

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in 成都普天電纜股份有限公司 (Chengdu PUTIAN Telecommunications Cable Company Limited*), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Potevio

中国普天

成都普天電纜股份有限公司

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED*

(a sino-foreign joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 1202)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF EQUITY INTEREST
IN A SUBSIDIARY**

Capitalised terms used in this cover shall have the same meanings as defined in this circular. A letter from the Board is set out on pages 4 to 14 of this circular.

* *For identification purposes only*

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
FINANCIAL INFORMATION OF THE GROUP	15
APPENDIX I — VALUATION REPORT	I-1
APPENDIX II — EXTRACT OF CALCULATION AND ASSUMPTIONS OF THE VALUATION REPORT	II-1
APPENDIX III — REPORT FROM THE COMPANY’S AUDITOR ON PROFIT FORECAST	III-1
APPENDIX IV — LETTER FROM THE BOARD ON PROFIT FORECAST	IV-1
APPENDIX V — GENERAL INFORMATION	V-1

DEFINITIONS

In this circular, the following expressions shall have the following meanings, unless the context requires otherwise:

“Announcements”	Announcements of the Company dated 29 July 2016, 27 October 2016, 31 October 2016, 2 December 2016, 23 December 2016 and 17 January 2017, respectively
“associate(s)”	has the meanings ascribed to it under the Listing Rules
“Beijing North Asia”	北京北方亞事資產評估事務所 (Beijing North Asia Asset Assessment Firm*), an independent firm of valuer qualified in the PRC
“Board”	the board of Directors
“China Potevio”	中國普天信息產業股份有限公司 (China Potevio Company Limited*), a company established in the PRC with limited liability and the controlling shareholder of the Company, is a central state-owned enterprise and a wholly-owned subsidiary of 中國普天信息產業集團公司 (China PUTIAN Corporation*)
“Company”	成都普天電纜股份有限公司 (Chengdu PUTIAN Telecommunications Cable Company Limited*), a sino-foreign joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal
“Condition(s)”	the condition(s) set out under the Definite Agreement
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Company for the Disposal, being the sum of RMB116,176,500
“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Definite Agreement”	the equity transfer agreement dated 2 December 2016 entered into between the Company and the Purchaser in relation to the transfer of 22.5% equity interest in Putian Fasten JV
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 22.5% equity interest in Putian Fasten JV by the Company pursuant to the Definite Agreement

DEFINITIONS

“Fasten Hongsheng”	法爾勝泓昇集團有限公司 (Fasten Hongsheng Group Co., Ltd.*), a company incorporated in the PRC with limited liability and a connected person of the Company at subsidiary level prior to the Completion
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign shares of the nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed on the main board of the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	10 March 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Potevio Group”	中國普天信息產業集團公司 (China PUTIAN Corporation*) and its subsidiaries but excluding the Group
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser” or “Fasten Co., Ltd.”	法爾勝集團有限公司 (Fasten Group Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Fasten Hongsheng
“Purchaser Group” or “Fasten Group”	Fasten Hongsheng and its subsidiaries
“Putian Fasten JV”	普天法爾勝光通信有限公司 (Putian Fasten Cable Telecommunication Company Limited*), a joint venture limited liability company incorporated in the PRC and a non-wholly owned subsidiary of the Company prior to the Disposal
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	Domestic Share(s) and/or H Share(s)

DEFINITIONS

“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Valuation Report”	the business valuation report for the independent valuation of the Putian Fasten JV as at 31 October 2015 appraised by the Beijing North Asia
“%”	per cent.

* *For identification purposes only*

Potevio
中国普天

成都普天電纜股份有限公司

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED*

(a sino-foreign joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 1202)

Executive Directors:

Mr. Zhang Xiaocheng (*Chairman*)
Mr. Wang Micheng
Ms. Liu Yun
Mr. Han Shu
Ms. Xu Liying
Mr. Fan Xu

Independent Non-executive Directors:

Mr. Choy Sze Chung, Jojo
Mr. Lin Zulun
Mr. Xiao Xiaozhou

Registered Office and

Head Office:

No.18 Xinhang Road
The West Park of Hi-tech
Development Zone
Chengdu,
Sichuan Province, 611731
The PRC

*Principal place of business
in Hong Kong:*

18/F, Tesbury Centre,
28 Queen's Road East
Wanchai, Hong Kong

20 March 2017

To the Shareholders

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF EQUITY INTEREST
IN A SUBSIDIARY**

INTRODUCTION

Reference is made to the Announcements of the Company in relation to the disposal of the 22.5% equity interest in Putian Fasten JV by the Company.

The core development strategy of the Group is to further strengthen its participation in the construction of telecommunication networks across the PRC through nationwide broadband development strategies such as the "PRC Broadband Strategy (寬帶中國戰略)". As part of this strategy, the Company intends to concentrate its resources on opportunities that could complement the existing core businesses conducted by the Group. The optical communication business was

LETTER FROM THE BOARD

adjusted in order to enhance the competitiveness of the Group and in accordance with the needs of strategic development. Therefore, the Company planned to dispose of 22.5% equity interest in the Putian Fasten JV.

Since the Group is a state-owned enterprise and the equity interest in Putian Fasten JV is regarded as state-owned assets under relevant laws and regulations of the PRC, any transfer of equity interest in Putian Fasten JV is subject to an open bid organised by the China Beijing Equity Exchange (北京產權交易所). The Company published the listing-for-sale notice (the “**Listing-for-sale Notice**”) in respect of its 22.5% equity interest in Putian Fasten JV on the China Beijing Equity Exchange on 27 July 2016.

Following the expiration of the Listing-for-sale Notice, the Disposal was further subject to an open bid under the relevant laws and regulations of the PRC (the “**Bid**”) organised by the China Beijing Equity Exchange. The Bid commenced on 28 October 2016. The opening price quoted at the Bid was RMB116,176,500, which was determined with reference to the value of the entire equity interest in Putian Fasten JV of approximately RMB516 million as of 31 October 2015 as evaluated in the Valuation Report.

The Bid at China Beijing Equity Exchange (北京產權交易所) was announced on 2 December 2016. The Purchaser, the current shareholder of Putian Fasten JV holding 24.8% equity interest in it, successfully bid to acquire 22.5% equity interest in Putian Fasten JV from the Company at the Consideration of RMB116,176,500, being the opening price quoted at the Bid.

On 2 December 2016, the Company and the Purchaser entered into the Definite Agreement pursuant to which the Company agreed to sell and the Purchaser agreed to purchase 22.5% equity interest in Putian Fasten JV. Accordingly, Putian Fasten JV will cease to be a subsidiary of the Company, the equity interest held by the Company in Putian Fasten JV will decrease from 45% to 22.5% and the financial results of Putian Fasten JV will cease to be consolidated into the consolidated financial statements of the Group.

