of delivery of goods in accordance with the purchase orders and issues of invoices. We generally receive such initial payment within 12 months, with the remainder be paid in the following six months. In addition, we grant a credit term of no more than a year to those long standing third party customers with a good repayment history. Normally, we do not obtain collateral from our customers.

Our trade and bills receivables (net of impairment) gradually increased from approximately RMB277.4 million as at 31 December 2013 to approximately RMB337.2 million as at 31 December 2014 to approximately RMB448.1 million as at 31 December 2015. Our trade and bills receivables (net of impairment) increased by approximately 21.6% during the year ended 31 December 2014 and by approximately 32.9% during the year ended 31 December 2015, which increased by a smaller percent than of our revenue. This increase was less than the continued increase in the sales of our products primarily due to (i) more staff to chase payment settlements; and (ii) our customers' improved system to accelerate the payments. Our trade and bills receivables (net of impairment) then increased to approximately RMB569.9 million as at 31 May 2016 in line with our business growth.

The table below sets out an aging analysis of our trade receivables net of impairment as at the dates indicated, based on the invoice date:

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months				
Customer A	81,492	91,910	233,682	217,356
Customer B	54,486	65,661	57,443	159,606
Customer C	4,142	6,088	30,062	33,487
Other Customers	10,672	9,439	15,315	998
Total	150,792	173,098	336,502	411,447
More than 7 months, but less than 1 year				
Customer A	50,593	71,576	45,771	59,139
Customer B	10,130	35,592	32,090	31,610
Customer C	640	5,345	2,160	8,149
Other Customers	2,653	4,452	3,226	9,951
Total	64,016	116,965	83,247	108,849
More than 1 year				
Customer A	35,772	22,078	2,810	19,200
Customer B	7,460	15,398	9,993	14,863
Customer C	638	86	222	–
Other Customers	16,172	9,092	10,914	12,383
Total	60,042	46,654	23,939	46,446
Total				
Customer A	167,857	185,564	282,263	295,695
Customer B	72,076	116,651	99,526	206,079
Customer C	5,420	11,519	32,444	41,636
Other Customers	29,497	22,983	29,455	23,332
Total	274,850	336,717	443,688	566,742

The substantial majority of our trade receivables as at 31 December 2013, 2014 and 2015 and 31 May 2016 had ages of less than a year.

Age of receivables that are past due but not impaired is analysed as follows:

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months past due	32,998	36,076	19,447	16,928
More than 7 months, but less than 1 year past due	9,219	6,719	5,613	14,995
More than 1 year past due	22,444	11,066	10,913	12,383
Total	**64,661**	**53,861**	**35,973**	**44,306**

The management assessed at each of the reporting date whether there was objective evidences that trade receivables were impaired. Our Group would provide for individual receivable that were considered to be impaired based on management assessment performed at each reporting period end.

As at 30 September 2016, approximately RMB377.5 million, accounting for 66.6% of our trade receivables that were outstanding as at 31 May 2016 was settled.

The table below sets out our trade receivables turnover days for the periods indicated:

	Year ended 31 December			Five months ended 31 May
	2013	2014	2015	2016
Average trade receivables turnover days*(Note)*	372	293	232	239

Note: Average trade receivables turnover days are based on the average balance of trade receivables divided by turnover for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period.

Average trade receivables turnover days decreased from 372 days for the year ended 31 December 2013 to 293 days for the year ended 31 December 2014 and further decreased to 232 days for the year ended 31 December 2015, primarily due to our major customers' improved system which accelerated their settlement for our sales, and our increase in our sales and marketing staff who made efforts to contact our customers resulting accelerated collection of receivables from our customers. And our average trade receivables turnover days then slightly increased to 239 days for the five months ended 31 May 2016 which was primarily due to postponed collection of receivables from our customers in the first half of 2016 as a result of the Chinese New Year holidays.

Our long trade receivable turnover days were due to the reasons that 92.6%, 93.2%, 95.4% and 99.7% of our total sales, respectively was attributable to the Major PRC Telecommunications Network Operators, during the Track Record Period, and 89.3%, 93.2%, 93.4% and 95.9% of our trade receivables as at 31 December 2013, 2014 and 2015 and 31 May 2016, respectively, was attributable to them. According to the relevant sales agreements with such telecommunications network operators, the first instalment typically representing 70% to 90% of the total procurement amount, is made, amongst others, upon completion of delivery of goods in accordance with the purchase orders and issues of invoices and the remainder is received in the following six months.

In general, the provincial branches or subsidiaries of the Major PRC Telecommunications Network Operators send the optical fibre cables supplied by us, together with other equipment provided by other suppliers, to their local branches in various cities and counties for installation, which normally takes one to two months after they receive our products. After installation, these local branches take another two or three months to update the records of their provincial branches or subsidiaries regarding the status of completion of installation and we can then confirm the details about our optical fibre cables sold. Once our sales have been confirmed by their provincial branches or subsidiaries, we usually take one or two months to sign documents with them for payment purpose and delivery our invoices to them within one month. Their provincial branches or subsidiaries generally make first payment within one month.

Due to the lengthy processing time of such customers as described above, we usually receive our first instalment within 12 months and the remainder for another six months. To best of our Directors' knowledge, our competitors which conduct business with these customers have also experienced similar lengthy processing time.

Prepayments, deposits and other receivables

The table below sets out a breakdown of our deposits, prepayments and other receivables as at the dates indicated:

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for inventories	8,472	2,792	16,778	12,419
Prepayments for property, plant and equipment and prepaid lease payments	–	9,920	12,452	337
Deposits paid	4,812	5,925	3,809	3,284
VAT recoverable	–	–	1,825	–
Listing expense	–	–	–	2,321
Other receivables	26,311	42,782	2,518	2,465
Total	**39,595**	**61,419**	**37,382**	**20,826**
Less: Portion classified as non-current	–	(9,920)	(12,452)	(337)
Current portion	39,595	51,499	24,930	20,489

Our prepayments, deposits and other receivables during the Track Record Period comprised of (i) prepayments for inventories to third parties, (ii) deposits made to our customers, and (iii) other receivables.

Our deposits, prepayments and other receivables increased from approximately RMB39.6 million as at 31 December 2013 to approximately RMB61.4 million as at 31 December 2014. Such increase was primarily due to (i) the increase in prepayment for property, plant and equipment and prepaid lease payments of approximately RMB9.9 million upon business expansion; (ii) the increase in other receivables primarily due to net advances to related parties and others by approximately RMB16.5 million; and partially offset by (iii) the decrease in prepayments for inventories from approximately RMB8.5 million as at 31 December 2013 to approximately RMB2.8 million as at 31 December 2014 upon the utilisation through our raw materials procurement.

Our deposits, prepayments and other receivables decreased from approximately RMB61.4 million as at 31 December 2014 to approximately RMB37.4 million as at 31 December 2015. Such decrease was primarily due to a decrease in other receivables balance amounting to approximately RMB38.4 million primarily as a result of net repayment from related parties and others for advances previously made and partially offset by (ii) the increase in prepayments for inventories by approximately RMB14.0 million due to our increased procurement of raw materials in preparation of expected production expansion.

Our deposits, prepayments and other receivables decreased from approximately RMB37.4 million as at 31 December 2015 to approximately RMB20.8 million as at 31 May 2016. Such decrease was primarily due to the portion of prepayments for prepaid lease payments that were reclassified as prepaid lease payments under current assets since we obtained the land use rights.

Restricted bank balances and bank balances

Restricted bank balances and bank balances carried interest at prevailing market interest rates ranging from 0.3% to 0.35% per annum during the Track Record Period.

During the Track Record Period, our Group's restricted bank balances were pledged to banks for issuing bills payable. As at 31 December 2013, 2014 and 2015 and as at 31 May 2016, our Group recorded restricted bank balances of approximately RMB27.2 million, RMB107.8 million, RMB135.4 million and RMB118.4 million, respectively. For the three years ended 31 December 2015, the increasing trend was generally in line with the trend of our bills payables upon our business expansion. And our restricted bank balances decreased for the five months ended 31 May 2016, which was primarily due to the decrease in our bills payables during the period.

Trade and bills payables

The table below sets out our trade and bills payables as at the end of each reporting period:

	As at 31 December			**As at 31 May**
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	56,247	89,596	235,403	282,218
Bills payables	59,220	170,130	239,082	174,450
Total	**115,467**	**259,726**	**474,485**	**456,668**

During the Track Record Period, our trade and bills payables were primarily for our procurement of raw materials. We purchased from Nanfang Optic and independent third parties. Our trade and bills payable increased from approximately RMB115.5 million as at 31 December 2013 to approximately RMB259.7 million as at 31 December 2014 and further increased to approximately RMB474.5 million as at 31 December 2015 primarily due to continued growth of our business. And our trade and bills payables decreased to approximately RMB456.7 million as at 31 May 2016. Such decrease was primarily due to our majority portion of total purchases was made with Nanfang Optic, for which we generally adopted cash settlements instead of bank notes, and hence accelerated our payments to such supplier. We generally have credit period of less than 90 days from Nanfang Optic, and a credit period of within four months from third-party suppliers. During the Track Record Period, we generally made payments to suppliers within the credit periods granted to us.

The table below sets out an aging analysis of our trade payables as at the dates indicated, based on the invoice date:

	As at 31 December			As at 31 May
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 6 months	26,204	44,319	203,711	265,634
More than 7 months, but less than 1 year	26,538	43,293	28,371	12,765
More than 1 year	3,505	1,984	3,321	3,819
Total trade payables	**56,247**	**89,596**	**235,403**	**282,218**

At the end of each reporting period, our bills payable were issued by banks with maturity within six months and were secured by our restricted bank balances.

The table below sets out our trade payables turnover days for the periods indicated:

	Year ended 31 December			Five months ended 31 May
	2013	**2014**	**2015**	**2016**
Average trade payables turnover days*(Note)*	77	85	121	152

Note: Average trade payable turnover days are based on the average balance of trade payable divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period.

Average trade payables turnover days increased from 77 days for the year ended 31 December 2013 to 85 days for the year ended 31 December 2014 and further to 121 days for the year ended 31 December 2015, primarily due to our stronger bargaining power to ask for additional one month of credit period from our suppliers resulting from continuous increase in the scale of procurement of raw materials and increased use of bill payment with maturity within six months. And our average trade payables turnover days then increased to 152 days as at 31 May 2016, primarily due to our Group generally started procurement from March because of the Chinese New Year Holidays and hence most of our trade payables were not due as at 31 May 2016, which extended our average trade payables turnover days.

During the Track Record Period, we did not default in any payment of our trade and bills payables.

As at 30 September 2016, approximately RMB256.0 million, accounting for 90.7% of our trade payables that were outstanding as at 31 May 2016 was settled by cash or exchange with bills payable.

Advance from customers and other payables

The table below sets out a breakdown of advance from customers and other payables as at the dates indicated:

	As at 31 December			As at 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from customers	–	271	1,110	234
Other payables	413	12,342	30,332	31,063
Listing expense payable	–	–	–	7,923
Salaries and wages payables	3,911	6,010	9,452	8,245
Other taxes payable	23,709	32,282	45,904	51,008
Total	**28,033**	**50,905**	**86,798**	**98,473**

During the Track Record Period, our advance from customers and other payables were comprised of (i) advance from customers, which represents prepayments from third parties in connection with their purchases; (ii) other taxes payable; (iii) salaries and wages payables; and (iv) other payables, mainly including construction costs payable to a contractor, a payable relating to the purchase of our Group's land use rights and interest payables.

Our advance from customers and other payables increased from approximately RMB28.0 million as at 31 December 2013 to approximately RMB50.9 million as at 31 December 2014. Such increase was primarily attributable to an increase in our VAT payables, included in the other taxes payable balances upon our increased sales and a payable balance of approximately RMB11.4 million relating to the purchase of our Group's land use rights.

Our advance from customers and other payables increased from approximately RMB50.9 million as at 31 December 2014 to approximately RMB86.8 million as at 31 December 2015. Such increase was primarily attributable to (i) the increase in the other payables for the construction costs payable to a contractor, of approximately RMB18.0 million; and (ii) the increase in our VAT payables, included in the other taxes payable balance upon our increased sales.

Our advance from customers and other payables then increased from approximately RMB86.8 million as at 31 December 2015 to approximately RMB98.5 million as at 31 May 2016. Such increase was primarily due to (i) increase in our VAT payables, included in the other taxes payable, of approximately RMB4.3 million upon our increased sales; and (ii) the increase in listing expense payable relating to this Global Offering, of approximately RMB7.9 million.

During the Track Record Period, we did not default in any payment of advance from customers and other payables.

CAPITAL EXPENDITURE

Our capital expenditures, which mainly represent our additions to property, plant and equipment and prepayments made for property, plant and equipment and prepaid lease payment, were approximately RMB4.7 million, RMB25.8 million, RMB54.1 million and RMB3.6 million for the three years ended 31 December 2015 and the five months ended 31 May 2016, respectively.

The capital expenditure incurred for the five months ended 31 May 2016 primarily related to improvements of production facilities and equipment. The capital expenditure incurred for the year ended 31 December 2015 primarily related to the acquisition of prepaid lease payments for land and the purchase of production equipment in connection with our Jin Tan Factory. The capital expenditures incurred for the year ended 31 December 2013 and 2014 primarily related to our acquisition of property, plant and equipment for production capacity expansion.

As part of our continued growth strategy, for the fiscal year ending 31 December 2016, we expect our capital expenditure to be in line with the commitments we have made, primarily for the purchase of property, plant and equipment for the production expansion in Jin Tan Factory, which is estimated to be approximately RMB34.1 million.

As at the date of this prospectus, no agreement had been entered into in connection with the potential acquisition. We plan to fund our planned capital expenditure by using our cash flow generated from our operations, the net proceeds received from this Global Offering and bank loans. For details, please refer to the section headed "Future plans and proposed use of proceeds" of this prospectus.

COMMITMENTS

Capital commitments

Our capital commitments during the Track Record Period were primarily relating to the purchase of property, plant and equipment.

The table below sets out capital commitments as at the dates indicated:

	As at 31 December			As at 31 May
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	666	25,475	3,115	1,678

As at 31 December 2013, 2014 and 2015 and 31 May 2016, our Directors confirmed that we did not have any operating lease commitment.

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2013, 2014 and 2015 and 31 May 2016, we did not record any significant contingent liability, guarantee or any litigation against us. We confirm as at the Latest Practicable Date that there had been no material changes to our contingent liabilities.

INDEBTEDNESS

Bank loans

During the Track Record Period, we borrowed short-term bank loans from time to time to manage our working capital requirements.

	As at 31 December			As at 31 May
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
– Unsecured	26,000	83,000	33,000	63,500
– Unsecured with guarantees *(Note (a))*	30,000	50,000	68,000	43,000
– Secured *(Note (b))*	90,000	–	–	–
– Secured with guarantees *(Note (c))*	20,000	20,000	20,000	20,000
Other loan, unsecured *(Note (d))*	11,000	11,000	8,000	8,000
	177,000	164,000	129,000	134,500

	As at 31 December			As at 31 May
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
– At fixed interest rate	137,000	124,000	70,000	96,500
Interest rate (per annum)	3.3%-7.2%	3.3%-7.2%	3.3%-5.6%	3.3%-4.7%
– At variable interest rate	40,000	40,000	59,000	38,000
Interest rate (per annum)	5.6%	5.6%	4.1%-4.7%	4.4%
	177,000	164,000	129,000	134,500

The above bank loans are repayable within one year from the end of the Track Record Period whereas the above other loan is repayable on demand.

Notes:

(a) As at 31 December 2013, the repayment of these bank loans are jointly and severally guaranteed by third parties, Ms. Yu, Ms. Yu RP, Mr. Yu and his wife at nil consideration.

As at 31 December 2014, included in these bank loans are amounts of RMB20,000,000 that their repayment were jointly and severally guaranteed by third parties, Mr. Yu and his wife. The repayment of the remaining bank loans are jointly and severally guaranteed by Mr. Yu, Changzhou Jingke Company Limited ("Jingke"), Ms. Yu RP, Mr. Shi and Ms. Yu at nil consideration.

As at 31 December 2015, included in these bank loans are amounts of RMB48,000,000 that their repayment were guaranteed by group companies. The repayment of the remaining bank loan is jointly and severally guaranteed by Mr. Yu, Jingke, Ms. Yu RP, Mr. Shi, Ms. Yu at nil consideration.

As at 31 May 2016, the repayment of these bank loans is guaranteed by a group company at nil consideration.

(b) These bank loans are secured by certain trade receivables of our Group.

(c) As at 31 December 2013, the bank loan is secured by certain trade receivables of our Group and its repayment is jointly and severally guaranteed by Mr. Yu, Jingke, Ms. Yu RP and Ms. Yu at nil consideration.

As at 31 December 2014, the bank loan is secured by certain trade receivables of our Group and its repayment is jointly and severally guaranteed by Mr. Yu, Jingke, Ms. Yu RP and Ms. Yu at nil consideration.

As at 31 December 2015 and 31 May 2016, the bank loan is secured by certain trade receivables of our Group and its repayment is jointly and severally guaranteed by Mr. Yu, Jingke, Ms. Yu RP, Ms. Yu and a group company at nil consideration.

(d) The other loan is unsecured, bears fixed interest rate at 3.3% per annum and is repayable on demand.

Statement of indebtedness

As at 30 September 2016, the date being the latest practicable date for the purpose of the statement of indebtedness, we had total outstanding indebtedness of approximately RMB113.6 million, details of which are set forth in the table below:

	RMB'000
Bank loans	
– Unsecured	55,595
– Unsecured with guarantees*(Note)*	58,000
	113,595

Note: The repayment of these unsecured bank loans were guaranteed by our group companies.

Except as disclosed above, as at the Latest Practicable Date, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, loans from government, debt securities or other similar indebtedness, finance lease on hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees on other material contingent liabilities outstanding.

The personal guaranteed by Mr. Yu, Changzhou Jingke Company Limited, Ms. Yu RP and Mr. Shi and Ms. Yu will be released upon Listing.

As at the Latest Practicable Date, we had utilised all of banking facilities. As at 30 September 2016, being the latest practicable date for purpose of indebtedness statement in this prospectus, we had total outstanding bank loans in the amount of approximately RMB113.6 million, all of which was repayable within one year bearing interest at rates ranging from 1.7% to 4.7% per annum.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that, to the best of their knowledge, they were not aware of any material defaults in the payment of trade and non-trade payables or bank borrowings or any defaults in material financial covenants. Our banking facilities do not contain any material covenants that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future.

KEY FINANCIAL RATIOS

The table below sets out certain of the key financial ratios of our Group for the period or as at the dates indicated:

	As at/for the year ended 31 December			As at/for the five months ended 31 May
	2013	**2014**	**2015**	**2016**
Profitability ratios				
Gross profit margin(1)	18.8%	17.6%	19.9%	19.5%
Net profit margin(2)	5.5%	6.2%	11.8%	11.4%
Rates of return				
Return on total assets(3)	2.7%	3.6%	8.1%	8.2%
Return on equity(4)	6.2%	9.3%	24.2%	25.1%
Liquidity				
Current ratio (times)(5)	1.5	1.3	1.2	1.2
Quick ratio (times)(6)	1.4	1.2	1.1	1.2
Capital adequacy				
Interest coverage ratio (times)(7)	2.6	3.7	10.6	18.2
Gearing ratio(8)	136.6%	183.9%	214.4%	194.2%

Notes:

1. Calculated using gross profit for the period divided by revenue for the same period, multiplied by 100%.

2. Calculated using profit attributable to owner of our Company for the period divided by revenue for the same period, multiplied by 100%.

3. Calculated using profit attributable to owner of our Company on an annualised basis for the period divided by average total assets, multiplied by 100%. Our return on total asset ratio for the five months ended 31 May 2016 is annualised by multiplying the ratio of 3.4% by 12/5, for comparison with that for the three years ended 31 December 2015.

4. Calculated using profit attributable to owner of our Company on an annualised basis for the period divided by average total equity, multiplied by 100%. Our return on total equity ratio for the five months ended 31 May 2016 is annualised by multiplying the ratio of 10.4% by 12/5, for comparison with that for the three years ended 31 December 2015.

5. Calculated using current assets divided by current liabilities as at the end of period.

6. Calculated using the result of current assets less inventory divided by current liabilities as at the end of period.

7. Calculated using the sum of profit before tax and finance costs for the period divided by interest on bank loans for the period.