Prior to the Disposal, the Company was a controlling shareholder of Putian Fasten JV holding 45% equity interest in Putian Fasten JV and the Purchaser was also a substantial shareholder of Putian Fasten JV holding 24.8% equity interest in Putian Fasten JV. The financial statements of Putian Fasten JV were consolidated into the Group, therefore Putian Fasten JV was considered as a non-wholly owned subsidiary of the Company at the time of the Disposal. The Purchaser, holding 24.8% equity interest in Putian Fasten JV, was considered a connected person of the Group at subsidiary level at the time of the Disposal and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios exceed 25% but are less than 75%, the Disposal also constitutes a major transaction of the Company and is required to comply with the reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information in relation to, among other things, (i) further details of the Disposal and the Definite Agreement; (ii) certain financial information as required under the Listing Rules; (iii) the valuation report on Putian Fasten JV; and (iv) general information about the Group.

THE DEFINITE AGREEMENT

The principal terms of the Definite Agreement are as follows:

Date

2 December 2016

Parties

- (i) the Company as vendor; and
- (ii) the Purchaser as purchaser

Asset to be disposed of

22.5% equity interest in Putian Fasten JV

Consideration

RMB116,176,500 (being the opening price quoted at the Bid), which has been determined in compliance with the relevant PRC regulations with reference to the value of the entire equity interest in Putian Fasten JV as at 31 October 2015 of approximately RMB516 million, as evaluated by the Valuation Report using an income approach. While the Valuation Report is more than one year ago as at Latest Practicable Date, it was less than one year old when it was submitted for bidding process. The Directors consider the Valuation Report relevant as a reference because Putian Fasten JV remains relatively stable during this period. As explained below, the Valuation Report is a legal requirement and the Directors only used it as one of the references. Furthermore, the Consideration was arrived after a bidding process and there was no significant change in the financial position of Putian Fasten JV since the date of the Valuation Report.

The Valuation Report considered both the cost and income approaches and arrived at a value of RMB515.6 million and RMB516.3 million, respectively. Beijing North Asia selected income approach as it deemed such approach is capable of including the intangible value of Putian Fasten JV although both values are almost similar.

While the Directors had made reference to the Valuation Report, they have considered other key factors when assessing the Disposal, including the historical earnings, dividend distributions and the future growth potential of Putian Fasten JV.

LETTER FROM THE BOARD

The Valuation Report was made in accordance with the relevant valuation standards in the PRC and is required by the relevant PRC regulations but is not mandatory under the Listing Rules.

While the Company consolidates the financials of Putian Fasten JV prior to the Disposal due to accounting principles, it does not have absolute control with just 45% equity interest in Putian Fasten JV. Therefore, there is no control premium to be asked from any potential buyer. Furthermore, the Company is only disposing 22.5% equity interest in Putian Fasten JV, which will not grant any control to potential buyer. Although the Purchaser is expected to control 47.3% of Putian Fasten JV upon Completion, they still do not have absolute control and the Disposal is done by way of a public bidding process which the Company cannot control.

Conditions

The Purchaser must transfer the Consideration to the China Beijing Equity Exchange within five business days of the execution of the Definite Agreement and transfer the balance of the Consideration to the Company within three business days upon receiving the transaction certificate issued by the China Beijing Equity Exchange.

The transaction certificate has been issued by the China Beijing Equity Exchange on 7 December 2016 and the Consideration was transferred to the Company and settled on 13 December 2016.

Completion

Completion shall take place on the date upon the granting of the new business licence to Putian Fasten JV by the relevant authority of the PRC, which is expected to be on or before 31 December 2017.

Although the Company held 45% equity of Putian Fasten JV prior to the Disposal, the Company's auditors considered that (i) the Company held majority of voting right in the board of directors of Putian Fasten JV and had deemed control over its financial and operation decision; and (ii) it had control over its returns. Therefore, the financial statements of Putian Fasten JV was consolidated into the Group and Putian Fasten JV was considered as a subsidiary of the Company under the Listing Rules prior to the Disposal.

Immediately following the Disposal, the equity interest held by the Company in Putian Fasten JV will decrease from 45% to 22.5% and the conditions set out above could no longer be achieved. As a result, the financial results of Putian Fasten JV will cease to be consolidated into the consolidated financial statements of the Group. Accordingly, Putian Fasten JV will cease to be a subsidiary of the Company. The Group will retain its remaining 22.5% equity interest in Putian Fasten JV upon Completion.

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING STRUCTURE OF PUTIAN FASTEN JV

The shareholding structure of Putian Fasten JV as at the date of this circular and immediately after the Completion, assuming that there is no change in the shareholding structure of Putian Fasten JV from the date of this circular to the date immediately after the Completion, is set out below:

Shareholders	As at the date of this Circular	Immediately after the Completion
The Company	45%	22.5%
The Purchaser	24.8%	47.3%
江蘇法爾勝股份有限公司 (Jiangsu Fasten Company Limited*) (Note 1)	19%	19%
江陰創業科技投資有限公司 (Jiangyin Enterprise Technology Investments Co., Ltd.*) (Note 2)	6.2%	6.2%
China Potevio	5%	5%
Total	100%	100%

Notes:

1. 江蘇法爾勝股份有限公司 (Jiangsu Fasten Company Limited*) is a company listed on the Shenzhen Stock Exchange (stock code: 000890) and is principally engaged in the manufacture and sale of wire, wire rope, optical fiber, optical fiber preform, optical sensor components and other mechanical and electrical products. As at the Latest Practicable Date, it is owned as to 21.07% and 15% by Fasten Hongsheng and 江陰耀博泰邦投資中心 (有限合夥) (Jiangyin Yaobo Taibang Investment Centre (Limited Partnership)*), an independent third party to the Group, respectively.
2. 江陰創業科技投資有限公司 (Jiangyin Enterprise Technology Investments Co., Ltd.*) is a company incorporated in the PRC with limited liability and an independent third party to the Group. It is principally engaged in capital investment and information technology consultancy. As at the Latest Practicable Date, it is owned as to 80% and 20% Mr. Zhou Yi and Ms. Huang Rong, each an independent third party to the Group, respectively.

INFORMATION ABOUT PUTIAN FASTEN JV

Putian Fasten JV is a joint venture limited liability company incorporated in the PRC and a non-wholly owned subsidiary of the Company. Putian Fasten JV is primarily engaged in the manufacture of optical cables, optical fibers and related products.

LETTER FROM THE BOARD

Set out below are certain financial information of Putian Fasten JV based on PRC GAAP:

	As at	
	31 December	
	2015	
	<i>(RMB'000)</i>	
Net assets		482,898.9
	For the	For the
	year ended	year ended
	31 December	31 December
	2015	2014
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net loss (before tax)	3,011.4	16,839.5
Net loss (after tax)	2,385.4	16,554.4

As at 30 November 2016, the unaudited net asset value of Putian Fasten JV was approximately RMB501,128,872.57.

FINANCIAL EFFECT OF THE DISPOSAL

The Group expects to record a gain (before taxation) of approximately RMB3,422,504 (subject to adjustment and audit) from the Disposal. This amount is calculated based on (i) the Consideration of RMB116,176,500; and (ii) the unaudited net asset value of 22.5% of the equity interest in Putian Fasten JV of approximately RMB112,753,996 as at 30 November 2016.

As the accounts of Putian Fasten JV was consolidated into the accounts of the Group, the Disposal would result in the reduction of assets and liabilities of Putian Fasten JV that was previously consolidated in the accounts of the Group. Based on the latest 2016 interim report of the Group, the Disposal would result in a reduction of approximately RMB910,847,000 in total asset and approximately RMB422,413,700 in total liabilities of the Group. The non-controlling interest of Putian Fasten JV of approximately RMB268,638,345 will also be eliminated. The Group would have additional cash of approximately RMB116,176,500, which is the proceeds from the Disposal, and the remaining 22.5% equity interest in Putian Fasten JV of the Group will be accounted for as long-term equity investments under non-current assets. The Group will also experience a reduction of profit in the coming years, which was previously contributed by Putian Fasten JV in the amount of approximately RMB5,534,000 for the six months ended 30 June 2016.

LETTER FROM THE BOARD

The net proceeds from the Disposal would be approximately RMB116,105,647. The Group intends to use the proceeds arising from the Disposal (subject to adjustment in accordance with the actual production and operational needs) for potential business opportunities aimed at promoting the existing core businesses of the Group as well as general working capital in the following manner:

	Total <i>(RMB million)</i>	Approximate percentage %
Expansion of existing optical products business	25	21.53
Development of cable tubing business	30	25.84
General working capital	<u>61.1</u>	<u>52.63</u>
	<u><u>116.1</u></u>	<u><u>100</u></u>

The net proceeds can also be used to enhance the overall continuous competitiveness of the Group by expanding its business to other key national investment areas such as smart city construction, railway transit construction, smart electricity and energy transmission business.

REASONS FOR AND THE BENEFIT OF THE DISPOSAL

As mentioned in the Announcements, a core development strategy of the Group is to further strengthen its participation in the construction of telecommunication networks across the PRC through national broadband development strategies such as the “PRC Broadband Strategy (寬帶中國戰略)” and “Internet+ Strategy (互聯網+戰略)”. As part of this strategy, the Company intends to concentrate its resources on opportunities that could complement the existing core businesses conducted by the Group, including optical communication and energy transmission cable businesses. In particular, the Group will (i) adjust and expand its optical communication business capture more profits from and maintain the Group’s competitive strength in such business and (ii) further develop its energy transmission cable business by increasing its market share in the energy transmission cable industry which amounts to approximately 85% industry output value of the cable industry, in order to enhance the competitiveness of the Group and in accordance with the needs of strategic development.

The Group will retain its remaining 22.5% equity interest in Putian Fasten JV in order to retain the cooperation and share the resources and capacity of the communication network construction industry between the Group and the Fasten Group. On the other hand, the sale of 22.5% equity interest in Putian Fasten JV would allow the Company to focus on its existing optical product lines, concentrate on its existing partnership with other global players, and build better relationship with these global players who can supply the Group with superior raw materials that in turn inspire the quality of our products. The net proceeds from the Disposal will be used for the development of the Group’s optical communication business with an aim to stimulate the internal competition and development vitality among the members of the Group.

LETTER FROM THE BOARD

The Directors also believed that by focusing on its core businesses, the Group would be capable of consolidating and deepening its brand to strengthen the Group's presence in the telecommunications market in the PRC.

The Directors (including the independent non-executive Directors) had considered that the Disposal would be fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Further, the Directors considered that it would be beneficial for the Company to capture the investment gain arising from the Disposal.

No Director has any interests in the Disposal and therefore no Director has abstained from voting on the relevant Board resolution approving the Disposal.

LISTING RULES IMPLICATIONS

Prior to the Disposal, the Company was a controlling shareholder of Putian Fasten JV holding 45% equity interest in Putian Fasten JV and the Purchaser was also a substantial shareholder of Putian Fasten JV holding 24.8% equity interest in Putian Fasten JV. The financial statements of Putian Fasten JV were consolidated into the Group, therefore Putian Fasten JV was considered as a non-wholly owned subsidiary of the Company at the time of the Disposal. The Purchaser, holding 24.8% equity interest in Putian Fasten JV, was considered a connected person of the Group at subsidiary level at the time of the Disposal and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under the Listing Rules for the Disposal exceeds 5% and the consideration of the Disposal exceeds HK\$10,000,000, the Disposal is required to comply with the reporting, announcement and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Directors have approved the Disposal and the independent non-executive Directors have confirmed that the terms of the Definite Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole, the Definite Agreement and the Disposal are only subject to the reporting and announcement requirements but exempted from the circular, independent financial advice and Shareholders' approval requirements, pursuant to Rule 14A.101 of the Listing Rules.

As one or more of the applicable percentage ratios exceed 25% but are less than 75%, the Disposal also constitutes a major transaction of the Company and is required to comply with the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As no Shareholder has any material interest in the Disposal, no Shareholder would be required to abstain from voting at a general meeting of the Company to approve the Disposal. Pursuant to Rule 14.44 of the Listing Rules, the Company has obtained a written approval from China Potevio

LETTER FROM THE BOARD

regarding the Disposal. As at the date of this circular, China Potevio is the controlling shareholder of the Company and holds 240,000,000 Domestic Shares, representing 60% of the total share capital of the Company. No extraordinary general meeting of the Company will be convened for the purposes of considering and approving the Disposal.

PROFIT FORECAST REQUIREMENT UNDER THE LISTING RULES

Beijing North Asia was commissioned by the Company to conduct a valuation on Putian Fasten JV, which forms one of the basis for determining the Consideration for the Disposal.

Beijing North Asia has adopted the income approach to assess the value of Putian Fasten JV, as at 31 October 2015 as RMB516.34 million.

Accordingly, the Valuation Report on the value of Putian Fasten JV by Beijing North Asia constitutes a profit forecast under Rule 14.61 of the Listing Rules.

Assumptions of valuation

Given the changes in the macro environment and corporate operation environment where each asset and liability of the valued entity is located, some assumptions must be made to fully support the valuation conclusion we have drawn. The valuation assumptions adopted in the Valuation Report are as follows:

(I) *Basic assumptions*

1. Transaction assumption: As the fundamental and prerequisite premise of the asset assumptions, it is assumed all the valuation object are in the course of transaction and the valuation made by the valuer is based on simulated market, including terms of transaction of the valuation object.
2. Assumption of open market: It is assumed that the market intended to be entered into by the valued assets is an open market. An open market is a fully developed and excellent market condition, referring to a competitive market with voluntary buyers and sellers. In this market, status of both buyers and sellers are equal, which means they are given opportunities and time to acquire sufficient market information. Both buyers and sellers are supposed to be voluntary and rational rather than being coerced or confined during the transactions.
3. Assumption of continuous use: Firstly, it is assumed that the valued assets are being used (including assets being used and reserved assets); secondly, based on the relevant data and information, it is predicted that these assets being used will continuously be used.