8. Calculated using total liabilities divided by total equity as at the end of each period, multiplied by 100%.

Return on total assets

Our Group's return on total assets ratio recorded approximately 2.7%, 3.6%, 8.1% and 8.2% as at 31 December 2013, 2014 and 2015 and 31 May 2016, respectively. The increase of our Group's return on total assets ratio during the Track Record Period was mainly due to the increase of our profit during the Track Record Period, primarily as a result of continued growth of our business.

Return on equity

Our Group's return on equity ratio recorded approximately 6.2%, 9.3%, 24.2% and 25.1% as at 31 December 2013, 2014 and 2015 and 31 May 2016, respectively. The increase in return on equity during the Track Record Period was mainly due to the increase of our profit during the Track Record Period, primarily as a result of continued growth of our business.

Current ratio

Our Group's current ratio was approximately 1.5 times, 1.3 times, 1.2 times and 1.2 times as at 31 December 2013, 2014 and 2015 and 31 May 2016, respectively.

The decrease of current ratio as at 31 December 2014 as compared to as at 31 December 2013 was mainly attributable to the increased trade and bills payables balances upon our business expansion. In contrast, the increase in trade and bill receivables balances was in a lower percentage due to accelerated settlement of our major customers resulting from improved payment system of our customers and our increase in our sales and marketing staff resulting accelerated collection of receivables from our customers.

The decrease of current ratio as at 31 December 2015 as compared to as at 31 December 2014 was mainly attributable to (i) the increased trade and bills payables balances upon our business expansion; and (ii) the increase other taxes payables balance and construction costs payable to a contractor for our development of Yingke.

The current ratio remained stable as at 31 May 2016 compared to as at 31 December 2015.

Quick ratio

Our Group's quick ratio was approximately 1.4 times, 1.2 times, 1.1 times and 1.2 times as at 31 December 2013, 2014 and 2015 and 31 May 2016, respectively, which were generally in line with the trend of our current ratios.

Interest coverage ratio

Our Group's interest coverage ratio was approximately 2.6 times, 3.7 times, 10.6 times and 18.2 times as at 31 December 2013, 2014 and 2015 and 31 May 2016, respectively. The increase of our Group's interest coverage ratio during the Track Record Period was mainly due to the combined effect of (i) the decrease in finance costs upon the reduction of our borrowings balances; and (ii) the increase of our profit during the Track Record Period.

Gearing ratio

Our Group's gearing ratio was approximately 136.6%, 183.9%, 214.4% and 194.2% as at 31 December 2013, 2014 and 2015 and 31 May 2016, respectively. The increase of our Group' gearing ratio for the three years ended 31 December 2015 was primarily due to the increase in our trade payables which in line with our business growth. The decrease of our Group's gearing ratio as at 31 May 2016 was primarily due to the increase in our total equity resulting from the increase of retained earnings.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

Our principal operations were conducted in the PRC during the Track Record Period and our sales were made and our production costs and most of our expenses were incurred in RMB. As such, our currency risk is insignificant. In the ordinary course of our business, we are exposed to various market risks, including interest rate risk, credit risk and liquidity risk. Our risk management strategy aims to minimize the potential adverse effects of such risks on our financial performances.

Interest rate risk

We are exposed to interest rate risk arising primarily from our bank loans in fixed rates. We are 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 at prevailing market interest rates. We currently do not use any derivative contracts to hedge our exposure to interest rate risk. We maintain a balanced portfolio of fixed rate and variable rate borrowings.

It is estimated that a general increase of 10 basis points in interest rates on our variable interest bearing bank balances and borrowings (based on PRC inter-bank loan prime rate), with all other variables held constant, would have increased our post-tax results for the year ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2016, RMB75,000, RMB0.1 million, RMB0.2 million and RMB0.2 million, respectively. There would be an equal and opposite impact on the above post-tax results, should the aforesaid interest rate be 10 basis points lower in the above sensitivity analysis. The estimated 10 basis points increase or decrease represents our assessment of a reasonably possible change in interest rates.

Credit risk

Our 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 combined statements of financial position.

Our credit risk is primarily attributable to our trade and bills receivables. In order to minimise the credit risk, our management continuously monitors the level of exposure to ensure that necessary follow-up actions are taken to recover overdue debts. We have a credit policy in place and the exposure to these credit risks are monitored on an on-going basis. In addition, our 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, our Directors consider that our Group's credit risk is significantly reduced.

The credit risk on restricted bank balances and bank balances is minimal as such amounts are placed in banks with good reputation.

Our Group has concentration of credit risk because 89.3%, 93.2%, 93.4% and 95.9% of trade receivables as at 31 December 2013, 2014 and 2015 and 31 May 2016 were due from the Major PRC Telecommunications Network Operators.

Other than the above, our Group does not have significant concentration of credit risk.

Liquidity risk

Our policy is to regularly monitor our liquidity requirements and compliance with covenants as to our bank loans, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements. We aim to maintain flexibility in funding by keeping committed credit lines available and shareholders' capital contributions.

The table below details our remaining contractual maturity at the end of the reporting period of non-derivative financial liabilities, which has been drawn up based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date on which we can be required to pay.

	31 December 2013				
		Contractual undiscounted cash flow			
	Weighted average effective interest rate	Repayable on demand or less than six months	Seven months to one year	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings					
– at variable rate	5.6	29,128	11,182	40,310	40,000
– at fixed rate	5.9	138,927	–	138,927	137,000
Trade, bills and other payables		119,791	–	119,791	119,791
Total		**287,846**	**11,182**	**299,028**	**296,791**

	31 December 2014				
		Contractual undiscounted cash flow			
	Weighted average effective interest rate	Repayable on demand or less than six months	Seven months to one year	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings					
– at variable rate	5.6	25,674	15,177	40,851	40,000
– at fixed rate	5.8	65,409	62,183	127,592	124,000
Trade, bills and other payables		278,078	–	278,078	278,078
Total		**369,161**	**77,360**	**446,521**	**442,078**

	31 December 2015				
		Contractual undiscounted cash flow			
	Weighted average effective interest rate	Repayable on demand or less than six months	Seven months to one year	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings					
– at variable rate	4.4	59,511	–	59,511	59,000
– at fixed rate	4.8	58,063	13,177	71,240	70,000
Trade, bills and other payables		514,269	–	514,269	514,269
Total		**631,843**	**13,177**	**645,020**	**643,269**

	31 May 2016				
		Contractual undiscounted cash flow			
	Weighted average effective interest rate	Repayable on demand or less than six months	Seven months to one year	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings					
– at variable rate	4.4	38,389	–	38,389	38,000
– at fixed rate	4.4	46,444	52,075	98,519	96,500
Trade, bills and other payables		503,899	–	503,899	503,899
Total		**588,732**	**52,075**	**640,807**	**638,399**

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties.

We do not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development or other services with us.

DIVIDEND

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

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

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

During the three years ended 31 December 2015 and the five months ended 31 May 2016, we declared dividends in the amount of RMB5.0 million, RMBnil, RMBnil and RMBnil, respectively.

The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group's future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Any final dividend for a financial year will be subject to Shareholders' approval. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

DISTRIBUTABLE RESERVES

Our company has no reserves available for distributable to the Shareholders as at 31 May 2016.

LISTING EXPENSE INCURRED AND TO BE INCURRED

In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares will be deducted from equity upon the Listing. The remaining listing related fees are either fully charged to profit or loss or charged to profit or loss on an apportioned basis. We had incurred listing expenses, including legal, professional and other fees in connection with the Global Offering for the five months ended 31 May 2016. We expect that the total estimated amount of listing related fees, including underwriting commissions, with the assumption of an Offer Price of HK$1.01 (being the mid-point of the Offer Price range) would be approximately HK$37.2 million, of which approximately HK$8.2 million was charged for the five months ended 31 May 2016. We expect that an additional amount of approximately HK$13.9 million will be recognised as listing expenses for the year ending 31 December 2016 and approximately HK$15.1 million will be deducted from equity upon the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company prepared in accordance with paragraph 4.29(1) of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited combined net tangible assets of our Group as if the Global Offering had taken place on 31 May 2016.

The statement of unaudited pro forma adjusted combined net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group as at 31 May 2016 or any future date following the Global Offering.

The following statement of unaudited pro forma adjusted combined net tangible assets of our Group is based on the audited combined net tangible assets of our Group attributable to owners of our Company as at 31 May 2016 as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of our Group attributable to owners of our Company as at 31 May 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on Offer Price of HK$0.92 per Share	367,839	191,291	559,130	0.50	0.60
Based on Offer Price of HK$1.10 per Share	367,839	232,031	599,870	0.54	0.64

Notes:

(1) The audited combined net tangible assets of our Group attributable to owners of our Company is extracted from the accountants' report set out in Appendix I to this prospectus, which is based on the audited consolidated total equity of our Group as at 31 May 2016 of approximately RMB367,839,000.

(2) The estimated net proceeds from the issue of the Offer Shares pursuant to the Global Offering are based on 280,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK$0.92 and HK$1.10 per Offer Share, respectively, after deduction of the underwriting commissions and fees and other related expenses incurred and to be incurred by our Company since 1 June 2016. The calculation of such estimated net proceeds does not take into account any Shares which may be allotted and issued pursuant to the exercise of Over-allotment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in the section headed "Issuing mandate" or the section headed "Repurchase Mandate". The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.83, which was the PBOC rate prevailing on 31 May 2016. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at all.

(3) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share is calculated based on 1,120,000,000 Shares in issue immediately following the completion of the Global Offering. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of Over-allotment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in the section headed "Issuing mandate" or the section headed "Repurchase Mandate".

(4) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company per Share is converted from RMB into Hong Kong dollars at the rate of RMB$1.00 to HK$1.20, which was the PBOC rate prevailing on 31 May 2016. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company to reflect any trading results or other transactions of our Group entered into subsequent to 31 May 2016.

RELATED PARTY TRANSACTIONS

For a discussion of our related party transactions, please refer to the paragraph headed "Business – Establishment of Nanfang Optic" and note 33 to the financial information set out in the accountants' report in Appendix I to this prospectus. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms, and that all non-trade balances and guarantees with related parties will be settled and released before Listing. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results not reflective in the Track Record Period.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, after performing all due diligence work which our Directors consider appropriate, save for the one-off expenses in connection with the Listing, as far as they are aware, there had been no material adverse change in our financial or trading position or prospects since 31 May 2016 and up to the date of this prospectus. There has been no event since 31 May 2016 which would materially affect the information shown in the accountants' report, the text of which is set out in Appendix I to this prospectus. Our Directors also confirm that there has not been any material change in our indebtedness and contingent liabilities since 31 May 2016.

As far as our Directors are aware, there was no material adverse change in the market condition or the industry and environment in which we operate that materially and adversely affect our financial or operating position or prospects of our Group.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

SUBSEQUENT EVENTS

For the subsequent events of our Group, please refer to the paragraph headed "B. Subsequent events" as set out in Appendix I to this prospectus.

FUTURE PLANS

Please refer to the section headed "Business – Business strategies" of this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$245.6 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and an Offer Price of HK$1.01 per Share, being the mid-point of the indicative Offer Price range of HK$0.92 per Share to HK$1.10 per Share in this prospectus.

We intend to use the net proceeds from the Global Offering for the following purposes:

- approximately 48.9% of the net proceeds from the Global Offering, or HK$120.0 million, will be used by the year ending 31 December 2018 for constructing the phase II expansion plan of our Jin Tan Factory to expand our production capacity and increase our production efficiency as follows:

  (i) approximately 12.0% of the net proceeds from the Global Offering, or HK$29.5 million, will be used by the second quarter of 2017 for the acquisition of the land;

  (ii) approximately 12.0% of the net proceeds from the Global Offering, or HK$29.5 million, will be used by the year ending 31 December 2018 for the completion of the construction of the office and production facilities; and

  (iii) approximately 24.8% of the net proceeds from the Global Offering, or HK$61.0 million, will be used by the second quarter of 2018 for purchase and installation of production equipment as follows:

    (a) 43 sets of optical fibre cable production facilities and equipment (including fibre colouring machines, fibre ribboning machines, secondary coating production lines and stranding production line), which would cost approximately HK$37.1 million. Approximately HK$27.2 million of this portion of net proceeds from the Global Offering will be used to purchase additional basic production equipment to enlarge the production capacity of Jin Tan Factory; and dedicated production equipment for production of specialty optical cables, such as rat proof cables, submarine cables, 8-figured self-supporting cables (8 字自承式光纜) and all-dielectric self-supporting (ADSS) optical cables. The aforementioned production equipment is expected to have an annual production capacity of 4.7 million fkm. The remaining portion of approximately HK$9.9 million will be used to purchase interchangeable production facilities and equipment for production of both standard and specialty optical cables to increase the synergy effects;

(b) six sets of auxiliary production facilities (such as strength member installing machines and filler extruding machines) and other supporting facilities (such as centralised feeding system for raw materials and air conditioner system for workshops), which will amount to approximately HK$11.5 million;

(c) 20 sets of testing equipment (such as full set testing machines for mechanical performance and material characteristics of optical fibre cables, and testing machines for fibre attenuation coefficient) to enhance quality control, which will amount to approximately HK$10.9 million; and

(d) reservation cost for the implementation of phase II expansion plan of our Jin Tan Factory, such as the price inflation, so as to provide flexibility to our Group, which will amount to approximately HK$1.5 million; and

- approximately 28.5% of the net proceeds from the Global Offering, or HK$70.0 million, will be used by the year ending 31 December 2018 for upstream development or acquisition of the optical fibre cable production value chain. However, no target for acquisition had been identified as at the Latest Practicable Date. Should our Company fail to identify any target for acquisition, this portion of the net proceeds will be reassigned for setting up factories for production of telecommunications products;

- approximately 10.1% of the net proceeds from the Global Offering, or HK$24.7 million, will be used by the year ending 31 December 2017 for research and development of diversified new products and services, and setting up a laboratory accredited by China National Accreditation Service for Conformity Assessment;

- approximately 6.1% of the net proceeds from the Global Offering, or HK$14.9 million, will be used by the year ending 31 December 2017 for repay parts of the bank loans drawn down from a financial institution. These bank loans were one-year fix rate bank loans of RMB42 million for our subsidiary Nanfang Communication's daily operation of business at annual interest rates of Loan Prime Rate plus 0.05% to 0.09%, the maturity dates of which range from January 2017 to May 2017; and

- approximately 6.5% of the net proceeds from the Global Offering, or HK$16.0 million, will be used for additional working capital and other general corporate purpose in order to improve the liquidity and gearing ratio of our Group.

In the event that the Over-allotment Option is exercised in full and assuming an Offer Price of HK$1.01 per Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK$41.1 million. We intend to use such additional net proceeds to increase the net proceeds applied to the same purposes above on a pro rata basis.

In the event that the Offer Price is set at HK$1.10 per Share, being the high-end of the proposed Offer Price range, the net proceeds from the Global Offering will be increased by (i) approximately HK$24.4 million, assuming the Over-allotment Option is not exercised, and (ii) approximately HK$69.3 million, assuming the Over-allotment Option is exercised in full. We intend to use such additional net proceeds to increase the net proceeds applied to the same purposes above on a pro rata basis.

In the event that the Offer Price is set at HK$0.92 per Share, being the low-end of the proposed Offer Price range, the net proceeds from the Global Offering will be decreased by (i) approximately HK$24.4 million, assuming the Over-allotment Option is not exercised, and (ii) approximately HK$69.3 million, assuming the Over-allotment Option is exercised in full. We intend to reduce the net proceeds applied to the same purposes above on a pro rata basis.

To the extent that our net proceeds are not sufficient to fund the purposes described above, we intend to fund the balance through a variety of means including cash generated from our operations, debt financing and/or equity fund raising.

To the extent that the net proceeds from the Global Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions or held in other treasury instruments.

UNDERWRITERS

Hong Kong Underwriters

Guotai Junan Securities (Hong Kong) Limited
AMC Wanhai Securities Limited
Ever-Long Securities Company Limited
Luk Fook Securities (HK) Limited

International Underwriters

Guotai Junan Securities (Hong Kong) Limited
AMC Wanhai Securities Limited
Ever-Long Securities Company Limited
Luk Fook Securities (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Public Offer Shares for subscription, subject to the terms and conditions of this prospectus and the Application Forms relating thereto, at the Offer Price.

Subject to, among other matters, the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and the Offer Price having been determined by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) at or prior to Monday, 5 December 2016 or such other date or time as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but in any event not later than Thursday, 8 December 2016, the Hong Kong Underwriters have severely agreed to subscribe for or procure subscribers to subscribe for, on the terms and conditions of this prospectus and the Application Forms relating thereto, their respective applicable portions of the Hong Kong Public Offer Shares now being offered for subscription under the Hong Kong Public Offering and which are not taken up under the Hong Kong Public Offering subject to the terms and conditions of this prospectus and the Application Forms relating thereto and the Hong Kong Underwriting Agreement. The Hong Kong Public Offer Shares are fully underwritten pursuant to the Hong Kong Underwriting Agreement.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) may in its absolute discretion terminate the Hong Kong Underwriting Agreement with immediate effect by written notice to our Company at any time at or before 8:00 a.m. (Hong Kong time) on the day on which the Shares commence trading on the Stock Exchange if:

(i) there shall develop, occur, exist or come into effect:

(a) any change or prospective change (whether or not permanent) in the business or in the financial or trading position of our Group; or

(b) any change or development involving a prospective change or development, or any event or series of event resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, PRC, BVI, Cayman Islands or any other jurisdictions where any member of our Group is incorporated or operates (collectively, the "**Relevant Jurisdictions**"); or

(c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions; or

(d) any new laws or any change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions; or

(e) a change or development or event involving a prospective change in taxation or exchange control (or in the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares; or

(f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions; or

(g) any event, act or omission which gives rise or is likely to give rise to any liability of any of our Company, Controlling Shareholders and executive Directors (collectively, the "**Warrantors**") under the Hong Kong Underwriting Agreement pursuant to the indemnities contained therein; or

(h) (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions; or

(j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions; or

(k) any change or development involving a prospective change, or a materialisation of any of the risks set out in the section headed "Risk factors" of this prospectus; or

(l) any change in the system under which the value of the HK dollars is linked to that of the U.S. dollar or a material devaluation of HK dollars against any foreign currency; or

(m) any valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(n) save as disclosed in this prospectus, a material contravention by any member of our Group of the Listing Rules or applicable laws; or

(o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Global Offering; or

(p) material non-compliance of any of this prospectus or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(q) an order or a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group; or

(r) any material loss or damage sustained by any member of our Group; or

(s) save as disclosed in this prospectus, any litigation or claim of material importance of any third party being threatened or instigated against any member of our Group; or

(t) a Director (excluding independent non-executive Director) being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company; or

(u) the commencement by any governmental, regulatory or judicial body or organisation of any action against a Director or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action; or

(v) any matter or event resulting in a breach of any of the warranties, representations or undertakings contained in the Hong Kong Underwriting Agreement or there has been a material breach of any other provisions thereof;

which in the sole and absolute opinion of the Sole Global Coordinator:

(a) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of our Group taken as a whole; or

(b) has or will or may have a material adverse effect on the success of the Hong Kong Public Offering, the International Placing and/or the Global Offering; or

(c) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable of the Hong Kong Underwriting Agreement, the International Underwriting Agreement, the Hong Kong Public Offering, the International Placing and/or the Global Offering to be performed or implemented in accordance with its terms; or

(ii) the Hong Kong Underwriters shall become aware of the fact that, or have cause to believe that:

(a) any of the warranties given by the Warrantors under the Hong Kong Underwriting Agreement or pursuant to the International Underwriting Agreement is untrue, inaccurate, misleading or breached in any material respect when given or as repeated as determined by the Sole Global Coordinator (in its sole and absolute discretion), or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;

(b) any statement contained in this prospectus or the Application Forms was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute a material omission therefrom as determined by the Sole Sponsor (in its sole and absolute discretion), or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus and/or any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplemental or amendment thereto) are not, in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(c) there has been a material breach on the part of any of the Warrantors of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement as determined by the Sole Global Coordinator (in its sole and absolute discretion).

Lock-up undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) and the Capitalisation Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that except pursuant to the Global Offering and the Over-allotment Option or unless in compliance with the requirements of the Listing Rules, he or she or it shall not, and shall procure that the relevant registered holder(s) shall not, (i) at any time during the period commencing on the date by reference to which disclosure of his or her or its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which he or she or it is shown by this prospectus to be the beneficial owner; and (ii) at any time during the period of 12 months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it would cease to be our Controlling Shareholder.