LETTER FROM THE BOARD

(II) *General Assumptions*

1. It is expected to have no material changes in the relevant national laws, regulations and policies applicable to the industry of the valued entity;
2. It is expected to have no material changes in the socio-economic environment and economic development, save for those known to the public;
3. All the parameters deriving from the Valuation Report are determined in accordance with the unchanged pricing system, without considering the impact of inflation.

(III) *Special Assumptions*

1. The Valuation Report is premised on specific valuation purposes set out in the assets valuation report;
2. The Valuation Report is premised on the actual amount of stocks of all the assets as at valuation base date, and the current market prices of the relevant assets are based on the domestic effective prices as at valuation base date;
3. The Valuation Report assumes that the existing usage of the valued assets will remain unchanged and the valued entity will continue to operate as a going concern;
4. The Valuation Report has taken no account of the impact on appraisal value from mortgage and guarantee possible to be undertaken in the future and additional amount possible to be paid by special counterparty, nor the impact on assets' price from changes to the State's macroeconomic policies and occurrence of natural forces and other force majeure.

Confirmations

Pan-China Certified Public Accountants, acting as the Company's auditor, has examined the calculations of the discounted future estimated cash flows on which the Valuation Report was based.

Pan-China Certified Public Accountants has reported to the Directors in respect of the compilation, in accordance with the assumptions described above, of the discounted future estimated cash flows in connection with the valuation of Putian Fasten JV prepared by Beijing North Asia as set out in the Valuation Report. The Directors are solely responsible for the assumptions described above and the work performed by Pan-China Certified Public Accountants did not include any assessment of the reasonableness or validity of the assumptions.

The Directors confirm that the valuation of Putian Fasten JV has been made after due and careful enquiry.

LETTER FROM THE BOARD

A report from Pan-China Certified Public Accountants dated 20 March 2017 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix II and Appendix III to this circular, respectively.

GENERAL

The Group is principally engaged in the manufacture and sale of various types of telecommunication cables, optical fibers and cable joining sleeves.

To the best knowledge of the Directors, the Purchaser is primarily engaged in the manufacture and sale of steel wire, cable, metal products and equipments. The Purchaser Group is primarily engaged in the manufacture of metal products. It is a conglomerate with diversified production and operation businesses involving optical communication, new material and modern services.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the section headed “General Information” to this Circular.

Yours faithfully,

For and on behalf of the Board

Chengdu PUTIAN Telecommunications Cable Company Limited*

Zhang Xiaocheng

Chairman

* *For identification purposes only*

FINANCIAL INFORMATION OF THE GROUP

CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015 AND SIX MONTHS ENDED 30 JUNE 2016

Financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2016 are disclosed in the following documents, which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://putian.wsfg.hk/>) respectively:

- Annual Report 2013 (pages 39 to 138), hyperlink:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0425/LTN20140425772.pdf>
- Annual Report 2014 (pages 42 to 152), hyperlink:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0424/LTN20150424446.pdf>
- Annual Report 2015 (pages 55 to 164), hyperlink:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0425/LTN20160425715.pdf>
- Interim Report 2016 (pages 26 to 192), hyperlink:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0919/LTN20160919551.PDF>

INDEBTEDNESS STATEMENT

(a) Borrowings

At the close of business on 28 February 2017, being the latest date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had an outstanding borrowing of approximately RMB7.384 million (equivalent to EUR1,015,990.54).

(b) Pledge of assets

At the close of business on 28 February 2017, the Group did not pledge any asset to banks or other financial institutions.

(c) Contingent liabilities

As at 28 February 2017, the Group had no material contingent liabilities.

Apart from as disclosed above and intra-group liabilities, at the close of business on the Latest Practicable Date the Group did not have any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees, or other material contingent liabilities.

FINANCIAL INFORMATION OF THE GROUP

WORKING CAPITAL

After taking into account the available facilities, the internally generated funds and incoming cash flow arising from the Disposal, the Directors are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least the next twelve months from the date of the publication of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2015 being the date to which the latest published audited financial statements of the Group was made up.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's scope of business includes telecommunication businesses products such as wires and cables, optical fibres and optical cables, and irradiation processing. The Directors confirm that the Group still holds the 22.5% equity interest in Putian Fasten JV after the completion of this Disposal. The Directors expect that the business of the Group will remain relatively stable in the current financial year and there will be little impact from the Disposal to the production of the Group as the Group processes a complete production chain and does not overlay rely on any particular member of the Group. Therefore, the Group's production operations will not be interrupted and business will be carried out as usual.

STATEMENT OF CERTIFIED ASSETS VALUER

- I. We perform the assets valuation business in accordance with the relevant laws and regulations and assets valuation standards based on principles of independence, objectiveness and fairness; the content stated in the valuation report is objective with reference to the information collected during our practice and we assume the corresponding legal liabilities for the reasonability of the valuation conclusion.
- II. The list of assets and liabilities related to the valuation object is reported, signed, sealed and confirmed by the entrusting party and the valued entities; the entrusting party and the related parties are responsible for the truthfulness, legality and completeness of the information provided and the proper usage of the valuation report.
- III. We do not have any existing or expected interests with the valuation object in the valuation report nor with the related parties, and we hold no prejudice against the related parties.
- IV. We have performed on-site investigation on the valuation object in the valuation report and its related assets; we have given the required concern over the status of legal ownership of the valuation object and its assets involved, conducted examination on the information on legal ownership of the valuation object and its assets involved, truthfully disclosed issues found, and submitted to the entrusting party and the related parties to effect the ownership in order to fulfil the requirements of issuing the valuation report.
- V. The analysis, judgments and conclusion in the valuation report issued by us are subject to the assumptions and restrictions in the valuation report. The users of the valuation report shall give sufficient consideration to the assumptions, limitations and notes special issues stated in the valuation report and their impacts on the valuation conclusion.

VALUATION REPORT EXTRACT

Important

The content herein is extracted from the text of the valuation report. If you wish to see the details of the valuation project and reasonably comprehend the valuation conclusion, please read the text of the valuation report carefully.