Our Controlling Shareholders have further undertaken to us and the Stock Exchange that he or she or it will, within a period of commencing on the date by reference to which disclosure of his or her or its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us of:

(a) any pledges or charges of any Shares or other securities of our Company beneficially owned by any of our Controlling Shareholders in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, and the number of such Shares or other securities of our Company so pledged or charged; and

(b) when he or she or it or the relevant requested holders receive indication, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such securities will be disposed of.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholdings is made in this prospectus and to the date which is 12 months from the Listing Date, they will:

(a) when they pledge or charge any securities of our Company or interests therein beneficially owned by them in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it is informed of the above matters by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Lock-up undertakings to the Hong Kong Public Offering

Undertakings by our Company

Our Company has undertaken to the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that our Company shall, among others:

(a) except pursuant to the Global Offering, the Capitalisation Issue, the exercise of the subscription rights attaching to the Over-allotment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules, not without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), and subject always to the provisions of the Listing Rules, offer, allot, issue or sell, or agree to allot, issue or sell, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its Affiliates), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares or any voting right or any other right attaching thereto or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of

Shares or such securities or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise or announce any intention to effect any such transaction during the transaction during the period commencing from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-month Period**");

(b) not at any time during the First Six-month Period, issue or create any mortgage, pledge, charge or other security interest or any rights in favour of any other person over, directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any Shares or securities of our Company) or repurchase any Shares or securities of our Company or grant any options, warrants or other rights to subscribe for any Shares or other securities of our Company or agree to do any of the foregoing, except pursuant to the Global Offering, the Capitalisation Issue or the exercise of the subscription rights attaching to the Over-allotment Option or share options to be granted under the Share Option Scheme or under the circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules or under Note (2) to Rule 10.07 of the Listing Rules;

(c) not at any time within the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-month Period**") do any of the acts set out in (a) and (b) above such that any of the Controlling Shareholders, directly or indirectly, would cease to be a controlling shareholder of our Company (within the meaning defined in the Listing Rules);

(d) in the event that our Company does any of the acts set out in (a) or (b) after the expiry of the First Six-month Period or the Second Six-month Period, as the case may be, take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein;

(e) not at any time during the First Six-month Period purchase any of its outstanding share capital;

provided that none of the above undertakings shall (a) restrict our Company's ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (b) restrict any of the subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in the that subsidiary ceasing to be a subsidiary of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has represented, warranted and undertaken to the Sole Sponsor, the Sole Global Coordinator and our Company that:

(a) he or she or it shall comply with all the applicable restrictions and requirements under the Listing Rules on the disposal by him or her or it or by any registered holder on his or her or its behalf, of any Shares or other securities of our Company in respect of which he or she or it is shown in this prospectus to be the beneficial owner (directly or indirectly);

(b) neither him or her or it nor any of their respective associates or companies controlled by him or her or it has any present intention of disposing of any Shares or other securities of our Company in respect of which he or she or it is shown in this prospectus to be the beneficial owner (directly or indirectly) (or any beneficial interest therein); and

(c) (i) he or she or it shall not, without the prior written consent (which consent shall not be unreasonably withheld) of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), directly or indirectly, and shall procure that none of his or her or its associates or companies controlled by him or her or it or any nominee or trustee holding in trust for him or her or it shall, offer for sale, sell, transfer, contract to sell, or otherwise dispose of (including without limitation by the creation of any option, right, warrant to purchase or otherwise transfer or dispose of, or any lending, charges, pledges or encumbrances over, or by entering into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise)) any of the Shares (or any interest therein or any of the voting or other rights attaching thereto) in respect of which he or she or it is shown in this prospectus to be the beneficial owner (directly or indirectly) or any other securities convertible into or exchangeable for or which carry a right to subscribe, purchase or acquire any such Shares (or any interest therein or any of the voting or other rights attaching thereto); or (ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of the acquisition or ownership of any such Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the First Six-month Period, save as provided under note (2) to Rule 10.07(2) of the Listing Rules and subject always to compliance with the provisions of the Listing Rules, and in the event of a disposal of any Shares (or any interest therein or any of the voting or other rights attaching thereto) or such securities at any time during the Second Six-month Period, (1) such disposal shall not result in any of our Controlling Shareholders ceasing to be the controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six-month Period; and (2) he or she or it shall take all steps to ensure that any such act, if done, shall not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Without prejudice to our Controlling Shareholders' undertaking above, each of our Controlling Shareholders undertakes to the Sole Sponsor, the Sole Global Coordinator and our Company that within the First Six-month Period and the Second Six-month he or she or it shall:

(a) if and when he or she or it pledges or charges, directly or indirectly, any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities of our Company beneficially owned by him or her or it (or any beneficial interest therein), immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(b) if and when he or she or it receives indications, either verbal or written, from any pledgee or chargee that any Shares (or any interest therein or any of the voting or other rights attaching thereto) or other securities in our Company (or any beneficial interest therein) pledged or charged by him or her or it will be disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

Our Company shall notify the Stock Exchange as soon as our Company has been informed of such event and shall make a public disclosure by way of announcement in accordance with the Listing Rules.

International Underwriting Agreement

In connection with the International Placing, it is expected that our Company and our Controlling Shareholders, will enter into the International Underwriting Agreement with, among other parties, the Company, the Sole Global Coordinator, the Sole Sponsor and the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for or procure subscribers to subscribe for the International Placing Shares. It is expected that upon the entering into the International Underwriting Agreement, the International Placing will be fully underwritten. It is also expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement.

Commission and expenses

The Underwriters will receive an underwriting commission of no less than 3% on the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission will be paid.

The underwriting commissions, listing fees, Stock Exchange trading fee and transaction levy, legal and printing and other professional fees and other expenses relating to the Global Offering are payable by our Company with reference to the number of Shares under the Global Offering respectively.

The Sole Sponsor will receive financial advisory and documentation fees. The underwriting commission, financial advisory and documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Global Offering are estimated to amount to approximately HK$37.2 million in total (based on an Offer Price of HK$1.01 per Share, being the mid-point of the indicative Offer Price range of between HK$0.92 and HK$1.10 per Share, and on the assumption that the Over-allotment Option is not exercised).

Underwriters' interests in our Company

As at the Latest Practicable Date and save as disclosed in this prospectus and other than pursuant to the Underwriting Agreements, none of the Hong Kong Underwriters was interested, directly or indirectly, in any shares or securities in any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and the International Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the International Underwriting Agreement.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of 28,000,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed "The Hong Kong Public Offering" of this section; and

(b) the International Placing of an aggregate of 252,000,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States to professional, institutional investors and other investors.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Placing, but may not do both. References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 15% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "Over-allotment Option" in this section.

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

We are initially offering 28,000,000 new Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering. Subject to the adjustment of Shares between the International Placing and the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent approximately 2.5% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). The Hong Kong Public Offering is open to all members of the public in Hong Kong.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Hong Kong Public Offering" in this section.

Allocation

For allocation purposes only, the number of the Hong Kong Public Offer Shares will be divided equally into two pools: 14,000,000 Shares in pool A and 14,000,000 Shares in pool B. The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Public Offer Shares in the value of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares in the value of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pool is under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Hong Kong Public Offer Shares initially available under pool A or pool B will be rejected.

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

Multiple or suspected multiple applications and any application for more than 14,000,000 Hong Kong Public Offer Shares (being 50% of the Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Adjustment

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment:

(a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 84,000,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

(b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 112,000,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

(c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 140,000,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

Any such clawback and reallocation between the International Placing and the Hong Kong Public Offering will be completed prior to any adjustment of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, based on the additional Offer Shares reallocated to the Hong Kong Public Offering, the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing in such proportions as the Sole Global Coordinator deems appropriate. Conversely, the Sole Global Coordinator may at its sole discretion re-allocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.10 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. That means a total of HK$4,444.34 is payable for every board lot of 4,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" of this section, is less than the maximum price of HK$1.10 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to apply for Hong Kong Public Offer Shares" of this prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The International Placing will consist of an initial offering of 252,000,000 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised. The International Placing will be offered by us outside of the United States in reliance on Regulation S under the U.S. Securities Act, including to professional, institutional investors and other investors in Hong Kong.

Allocation

The International Placing will include selective marketing of the International Placing Shares to institutional, professional investors and other investors anticipated to have a sizeable demand for the International Placing Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Placing Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the section entitled "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered International Placing Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Public Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

Our Company is expected to grant to the International Placing Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (on behalf of the International Placing Underwriters) at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Hong Kong Placing Offering. A press announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to 42,000,000 Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price. The Sole Global Coordinator may also cover any over-allocations by purchasing Shares in the secondary market or through Stock Borrowing Agreement with Pacific Mind or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws and regulations.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the Offer Price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions which stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 42,000,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Pacific Mind or through a combination of these means or otherwise. However, there is no obligation on the Sole Global Coordinator to do this. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilizing) Rules of the SFO, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions ("**primary stabilising action**") with respect to any Shares during the stabilisation period, which should end on Wednesday, 4 January 2017:

(1) purchase, or agree to purchase, any of the Shares;

(2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions;

  (a) for the purpose of preventing or minimising any reduction in the market price of the Shares;

    (i) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or

    (ii) sell or agree to sell Shares so as to establish a short position in them;

  (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);

  (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or

  (d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware that:

- the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;
- liquidation of such a long position by the Sole Global Coordinator may have an adverse impact on the market price of our Shares;
- stabilising action cannot be taken to support the price of our Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, that the stabilising period is expected to expire on Wednesday, 4 January 2017, and that after this date, when no further stabilising action may be taken, demand for our Shares, and therefore its price could fall; and
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for our Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of SFO will be made within seven days of the expiration of the stabilisation period.

STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 42,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 42,000,000 Shares from Pacific Mind, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The principal terms of the Stock Borrowing Agreement are:

- the stock borrowing arrangement will only be effected by the borrower for settlement of over-allocations in connection with the International Placing;
- the maximum number of Shares borrowed from Pacific Mind will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Pacific Mind or its nominees on no later than three business days following the earlier of (i) the last day for exercising the Over-allotment Option; and (ii) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Pacific Mind by the Sole Global Coordinator in relation to the stock borrowing arrangement.

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Monday, 5 December 2016, and in any event on or before Thursday, 8 December 2016, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters), and our Company and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$1.10 per Share and is expected to be not less than HK$0.92 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.10 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share amounting to a total of HK$4,444.34 for one board lot of 4,000 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in The Standard (in English) and Hong Kong Economic Times (in Chinese), on the website of our Company (**www.jsnfgroup.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) a notice of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Hong Kong Public Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, they will be allowed to subsequently withdraw their applications. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator, will under no circumstances be set outside the offer price range as stated in this prospectus.

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Public Offer Shares available under the Hong Kong Public Offering, are expected to be announced on in The Standard (in English) and Hong Kong Economic Times (in Chinese), on the website of our Company (**www.jsnfgroup.com)** and the website of the Stock Exchange (**www.hkexnews.hk**).

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Public Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);

(b) the Offer Price having been fixed on or about the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), or the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in The Standard (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for Hong Kong Public Offer Shares" of this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on Friday, 9 December 2016 but will only become valid certificates of title at 8:00 a.m. on Monday, 12 December 2016 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting – Underwriting arrangements and expenses – Hong Kong Underwriting Agreement – Grounds for termination" of this prospectus has not been exercised.

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 12 December 2016, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 12 December 2016.

The Shares will be traded in board lots of 4,000 Shares each.

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator (or its agents or nominees) may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for in any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 November 2016 to 12:00 noon on Monday, 5 December 2016 from:

(i) the following addresses of the following Hong Kong Underwriters:

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

AMC Wanhai Securities Limited
1605, West Tower
Shun Tak Center
168-200 Connaught Road
Central, Hong Kong

Ever-Long Securities Company Limited
18 Floor, Dah Sing Life Building
99-105 Des Voeux Road Central
Hong Kong

Luk Fook Securities (HK) Limited
Units 502-6, 5/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

(ii) any of the following branches of Wing Lung Bank Limited, the receiving bank for the Hong Kong Public Offering:

	Branch name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
	Sham Shui Po Branch	111 Tai Po Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road
	Sheung Shui Branch	128 San Fung Avenue

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 November 2016 until 12:00 noon on Monday, 5 December 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Wing Lung Bank (Nominees) Limited – Nanfang Communication Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Wednesday, 30 November 2016: 9:00 a.m. to 5:00 p.m.
- Thursday, 1 December 2016: 9:00 a.m. to 5:00 p.m.
- Friday, 2 December 2016: 9:00 a.m. to 5:00 p.m.

- Saturday, 3 December 2016: 9:00 a.m. to 1:00 p.m.
- Monday, 5 December 2016: 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 5 December 2016, the last application day or such later time as described in "Effect of bad weather on the opening of the applications lists" of this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Sponsor and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 30 November 2016 until 11:30 a.m. on Monday, 5 December 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 5 December 2016 or such later time under the paragraph headed "Effect of bad weather on the opening of the applications lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The advantage of **HK eIPO White Form** is to save the use of paper via the self-serviced and electronic application process. Our Company and the Sole Sponsor encourage you to utilise this application channel should you desire the Hong Kong Public Offer Shares to be issued under your own name.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Global Coordinator (or its agents or nominees) and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, the Directors and the Sole Sponsor, the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association of our Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 4,000 Hong Kong Public Offer Shares. Instructions for more than 4,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Wednesday, 30 November 2016: 9:00 a.m. to 8:30 p.m.[(1)]
- Thursday, 1 December 2016: 8:00 a.m. to 8:30 p.m.[(1)]
- Friday, 2 December 2016: 8:00 a.m. to 8:30 p.m.[(1)]
- Monday, 5 December 2016: 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Wednesday, 30 November 2016 until 12:00 noon on Monday, 5 December 2016 (24 hours daily, except on Saturday, 3 December 2016 until 7:00 a.m. on Sunday, 4 December 2016 and on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, 5 December 2016, the last application day or such later time as described in "Effect of bad weather on the opening of the application lists" of this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Monday, 5 December 2016.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of our Company;
- control more than half of the voting power of our Company; or
- hold more than half of the issued share capital of our Company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering" of this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black"rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 5 December 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 5 December 2016 or if there is a tropical cyclone warning signal number 8 or above or a "black"rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Friday, 9 December 2016 (i) in The Standard (in English); (ii) the Hong Kong Economic Times (in Chinese); (iii) on our Company's website at **www.jsnfgroup.com**; and (iv) the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.jsnfgroup.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, 9 December 2016;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m on Friday, 9 December 2016 to 12:00 mid-night on Thursday, 15 December 2016;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 9 December 2016 to Wednesday, 14 December 2016 (on a Business Day);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 9 December 2016 to Tuesday, 13 December 2016 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" of this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor and the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Sponsor or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.10 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of Global Offering" of this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 9 December 2016.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 9 December 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 12 December 2016 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 9 December 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 9 December 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 9 December 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 9 December 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 December 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 9 December 2016, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, 9 December 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 9 December 2016, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in "Publication of Results" above on Friday, 9 December 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 9 December 2016 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 9 December 2016. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 9 December 2016.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from our Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

35/F One Pacific Place
88 Queensway
Hong Kong

30 November 2016

The Directors
Nanfang Communication Holdings Limited

Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Nanfang Communication Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2015 and the five months ended 31 May 2016 (the "Track Record Period") for inclusion in the prospectus dated 30 November 2016 (the "Prospectus") in connection with the initial public offering and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company, which acts as an investment holding company, was incorporated in the Cayman Islands as an exempted company with limited liability on 10 May 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation, as more fully explained in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus (the "Reorganisation"), the Company became the holding company of the entities now comprising the Group since 27 June 2016.

At the date of this report, the Company has direct and indirect shareholdings/equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Shareholding/ equity interest attributable to the Company as at 31 December 2013	2014	2015	31 May 2016	The date of this report	Principal activities
Directly held:								
Century Planet Limited ("Century Planet")	British Virgin Islands (the "BVI") 4 January 2016	Ordinary share United States Dollars ("US$") 1	–	–	–	100%	100%	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Shareholding/ equity interest attributable to the Company as at 31 December 2013	31 December 2014	31 December 2015	31 May 2016	The date of this report	Principal activities
Indirectly held:								
Nanfang Communication Group Limited (南方通信集團有限公司) ("Nanfang Hong Kong")	Hong Kong 10 March 2016	Ordinary share Hong Kong Dollars ("HK$") 10,000	–	–	–	100%	100%	Investment holding
Changzhou Delong Communication Technology Limited (常州德隆通信科技有限公司) ("Changzhou Delong")	The People's Republic of China (the "PRC") 16 May 2016	Paid-up registered capital RMB113,295,000	–	–	–	100%	100%	Research and development of communication devices and accessories, technology consultation and transfer of technology
Jiangsu Nanfang Communication Technology Company Limited ("Nanfang Communication") (江蘇南方通信科技有限公司)	The PRC 27 July 1992	Paid-up registered capital RMB222,195,000	100%	100%	100%	100%	100%	Manufacture and sale of optical fibre cables
Jiangsu Yingke Communication Technology Company Limited ("Yingke") (江蘇盈科通信科技有限公司)	The PRC 8 August 2013	Paid-up registered capital RMB10,000,000	95%	95%	100%	100%	100%	Manufacture and sale of optical fibre cables

All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

No audited financial statements of Nanfang Hong Kong and Changzhou Delong have been prepared since their respective dates of incorporation/establishment as their statutory audited financial statements have not yet been due to issue.

No audited financial statements have been prepared for the Company and Century Planet since their dates of incorporation in jurisdiction where there are no statutory audit requirements.

The financial statements of Nanfang Communication and Yingke for the years/period ended 31 December 2013, 2014 and 2015 were not audited as there are no statutory requirements for them to issue statutory audited financial statements.

For the purpose of this report, the directors of Nanfang Communication have prepared the consolidated financial statements of Nanfang Communication and its subsidiary (the "Nanfang Communication Group") for each of the three years ended 31 December 2015 and the five months ended 31 May 2016 (the "Nanfang Communication Group Financial Statements") and the directors of the Company have prepared the management accounts of the Company, from its date of incorporation (10 May 2016) to 31 May 2016 (collectively referred to as the "Underlying Financial Statements") in accordance with accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). We have audited the Nanfang Communication Group Financial Statements in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB"). We have reviewed the material transactions of the Company and carried out such procedures as we considered necessary in respect of the management accounts for inclusion of their financial information in the Prospectus for the Track Record Period.

We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants.