Beijing North Asia Asset Assessment Firm (Special General Partnership) was entrusted by Chengdu PUTIAN Telecommunications Cable Company Limited and Fasten Group Company Limited to perform valuation on the market value of the entire equity interests in Putian Fasten Cable Telecommunication Company Limited as at the valuation base date in accordance with the relevant laws and regulations and assets valuation standards based on principles of independence, objectiveness and fairness, and via necessary valuation procedures. The valuation report is summarized as follows:

Purpose of Valuation: To quantify the market value of the entire shareholders' equity interests in Putian Fasten Cable Telecommunication Company Limited as at 31 October 2015 according to the resolution of the board of directors of Putian Fasten Cable Telecommunication Company Limited and give valuation reference for the economic acts of the proposed transfer of equity interests by shareholders of Putian Fasten Cable Telecommunication Company Limited.

Valuation object: the total value of the entire shareholders' equity interests in Putian Fasten Cable Telecommunication Company Limited

Scope of valuation: The scope of valuation is the entire assets and liabilities of the valued entity

Valuation base date: 31 October 2015

Valuation Type: Market value

Valuation methodology: income approach and asset-based approach

Valuation conclusion: The valuation result of income approach is selected as the valuation conclusion of the valuation report. Specific valuation conclusion is as follow:

Beijing North Asia Asset Assessment Firm (Special General Partnership) has adopted income approach and cost approach respectively and conducted valuations on the entire equity interests of the shareholders of Putian Fasten Cable Telecommunication Company Limited, in accordance with national laws with respect to assets valuation and regulations and rules of other relevant national departments, and based on the principles of independence, imparity, scientificity and objectivity as well as upon the performance of necessary valuation procedures. After analysis of the valuation results of the two methods, this valuation

eventually adopted the valuation results of income approach, that the value of the total equity interests of shareholders of Putian Fasten Cable Telecommunication Company Limited as at the valuation base date on 31 October 2015 was RMB516.3400 million with appraised appreciation of RMB25.7375 million and an appreciation rate of 5.25%.

The valuation report is for providing valuation reference for the economic acts described in the valuation report. The valid useful life of the valuation conclusion is one year commencing from the valuation base date on 31 October 2015.

The users of the valuation report shall give sufficient consideration to the assumptions, limitations and statement to special issues stated in the valuation report and their impacts on the valuation conclusion.

The above content is extracted from the text of the valuation report. If you wish to see the details of the valuation project and reasonably comprehend the valuation conclusion, you should read the text of the valuation report.

Asset Valuation Report
In respect of the Entire Shareholders' Interests of
Putian Fasten Cable Telecommunication
Company Limited Involved in the
Proposed Transfer of Entire Equity Interests by Shareholders of Putian
Fasten Cable Telecommunication
Company Limited

North Asia Ping Bao Zi [2016] No. 01-318

TEXT

Chengdu PUTIAN Telecommunications Cable Company Limited and Fasten Group Company Limited,

Beijing North Asia Asset Assessment Firm (Special General Partnership) was entrusted by the Company to perform valuation on the market value in respect of the entire shareholders' interests of Putian Fasten Cable Telecommunication Company Limited involved in the proposed transfer of equity interests by shareholders of Putian Fasten Cable Telecommunication Company Limited as at 31 October 2015 in accordance with the relevant laws and regulations and assets valuation standards based on principles of independence, objectiveness and fairness by adopting asset-based approach and income approach, and via necessary valuation procedures. The assets valuation is reported as follows.

I. THE ENTRUSTING PARTIES, VALUED ENTITY AND OTHER VALUATION REPORT USERS

The entrusting parties of the valuation are Chengdu PUTIAN Telecommunications Cable Company Limited and Fasten Group Company Limited. The valued entity is Putian Fasten Cable Telecommunication Company Limited.

(I) Introduction of the Entrusting Parties

1. *Chengdu PUTIAN Telecommunications Cable Company Limited*

Name of Enterprise: Chengdu PUTIAN Telecommunications Cable Company Limited (hereunder "Chengdu PUTIAN")

Registered Address: No.18 Xinhang Road, The West Park of Hi-tech Development Zone, Chengdu Sichuan Province

Legal Representative: Zhang Xiaocheng

Registered Capital: RMB400.00 million

Nature of Enterprise: Joint stock company (sino-foreign equity and listed)

Main business scope: Wire and cable, fiber optic cable, cable materials, radiation processing, cable accessories, special equipment, technology research and development of devices and equipment of equipment and all kinds of information industry products (except for types restricted and prohibited by the state), products manufacturing, sales and services, import, export and wholesales of products of the types mentioned above, retail, commission agents (except auction), wholesale, retail, commission agents (except auction) of domestically procured commodities (except for specific commodities), technical consultation, technical services (the above scope excludes projects restricted or prohibited by national laws and regulations and involves operating activities permitted with relevant permissions).

2. *Fasten Group Company Limited*

Name of Enterprise: Fasten Group Company Limited (hereunder “Fasten Company”)

Registered Address: 165 ChengJiang Middle Road, Jiangyin

Legal Representative: Zhou Jiang

Registered Capital: RMB101.97 million

Nature of enterprise: Limited company (legal person sole investment)

Main Business Scope: Steel wire, steel wire rope, prestressed steel wire, steel wire rod, various cables for bridges, externally prestressed cables, all kinds of anchor fixture, mold tools, all kinds of colored and ferrous metal products and machinery and equipment, rope system with a variety of auxiliary materials, manufacturing and sales of devices and meters, electronic products, mechanical products and vehicle accessories; domestic trade; research, development and technology transfer for all types of technology products; property management; foreign investment with self-own capital. (For those items subject to approval pursuant to the law, operating activities could only be commenced upon the approval by relevant authorities)

(II) Introduction of the Valued Entity

1. *Introduction of the company*

Name of enterprise: Putian Fasten Cable Telecommunication Company Limited (hereunder “Putian Fasten JV” or the “Company”)

Registered Address: 165 ChengJiang Middle Road, Jiangyin , Jiangsu

Legal Representative: Xu Qian

Registered Capital: RMB500 million

Nature of Enterprise: Limited company

Business Scope: Production of communications optical fiber, optical cable and related products; self-operation and agency of different goods and technology import and export business, except for goods and technology to be operated by enterprises designated by the State or prohibited from import and export (the above items exclude those prohibited or restricted by national laws and administrative regulations; for those involving specific approval, operation is only allowed upon approval)

2. *Equity structure and changes of the Company*

Putian Fasten Cable Telecommunication Company Limited is a limited company with capital jointly contributed and established by China Potevio Company Limited, Chengdu PUTIAN Telecommunications Cable Company Limited, Jiangsu Fasten Hongsheng Group Co. Ltd. and Jiangsu Fasten Company Limited. The company obtained Business License for the Enterprise Legal Person (registration number: 320281000365141) issued by Wuxi Jiangyin Administration for Industry and Commerce on 10 September 2012.

On 18 December 2012, upon passing of a resolution at the second general meeting of the Company in 2012, it was agreed that Jiangsu Fasten Hongsheng Group Co. Ltd. would transfer 31.00% shares in the company as held by it to Fasten Group Company Limited and Jiangyin Enterprise Technology Investments Co., Ltd., respectively.

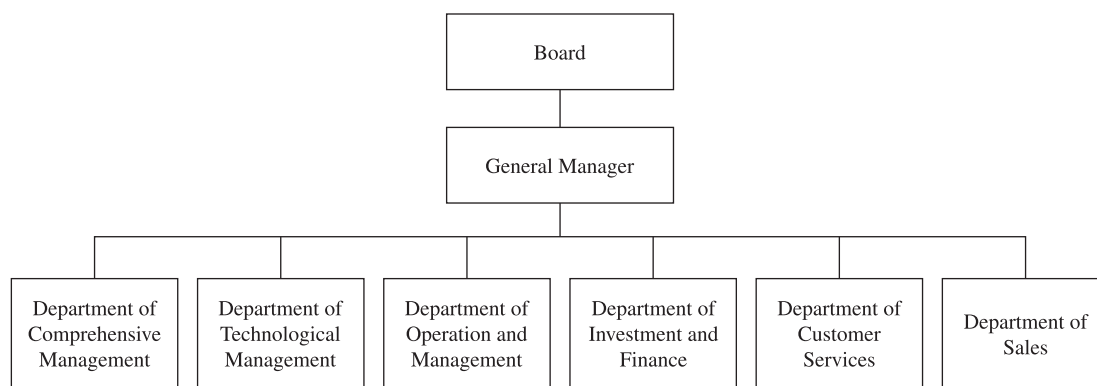
As of the valuation base date, the equity structure of the company is as follow:

Unit: RMB'0,000

Investor	Contribution Amount	Proportion of Contribution
China Potevio Company Limited	25,000,000.00	5.00%
Chengdu PUTIAN Telecommunications Cable Company Limited	225,000,000.00	45.00%
Fasten Group Company Limited	124,000,000.00	24.80%
Jiangsu Fasten Company Limited	95,000,000.00	19.00%
Jiangyin Enterprise Technology Investments Co., Ltd.	31,000,000.00	6.20%
Total	500,000,000.00	100.00%

The parent company of the Company is Chengdu PUTIAN Telecommunications Cable Company Limited and is ultimately controlled by China PUTIAN Corporation.

3. Operation and Management Structure chart of the Company (Organization Chart)



4. Long-term investment by the Company

There are a total of 3 enterprises of long-term investment under the enterprise included in the valuation scope, and all of them are controlling long-term equity investment. The book value balance of the long-term equity investment as at the valuation base date is RMB305,046,764.09, provision for asset impairment is RMB0.00 and net book value is RMB305,046,764.09.

Summary of long-term equity investment as at valuation base date is as follow:

Number	Name of Investee	Investment Date	Proportion of Investment %	Book value (RMB)
1	Jiangsu Fasten Photonics Co., Ltd.	2013.1.1	100%	164,713,621.18
2	Jiangsu Fasten Optical Cable Co., Ltd.	2013.1.1	100%	125,403,357.39
3	Houma Potevio Optical Telecommunication Company Limited	2013.1.1	100%	14,929,785.52
Total				305,046,764.09
Less: provision for impairment of long-term equity investment				0.00
Net value				305,046,764.09

Details are as follow:

1) Jiangsu Fasten Photonics Co., Ltd.

- (1) Name of Enterprise: Jiangsu Fasten Photonics Co., Ltd. (hereunder “Jiangsu Photonics Company”)
- (2) Registered Address: 1 Wen Hua Dong Lu, Jiangyin
- (3) Legal Representative: Zhou Zhenhua
- (4) Registered Capital: RMB233.80 million

- (5) Nature of Enterprise: Limited company (legal person sole investment)
- (6) Main Business Scope: Production of communications optical fiber, optical cable and related products; self-operation and agency of different goods and technology import and export business, except for goods and technology to be operated by enterprises designated by the State or prohibited from import and export. (the above items exclude those prohibited or restricted by national laws and administrative regulations; for those involving specific approval, operation is only allowed upon approval)
- (7) History and the financial and operational conditions of the valued entity

See the valuation statement of the subsidiary for details.

2) Jiangsu Fasten Optical Cable Co., Ltd.

- (1) Name of Enterprise: Jiangsu Fasten Optical Cable Co., Ltd. (hereunder “Jiangsu Optical Cable Company”)
- (2) Registered Address: Chang Jiang Dong Lu, Jiangyin Economic Development Zone, Jiangyin
- (3) Legal Representative: Jiang Weiqiu
- (4) Registered Capital: RMB110.58614009 million
- (5) Nature of Enterprise: Limited company (legal person sole investment)
- (6) Business Scope: Production of communications optical fiber; self-operation and agency of different goods and technology import and export business, except for goods and technology to be operated by enterprises designated by the State or prohibited from import and export. (items subject to approval in accordance with the law shall only commence operation upon approval by relevant authorities)
- (7) History and the financial and operational conditions of the valued entity

See the valuation statement of the subsidiary for details.

3) Houma Potevio Optical Telecommunication Company Limited

- (1) Name of Enterprise: Houma Potevio Optical Telecommunication Company Limited (hereunder “Houma Optical Telecommunication Company”)
- (2) Registered address: 258 Xin Tian Lu, Houma City, Shanxi Province

- (3) Legal representative: Zhou Zhenhua
- (4) Registered Capital: RMB60 million
- (5) Nature of Enterprise: One-person limited liability company
- (6) Main Business Scope: Production of communications optical fibre. Sales of optical fiber, fiber optic cable and its ancillary products and provide after-sales maintenance services. (Items subject to approval in accordance with the law shall only commence operation upon approval by relevant authorities)***
- (7) History and the financial and operational conditions of the valued entity

See the valuation statement of the subsidiary for details.

5. *Financial and operation conditions on valuation base date and the preceding two years*

Financial condition of the valued entity (on consolidation basis) on valuation base date and the preceding two years is as follow:

Unit: RMB'0,000

Item	31 December 2013	31 December 2014	31 October 2015
Current assets	55,189.73	50,395.26	57,621.08
Fixed assets	21,251.13	22,316.45	21,233.69
Construction in process	1,414.25	1,985.32	928.67
Construction materials	86.93		
Clearance of fixed assets	14.63		
Intangible assets	6,764.92	6,598.10	6,459.08
Goodwill	2,198.58	2,198.58	2,198.58
Long-term expenses pending amortization		1,568.15	1,745.04
Deferred income tax assets	165.93	138.26	132.09
Total assets	87,085.30	85,200.12	90,318.24
Current liabilities	33,055.23	35,657.22	41,392.91
Non-current liabilities	1,124.75	1,014.47	1,022.78
Total liabilities	34,179.98	36,671.69	42,415.69
Owners' equity	52,905.32	48,528.43	47,902.54

Operational condition of the valued entity (on consolidation basis) on valuation base date and the preceding two years is as follow:

Unit: RMB'0,000

Item	2013	2014	January to October 2015
I. Operating income	43,344.31	48,252.26	58,637.75
Less: Operating cost	37,086.08	43,542.82	51,962.07
Business tax and subcharges	121.87	295.94	259.51
Sales expenses	2,101.88	2,317.57	2,682.57
Management expenses	3,481.88	3,751.89	3,468.46
Financial expenses	380.75	762.60	648.49
Impairment losses on assets	-23.85	-20.83	313.02
Add: Investment income	61.42	594.92	11.00
II. Operating profit	257.13	-1,802.82	-685.38
Add: Non-operating income	24.73	119.70	12.65
Less: Non-operating expenses	2.94	0.84	2.43
III. Total profit	278.91	-1,683.95	-675.16
Less: Income tax expense	37.48	-28.51	-49.28
IV. Net income	205.21	-1,655.44	-625.88
Net profit attributable to the parent company	73.71	-1,401.97	-625.88

Balance sheet of the valued entity (the parent company) on valuation base date and the preceding two years is as follow:

Unit: RMB'0,000

Item	31 December 2013	31 December 2014	31 October 2015
Current assets	19,372.13	25,973.67	38,759.53
Long-term equity investment	27,783.23	30,504.68	30,504.68
Fixed assets	119.41	2,449.12	2,247.00
Construction in process	523.82		
Intangible assets	2,458.33	2,408.33	2,366.67
Goodwill			
Long-term expenses pending amortization		1,134.94	1,038.76
Deferred income tax assets			
Total assets	50,256.92	62,470.75	74,916.64
Current liabilities	371.16	12,864.07	25,856.39
Non-current liabilities			
Total liabilities	371.16	12,864.07	25,856.39
Owners' equity	49,885.76	49,606.67	49,060.25

Operational condition of the valued entity (the parent company) on valuation base date and the preceding two years is as follow:

Unit: RMB'0,000

Item	2013	2014	January to October 2015
I. Operating income	1,872.79	28,554.68	42,466.58
Less: Operating cost	1,535.49	27,745.61	40,877.54
Business tax and subcharges	20.44	50.97	22.56
Sales expenses	109.59	650.14	1,120.98
Managment expenses	446.02	999.99	988.00
Financial expenses	-62.94	-18.95	-9.18
Impairment loss on assets		—	25.42
Add: Investment Income		594.92	11.00
II. Operating profit	-114.38	-278.16	-547.74
Add: Non-operating income	0.14	0.15	1.32
Less: Non-operating expenses		—	—
III. Total profit	-114.24	-278.01	-546.43
Less: Income tax expenses		1.08	-
IV. Net profit	-114.24	-279.09	-546.43

The financial statements of the valued entity for the valuation base date and 2014 have been audited by the Beijing branch of Pan-China Certified Public Accountants (SGP), who expressed unqualified audit opinion. The financial statements for 2013 have been audited by Qaxin Certified Public Accountants (SGP), who expressed unqualified audit opinion.

6. Relation between the entrusting parties and the valued entity

Chengdu PUTIAN Telecommunications Cable Company Limited and Fasten Group Company Limited are both the shareholders of Putian Fasten Cable Telecommunication Company Limited.

(III) Other Valuation Report Users Agreed under the Business Agreement

This valuation report is solely for use by the entrusting parties, valued entity and report users permitted by national laws and regulations, and shall not be used or relied by any other third parties.

II. PURPOSES OF VALUATION

The company was engaged by Chengdu PUTIAN Telecommunications Cable Company Limited and Fasten Group Company Limited to quantify the market value of the entire shareholders' equity interests in Putian Fasten Cable Telecommunication Company Limited as at 31 October 2015 and give valuation reference for the economic acts of the proposed transfer of equity interests by shareholders of Putian Fasten Cable Telecommunication Company Limited.

Such economic acts have been agreed under the principles of Zhong Pu Gu Qi No. [2015] 268 "Reply Letter on Matters Related to the Capital Increase of Putian Fasten Solely by Fasten Group" and Zhong Pu Gu Zhanlue No. [2016] 153 "Reply Letter on the Transfer of 22.5% equity interests in Putian Fasten held by Chengdu PUTIAN and Agreement to the Capital Increase Solely by Fasten Group" of China Potevio Company Limited.

III. VALUATION OBJECT AND SCOPE OF VALUATION

(I) Target of valuation

In accordance with the purpose of valuation, the valuation object is the value of entire shareholders' interests in Putian Fasten Cable Telecommunication Company Limited.

(II) Scope of valuation

The scope of valuation is the entire assets and liabilities in Putian Fasten Cable Telecommunication Company Limited. On the valuation base date, assets within the scope of valuation include current assets, long-term equity investment, fixed assets, intangible assets and long-term expenses pending amortization. Total book value of assets was RMB749.1664 million; liabilities are current liabilities, and total book value of liabilities was RMB258.5639 million; net book value of assets was RMB490.6025 million.

1. *Inventory*: The book value of inventory of the enterprise included in the scope of valuation amounted to RMB9,413,286.10, mainly comprising raw materials, reusable materials, commodities in stock and commodities in production, of which 249 items were for raw materials; 1 item was for reusable materials; 37 items were for commodities in stock and 104 items were for commodities in production.
2. Long-term equity investment represents the investment in Jiangsu Fasten Photonics Co., Ltd., Jiangsu Fasten Optical Cable Co., Ltd. and Houma Potevio Optical Telecommunication Company Limited in 2013, of which the book value of Jiangsu Fasten Photonics Co., Ltd. was RMB164,713,621.18, the book value of Jiangsu Fasten Optical Cable Co., Ltd. was RMB125,403,357.39 and the book value of Houma Potevio Optical Telecommunication Company Limited was RMB14,929,785.52. The above subsidiaries are all wholly-owned subsidiaries.

3. *Fixed assets*: The original book value of fixed assets of the enterprise included in the scope of valuation was RMB25,474,159.08 and the book value was RMB22,469,987.73, mainly representing mechanical equipment, motor vehicles and electrical equipment, of which 121 items are for mechanical equipment, 4 items are for motor vehicles (with driving license within the validity of annual inspection obtained) and 221 items are for electrical equipment.
4. *Other intangible assets*: The original book value of other intangible assets of the enterprise included in the scope of valuation was RMB25,000,000.00 and the book value was RMB23,666,666.66, representing the expenses of trademark use right (“普天” (Number 1980958) and “potevio” (Number 4648836)) paid by the valued entity. The term of trademark right is the duration of the enterprise.