The Financial Information for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 2 of Section A below, after making such adjustments as the directors of the Company consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of respective entities who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the combined financial position of the Group as at 31 December 2013, 2014 and 2015 and 31 May 2016, the financial position of the Company as at 31 May 2016 and of the combined financial performance and combined cash flows of the Group for the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of cash flows and combined statement of changes in equity of the Group for the five months ended 31 May 2015 together with the notes thereon have been extracted from the unaudited consolidated financial statements of the Nanfang Communication Group for the same period (the "31 May 2015 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review of the 31 May 2015 Financial Information in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. Our review of the 31 May 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 May 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 May 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

A. FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December			Five months ended 31 May	
		2013	**2014**	**2015**	**2015**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*6*	265,163	380,612	612,637	201,269	318,972
Cost of sales		(215,413)	(313,770)	(490,660)	(167,301)	(256,706)
Gross profit		49,750	66,842	121,977	33,968	62,266
Other income, gains, expenses and losses, net	*8*	1,950	(355)	(656)	299	42
Selling and distribution expenses		(4,840)	(4,820)	(8,976)	(2,631)	(3,004)
Administrative expenses		(11,122)	(13,104)	(16,488)	(5,996)	(7,089)
Listing expenses		–	–	–	–	(6,963)
Research costs		(7,804)	(12,220)	(20,101)	(6,485)	(8,715)
Finance costs	*9*	(10,702)	(9,944)	(8,542)	(4,023)	(2,460)
Share of results of an associate	*17*	(303)	454	14,478	5,814	8,211
Profit before tax	*11*	16,929	26,853	81,692	20,946	42,288
Income tax expense	*10*	(2,351)	(3,364)	(9,538)	(1,947)	(5,796)
		14,578	23,489	72,154	18,999	36,492
Profit and total comprehensive income for the year/period attributable to:						
– Owners of the Company		14,578	23,489	72,154	18,999	36,492
– Non-controlling interests		–	–	–	–	–
		14,578	23,489	72,154	18,999	36,492

Combined Statements of Financial Position

	Notes	At 31 December 2013	At 31 December 2014	At 31 December 2015	At 31 May 2016
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*15*	22,829	35,331	83,063	84,147
Prepaid lease payments	*16*	1,371	1,342	1,313	12,971
Interest in an associate	*17*	38,897	74,140	91,571	100,277
Available-for-sale investment	*18*	3,000	600	–	–
Prepayments for property, plant and equipment and prepaid lease payments	*22*	–	9,920	12,452	337
Deferred tax assets	*28*	724	1,017	1,411	1,602
		66,821	122,350	189,810	199,334
CURRENT ASSETS					
Inventories	*19*	53,250	49,534	52,556	49,107
Trade receivables	*20*	274,850	336,717	443,688	566,742
Bills receivable	*21*	2,523	462	4,381	3,148
Prepaid lease payments	*16*	29	29	29	258
Prepayments, deposits and other receivables	*22*	39,595	51,499	24,930	20,489
Available-for-sale investment	*18*	230	230	230	230
Restricted bank balances	*23*	27,158	107,781	135,362	118,350
Bank balances and cash	*23*	105,104	81,384	190,641	124,610
		502,739	627,636	851,817	882,934
CURRENT LIABILITIES					
Trade payables	*25*	56,247	89,596	235,403	282,218
Bills payable	*26*	59,220	170,130	239,082	174,450
Advances from customers and other payables	*27*	28,033	50,905	86,798	98,473
Borrowings	*24*	177,000	164,000	129,000	134,500
Current income tax liabilities		8,356	11,162	19,997	24,788
		328,856	485,793	710,280	714,429
NET CURRENT ASSETS		173,883	141,843	141,537	168,505
TOTAL ASSETS LESS CURRENT LIABILITIES		240,704	264,193	331,347	367,839
CAPITAL AND RESERVES					
Paid-in capital	*29*	108,900	108,900	108,900	108,900
Reserves		126,804	150,293	222,447	258,939
Equity attributable to owners of the Company		235,704	259,193	331,347	367,839
Non-controlling interests		5,000	5,000	–	–
TOTAL EQUITY		240,704	264,193	331,347	367,839

Company Statement of Financial Position

	Notes	**At 31 May 2016**
		RMB'000
CURRENT ASSETS		
Deferred listing expenses	*22*	2,321
Amounts due from shareholders	*22*	*–
		2,321
CURRENT LIABILITIES		
Listing expenses payable	*27*	7,923
Amounts due to a related company	*27*	1,361
		9,284
		(6,963)
CAPITAL AND RESERVE		
Share capital	*29*	*–
Accumulated losses	*29*	(6,963)
		(6,963)

* Amounts less than RMB1,000.

Combined Statements of Changes in Equity

	Equity attributable to owners of the Company					
	Paid-in capital	**Surplus reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	108,900	7,108	110,118	226,126	–	226,126
Profit and total comprehensive income for the year	–	–	14,578	14,578	–	14,578
Appropriation for the year	–	1,490	(1,490)	–	–	–
Capital contribution by a non-controlling shareholder of a subsidiary	–	–	–	–	5,000	5,000
Dividend declared *(Note 13)*	–	–	(5,000)	(5,000)	–	(5,000)
At 31 December 2013	108,900	8,598	118,206	235,704	5,000	240,704
Profit and total comprehensive income for the year	–	–	23,489	23,489	–	23,489
Appropriation for the year	–	2,340	(2,340)	–	–	–
At 31 December 2014	108,900	10,938	139,355	259,193	5,000	264,193
Profit and total comprehensive income for the year	–	–	72,154	72,154	–	72,154
Appropriation for the year	–	5,729	(5,729)	–	–	–
Reduction of capital of a subsidiary	–	–	–	–	(4,500)	(4,500)
Acquisition of non-controlling interests	–	–	–	–	(500)	(500)
At 31 December 2015	108,900	16,667	205,780	331,347	–	331,347

	Equity attributable to owners of the Company					
	Paid-in capital	**Surplus reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	108,900	16,667	205,780	331,347	–	331,347
Profit and total comprehensive income for the period	–	–	36,492	36,492	–	36,492
Appropriation for the period	–	3,837	(3,837)	–	–	–
At 31 May 2016	108,900	20,504	238,435	367,839	–	367,839
(Unaudited)						
At 1 January 2015	108,900	10,938	139,355	259,193	5,000	264,193
Profit and total comprehensive income for the period	–	–	18,999	18,999	–	18,999
Appropriation for the period	–	2,032	(2,032)	–	–	–
At 31 May 2015	108,900	12,970	156,322	278,192	5,000	283,192

Note:

As stipulated by the relevant laws and regulations, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. Appropriations to such reserve is made out of net profit after taxation of the financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually, until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital.

Combined Statements of Cash Flows

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Profit before tax	16,929	26,853	81,692	20,946	42,288
Adjustments for:					
Interest income	(1,288)	(1,021)	(1,702)	(439)	(891)
Depreciation of property, plant and equipment	3,226	3,340	3,848	1,274	2,632
Release of prepaid lease payments	29	29	29	12	107
Allowance for impairment of trade receivables	268	677	1,121	795	1,017
Listing expenses	–	–	–	–	6,963
Finance costs	10,702	9,944	8,542	4,023	2,460
Share of results of an associate	303	(454)	(14,478)	(5,814)	(8,211)
Operating cash flows before movements in working capital	30,169	39,368	79,052	20,797	46,365
(Increase) decrease in inventories	(27,565)	3,227	(5,975)	7,315	2,954
Increase in trade, bills and other receivables, deposits and prepayments	(5,560)	(55,921)	(125,536)	(70,123)	(116,116)
Decrease (increase) in restricted bank balances	8,576	(80,623)	(27,581)	14,594	17,012
Increase (decrease) in trade, bills and other payables and advances from customers	1,982	166,573	233,219	1,552	(14,136)
Cash generated from (used in) operations	7,602	72,624	153,179	(25,865)	(63,921)
Income tax paid	(709)	(851)	(1,097)	(188)	(1,196)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	6,893	71,773	152,082	(26,053)	(65,117)
INVESTING ACTIVITIES					
Purchases of property, plant and equipment and prepaid lease payments	(4,720)	(25,762)	(36,120)	(13,057)	(4,121)
Investment in an associate	(39,200)	(34,300)	–	–	–
Purchase of an available-for-sale investment	(3,000)	–	–	–	–
Redemption of an available-for-sale investment	–	2,400	600	–	–
Advances made to related parties and others	(40,037)	(27,472)	(5,220)	(5,220)	–
Repayments from related parties and others	63,321	11,006	45,314	33,635	40
Interest received	1,288	1,021	1,702	439	891
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(22,348)	(73,107)	6,276	15,797	(3,190)

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
FINANCING ACTIVITIES					
Capital contribution by a non-controlling shareholder of a subsidiary	5,000	–	–	–	–
Proceeds from borrowings	328,500	268,000	212,000	98,000	101,500
Repayments of borrowings	(271,500)	(281,000)	(247,000)	(108,000)	(96,000)
Repayment of capital to a non-controlling shareholder due to reduction of capital of a subsidiary	–	–	(4,500)	–	–
Acquisition of non-controlling interests	–	–	(500)	–	–
Payment of interest expense	(10,338)	(9,386)	(9,101)	(4,023)	(1,863)
Payment of listing expenses	–	–	–	–	(1,361)
Dividends paid	(5,000)	–	–	–	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	46,662	(22,386)	(49,101)	(14,023)	2,276
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,207	(23,720)	109,257	(24,279)	(66,031)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	73,897	105,104	81,384	81,384	190,641
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD					
Represented by:					
Bank balances and cash	105,104	81,384	190,641	57,105	124,610

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 10 May 2016. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business is 1 Cencun Road, Luoyang Town, Wujin District, Changzhou City, Jiangsu Province, the PRC. The Company is an investment holding company and the Group is principally engaged in the manufacturing and sale of optical fibre cables.

The Company's immediate and ultimate holding company is Pacific Mind Development Limited ("Pacific Mind"), a company incorporated in the BVI.

The Financial Information is presented in RMB. In the opinion of the directors of the Company (the "Directors"), the functional currency of companies comprising the Group is RMB.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Before the completion of the Reorganisation, the Nanfang Communication Group is wholly owned by Mr. Yu Jinlai ("Mr. Yu"), Ms. Yu Ruping ("Ms. Yu RP"), Mr. Shi Ming ("Mr. Shi") and Ms. Yu Rumin ("Ms. Yu", who is wife of Mr. Shi).

Mr. Shi and Ms. Yu are collectively referred to as the "Spouse" and Mr. Yu, Ms. Yu RP and the Spouse are collectively referred to as the "Nanfang Communication Equity Holders".

In preparing of the listing of the Company's shares on the Main Board of the Stock Exchange, the companies comprising the Group underwent the Reorganisation, amongst others, as described below:

1. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 10 May 2016, with an authorised ordinary share capital of HK$380,000 divided into 380,000,000 ordinary shares of HK$0.001 each and is wholly-owned by Pacific Mind which, in turn, is owned by Ms. Yu (as nominated by the Spouse (as to 60%)), Ms. Yu RP (as to 30%) and Mr. Yu (as to 10%).

2. Incorporation of Century Planet

On 4 January 2016, Century Planet was incorporated as an investment holding company in the BVI with limited liability. The number of authorised ordinary shares of Century Planet is 50,000 shares of US$1.00 each. On 25 February 2016, one share in Century Planet was allotted and issued to Ms. Lo Moon Fong ("Ms. Lo"), the Company's company secretary and finance manager. On 17 June 2016, Ms. Lo transferred her entire issued share capital of Century Planet to the Company at the consideration of US$1, being the nominal amount of the share in Century Planet held by Ms. Lo. As a result, Century Planet and its subsidiaries (Nanfang Hong Kong and Changzhou Delong) became wholly owned subsidiaries of the Company on 17 June 2016.

3. Incorporation of Nanfang Hong Kong by Century Planet

Nanfang Hong Kong was incorporated in Hong Kong on 10 March 2016. On the date of its incorporation, 10,000 shares in the Nanfang Hong Kong were allotted and issued to the Century Planet at a total subscription price of HK$10,000. As a result, Nanfang Hong Kong became directly wholly owned subsidiary of Century Planet.

4. Establishment of Changzhou Delong

On 16 May 2016, Changzhou Delong was established in the PRC with Nanfang Hong Kong as its sole equity holder. As at the date of its establishment, the registered capital of Changzhou Delong was US$1.0 million and was wholly-owned by Nanfang Hong Kong.

5. Change in registered capital and paid up capital of Nanfang Communication and acquisition of the entire equity interests in Nanfang Communication by Changzhou Delong

On 17 June 2016, the paid up registered capital of Nanfang Communication was decreased to RMB10.0 million by way of capital reduction from Mr. Shi, Ms. Yu, Ms. Yu RP and Mr. Yu in the aggregate amount of RMB98.9 million of the paid up registered capital. Immediately after the decrease in the paid up registered capital, Nanfang Communication was held as to 30% by Mr. Shi, 30% by Ms. Yu, 30% by Ms. Yu RP and 10% by Mr. Yu.

On 23 June 2016, the registered capital of Nanfang Communication was increased to RMB308.9 million. Immediately after the increase in the registered capital, Nanfang Communication was held as to 96.76% by Changzhou Delong, 0.97% by Mr. Shi, 0.97% by Ms. Yu, 0.97% by Ms. Yu RP and 0.33% by Mr. Yu.

On 25 June 2016, pursuant to an equity transfer agreement amongst Mr. Shi, Ms. Yu, Ms. Yu RP and Mr. Yu and Changzhou Delong, each of Mr. Shi, Ms. Yu, Ms. Yu RP and Mr. Yu transferred to Changzhou Delong their respective equity interests in Nanfang Communication for a consideration of RMB3 million, RMB3 million, RMB3 million and RMB1 million, respectively. The consideration was determined based on the paid up registered capital of Nanfang Communication in the amount of RMB10 million and it was fully settled in cash and the transfer was completed in June 2016. Subsequent to the transfer, Nanfang Communication became a direct wholly owned subsidiary of Changzhou Delong.

6. Acquisition of the entire equity interests in Yingke by Changzhou Delong

On 27 June 2016, pursuant to an equity transfer agreement between Nanfang Communication and Changzhou Delong, Nanfang Communication transferred to Changzhou Delong its entire equity interests in Yingke for a consideration of RMB10 million. The consideration was determined based on the paid up registered capital of Yingke in the amount of RMB10 million. Subsequent to the transfer, Yingke became a direct wholly owned subsidiary of Changzhou Delong.

Upon completion of the Reorganisation, the Company has become the holding company of the companies now comprising the Group by interspersing the Company, Century Planet, Nanfang Hong Kong and Changzhou Delong, between Nanfang Communication Equity Holders and the Nanfang Communication Group. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity, accordingly, the Financial Information has been prepared as if the Company had always been the holding company of the Group.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period and the combined statements of financial position as at 31 December 2013, 2014 and 2015 and 31 May 2016 are prepared using the then carrying amounts in the financial statements of companies comprising the Group as if the current group structure had been in existence throughout the Track Record Period.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information, the Group has consistently applied International Accounting Standards ("IASs"), IFRSs, amendments and interpretations issued by the IASB which are effective for the accounting period beginning on 1 January 2016 throughout the Track Record Period.

As the date of this report, the Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs issued but not yet effective

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]

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

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

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2017

Except as disclosed below, the application of the new and revised IFRSs issued but not yet effective has had no material impact on the Group's financial performance and positions and/or the disclosures when they became effective.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs, the Directors anticipate that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 May 2016.

IFRS 15 Revenue from Contracts with Customers

In 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 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 or services. Specifically, the Standard introduces a 5-step 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 the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group has performed a review of the existing contractual arrangement with its customers and the Directors do not expect the adoption of IFRS 15 would result in significant impact on the revenue recognition of its sales activities and the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-Based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of combination

The Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the combined statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in the Financial Information using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the combined statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the

Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation of monetary items are recognised in profit or loss in the period in which they arise.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) held for use in the production or supply of goods or services, or for administrative purposes, are stated in the combined statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress, which represents assets under construction, is stated at cost less impairment loss, if any. When the assets are completed and ready for use, the carrying amount of the assets will be reclassified to property, plant and equipment and depreciated in accordance with the policy as set out above.

Impairment on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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 as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the combined statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in an associate, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year/period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense 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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land for own use

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 risk and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the combined statements of financial position and is 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of raw materials are determined based on a "first-in-first-out" basis and costs of work-in-progress and finished goods are determined on a weighted average costing method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Employee benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group's contributions to the defined contribution retirement schemes are recognised as an expense when employees have rendered service entitling them to the contributions as incurred.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as available-for-sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade, bills and other receivables, deposits, amounts due from shareholders, restricted bank balances, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets of the Group are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities of the Group (including borrowings, trade, bills and other payables and amount due to a related company) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales related taxes and discounts.

Sale of goods

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.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable 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.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment, are stated at cost less accumulated depreciation and accumulated impairment losses in the combined statements of financial position. The estimation of their useful lives is the key element for the annual depreciation expense. Management estimates useful lives of property, plant and equipment based on their experience and historical production statistics. Should the useful lives of the Group's property, plant and equipment be deviated from the estimation, higher/lower depreciation expense would lead to a decrease/increase the Group's profit respectively. Property, plant and equipment are evaluated for any possible impairment on a specific asset or in groups of similar assets, as applicable. This process requires the management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying value is written down to the recoverable amount and the impairment loss recognised is charged to profit or loss.

Estimated impairment of trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). When the actual future cash flows are less than expected, a material impairment loss may arise.

Recognition of deferred tax assets

As at 31 December 2013, 2014 and 2015 and 31 May 2016, deferred tax assets of RMB724,000, RMB1,017,000, RMB1,411,000 and RMB1,602,000 were recognised in the combined statements of financial position. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the periods in which such a reversal takes place. In cases where the actual future profits generated are higher than expected, the deferred tax assets will be adjusted and recognised in the combined statements of profit or loss and other comprehensive income in the periods in which such a situation takes place.

6. REVENUE

Revenue represents the amounts received and receivable from the sale of optical fibre cables, net of discounts, customers' returns and sales related taxes during the Track Record Period.

7. SEGMENT INFORMATION

Information reported to the General Manager of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses on revenue from the sales of optical fibre cables.

As the Group is mainly involved in the manufacture and sale of optical fibre cables, the Directors consider that the Group has one reportable operating segment. No operating segment information is presented other than the entity-wide disclosures.

Geographical information

The Group's operation is in the PRC and all its non-current assets other than available-for-sale investments are situated in the PRC.

Major customers

During the Track Record Period, the total sales to customers individually contributed over 10% of total sales of the Group are as follows:

	Year ended 31 December			Five months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Customer A	162,537	225,092	406,386	124,669	161,814
Customer B	80,113	98,490	118,304	51,507	131,797
Customer C	*N/A	45,415	65,919	*N/A	*N/A

* Revenue from this customer for the year ended 31 December 2013 and each of the five months ended 31 May 2015 and 2016 was less than 10% of the Group's total sales and was not included in the above.

8. OTHER INCOME, GAINS, EXPENSES AND LOSSES, NET

	Year ended 31 December			Five months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income	1,288	1,021	1,702	439	891
Gain (loss) on sales of other materials	1,134	(693)	(1,043)	849	175
Allowance for impairment of trade receivables	(268)	(677)	(1,121)	(795)	(1,017)
Others	(204)	(6)	(194)	(194)	(7)
	1,950	(355)	(656)	299	42

9. FINANCE COSTS

The amount represents interest on bank and other loans.

10. INCOME TAX EXPENSE

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
PRC Enterprise Income Tax ("EIT")					
– Current tax	2,455	3,657	9,932	2,240	5,987
– Deferred tax *(Note 28)*	(104)	(293)	(394)	(293)	(191)
Total income tax recognised in profit or loss	2,351	3,364	9,538	1,947	5,796

No provision for income taxes of the Company, Century Planet, Nanfang Hong Kong and Changzhou Delong in respect of the Cayman Islands, BVI and Hong Kong and the PRC was made as they did not earn assessable income therefrom during the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate applicable to Yingke was 25% for the Track Record Period while Nanfang Communication is recognised as "High and New Technology Enterprise" and is entitled to reduced EIT rate of 15% during the Track Record Period pursuant to the relevant regulations.

Income tax expense for the Track Record Period can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Five months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before tax	16,929	26,853	81,692	20,946	42,288
Tax at applicable tax rate at 15% in the PRC during the Track Record Period *(Note 1)*	2,539	4,028	12,254	3,142	6,343
Tax effect of expenses not deductible for tax purpose	352	321	724	114	1,326
Additional tax benefit applicable to the Group *(Note 2)*	(585)	(917)	(1,508)	(486)	(654)
Effect of share of results of an associate	45	(68)	(2,172)	(872)	(1,232)
Effect of a subsidiary subject to different applicable tax rate	–	–	240	49	13
Tax charge for the year/period	2,351	3,364	9,538	1,947	5,796

Notes:

1. During the Track Record Period, the PRC EIT rate of 15% was applicable to Nanfang Communication that accounts for substantial operation of the Group.

2. Pursuant to the relevant tax rules and regulation, expenses in research nature are deductible at 50% of the cost incurred additionally.

11. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Year ended 31 December			Five months ended 31 May	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Depreciation of property, plant and equipment	3,226	3,340	3,848	1,274	2,632
Release of prepaid lease payments	29	29	29	12	107
Auditors' remuneration	–	–	–	–	–
Staff costs (including the Directors' remuneration as disclosed in note 12 below):					
Salaries, wages and allowances	13,131	15,889	21,971	7,731	11,007
Retirement benefit scheme contributions	962	966	1,207	526	613
Total staff cost	14,093	16,855	23,178	8,257	11,620
Allowance for impairment of trade receivables	268	677	1,121	795	1,017
Cost of inventories recognised as cost of sales	215,413	313,770	490,660	167,301	256,706

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the individuals who were appointed as the Directors on 10 May 2016, including emoluments for services as senior management of the group entities prior to becoming the Directors, during the Track Record Period, are as follows:

	Fee	Salaries wages and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2013				
Mr. Yu	–	147	–	147
Mr. Shi	–	231	22	253
Ms. Yu	–	163	11	174
Ms. Yu RP	–	138	17	155
	–	679	50	729
Year ended 31 December 2014				
Mr. Yu	–	139	–	139
Mr. Shi	–	251	30	281
Ms. Yu	–	162	12	174
Ms. Yu RP	–	145	15	160
	–	697	57	754
Year ended 31 December 2015				
Mr. Yu	–	109	–	109
Mr. Shi	–	346	36	382
Ms. Yu	–	162	28	190
Ms. Yu RP	–	113	18	131
	–	730	82	812

	Fee	Salaries wages and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Five months ended 31 May 2015 (Unaudited)				
Mr. Yu	–	50	–	50
Mr. Shi	–	98	16	114
Ms. Yu	–	67	12	79
Ms. Yu RP	–	44	7	51
	–	259	35	294
Five months ended 31 May 2016				
Mr. Yu	–	83	–	83
Mr. Shi	–	343	38	381
Ms. Yu	–	175	12	187
Ms. Yu RP	–	108	10	118
	–	709	60	769

Employees

Of the five individuals with the highest emoluments in the Group for the each of the three years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, 4, 3, 3, 4 (Unaudited) and 4 respectively, were Directors whose emoluments are included in the disclosure above. The emoluments of the remaining 1, 2, 2, 1 (Unaudited) and 1 individuals for each of the three years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively, were as follows:

	Year ended 31 December			Five months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, wages and allowance	139	271	310	61	126
Retirement benefit scheme contributions	23	39	51	10	15
	162	310	361	71	141

	Year ended 31 December			Five months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	Number of employees			(Unaudited)	
Less than HK$1,000,000	1	2	2	1	1

Mr. Shi is General Manager of the Group and assumed Chief Executive Officer of the Group during the Track Record Period whose emoluments has been included in the above.

During the Track Record Period, no emoluments were paid by the Group to any of the Directors or five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and none of the Directors waived any emoluments.

13. DIVIDENDS

During the Track Record Period, Nanfang Communication had declared dividends to its equity holders prior to the Reorganisation as follows:

	Year ended 31 December			Five months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Equity holders of Nanfang Communication	5,000	–	–	–	–

It is not meaningful to present dividend per share information because Nanfang Communication did not have the number of shares when the above dividends were declared.

14. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Reorganisation of the Group and the results of the Group for the Track Record Period that is prepared on a combined basis as set out in note 2.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant, machinery and equipment	Leasehold improvements	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2013	12,624	41,173	–	6,890	–	60,687
Additions	–	4,720	–	–	–	4,720
At 31 December 2013	12,624	45,893	–	6,890	–	65,407
Additions	–	1,285	–	–	14,557	15,842
At 31 December 2014	12,624	47,178	–	6,890	14,557	81,249
Additions	–	14,478	–	353	36,749	51,580
Transfer from construction in progress	50,367	–	939	–	(51,306)	–
At 31 December 2015	62,991	61,656	939	7,243	–	132,829
Additions	–	2,156	1,560	–	–	3,716
At 31 May 2016	62,991	63,812	2,499	7,243	–	136,545
ACCUMULATED DEPRECIATION						
At 1 January 2013	4,729	28,888	–	5,735	–	39,352
Provided for the year	597	2,280	–	349	–	3,226
At 31 December 2013	5,326	31,168	–	6,084	–	42,578
Provided for the year	597	2,394	–	349	–	3,340
At 31 December 2014	5,923	33,562	–	6,433	–	45,918
Provided for the year	998	2,660	30	160	–	3,848
At 31 December 2015	6,921	36,222	30	6,593	–	49,766
Provided for the period	1,212	1,292	78	50	–	2,632
At 31 May 2016	8,133	37,514	108	6,643	–	52,398
CARRYING VALUE						
At 31 December 2013	7,298	14,725	–	806	–	22,829
At 31 December 2014	6,701	13,616	–	457	14,557	35,331
At 31 December 2015	56,070	25,434	909	650	–	83,063
At 31 May 2016	54,858	26,298	2,391	600	–	84,147

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis based on their estimated useful lives, after taking into account the estimated residual value, as follows:

Buildings	20 – 30 years
Plant, machinery and equipment	5 – 10 years
Motor vehicles	5 years
Leasehold improvements	5 years

The Group's properties are located in the PRC and are held under medium term lease.

At the end of each reporting period, the Group has the following items of property, plant and equipment with the following original cost that have been fully depreciated but still in use:

	At 31 December			At 31 May
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	167	167	167	749
Plant, machinery and equipment	23,970	27,318	29,346	29,952
Motor vehicles	4,198	5,664	6,890	6,890
	28,335	33,149	36,403	37,591

The Group is in the process of obtaining the property ownership certificates of certain buildings with carrying amounts of RMB694,000, RMB569,000, RMB444,000 and RMB395,000 as at 31 December 2013, 2014 and 2015 and 31 May 2016 respectively.

16. PREPAID LEASE PAYMENTS

The Group

	At 31 December			At 31 May
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current portion	1,371	1,342	1,313	12,971
Current portion	29	29	29	258
	1,400	1,371	1,342	13,229

The prepaid lease payments of the Group are held under medium-term leases in the PRC.

17. INTEREST IN AN ASSOCIATE

The Group

Details of the Group's interest in an associate are as follows:

	At 31 December			At 31 May
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investment in an associate, unlisted	39,200	73,500	73,500	73,500
Share of post-acquisition results of an associate	(303)	640	18,071	26,777
	38,897	74,140	91,571	100,277

As at 31 December 2013, 2014 and 2015 and 31 May 2016, the details of the Group's interest in an associate are as follows:

Name of entity	Form of business structure	Place and date of establishment	Principal place of operation	Proportion of equity interests held by the Group as at 31 December 2013	2014	2015	31 May 2016	Date of this report	Proportion of voting power held	Principal activities
Jiangsu Nanfang Optic Electric Technology Company Limited (江蘇南方光纖科技有限公司)	Incorporated	The PRC 19 June 2013	The PRC	49%	49%	49%	49%	49%	49%	Manufacture and sale of optical fibre

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

	At 31 December			At 31 May
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	48,912	87,913	211,475	160,539
Non-current assets	32,126	155,303	144,512	143,138
Current liabilities	(1,657)	(91,909)	(169,108)	(99,030)
Net assets	79,381	151,307	186,879	204,647
Proportion of the Group's ownership interest therein	49%	49%	49%	49%
Group's share of net assets of an associate	38,897	74,140	91,571	100,277

	Year ended 31 December			Five months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	–	59,053	278,839	108,654	139,470
(Loss) profit and total comprehensive (expenses) income for the year/period	(619)	1,925	35,573	13,570	17,768
Group's share of (loss) profit of an associate*	(303)	943	17,431	6,649	8,706

* Included in the Group's share of profit of an associate is unrealised profit of RMB489,000, RMB2,953,000, RMB835,000 (Unaudited) and RMB495,000 for each of the years ended 31 December 2014 and 2015 and the five months ended 31 May 2015 and 2016, respectively, as a result of optical fibre sold by the associate to the Group remained unsold as at 31 December 2014 and 2015 and 31 May 2015 and 2016.

18. AVAILABLE-FOR-SALE INVESTMENTS

The Group

	At 31 December			At 31 May
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investments, unlisted				
– classified as non-current *(Note)*	3,000	600	–	–
– classified as current	230	230	230	230
	3,230	830	230	230

Note: The amount represents an equity investment in a partnership, which is established in the PRC, and RMB2,400,000 and RMB600,000 were redeemed in 2014 and 2015, respectively.

The above investments are stated at cost less any identified impairment losses because they do not have reliable market price in an active market and, in the opinion of the Directors, whose fair value cannot be reliably measured.

19. INVENTORIES

The Group

	At 31 December			At 31 May
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	36,370	27,777	20,261	23,670
Work in progress	2,158	1,994	2,220	5,677
Finished goods	14,722	19,763	30,075	19,760
	53,250	49,534	52,556	49,107

20. TRADE RECEIVABLES

The Group

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	276,198	338,742	446,834	570,905
Less: Allowance of doubtful debts	(1,348)	(2,025)	(3,146)	(4,163)
	274,850	336,717	443,688	566,742

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on revenue recognition date:

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 6 months	150,792	173,098	336,502	411,447
More than 6 months, but less than 1 year	64,016	116,965	83,247	108,849
More than 1 year	60,042	46,654	23,939	46,446
	274,850	336,717	443,688	566,742

For each of the three years ended 31 December 2013, 2014 and 2015 and the five months ended 31 May 2015 and 2016, 92.6%, 93.2%, 95.4%, 94.3% (Unaudited) and 99.7% of the Group's sales of optical fibre cables and other materials were made to the three state-owned telecommunication network operators ("state-owned telecommunication companies"), respectively, and the remainder were made to other third parties. According to the relevant sales agreements with state-owned telecommunication companies, 70% - 90% payment is made, amongst others, upon completing delivery of goods by orders with invoices issued and, subject to the different circumstances, the Group usually receives such initial payment in 12 months, in general, upon acceptance of goods with the remainder be paid in the next 6 months. In addition, the Group granted credit periods of no longer than 1 year to those long standing third party customers with good repayment history. The Group does not obtain collateral from customers.

Age of receivables that are past due but not impaired is analysed as follows:

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 6 months	32,998	36,076	19,447	16,928
More than 6 months, but less than 1 year	9,219	6,719	5,613	14,995
More than 1 year	22,444	11,066	10,913	12,383
	64,661	53,861	35,973	44,306

The management assessed at each of the reporting date whether there is objective evidence that trade receivables are impaired. The Group would provide for individual receivable that were considered to be impaired based on management assessment performed at the end of each reporting period.

Movements in the allowance of doubtful debts are set out as follows:

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	1,080	1,348	2,025	3,146
Provided during the year/period	268	677	1,121	1,017
At the end of the year/period	1,348	2,025	3,146	4,163

Certain bank borrowings were secured by rights on trade receivables of the Group. Details of the bank borrowings are set out in note 24.

21. BILLS RECEIVABLE

The Group

At the end of each reporting period, the Group's bills receivable were issued by banks with maturity within 6 months.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for inventories	8,472	2,792	16,778	12,419
Prepayments for property, plant and equipment and prepaid lease payments	–	9,920	12,452	337
Deposits paid	4,812	5,925	3,809	3,284
Value-added-tax ("VAT") recoverable	–	–	1,825	–
Other receivables				
– Due from Ms. Yu	703	7,745	–	–
– Due from a related company	2,940	12,650	–	–
– Due from local government	17,954	18,454	46	46
– Others	4,714	3,933	2,472	2,419
Deferred listing expenses	–	–	–	2,321
	39,595	61,419	37,382	20,826
Less: Portion classified as non-current	–	(9,920)	(12,452)	(337)
Current portion	39,595	51,499	24,930	20,489

The amount due from Ms. Yu was unsecured, interest-free and was fully repaid in 2015. The maximum amounts due from Ms. Yu were RMB23,600,000, RMB7,745,000 and RMB7,745,000 for the three years ended 31 December 2013, 2014 and 2015, respectively.

The related company is 常州精科實業有限公司 ("Jing Ke"), which is controlled by Mr. Yu and his wife. The amount due from the related company was unsecured, interest-free and was fully repaid in 2015. The maximum amounts due from the related company were RMB42,870,000, RMB22,870,000 and RMB17,870,000 for the three years ended 31 December 2013, 2014 and 2015, respectively.

The amounts due from the local government and others were unsecured and interest-free.

The Company

As at 31 May 2016, the Company had deferred listing expenses of RMB2,321,000 and amounts due from shareholders, which were unsecured, interest-free and had no fixed terms of repayment.

23. RESTRICTED BANK BALANCES, BANK BALANCES AND CASH

The Group

Restricted bank balances and bank balances carry interest at prevailing market interest rates ranging from 0.3% to 0.35% per annum during the Track Record Period.

As at 31 December 2013, 2014 and 2015 and 31 May 2016, the Group's restricted bank balances were pledged to banks for issuing bills payable (see note 26).

24. BORROWINGS

The Group

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
– Unsecured	26,000	83,000	33,000	63,500
– Unsecured with guarantees *(Note (a))*	30,000	50,000	68,000	43,000
– Secured *(Note (b))*	90,000	–	–	–
– Secured with guarantees *(Note (c))*	20,000	20,000	20,000	20,000
Other loan, unsecured *(Note (d))*	11,000	11,000	8,000	8,000
	177,000	164,000	129,000	134,500

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed as:				
– At fixed interest rate	137,000	124,000	70,000	96,500
Interest rate (per annum)	3.3%-7.2%	3.3%-7.2%	3.3%-5.6%	3.3%-4.7%
– At variable interest rate	40,000	40,000	59,000	38,000
Interest rate (per annum)	5.6%	5.6%	4.1%-4.7%	4.4%
	177,000	164,000	129,000	134,500

The above bank loans are repayable within one year from the end of each reporting period whereas the above other loan is repayable on demand.

Notes:

(a) As at 31 December 2013, the repayment of these bank loans were jointly and severally guaranteed by third parties, Ms. Yu, Ms. Yu RP, Mr. Yu and his wife at nil consideration.

As at 31 December 2014, included in these bank loans were amounts of RMB20,000,000 that their repayment were jointly and severally guaranteed by third parties, Mr. Yu and his wife. The repayment of the remaining bank loans were jointly and severally guaranteed by Mr. Yu, Jing Ke, Ms. Yu RP and the Spouse at nil consideration.

As at 31 December 2015, included in these bank loans were amounts of RMB48,000,000 that their repayment were guaranteed by group companies. The repayment of the remaining bank loan was jointly and severally guaranteed by Mr. Yu, Jing Ke, Ms. Yu RP and the Spouse at nil consideration.

As at 31 May 2016, the repayment of these bank loans is guaranteed by Yingke at nil consideration.

(b) These bank loans were secured by certain trade receivables of the Group.

(c) As at 31 December 2013, the bank loan was secured by certain trade receivables of the Group and its repayment was jointly and severally guaranteed by Mr. Yu, Jing Ke, Ms. Yu RP and Ms. Yu at nil consideration.

As at 31 December 2014, the bank loan was secured by certain trade receivables of the Group and its repayment was jointly and severally guaranteed by Mr. Yu, Jing Ke, Ms. Yu RP and Ms. Yu at nil consideration.

At 31 December 2015 and 31 May 2016, the bank loan was secured by certain trade receivables of the Group and its repayment was jointly and severally guaranteed by Mr. Yu, Jing Ke, Ms. Yu RP, Ms. Yu and a group company at nil consideration. The bank loan was fully repaid in June 2016.

(d) The other loan was unsecured, bore fixed interest rate at 3.3% per annum and was fully repaid in June 2016.

25. TRADE PAYABLES

The Group

The average credit period on purchases of materials is within 4 months upon receipts of the materials and the relevant VAT invoices.

The following is an aged analysis of trade payables, presented based on the invoice date:

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 6 months	26,204	44,319	203,711	265,634
More than 6 months, but less than 1 year	26,538	43,293	28,371	12,765
More than 1 year	3,505	1,984	3,321	3,819
	56,247	89,596	235,403	282,218

Included in trade payables are amounts due to an associate of RMB Nil, RMB20,623,000, RMB86,748,000 and RMB132,286,000 as at 31 December 2013, 2014 and 2015 and 31 May 2016, respectively. The amounts due to the associate are unsecured, interest-free and payable according to the relevant purchase agreements.

26. BILLS PAYABLE

The Group

At the end of each reporting period, the Group's bills payable were issued by banks with maturity within 6 months and were secured by the Group's restricted bank balances.

27. ADVANCES FROM CUSTOMERS AND OTHER PAYABLES

The Group

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	–	271	1,110	234
Other payables *(Note)*	413	12,342	30,332	31,063
Listing expenses payable	–	–	–	7,923
Salaries and wages payables	3,911	6,010	9,452	8,245
Other taxes payable	23,709	32,282	45,904	51,008
	28,033	50,905	86,798	98,473

Note: Other payables mainly included interest payable, construction payables and a payable relating to the purchase of the Group's land use rights.

The Company

As at 31 May 2016, the Company had listing expenses payable of RMB7,923,000 and an amount due to a related company (Nanfang Communication) of RMB1,361,000, which is unsecured, interest-free and has no fixed terms of repayment.

28. DEFERRED TAX ASSETS

The Group

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	724	1,017	1,411	1,602

The movement in deferred tax assets during the Track Record Period is as follows:

	Allowance for impairment of trade receivables	Accruals for staff costs	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013	162	458	620
Credit to profit or loss	40	64	104
At 31 December 2013	202	522	724
Credit to profit or loss	102	191	293
At 31 December 2014	304	713	1,017
Credit to profit or loss	168	226	394
At 31 December 2015	472	939	1,411
Credit to profit or loss	152	39	191
At 31 May 2016	624	978	1,602

29. PAID-IN CAPITAL/SHARE CAPITAL AND RESERVE OF THE COMPANY

The Group

The paid-up capital as at 31 December 2012, 2013, 2014 and 2015 represents the combined paid-up capital of Nanfang Communication.

The paid-up capital as at 31 May 2016 represents the combined paid-up capital of Nanfang Communication and the Company.

The Company

On incorporation, the authorised share capital of the Company is HK$380,000 divided into 380,000,000 shares of HK$0.001 each and one ordinary share of nominal value of HK$0.001 was issued to the initial subscriber of the Company.

On 27 June 2016, as part of the Reorganisation, the Company, through its indirect wholly-owned subsidiary (Changzhou Delong), acquired the entire registered capital of Nanfang Communication from the Nanfang Communication Equity Holders and has become the holding company of the Group since then.

Movements of the Company's reserve for the period from 10 May 2016 (date of incorporation) to 31 May 2016 are as follows:

	Accumulated losses
	RMB'000
At 10 May 2016 (date of incorporation)	–
Loss for the period	(6,963)
At 31 May 2016	(6,963)

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that 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 Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debts (mainly bank and other loans), net of bank balances and cash, and equity attributable to owners of the Company, comprising paid-in capital and reserves.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	At 31 December			At 31 May
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including restricted bank balances, bank balances and cash)	440,758	575,051	780,399	818,599
Available-for-sale investments	3,230	830	230	230
Financial liabilities				
Amortised costs	(296,791)	(442,078)	(643,269)	(638,399)

The Company

	At 31 May 2016
	RMB'000
Financial assets	
Loans and receivables (being amounts due from shareholders)	*–
Financial liabilities	
Amortised costs	(9,284)

* Amount less than RMB1,000.

Financial risk management objectives and policies

The major financial instruments include available-for-sale investments, trade, bills and other receivables, deposits, amounts due from shareholders, restricted bank balances, bank balances and cash, trade, bills and other payables, amounts due to a related company, and borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group's operations were principally in the PRC during the Track Record Period and it mainly made sales and incurred production costs and expenses in RMB that currency risk is insignificant while they expose to other financial risks; principally interest rate risk, credit risk and liquidity risk. Continuous monitoring of these risks ensures that the Group is protected against any adverse effects of such risks so far as it is possible and foreseeable.

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 at 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.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable interest bearing bank balances and borrowings (based on PRC inter-bank loan prime rate) at the end of each of the reporting period and assumed that these amounts outstanding at the end of each of the reporting period were outstanding for the whole relevant year/period.

If interest rates on bank balances and borrowings of the Group had been 10 basis points higher, and all other variables were held constant, the potential effect on post-tax results is as follows:

	Year ended 31 December			**Five months ended 31 May**	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Increase in post-tax profit	75	124	219	113	168

There would be an equal and opposite impact on the above post-tax results, should the aforesaid interest rate be 10 basis points lower in the above sensitivity analysis.

The above sensitivity analysis represents management's assessment of the reasonably possible change in interest rate.

No analysis of the Company is presented as it had no variable bank balances and borrowings as at 31 May 2016.

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 combined statements of financial position.

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimize 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 on restricted bank balances and bank balances is minimal as such amounts are placed in banks with good reputation.

The Group has concentration of credit risk because 89.3%, 93.2%, 93.4% and 95.9% of trade receivables as at 31 December 2013, 2014 and 2015 and 31 May 2016 were due from the state-owned telecommunication companies with good repayment history and strong financial background.

Other than the above, the Group does not have significant concentration of credit risk.

The Company does not have significant concentration of credit risk as at 31 May 2016.

Liquidity risk

The Group's management monitors the Group's cash flow positions on a regular basis to ensure 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 shareholders' capital contributions.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of each of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. To the extent that interest flows are at variable rate, the undiscounted amount is derived from interest rate at the end of each of the reporting period.

The Group

	Weighted average effective interest rate	Repayable on demand or less than six months	Seven months to one year	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2013					
Borrowings					
– at variable rate	5.6	29,128	11,182	40,310	40,000
– at fixed rate	5.9	138,927	–	138,927	137,000
Trade, bills and other payables		119,791	–	119,791	119,791
		287,846	11,182	299,028	296,791
At 31 December 2014					
Borrowings					
– at variable rate	5.6	25,674	15,177	40,851	40,000
– at fixed rate	5.8	65,409	62,183	127,592	124,000
Trade, bills and other payables		278,078	–	278,078	278,078
		369,161	77,360	446,521	442,078
At 31 December 2015					
Borrowings					
– at variable rate	4.4	59,511	–	59,511	59,000
– at fixed rate	4.8	58,063	13,177	71,240	70,000
Trade, bills and other payables		514,269	–	514,269	514,269
		631,843	13,177	645,020	643,269
At 31 May 2016					
Borrowings					
– at variable rate	4.4	38,389	–	38,389	38,000
– at fixed rate	4.4	46,444	52,075	98,519	96,500
Trade, bills and other payables		503,899	–	503,899	503,899
		588,732	52,075	640,807	638,399

The Company

The Company's financial liabilities are unsecured, interest-free and repayable on demand.

Fair value

The fair value of the Group's financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

32. CAPITAL COMMITMENTS

	At 31 December			At 31 May
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	666	25,475	3,115	1,678

33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, the Group had the following transactions with its related parties during the Track Record Period:

Continuing transactions

	Year ended 31 December			Five months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Purchases of optical fibre from an associate	–	22,755	208,518	42,094	139,441

The above transactions were conducted in accordance with the relevant agreements.

Discontinued transactions

The Group also had the following related party transactions to be discontinued upon listing on the Main Board of the Stock Exchange:

(a) During the Track Record Period, the Group used certain office premise of Jing Ke at nil consideration.

(b) During the Track Record Period, Mr. Yu and his wife, Jing Ke, Ms. Yu RP and the Spouse provided guarantees to certain banks in favour of the Group for granting certain bank loans at nil consideration. Details of these bank loans are set out in note 24.

In addition to the above, the remuneration of Directors and other members of key management during the Track Record Period were as follows:

	Year ended 31 December			Five months ended 31 May	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short-term benefits	1,027	1,069	1,153	408	975
Post-employment benefits	103	108	150	58	92
	1,130	1,177	1,303	466	1,067

B. DIRECTORS' REMUNERATION

Under the arrangement currently in force, the aggregate amount of remunerations of the Directors payable for the year ending 31 December 2016 is estimated to be approximately RMB2,880,000 (excluding any discretionary bonus).

C. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, subsequent events of the Group are detailed as below:

(a) On 27 June 2016, the Company completed the Reorganisation. Details of which are set out in note 2.

(b) Pursuant to deeds dated 29 September 2016, Mr. Yu, Ms. Yu and Ms. Yu RP agreed to waive the Group from all repayment obligations in respect of an aggregate amount of approximately RMB113.3 million which was advanced by them to increase the registered capital of Changzhou Delong, a wholly-owned subsidiary of the Company. Accordingly, the Group credited the same amount to its contributed surplus reserve.

(c) On 24 November 2016, written resolutions of the sole shareholder of the Company were passed to approve the matters set out in "Appendix IV – A. Further information about our Company – 5. Written resolutions of our sole Shareholder" to the Prospectus. It was resolved, among other things, that:

(1) the authorised ordinary share capital of the Company was increased from HK$380,000 divided into 380,000,000 ordinary shares of the Company of HK$0.001 each to HK$8,000,000 divided into 8,000,000,000 ordinary shares of the Company of HK$0.001 each by the creation of additional 7,620,000,000 ordinary shares of the Company of HK$0.001 each, such additional ordinary share of the Company shall rank pari passu in all respects with the existing ordinary shares of the Company;

(2) conditional upon, amongst others, (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board of the Stock Exchange, the ordinary shares of the Company in issue and to be issued as mentioned in the Prospectus; and (ii) the obligations of the underwriting agreements in relation to the global offering of the ordinary shares of the Company (the "Underwriting Agreements") becoming and remaining unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) the rules of the share option scheme were conditionally approved and adopted, and the Directors or any committee thereof established by the board of Directors of the Company were authorised, at their sole discretion, to grant options to subscribe for the ordinary shares of the Company under the share option scheme and to allot and issue the ordinary shares of the Company pursuant to the exercise of options granted under the share option scheme and to take such action as they consider necessary, expedient or desirable to implement the share option scheme. (The principal terms of the share option scheme are summarised in the section headed "D. Share Option Scheme" in Appendix IV to the Prospectus); and

(ii) subject to the share premium account of the Company being credited as a result of the global offering, the Directors were authorised to allot and issue a total of 839,999,900 ordinary shares of the Company, credited as fully paid at par, to the shareholders of the Company on 24 November 2016 (or such other time as our Directors may direct) by way of capitalisation of a sum of HK$839,999.9 standing to the credit of the share premium account of the Company, and that the ordinary shares of the Company to be allotted and issued shall, as nearly as possible, not involve fractions and shall rank pari passu in all respects with the then existing issued ordinary shares of the Company.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 May 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the accountants' report on the financial information of our Group for the three years ended 31 December 2015 and the five months ended 31 May 2016 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus, and is included herein for information only. The pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company prepared in accordance with paragraph 4.29(1) of the Listing Rules is set out below to illustrate the effect of the Global Offering on the audited combined net tangible assets of the Group as if the Global Offering had taken place on 31 May 2016.

The statement of unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 May 2016 or any future date following the Global Offering.

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 May 2016 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 May 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on Offer Price of HK$0.92 per Share	367,839	191,291	559,130	0.50	0.60
Based on Offer Price of HK$1.10 per Share	367,839	232,031	599,870	0.54	0.64

Notes:

(1) The audited combined net tangible assets of the Group attributable to the owners of the Company is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited combined total equity of the Group as at 31 May 2016 of approximately RMB367,839,000.

(2) The estimated net proceeds from the issue of the Offer Shares pursuant to the Global Offering are based on 280,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK$0.92 and HK$1.10 per Offer Share, respectively, after deduction of the underwriting commissions and fees and other related expenses incurred and to be incurred by the Company since 1 June 2016. The calculation of such estimated net proceeds does not take into account any Shares which may be allotted and issued pursuant to the exercise of Over-allotment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "Issuing Mandate" or the section headed "Repurchase Mandate". The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.83, which was the exchange rate prevailing on 31 May 2016. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at all.

(3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 1,120,000,000 Shares in issue immediately following the completion of the Global Offering. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of Over-allotment Option, the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "Issuing Mandate" or the section headed "Repurchase Mandate".

(4) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is converted from RMB into Hong Kong dollars at the rate of RMB1.00 to HK$1.20, which was the exchange rate prevailing on 31 May 2016. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 May 2016. In particular, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company in the table above have not been adjusted to show the effect of the following events occurred after to 31 May 2016:

   (a) the settlement of payables to Mr. Shi, Ms. Yu, Ms. Yu RP and Mr. Yu in the aggregate amount of RMB108.9 million in June 2016 as a result of the capital reduction of Nanfang Communication and Changzhou Delong's acquisition from Mr. Shi, Ms. Yu, Ms. Yu RP and Mr. Yu for their entire aggregate 10% of equity interests in Nanfang Communication following the capital reduction; and

   (b) the waiver given by Mr. Yu, Ms. Yu and Ms. Yu RP to the Group from all repayment obligations in respect of an aggregate amount of approximately RMB113.7 million in September 2016 which was advanced by them to increase the registered capital of Changzhou Delong, a wholly-owned subsidiary of the Company.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE PRO FORMA FINANCIAL INFORMATION

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of our Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF NANFANG COMMUNICATION HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Nanfang Communication Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the statement of unaudited pro forma adjusted combined net tangible assets as at 31 May 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 November 2016 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at 31 May 2016 as if the Global Offering had taken place at 31 May 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 May 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 May 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 November 2016

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 May, 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its memorandum of association (the "Memorandum") and its articles of association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 24 November 2016 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine), or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers published daily and circulating generally in Hong Kong and in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which be may those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of 20 years from 28 June 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

(a) Our Company is an exempted company incorporated in the Cayman Islands with limited liability on 10 May 2016 under the Companies Law. Our Company has established our principal place of business in Hong Kong at Suite 812, 8/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Ms. Lo Moon Fong of Flat 1616, Kwong Cheong House, Kwong Ming Court, Tseung Kwan O, New Territories, Hong Kong has been authorised to accept on behalf of our Company service of any process or notice required to be served on our Company in Hong Kong.

(b) As our Company was incorporated in the Cayman Islands, our corporate structure, the Memorandum of Association and the Articles of Association are subject to Cayman Islands law. A summary of the relevant provisions of the Memorandum of Association, the Articles of Association and certain aspects of the Cayman Islands company law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

The authorised share capital of our Company as at the date of incorporation was HK$380,000 divided into 380,000,000 shares of nominal value of HK$0.001 each. Immediately following completion of the Capitalisation Issue and the Global Offering but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of any options which may be granted under the Share Option Scheme, the authorised share capital of our Company will be HK$8,000,000 divided into 8,000,000,000 Shares, of which 1,120,000,000 Shares will be issued fully paid or credited as fully paid, and 6,880,000,000 Shares will remain unissued.

Other than pursuant to the exercise of Over-allotment Option or any option which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in the paragraph headed: "5. Written resolutions of our sole Shareholder" of this appendix, there has been no alteration in our share capital within the two years preceding the date of this prospectus.

3. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganisation, please refer to the paragraph headed "History, reorganisation and corporate structure – Reorganisation" of this prospectus.

4. Changes in the registered capital of our subsidiaries

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus.

Nanfang Communication

Nanfang Communication was established in the PRC on 27 July 1992. At the commencement of the Track Record Period (i.e. 1 January 2013), its paid up registered capital was RMB108.9 million, which was held as to 30% by Mr. Shi, 30% by Ms. Yu, 30% by Ms. Yu RP and 10% by Mr. Yu.

On 19 November 2014, the registered capital of Nanfang Communication was increased to RMB398.9 million. Subsequent to the increase in the registered capital, Nanfang Communication was held as to 30% by Mr. Shi, 30% by Ms. Yu, 30% by Ms. Yu RP and 10% by Mr. Yu. The increased registered capital, being RMB290 million, had not been paid up up to and prior to the Reorganisation.

On 17 June 2016, the paid up registered capital of Nanfang Communication was decreased to RMB10.0 million by way of capital reduction from Mr. Shi, Ms. Yu, Ms. Yu RP and Mr. Yu in the aggregate amount of RMB98.9 million of paid up registered capital. Immediately after the decrease in the paid up registered capital, Nanfang Communication was held as to 30% by Mr. Shi, 30% by Ms. Yu, 30% by Ms. Yu RP and 10% by Mr. Yu.

On 23 June 2016, the registered capital of Nanfang Communication was increased to RMB308.9 million. Immediately after the increase in the registered capital, Nanfang Communication was held as to 96.76% by Changzhou Delong, 0.97% by Mr. Shi, 0.97% by Ms. Yu, 0.97% by Ms. Yu RP and 0.33% by Mr. Yu.

On 25 June 2016, each of Mr. Shi, Ms. Yu, Ms. Yu RP and Mr. Yu transferred to Changzhou Delong their respective equity interests in Nanfang Communication for a consideration of RMB3 million, RMB3 million, RMB3 million and RMB1 million respectively. The consideration was determined based on the paid up registered capital of Nanfang Communication in the amount of RMB10 million and the consideration was fully settled in cash and the transfer was completed in June 2016. For further information about the transfer, please refer to the section headed "History, reorganisation and corporate structure – Reorganisation" of this prospectus.

Yingke

Yingke was established in the PRC on 8 August 2013. The initial registered capital of Yingke was RMB100 million, which was held as to 95% by Nanfang Communication and 5% by Mr. Shi respectively.

On 28 July 2015, the paid up registered capital of Yingke was decreased to RMB10 million by way of capital reduction from Nanfang Communication and Mr. Shi in the aggregate amount of RMB90 million which was released in July 2015. Immediately after the decrease in the paid up registered capital, Yingke was held as to 95% by Nanfang Communication and 5% by Mr. Shi respectively.

On 31 August 2015, Mr. Shi transferred to Nanfang Communication his entire equity interests in Yingke for a consideration of RMB0.5 million. The consideration was determined based on the then paid up registered capital of Yingke in the amount of RMB10 million and the consideration was fully settled in cash and the transfer was completed on 9 September 2015.

On 27 June 2016, pursuant to an equity transfer agreement between Nanfang Communication and Changzhou Delong, Nanfang Communication transferred to Changzhou Delong its equity interests in Yingke for a consideration of RMB10 million. The consideration was determined based on the paid up registered capital of Yingke in the amount of RMB10 million and the consideration was fully settled in cash and the transfer was completed in June 2016. For further information about the transfer, please refer to the paragraph headed "History, reorganisation and corporate structure – Corporate development" of this prospectus.

Changzhou Delong

Changzhou Delong was established in the PRC on 16 May 2016. Its initial registered capital was US$1.0 million, which was wholly owned by Nanfang Hong Kong.

On 29 August 2016, the registered capital of Changzhou Delong was increased to US$17.0 million. Subsequent to the increase in the registered capital, Changzhou Delong remained wholly owned by Nanfang Hong Kong. As at the Latest Practicable Date, the paid up registered capital of Changzhou Delong was approximately RMB113.3 million.

5. *Written resolutions of our sole Shareholder*

Pursuant to the written resolutions of our sole Shareholder passed on 24 November 2016:

(a) the authorised share capital of our Company was increased from HK$380,000 divided into 380,000,000 Shares of HK$0.001 each to HK$8,000,000 divided into 8,000,000,000 Shares of HK$0.001 each by the creation of additional 7,620,000,000 Shares of HK$0.001 each, such additional Shares to rank pari passu in all respects with the existing Shares;

(b) conditional upon the conditions stated in the paragraph headed "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" of this prospectus being fulfilled or waived:

(i) the Global Offering on the terms and conditions of this prospectus and the Application Forms at the Offer Price was approved and our Directors were authorised to allot and issue the Offer Shares;

(ii) conditional further on the Listing Committee granting the listing of, and the permission to deal in, such number of Shares which may be allotted and issued upon the exercise in full of the options which may be granted under the Share Option Scheme, the Share Option Scheme was approved and adopted, and our Directors or any committee of our Board were authorised, at their sole discretion, to make such further changes to the Share Option Scheme as requested by the Stock Exchange and which they may consider necessary, desirable or expedient in connection with the grant of options to subscribe for the Shares under the Share Option Scheme up to the limits as referred to in the Share Option Scheme and to allot, issue and deal with the Shares under the exercise of any option which may be granted under the Share Option Scheme and to take all such actions as they may consider necessary, desirable or expedient to implement the Share Option Scheme;

(iii) subject to the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to allot and issue a total of 839,999,900 Shares, credited as fully paid at par, to our Shareholders whose names appear on the register of members of our Company at 5:00 p.m. on 24 November 2016 (or such other time as our Directors may direct) by way of capitalisation of a sum of HK$839,999.9 standing to the credit of the share premium account of our Company, and that the Shares to be allotted and issued shall, as nearly as possible, not involve fractions and shall rank pari passu in all respects with the then existing issued Shares;

(iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to allot, issue and deal with the Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive the Shares) which might require the Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, other than under (a) a Rights Issue (as defined below); (b) any scrip dividend scheme or similar arrangement providing for the allotment and issue of the Shares in lieu of the whole or part of a dividend on the Shares in accordance with the Articles of Association; (c) any specific authority granted by our Shareholders in general meeting; or (d) the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme, shall not exceed 20% of the enlarged issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering;

(v) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company might be listed and which was recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as would represent up to 10% of the enlarged issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering, excluding any Share which might be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme; and

(vi) the general unconditional mandate as mentioned in paragraph 5(b)(iv) above was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors under such general mandate of an amount representing the aggregate number of Shares purchased by our Company under the mandate to repurchase Shares as referred to in paragraph 5(b)(v) above,

for the purpose of paragraph 5(b)(iv) above, "Rights Issue" means an offer of Shares or issue of options, warrants or other securities giving the right to subscribe for the Shares open for a period fixed by our Directors to our Shareholders whose names appear on the register of members of our Company (and, where appropriate, to holders of other securities of our Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as our Directors may consider necessary, desirable or expedient (but in compliance with the relevant Listing Rules) in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to our Company).

Each of the general mandates referred to in paragraph 5(b)(iv) and 5(b)(v) above will remain in effect until the earliest of (i) the conclusion of our Company's next annual general meeting; (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any applicable law of the Cayman Islands to be held; and (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting;

(c) the appointment of our Directors was approved and confirmed; and

(d) the Memorandum of Association and the Articles of Association were approved and adopted with immediate effect and with effect from the Listing Date respectively.

6. Repurchase of our own securities

This paragraph includes information relating to the repurchase of Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

The Listing Rules permit our Shareholders to grant to our Directors the Repurchase Mandate which are listed on the Stock Exchange. The Repurchase Mandate is required to be given by way of an ordinary resolution passed by our Shareholders in general meeting.

(b) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 24 November 2016, our Directors were granted the general mandate to repurchase up to 10% of the enlarged issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme) on the Stock Exchange or on any other stock exchange on which our securities may be listed and which was recognised by the SFC and the Stock Exchange for this purpose. The Repurchase Mandate will expire at the earliest of (i) the conclusion of our Company's next annual general meeting; (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting (the "**Relevant Period**").

(c) Source of funds

Repurchase of Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association, the Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, we may make repurchases out of our profit or share premium or out of the proceeds of a fresh issue of the Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the nominal value of the Shares to be repurchased must be out of profits of our Company or out of the share premium account of our Company. Subject to the Companies Law, repurchase may also be made out of capital.

(d) Reasons for repurchases

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made where our Directors believe that the repurchases will benefit us and our Shareholders.

(e) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum of Association, the Articles of Association, the Listing Rules, the Companies Law and other applicable laws of the Cayman Islands. On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) Share capital

The exercise in full of the current general mandate to repurchase Shares, on the basis of 1,120,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), could accordingly result in up to 112,000,000 Shares being repurchased by us during the Relevant Period.

(g) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Share to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they shall exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

None of the core connected persons of our Company has notified us that he or she or it has a present intention to sell his/her/its Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus which are or may be material:

(a) the equity transfer agreement dated 31 August 2015 between Nanfang Communication as purchaser and Mr. Shi as vendor, pursuant to which Nanfang Communication agreed to acquire 5% equity interests in Yingke at a consideration of RMB0.5 million;

(b) the sale and purchase agreement dated 17 June 2016 between our Company as purchaser and Ms. Lo Moon Fong as vendor, pursuant to which our Company agreed to acquire the entire issued share capital in Century Planet from Ms. Lo Moon Fong at a consideration of US$1;

(c) the equity transfer agreement dated 25 June 2016 between Changzhou Delong as purchaser and Mr. Shi, Ms. Yu, Ms. Yu RP and Mr. Yu as vendors, pursuant to which Changzhou Delong agreed to acquire 0.97%, 0.97%, 0.97% and 0.33% equity interests in Nanfang Communication from Mr. Shi, Ms. Yu, Ms. Yu RP and Mr. Yu at a consideration of RMB3 million, RMB3 million, RMB3 million and RMB1 million, respectively;

(d) the equity transfer agreement dated 27 June 2016 between Changzhou Delong as purchaser and Nanfang Communication as vendor, pursuant to which Changzhou Delong agreed to acquire the entire equity interest in Yingke from Nanfang Communication at a consideration of RMB10 million;

(e) the Deed of Indemnity;

(f) the Deed of Non-competition; and

(g) the Hong Kong Underwriting Agreement.

2. *Intellectual property rights*

(a) Trademark

As at the Latest Practicable Date, we had registered the following trademarks which are material to our business:

No.	Trademark	Registered owner	Trademark number	Registration Date	Class	Place of registration	Registration period
1.		Nanfang Communication	9486955	14 March 2014	9	The PRC	14 March 2014 to 13 March 2024
2.	南方通信 Nanfang Communication 南方通信 Nanfang Communication	Yingke	303717171	18 March 2016	9, 16, 35, 38, and 42	Hong Kong	18 March 2016 to 17 March 2026

(b) Patents

As at the Latest Practicable Date, we had registered the following patents which are material to our business:

No.	Patent name	Registered owner	Patent number	Type	Place of registration	Registration period
1.	Oleamen spraying water resistant technology for optical cable and applied spraying machine (光纜油膏噴塗阻水工藝及所用噴塗機)	Nanfang Communication	200410065727.4	Invention	The PRC	10 November 2004 to 10 November 2024
2.	Extrinsic type Fabry-Perot sensor and manufacture method thereof (非本徵型法布里-珀羅感測器及其製作方法)	Nanfang Communication	201010003979.X	Invention	The PRC	9 January 2010 to 9 January 2030
3.	Drop cable (一種引入光纜)	Nanfang Communication	201310164083.3	Invention	The PRC	7 April 2012 to 7 April 2032
4.	Photoelectric composite cable with rubber sheath (一種具有橡膠護套的光電複合纜)	Nanfang Communication	201210103176.0	Invention	The PRC	7 April 2012 to 7 April 2032
5.	Skeleton type cable (一種骨架式線纜)	Nanfang Communication	201210103170.3	Invention	The PRC	7 April 2012 to 7 April 2032

No.	Patent name	Registered owner	Patent number	Type	Place of registration	Registration period
6.	Optical fibre ribbon and optical cable adopting same (光纖帶及採用該光纖帶的光纜)	Nanfang Communication	201210198514.3	Invention	The PRC	17 June 2012 to 17 June 2032
7.	Modified polypropylene for manufacturing optical fibre buffer tube, manufacturing process and production system thereof (用於製作光纖鬆套管的改性聚丙烯及其製作工藝以及生產系統)	Nanfang Communication	201210330704.6	Invention	The PRC	10 September 2012 to 10 September 2032
8.	Medium-density cable polyethylene jacket material and preparation method thereof (一種光電纜用中密度聚乙烯護套料及其製作方法)	Nanfang Communication	201310030614.X	Invention	The PRC	28 January 2013 to 28 January 2033
9.	Bent and insensitive multimode optical fiber and manufacturing method thereof (一種彎曲不敏感多模光纖的製作方法)	Nanfang Communication	201310411785.7	Invention	The PRC	11 September 2013 to 11 September 2033
10.	Environment-friendly cable shield material with high flame resistance and preparation method of environment-friendly cable shield material (一種具有高阻燃性能的環保型電纜護套料及其製備方法)	Nanfang Communication	201510156354.X	Invention	The PRC	3 April 2015 to 3 April 2035
11.	Self-bearing covered wire optical cable easy to bifurcate (一種易於分叉的自承式皮線光纜)	Nanfang Communication	200820117067.3	Utility Model	The PRC	12 June 2008 to 12 June 2018
12.	Furcation-easy type covered wire optical cable (易分叉式皮線光纜)	Nanfang Communication	200820117060.1	Utility Model	The PRC	12 June 2008 to 12 June 2018
13.	Steel strip longitudinal covering and forming device of optical/electric cable conductor (光/電纜纜芯的鋼帶縱包成型裝置)	Nanfang Communication	200820125326.7	Utility Model	The PRC	3 July 2008 to 3 July 2018

No.	Patent name	Registered owner	Patent number	Type	Place of registration	Registration period
14.	Optical cable (光纜)	Nanfang Communication	200820217353.7	Utility Model	The PRC	1 December 2008 to 1 December 2018
15.	Self-supporting covered-wire optical cable (自承式皮線光纜)	Nanfang Communication	200820238219.5	Utility Model	The PRC	16 December 2008 to 16 December 2018
16.	Flexible optical cable (柔性光纜)	Nanfang Communication	200920042217.3	Utility Model	The PRC	19 March 2009 to 19 March 2019
17.	Microstrip strain sensing optical cable (微帶應變傳感光纜)	Nanfang Communication	200920042218.8	Utility Model	The PRC	19 March 2009 to 19 March 2019
18.	High-speed optical-fibre secondary coating production device (一種高速光纖二次套塑生產裝置)	Nanfang Communication	200920044266.0	Utility Model	The PRC	9 June 2009 to 9 June 2019
19.	Optical fibre cable with fibre tightly packaged (一種緊包光纖光纜)	Nanfang Communication	200920187261.3	Utility Model	The PRC	31 August 2009 to 31 August 2019
20.	Online fibre optical grating manufacturing device (光纖光柵的在線製作裝置)	Nanfang Communication	200920187260.9	Utility Model	The PRC	31 August 2009 to 31 August 2019
21.	Spraying type resistivity water optical cable (噴塗式阻水光纜)	Nanfang Communication	200920180029.7	Utility Model	The PRC	22 October 2009 to 22 October 2019
22.	All-dielectric central beam tube type communication optical cable (全介質中心束管式通信光纜)	Nanfang Communication	201020281229.4	Utility Model	The PRC	4 August 2010 to 4 August 2020
23.	Flexible covered-wire optical cable (柔性皮線光纜)	Nanfang Communication	201020281237.9	Utility Model	The PRC	4 August 2010 to 4 August 2020
24.	Optical fibre connector (光纖連接器)	Nanfang Communication	201020501900.1	Utility Model	The PRC	24 August 2010 to 24 August 2020
25.	Novel rubber-covered cable (一種新穎的皮線光纜)	Nanfang Communication	201020589843.7	Utility Model	The PRC	1 November 2010 to 1 November 2020
26.	High fibre count layer stranded type optical cable (一種大芯數層絞式光纜)	Nanfang Communication	201120046255.3	Utility Model	The PRC	24 February 2011 to 24 February 2021

No.	Patent name	Registered owner	Patent number	Type	Place of registration	Registration period
27.	Novel guidance optical fibre (一種新穎的製導光纖)	Nanfang Communication	201120046257.2	Utility Model	The PRC	24 February 2011 to 24 February 2021
28.	Self-centering mold of optical cable sheath plastic extruding machine (一種光纜護套擠塑機自定中心模具)	Nanfang Communication	201120147128.2	Utility Model	The PRC	11 May 2011 to 11 May 2021
29.	Temperature sensing optical cable (一種溫度傳感光纜)	Nanfang Communication	201120316562.9	Utility Model	The PRC	26 August 2011 to 26 August 2021
30.	Optic/electric composite cable (一種光電複合纜)	Nanfang Communication	201120316565.2	Utility Model	The PRC	26 August 2011 to 26 August 2021
31.	All-dielectric temperature sensing optical cable (一種全介質溫度傳感光纜)	Nanfang Communication	201120316587.9	Utility Model	The PRC	26 August 2011 to 26 August 2021
32.	Plastic extruding die for cable jacket (光纜護套擠塑用模具)	Nanfang Communication	201220206194.7	Utility Model	The PRC	10 May 2012 to 10 May 2022
33.	All dielectric single core leading-in optical cable (全介質單芯引入光纜)	Nanfang Communication	201220206195.1	Utility Model	The PRC	10 May 2012 to 10 May 2022
34.	Integration device for forming longitudinal wraps of steel and aluminum tapes (鋼鋁帶縱包成型用一體裝置)	Nanfang Communication	201220206228.2	Utility Model	The PRC	10 May 2012 to 10 May 2022
35.	Novel central bundle tube type ribbon-shaped optical fibre (新型中心束管帶狀光纜)	Nanfang Communication	201220206229.7	Utility Model	The PRC	10 May 2012 to 10 May 2022
36.	Novel central beam tube cable (新型中心束管光纜)	Nanfang Communication	201220206227.8	Utility Model	The PRC	10 May 2012 to 10 May 2022
37.	Production system for polybutylene terephthalate (PBT) material for secondary coating of fibres (用於光纖二次套塑的 PBT 料的生產系統)	Nanfang Communication	201220456386.3	Utility Model	The PRC	10 September 2012 to 10 September 2022
38.	Production system of modified polypropylene for manufacturing optical fibre loose sleeve (用於製作光纖松套管的改性聚丙烯的生產系統)	Nanfang Communication	201220456360.9	Utility Model	The PRC	10 September 2012 to 10 September 2022

No.	Patent name	Registered owner	Patent number	Type	Place of registration	Registration period
39.	Novel tightly-buffered optical fibre (新型緊包光纖)	Nanfang Communication	201320273525.3	Utility Model	The PRC	20 May 2013 to 20 May 2023
40.	Novel high temperature optical cable (新型高溫光纜)	Nanfang Communication	201320273521.5	Utility Model	The PRC	20 May 2013 to 20 May 2023
41.	Novel guidance optical fibre (新型制導光纖)	Nanfang Communication	201320273522.X	Utility Model	The PRC	20 May 2013 to 20 May 2023
42.	Bent non-sensitive multimode fibre (一種彎曲不敏感多模光纖)	Nanfang Communication	201320561761.5	Utility Model	The PRC	11 September 2013 to 11 September 2023
43.	Production line for bonding fibre optic central tube cable casing (中心管式光纜套管粘結的生產線)	Nanfang Communication	201320715018.0	Utility Model	The PRC	14 November 2013 to 14 November 2023
44.	Novel all-dielectric communication optical cable (新型全介質通信光纜)	Nanfang Communication	201420227201.0	Utility Model	The PRC	6 May 2014 to 6 May 2024
45.	Indoor single core optical fibre cable of high strength (一種高強度室內單芯光纖線纜)	Nanfang Communication	201520198646.5	Utility Model	The PRC	3 April 2015 to 3 April 2025
46.	Universal optical fibre beam splitting and merging integrated device (一種通用型光纖分合束一體化裝置)	Nanfang Communication	201520198575.9	Utility Model	The PRC	3 April 2015 to 3 April 2025
47.	Optical fibre winding device (一種光纖盤繞裝置)	Nanfang Communication	201520198553.2	Utility Model	The PRC	3 April 2015 to 3 April 2025
48.	Novel layer stranded type optical cable (一種新型層絞式光纜)	Nanfang Communication	201520198483.0	Utility Model	The PRC	3 April 2015 to 3 April 2025
49.	Fibre-optical cutter (一種光纖切割裝置)	Nanfang Communication	201520198669.6	Utility Model	The PRC	3 April 2015 to 3 April 2025
50.	Compound low pressure cable of high strength fibre (一種高強度光纖複合低壓線纜)	Nanfang Communication	201520198560.2	Utility Model	The PRC	3 April 2015 to 3 April 2025
51.	Novel rodent-resistant cable (新型防鼠光纜)	Nanfang Communication	201520225353.1	Utility Model	The PRC	15 April 2015 to 15 April 2025

As at the Latest Practicable Date, we had applied for registration of the following patents which are material to our business:

No.	Patent	Applicant	Application number	Type and class	Place of application	Application date
1.	Anti-cracking low smoke halogen-free fire-retardation sheath material for optical fiber cable, and preparation process thereof (一種用於光纜的具有抗開裂性的低煙無鹵阻燃護套料及其製作工藝)	Nanfang Communication	201310563544.4	Invention	The PRC	14 November 2013
2.	Production line and production technology for bonding central pipe type optical cable sleeve (中心管式光纜套管粘結的生產線及生產工藝)	Nanfang Communication	201310564036.8	Invention	The PRC	14 November 2013
3.	On-line manufacturing method of optical fibre grating (光纖光柵的線上製作方法)	Nanfang Communication	201410110073.6	Invention	The PRC	24 March 2014
4.	Novel all-dielectric communication optical cable (新型全介質通信光纜)	Nanfang Communication	201410187476.0	Invention	The PRC	6 May 2014
5.	Universal optical fibre beam splitting and merging integrated device (一種通用型光纖分合束一體化裝置)	Nanfang Communication	201510156355.4	Invention	The PRC	3 April 2015
6.	Novel high-stability optical cable filling paste and preparation method thereof (一種新型高穩定性光纜填充膏及其製備方法)	Nanfang Communication	201510156387.4	Invention	The PRC	3 April 2015
7.	Optical fibre winding device (一種光纖盤繞裝置)	Nanfang Communication	201510156397.8	Invention	The PRC	3 April 2015
8.	Novel high-flame-retardants optical fibre filling paste and preparation method (一種新型高阻燃性光纖填充膏及其製備方法)	Nanfang Communication	201510156386.X	Invention	The PRC	3 April 2015

No.	Patent	Applicant	Application number	Type and class	Place of application	Application date
9.	Novel durable cable sheathing component and preparation method thereof (一種新型耐用電纜護套料及其製備方法)	Nanfang Communication	201510157858.3	Invention	The PRC	3 April 2015
10.	High strength optical fibre composite low-voltage cable and preparing technology (一種高強度光纖複合低壓線纜及製備工藝)	Nanfang Communication	201510156316.4	Invention	The PRC	3 April 2015
11.	Novel layer-stranded optical cable (一種新型層絞式光纜)	Nanfang Communication	201510156476.9	Invention	The PRC	3 April 2015
12.	High-strength indoor single-core fibre-optic cable and production process thereof (一種高強度室內單芯光纖線纜及製備工藝)	Nanfang Communication	201510156317.9	Invention	The PRC	3 April 2015
13.	Optical fibre cutting device (一種光纖切割裝置)	Nanfang Communication	201510156470.1	Invention	The PRC	3 April 2015
14.	Novel rodent-resistant optical cable and manufacturing process thereof (新型防鼠光纜及其製造工藝)	Nanfang Communication	201510176319.4	Invention	The PRC	15 April 2015
15.	Environment-friendly water-based nanometer optical cable with anti-aging coatings (一種環保型水性納米抗老化塗層光纜)	Nanfang Communication	201510182735.5	Invention	The PRC	17 April 2015
16.	Environment-friendly sheath optical cable of high polymer and high flame retardant property (一種高聚物高阻燃性能的環保型護套光纜)	Nanfang Communication	201510182048.3	Invention	The PRC	17 April 2015
17.	Modified waste residue fireproof and waterproof coating optical cable (一種改性廢渣耐火防水塗層光纜)	Nanfang Communication	201510182797.6	Invention	The PRC	17 April 2015
18.	Nanometer water-emulsion waterproof sheathed optical cable (一種納米水乳型防水護套光纜)	Nanfang Communication	201510182212.0	Invention	The PRC	17 April 2015

No.	Patent	Applicant	Application number	Type and class	Place of application	Application date
19.	Novel optical cable with polymer modified water-emulsion asphalt waterproof coating (一種新型高聚物改性水乳型瀝青防水塗層光纜)	Nanfang Communication	201510182020.X	Invention	The PRC	17 April 2015
20.	FRP pole armored non-metallic rodent cable and manufacturing process (FRP 桿鎧裝非金屬防鼠光纜及其製造工藝)	Nanfang Communication; Yingke	201610336226.8	Invention	The PRC	20 May 2016

(c) Domain name

As at the Latest Practicable Date, we had registered the following key domain name:

No.	Domain name	Registrant	Date of Registration	Expiry date
1.	jsnfgroup.com	Nanfang Communication	7 September 2010	7 September 2019

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, the interests or short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, will be as follows:

Name of Director	Nature of interest	Number of Shares[(1)]	Percentage of shareholding (%)
Ms. Yu	Interests held jointly with another person; interest in a controlled corporation[(2)]	840,000,000 (L)	75
Ms. Yu RP	Interests held jointly with another person; interest in a controlled corporation[(2)]	840,000,000 (L)	75
Mr. Yu	Interests held jointly with another person; interest in a controlled corporation[(2)]	840,000,000 (L)	75
Mr. Shi	Interest of spouse[(3)]	840,000,000 (L)	75

Notes:

(1) The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.

(2) Our Company is held as to 75% by Pacific Mind immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and option which may be granted under the Share Option Scheme). Pacific Mind is held as to 60%, 30% and 10% by Ms. Yu, Ms. Yu RP and Mr. Yu respectively.

(3) Mr. Shi is the spouse of Ms. Yu. Under the SFO, Mr. Shi is deemed to be interested in the same number of Shares in which Ms. Yu is interested.

Save as disclosed in the paragraph headed "History, reorganisation and corporate structure – Reorganisation" and section headed "Relationship with Controlling Shareholders" of this prospectus and the paragraph headed "C. Further information about our Directors and Substantial Shareholders – 2. Particulars of service agreements and appointment letters" below in this appendix, none of our Directors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Interests of the Substantial Shareholders

So far as is known to our Directors, immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of interest	Number of Shares[(1)]	Percentage of shareholding (%)
Pacific Mind	Beneficial owner[(2)]	840,000,000 (L)	75
Ms. Zhu Qinying	Interest of spouse[(3)]	840,000,000 (L)	75
Mr. Yu Jianguang	Interest of spouse[(4)]	840,000,000 (L)	75

Notes:

(1) The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.

(2) Our Company is held as to 75% by Pacific Mind immediately following the completion of the Capitalisation Issue and the Global Offering (but without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and option which may be granted under the Share Option Scheme).

(3) Ms. Zhu Qinying is the spouse of Mr. Yu. Under the SFO, Ms. Zhu Qinying is deemed to be interested in the same number of Shares in which Mr. Yu is interested.

(4) Mr. Yu Jianguang is the spouse of Ms. Yu RP. Under the SFO, Mr. Yu Jianguang is deemed to be interested in the same number of Shares in which Ms. Yu RP is interested.

2. *Particulars of service agreements and appointment letters*

(a) Executive Directors

Each of our executive Directors has entered into a service agreement with our Company under which they have agreed to act as our executive Directors for an initial term of three years commencing from the Listing Date. Either party has the right to give not less than three months' written notice to terminate the service agreement.

Each of our executive Directors is entitled to an emolument consisting of director's fee, salary and other benefits, performance-based bonus and retirement benefits scheme contributions. The aggregate annual director's fees and salaries payable to our executive Directors is RMB1,200,000.

(b) Non-executive Director and independent non-executive Directors

Each of our non-executive Director and independent non-executive Directors has entered into an appointment letter with our Company under which each of them has agreed to act as our non-executive Director or independent non-executive Director (as the case may be) for an initial term of three years commencing from the Listing Date. The aggregate annual director's fees payable to our non-executive Director and independent non-executive Directors is RMB690,000.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

(c) Remuneration of our Directors

The aggregate of the remuneration paid and benefits in kind granted to our Directors by any member of our Group in respect of the year ended 31 December 2015 is approximately RMB812,000.

The aggregate remuneration payable to, and benefits in kind receivable by, our Directors by any member of our Group in respect of the year ending 31 December 2016 under the arrangements in force at the date of this prospectus are estimated to be approximately RMB2,880,000.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for the three years ended 31 December 2015 and the five months ended 31 May 2016 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to any emoluments for the three years ended 31 December 2015 and the five months ended 31 May 2016.

3. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors has any interests and short positions in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;

(b) so far as is known to any of our Directors, save as disclosed in this prospectus, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the parties listed in the paragraph headed "E. Other information – 6. Qualification of experts" of this appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the paragraph headed "E. Other information – 6. Qualification of experts" of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(e) save as in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "E. Other information – 6. Qualification of experts" of this appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

D. SHARE OPTION SCHEME

The followings are the principal terms of the Share Option Scheme conditionally adopted under the written resolutions of our sole Shareholder passed on 24 November 2016:

1. Conditions

(a) The Share Option Scheme is conditional upon:

(i) the Listing Committee granting the listing of and permission to deal in such number of Shares representing the General Scheme Limit (as defined in paragraph 7(b)) to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and

(ii) the passing of the necessary resolution to approve and adopt the Share Option Scheme in general meeting or by way of written resolution of our Shareholders.

(b) If the conditions referred to in paragraph 1(a) are not satisfied on or before the date falling 30 days after the date of this prospectus, the Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

(c) Reference in paragraph 1(a)(i) to the Listing Committee formally granting the listing and permission referred to therein shall include any such listing and permission which are granted subject to the fulfilment of any condition precedent or condition subsequent.

2. Purpose, duration and administration

(a) The purpose of the Share Option Scheme is to enable our Company to grant options to the Eligible Participants (as defined in paragraph 3(a) below) as incentives or rewards for their contribution to our Group.

(b) The Share Option Scheme shall be subject to the administration of our Directors whose decision on all matters arising in relation to the Share Option Scheme or their interpretation or effect shall (save for the grant of options referred to in paragraph 3(b) which shall be approved in the manner referred to therein and save as otherwise provided herein) be final and binding on all persons who may be affected thereby.

(c) Subject to paragraph 1 and 13, the Share Option Scheme shall be valid and effective until the close of business of our Company on the date which falls 10 years (the "**Termination Date**") after the date on which the Share Option Scheme is adopted upon fulfilment of the condition set out in paragraph 1(a)(ii) (the "**Adoption Date**"), after which period no further options may be issued but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

(d) An Eligible Participant who accepts the offer in accordance with the terms of the Share Option Scheme or (where the context so permits and as referred to in paragraph 5(d)(i)) his/her personal representative (the "**Grantee**") shall ensure that the acceptance of an offer, the holding and exercise of his/her option in accordance with the Share Option Scheme, the allotment and issue of Shares to him upon the exercise of his/her option and the holding of such Shares are valid and comply with all laws, legislation and regulations including all applicable exchange control, fiscal and other laws to which he is subject. Our Directors may, as a condition precedent of making an offer and allotting Shares upon an exercise of an option, require an Eligible Participant or a Grantee (as the case may be) to produce such evidence as it may reasonably require for such purpose.

3. Grant of options

(a) Subject to paragraph 3(b), our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the Adoption Date to make an offer to any person belonging to the following classes of participants (the "**Eligible Participants**") to subscribe, and no person other than the Eligible Participant named in such offer may subscribe, for such number of Shares (being a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof) at such price per Share at which a Grantee may subscribe for the Shares on the exercise of an option, as determined in accordance with paragraph 4 (the "**Subscription Price**"), as our Directors shall, subject to paragraph 4, determine:

(i) any employee (the "**Eligible Employee**") (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which any member of our Group holds any equity interest (the "**Invested Entity**");

(ii) any non-executive directors (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity;

(iii) any supplier of goods or services to any member of our Group or any Invested Entity;

(iv) any customer of any member of our Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group

and, for the purposes of the Share Option Scheme, the offer may be made to any company wholly-owned by one or more Eligible Participants.

For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

(b) Without prejudice to paragraph 7(d) below, the making of an offer to any Director, chief executive of our Company or Substantial Shareholder, or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee of an option).

(c) The eligibility of any of the Eligible Participants to an offer shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his/her contribution to the development and growth of our Group.

(d) An offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as our Directors may from time to time determine, either generally or on a case-by-case basis, specifying the number of Shares under the option and the "**Option Period**" (which means, in respect of any particular option, a period (which may not expire later than 10 years from the offer date of that option) to be determined and notified by our Directors to the Grantee thereof and, in the absence of such determination, from the offer date to the earlier of (i) the date on which such option lapses under the provisions of paragraph 6; and (ii) 10 years from the offer date of that option) in respect of which the offer is made and further requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 21 days from the offer date.

(e) An offer shall state, in addition to the matters specified in paragraph 3(d), the following:

(i) the name, address and position of the Eligible Participant;

(ii) the number of Shares under the option in respect of which the offer is made and the Subscription Price for such Shares;

(iii) the Option Period in respect of which the offer is made or, as the case may be, the Option Period in respect of separate parcels of Shares under the option comprised in the offer;

(iv) the last date by which the offer must be accepted (which may not be later than 21 days from the offer date);

(v) the procedure for acceptance;

(vi) the performance target(s) (if any) that must be attained by the Eligible Participant before any option can be exercised;

(vii) such other terms and conditions of the offer as may be imposed by our Directors as are not inconsistent with the Share Option Scheme; and

(viii) a statement requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme including, without limitation, the conditions specified in, inter alia, paragraph 2(d) and 5(a).

(f) An offer shall have been accepted by an Eligible Participant in respect of all Shares under the option which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant together with a remittance in favour of our Company of HK$1 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(g) Any offer may be accepted by an Eligible Participant in respect of less than the number of Shares under the option which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such Eligible Participant and received by our Company together with a remittance in favour of our Company of HK$1 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(h) Upon an offer being accepted by an Eligible Participant in whole or in part in accordance with paragraph 3(f) or 3(g), an option in respect of the number of Shares in respect of which the offer was so accepted will be deemed to have been granted by our Company to such Eligible Participant on the offer date. To the extent that the offer is not accepted within the time specified in the offer in the manner indicated in paragraph 3(f) or 3(g), it will be deemed to have been irrevocably declined.

(i) The Option Period of an option may not end later than 10 years after the offer date of that option.

(j) Options will not be listed or dealt in on the Stock Exchange.

(k) For so long as the Shares are listed on the Stock Exchange:

(i) our Company may not grant any option after inside information has come to our knowledge until we have announced the information. In particular, we may not grant any option during the period commencing one month immediately before the earlier of:

(aa) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(bb) the deadline for our Company to announce our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement; and

(ii) our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

4. Subscription Price

The Subscription Price in respect of any option shall, subject to any adjustments made pursuant to paragraph 8, be at the discretion of our Directors, provided that it shall not be less than the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and

(c) the nominal value of the Share,

except that for the purpose of calculating the Subscription Price under paragraph 4(b) above for an option offered within five Business Days of the Listing Date, the price at which the Shares are to be offered for subscription under the Global Offering shall be used as the closing price for any Business Day falling within the period before the Listing Date.

5. *Exercise of options*

(a) An option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a Grantee shall entitle our Company to cancel any option granted to such Grantee to the extent not already exercised.

(b) Unless otherwise determined by our Directors and stated in the offer to a Grantee, a Grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

(c) Subject to, inter alia, paragraph 2(d) and the fulfilment of all terms and conditions set out in the offer, including the attainment of any performance targets stated therein (if any), an option shall be exercisable in whole or in part in the circumstances and in the manner as set out in paragraph 5(d) and 5(e) by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised (which, except where the number of Shares in respect of which the option remains unexercised is less than one board lot or where the option is exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for Shares in respect of which the notice is given. Within 21 days (7 days in the case of an exercise pursuant to paragraph 5(d)(iii)) after receipt of the notice and, where appropriate, receipt of the certificate of the auditors or the independent financial advisers pursuant to paragraph 8, our Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, in the event of an exercise of option by a personal representative pursuant to paragraph 5(d)(i), to the estate of the Grantee) fully paid and issue to the Grantee (or his/her estate in the event of an exercise by his/her personal representative as aforesaid) a share certificate for every board lot of Shares so allotted and issued and a share certificate for the balance (if any) of the Shares so allotted and issued which do not constitute a board lot.

(d) Subject as hereinafter provided, an option may (and may only) be exercised by the Grantee at any time or times during the Option Period provided that:

(i) if the Grantee is an Eligible Employee and in the event of his/her ceasing to be an Eligible Employee by reason of his/her death, ill-health or retirement in accordance with his/her contract of employment before exercising the option in full, his/her personal representative(s) or, as appropriate, the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the Grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as our Directors may determine or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively;

(ii) if the Grantee is an Eligible Employee and in the event of his/her ceasing to be an Eligible Employee for any reason other than his/her death, ill-health or retirement in accordance with his/her contract of employment or the termination of his/her employment on one or more of the grounds specified in paragraph 6(a)(iv) before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within such period as our Directors may determine following the date of such cessation or termination or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively. The date of cessation or termination as aforesaid shall be the last day on which the Grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not;

(iii) if a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all our Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, the Grantee shall, notwithstanding any other terms on which his/her options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the

Grantee's notice to our Company in accordance with the provisions of paragraph 5(c) at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be;

(iv) in the event of a resolution being proposed for the voluntary winding-up of our Company during the Option Period, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of paragraph 5(c) and our Company shall allot and issue to the Grantee the Shares in respect of which such Grantee has exercised his/her option not less than one day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up; and

(v) if the Grantee is a company wholly-owned by one or more Eligible Participants:

(aa) the provisions of paragraph 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall apply to the Grantee and to the options granted to such Grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraph 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall occur with respect to the relevant Eligible Participant; and

(bb) the options granted to the Grantee shall lapse and determine on the date the Grantee ceases to be wholly-owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(e) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of our Company as the holder thereof.

6. Early termination of the Option Period

(a) The Option Period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall lapse on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of any of the periods referred to in paragraph 5(d);

(iii) the date of commencement of the winding-up of our Company;

(iv) in respect of a Grantee who is an Eligible Employee, the date on which the Grantee ceases to be an Eligible Employee by reason of a termination of his/her employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the Grantee or our Group or the Invested Entity into disrepute);

(v) in respect of a Grantee other than an Eligible Employee, the date on which our Directors shall at their absolute discretion determine that (aa) (1) such Grantee or his/her close associate has committed any breach of any contract entered into between such Grantee or his/her close associate on the one part and our Group or any Invested Entity on the other part; or (2) such Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his/her creditors generally; or (3) such Grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (bb) the Option shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above; and

(vi) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph 5(a) by the Grantee in respect of that or any other option.

(b) A resolution of our Directors to the effect that the employment of a Grantee has been terminated on one or more of the grounds specified in paragraph 6(a)(iv) or that any event referred to in paragraph 6(a)(v)(aa) has occurred shall be conclusive and binding on all persons who may be affected thereby.

(c) Transfer of employment of a Grantee who is an Eligible Employee from one member of our Group to another member of our Group shall not be considered a cessation of employment. It shall not be considered a cessation of employment if a Grantee who is an Eligible Employee is placed on such leave of absence which is considered by the directors of the relevant member of our Group not to be a cessation of employment of the Grantee.

7. *Maximum number of Shares available for subscription*

(a) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group shall not exceed 30% of the share capital of our Company in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme adopted by our Group if the grant of such option will result in the limit referred to in this paragraph 7(a) being exceeded.

(b) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, i.e. 112,000,000 Shares (the "**General Scheme Limit**") provided that:

(i) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(ii), our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted; and

(ii) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(i), our Company may seek separate Shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph 7(b)(i) to Eligible Participants specifically identified by our Company before such approval is sought.

(c) Subject to paragraph 7(d), the total number of Shares allotted and issued and which may fall to be allotted and issued upon exercise of the options and the options granted under any other share option scheme of our Group (including both exercised or outstanding options) to each Grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options to a Grantee under the Share Option Scheme would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his/her close associates (or his/her associates if such Grantee is a connected person of our Company) abstaining from voting.

(d) Without prejudice to paragraph 3(b), where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the offer date of each offer, in excess of HK$5 million;

such further grant of options must be approved by our Shareholders in general meeting.

(e) For the purpose of seeking the approval of our Shareholders under paragraph 7(b), 7(c) and 7(d), our Company must send a circular to our Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

8. *Adjustment to the Subscription Price*

(a) In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of our Company, then, in any such case our Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:

(i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or

(ii) the Subscription Price of any option; and/or

(iii) (unless the relevant Grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

(i) any such adjustment shall give the Grantee the same proportion of the issued share capital of our Company for which such Grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;

(ii) no such adjustment shall be made the effect of which would be to enable a Share to be allotted and issued at less than its nominal value;

(iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and

(iv) any such adjustment shall be made in compliance with such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to in this paragraph 8(a), other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

(b) If there has been any alteration in the capital structure of our Company as referred to in paragraph 8(a), our Company shall, upon receipt of a notice from a Grantee in accordance with paragraph 5(c), inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the auditors or the independent financial adviser obtained by our Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditors or the independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph 8(a).

(c) In giving any certificate under this paragraph 8, the auditors or the independent financial adviser appointed under paragraph 8(a) shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on our Company and all persons who may be affected thereby.

9. Cancellation of options

(a) Subject to paragraph 5(a) and Chapter 17 of the Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.

(b) Where our Company cancels any option granted to a Grantee but not exercised and issues new option(s) to the same Grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by our Shareholders pursuant to paragraph 7(b)(i) or 7(b)(ii).

10. Share capital

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient authorised but unissued share capital of our Company to allot and issue the Shares on the exercise of any option.

11. Disputes

Any dispute arising in connection with the number of Shares the subject of an option, or any adjustment under paragraph 8(a) shall be referred to the decision of the auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

12. Alteration of the Share Option Scheme

(a) Subject to paragraph 12(b) and 12(d), the Share Option Scheme may be altered in any respect by a resolution of our Directors except that:

(i) the provisions of the Share Option Scheme as to the definitions of "Eligible Participants", "Grantee", "Option Period" and "Termination Date"; and

(ii) the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules;

shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of our Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of our Shareholders under the Articles of Association for a variation of the rights attached to the Shares.

(b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by our Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(c) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

(d) The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant rules, codes and guidance notes of the Stock Exchange from time to time.

13. Termination

Our Company by resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be allotted and issued upon the exercise of the options granted under the Share Option Scheme, being 112,000,000 Shares in total. As at the date of this prospectus, no option had been granted by our Company under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnity

Our Controlling Shareholders (together, the "**Indemnifiers**") have entered into the Deed of Indemnity to provide the following indemnities in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time).

Under the Deed of Indemnity, the Indemnifiers will jointly and severally indemnify each member of our Group against:

(a) all damages, losses, claims, fines, penalties to be imposed, charges, fees, costs, interests and expenses (including all legal costs and expenses), actions, proceedings, depletion of assets, loss of profit, loss of business, cost of rectification, costs of removal, costs of reinstatement of property (with reference to the physical and legal status of such property at the time when such property's owner or user became our subsidiary) and any other liabilities of whatever nature (collectively, the "**Damages**") which our Group may sustain, suffer, incur or be imposed by any regulatory authorities or courts in Hong Kong, the PRC or any applicable jurisdiction as a result of any violation or non-compliance by any members of our Group with any applicable laws, rules or regulations on all matters subsisting prior to the date on which the conditions set out in the section headed "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" of this prospectus being fulfilled (the "**Effective Date**");

(b) taxation, together with all reasonable costs (including all legal costs), expenses or other liabilities which any member of our Group may incur in connection with:

(i) the investigation, assessment, contesting or settlement of any taxation claim under the Deed of Indemnity;

(ii) any legal proceeding in relation to taxation claim in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any member of our Group; or

(iii) the enforcement of any such settlement or judgment falling on any member of our Group resulting from or by reference to any income, profits or gains, transactions, events, acts, omissions, matters or things earned, accrued or received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the Effective Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company;

(c) any liability for Hong Kong estate duty which might be incurred by any member of our Group and/or its associated companies by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before the Effective Date;

(d) all or any Damages which our Group may sustain, suffer and incur as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which:

(i) any member of our Group, their respective directors and/or representatives or any of them is/are involved; and/or

(ii) arises due to some act or omission of, or transaction voluntarily effected by, any member of our Group or any of them (whether alone or in conjunction with some other act, omission or transaction) on or before the Effective Date; and

(e) all or any Damages which our Group may sustain, suffer and incur arising from or in connection with the title defects of the properties or properties which have not obtained building ownership certificates or other title documents owned by any member of our Group or any leases entered into by any member of our Group (either due to non-registration of the lease agreements or any other reasons) in any jurisdiction which were occurred on or before the Effective Date.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that:

(a) allowance, provision or reserve has been made for taxation in the audited accounts of our Group for each of the three financial years ended 31 December 2015 and the five months ended 31 May 2016;

(b) taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any introduction of new legislation or any retrospective change in law or the interpretation or practice by the relevant tax authority coming into force after the Effective Date or taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect;

(c) any member of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business on or before the Effective Date;

(d) taxation or liability would not have arisen but for any act or omission by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the consent of the Indemnifiers and otherwise than in the ordinary course of business on or before the Effective Date;

(e) any allowance or provision or reserve made for taxation in the audited accounts of our Group for each of the three financial years ended 31 December 2015 and the five months ended 31 May 2016, which is finally established to be an over-allowance or over-provision or an excessive reserve provided that the amount of any such allowance or provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter;

(f) such claim or taxation claim arises or is incurred as a consequence of a change in any accounting policy or practice adopted by any other members of our Group after the Effective Date; or

(g) any member of our Group shall have admitted liability in respect of the circumstances giving rise to the claim for taxation after the Effective Date.

Our Directors have been advised that no material liability for estate duty would be likely to fall upon our Company or any of our subsidiaries in the Cayman Islands and the BVI and our operating entities in the PRC.

2. Claims or litigation

As at the Latest Practicable Date, no member of our Group was subject to any actual, pending or threatened litigation or claims of material importance which would have a material impact on our operations, financials and reputation.

3. The Sole Sponsor

Save for the advisory fees in the amount of HK$6.0 million payable to the Sole Sponsor as the sponsor in connection with the Listing, the advisory fees payable to the Sole Sponsor as our compliance adviser with effect from the Listing Date and the commission as disclosed in the section headed "Underwriting" of this prospectus to be paid to the Hong Kong Underwriters for their obligations under the Underwriting Agreements, neither the Sole Sponsor, the Hong Kong Underwriters, the International Underwriters nor any of their respective close associates has or may, as a result of the Listing, have any interest in any class of securities of our Company or any of our subsidiaries (including options or rights to subscribe for such securities).

The Sole Sponsor has confirmed that it satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The estimated preliminary expenses incurred or proposed to be incurred by our Company are approximately HK$40,000 and are payable by our Company.

5. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

6. *Qualification of experts*

The qualifications of the experts (as defined under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Listing Rules) who have given their opinions or advice in this prospectus are as follows:

Name	Qualification
Guotai Junan Capital Limited	A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO
Commerce & Finance Law Offices	PRC legal adviser to our Company
Conyers Dill & Pearman	Cayman Islands attorneys-at-law to our Company
Deloitte Touche Tohmatsu	Certified public accountants
Freedonia Custom Research	Industry consultants

None of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

7. *Consents of experts*

Each of Guotai Junan Capital Limited, Commerce & Finance Law Offices, Conyers Dill & Pearman, Deloitte Touche Tohmatsu and Freedonia Custom Research has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their opinions and/or reports and/or letters and/or the references to their names included in this prospectus in the form and context in which they are respectively included.

8. *Taxation of holders of Shares*

(a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

9. Miscellaneous

Save as disclosed in this prospectus:

(a) none of our Directors nor any of the parties listed in the paragraph headed "6. Qualification of experts" in this appendix has any direct or indirect interest in the promotion of, or in any asset which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(c) no capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option;

(d) we have not issued or agreed to issue any founder or management or deferred Shares;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) we have no outstanding debentures or convertible debt securities;

(g) no commissions, discounts, brokerages or other special terms were granted within the two years immediately preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group, and none of our Directors nor any of the parties listed in the paragraph headed "6. Qualification of experts" in this appendix has received any such payment or benefit;

(h) within the two years immediately preceding the date of this prospectus, no commission (but not including commission to the Underwriters) had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Share in or debentures of our Company or any of our subsidiaries;

(i) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 May 2016 (being the date to which the latest combined financial information of our Group were made up) and up to the date of this prospectus;

(j) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus; and

(k) in case of discrepancy, the English version of this prospectus shall prevail over the Chinese version.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Bilingual prospectus

The English version and the Chinese version of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (b) the written consents referred to in the paragraph headed "Statutory and general information – E. Other information – 7. Consents of experts" in Appendix IV to this prospectus; (c) certified copies of each of the material contracts referred to in the paragraph headed "Statutory and general information – B. Further information about our business – 1. Summary of material contracts" in Appendix IV to this prospectus; and (d) a statement of adjustments made by Deloitte Touche Tohmatsu in arriving at the figures set out in the accountants' report of our Group set out in Appendix I to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of P. C. Woo & Co. of 12th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours from 9:30 a.m. up to 5:30 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Articles of Association of our Company;

(b) the service agreements with the executive Directors and the appointment letters with the non-executive Director and independent non-executive Directors referred to in the paragraph headed "Statutory and general information – C. Further information about our Directors and Substantial Shareholders – 2. Particulars of service agreements and appointment letters" in Appendix IV to this prospectus;

(c) the material contracts referred to in the paragraph headed "Statutory and general information – B. Further information about our business – 1. Summary of material contracts" in Appendix IV to this prospectus;

(d) the written consents referred to in the paragraph headed "Statutory and general information – E. Other information – 7. Consents of experts" in Appendix IV to this prospectus;

(e) the legal opinion issued by Commerce & Finance Law Offices, our PRC Legal Adviser, in respect of certain aspects of our Group and the property interests of our Group and summary of the PRC laws and regulations relating to our Group;

(f) the letter issued by Conyers Dill & Pearman, our Cayman Islands attorneys-at-law, summarising certain aspects of the Cayman Islands company law as referred to in Appendix III to this prospectus;

(g) the accountants' report from Deloitte Touche Tohmatsu, our reporting accountants, the text of which is set out in Appendix I to this prospectus and the related statement of adjustments;

(h) the report from Deloitte Touche Tohmatsu, our reporting accountants, relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(i) the audited consolidated financial statements of Nanfang Communication for each of the three years ended 31 December 2015 and the five months ended 31 May 2016;

(j) the Freedonia Report;

(k) the Companies Law; and

(l) the Share Option Scheme.

Nanfang Communication Holdings Limited
南方通信控股有限公司