As of valuation base date, details of unrecorded nominal intangible assets of Putian Fasten Cable Telecommunication Company Limited and its subsidiary Jiangsu Fasten Optical Cable Co., Ltd. are as follows:

Serial No.	Name of Utility Model	Patent No.	Date of Patent Application	Patentee	Date of Authorized Publication
1	Brace device for production of self-supporting fiber cables	ZL 03 3 78171.7	29 August 2003	Jiangsu Fasten Optical Cable Co., Ltd.	1 December 2004
2	Head device of beam tube plastic extruding machine for fiber cable	ZL 2006 2 0126282.0	30 October 2006	Jiangsu Fasten Optical Cable Co., Ltd.	31 October 2007
3	Central beam tube type micro fiber cable	ZL 2005 2 0074722.8	22 August 2005	Jiangsu Fasten Optical Cable Co., Ltd.	6 December 2006
4	Sizing device for air cushion type aluminum tape roller	ZL 2009 2 0299500.4	22 December 2009	Jiangsu Fasten Optical Cable Co., Ltd.; Fasten Group Company	8 December 2010
5	Rotary cable peeling device	ZL 2009 2 0299498.0	22 December 2009	Jiangsu Fasten Optical Cable Co., Ltd.; Fasten Group Company	27 October 2010
6	Parallel double- steel wire strengthened three-unit core fiber cable	ZL 2011 2 0127491.8	27 April 2011	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	4 January 2012
7	Rat bite-proof internal wiring fiber cable	ZL 2011 2 0127500.3	27 April 2011	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	23 November 2011

Serial No.	Name of Utility Model	Patent No.	Date of Patent Application	Patentee	Date of Authorized Publication
8	Constant tension control device for beam tube spool rack	ZL 2011 2 0127496.0	27 April 2011	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	23 November 2011
9	Automatic filling device for fiber belt pre-coating	ZL 2011 2 0127493.7	27 April 2011	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	23 November 2011
10	Temperature sensing optical fiber	ZL 2012 2 0700081.2	18 December 2012	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	24 July 2013
11	Flat double-beam tubes fiber cable	ZL 2012 2 0699982.4	18 December 2012	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	24 July 2013
12	Rotary steel wire spool device	ZL 2012 2 0699920.3	18 December 2012	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	24 July 2013
13	Smooth steel strip longitudinal covering device	ZL 2012 2 0700084.6	18 December 2012	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	24 July 2013
14	Bulge Detection device for tubing wire	ZL 2012 2 0700527.1	18 December 2012	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	24 July 2013
15	Pre-heat device for contacting steel wire	ZL 2012 2 0700528.6	18 December 2012	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	24 July 2013
16	Large bulge Detection device for tubing wire	ZL 2014 2 0395973.5	17 July 2014	Putian Fasten Cable Telecommunication Company Limited; Jiangsu Fasten Optical Cable Co., Ltd.	17 December 2014

Serial No.	Name of Utility Model	Patent No.	Date of Patent Application	Patentee	Date of Authorized Publication
17	Beam tube consistency maintaining device	ZL 2014 2 0395367.3	17 July 2014	Putian Fasten Cable Telecommunication Company Limited; Jiangsu Fasten Optical Cable Co., Ltd.	17 December 2014
18	Steel strip longitudinal covering and forming device for fiber cable	ZL 2014 2 0395344.2	17 July 2014	Putian Fasten Cable Telecommunication Company Limited; Jiangsu Fasten Optical Cable Co., Ltd.	17 December 2014
19	Enhanced GYXTW-type fiber cable	ZL 2014 2 0395366.9	17 July 2014	Putian Fasten Cable Telecommunication Company Limited; Jiangsu Fasten Optical Cable Co., Ltd.	17 December 2014
20	Opto-electronic hybrid cables	ZL 2014 2 0395352.7	17 July 2014	Putian Fasten Cable Telecommunication Company Limited; Jiangsu Fasten Optical Cable Co., Ltd.	17 December 2014
21	Rat-proof electric-resistant fiber cable	ZL 2014 2 0414059.0	25 July 2014	Putian Fasten Cable Telecommunication Company Limited; Jiangsu Fasten Optical Cable Co., Ltd.	17 December 2014

Entrusted valuation object and scope of valuation were fundamentally consistent with those involved in economic acts. On valuation base date, the book values of assets and liabilities within the scope of valuation were audited by the Beijing branch of Pan-China Certified Public Accountants (SGP), who issued standard unqualified audit report (Tian Jian Jing Shen [2015] No. 1289).

IV. TYPES OF VALUE AND DEFINITIONS

In light of the purpose of valuation, the types of value of the valuation object is determined to be the market value.

Market value refers to the estimated value of the valuation object in ordinary and fair transaction on the valuation base date where the willing buyer and willing seller act in a rational manner without being compelled.

Market value is selected as the value type of the valuation on the principle of aligning value type and valuation purpose, and is also determined by taking comprehensive factors such as market conditions and the conditions of the valuation object into full consideration.

V. VALUATION BASE DATE

The valuation base date for this project is 31 October 2015.

- (I) The base date is determined by the entrusting parties.
- (II) The base date is the date of the statement for the end of the accounting month of Putian Fasten JV and also the date when the audit report is prepared. It is conducive to assets inspection and accurately set out the book value of assets and liabilities in the scope of valuation.
- (III) All pricing standards adopted in the assets valuation are based on the effective pricing standards as at the valuation base date.

VI. VALUATION BASIS

(I) Basis of Economic Acts

1. Chengdu PUTIAN Telecommunications Cable Company Limited (Gong Si Zi [2015] No. 70) “Submission on Matters Related to the Capital Increase of Putian Fasten Cable Telecommunication Company Limited solely by Fasten Group”;
2. China Potevio Company Limited (Zhong Pu Gu Qi [2015] No. 268) “Reply Letter on Matters Related to the Capital Increase of Putian Fasten Solely by Fasten Group”;
3. China Potevio Company Limited (Zhong Pu Gu Zhanlue [2016] No. 153) “Reply Letter on the Transfer of 22.5% equity interest in Putian Fasten held by Chengdu PUTIAN and Agreement to the Capital Increase Solely by Fasten Group”;
4. The “Agreement on Assets Valuation Engagement” signed by the entrusting parties and us.

(II) Legal basis

1. “Company Law of the People’s Republic of China” (Amended at the Sixth Session of the Standing Committee of the Twelfth National People’s Congress on 28 December 2013);
2. “Urban Real Estate Administration Law of the People’s Republic of China” (Passed at the Twenty-Ninth Session of the Standing Committee of the Tenth National People’s Congress on 30 August 2007);
3. “Land Administration Law of the People’s Republic of China” (Passed at the Eleventh Session of the Standing Committee of the Tenth National People’s Congress on 28 August 2004);
4. “Enterprise Income Tax Law of the People’s Republic of China” (Passed at the Fifth Session of the Standing Committee of the Tenth National People’s Congress on 16 March 2007);
5. “Enterprise State-Owned Assets Law of the People’s Republic of China” (Passed at the Fifth Session of the Standing Committee of the Eleventh National People’s Congress on 28 October 2008);
6. “Interim Regulations on Supervision and Management of State-Owned Assets of Enterprises” (Order No. 378 of the State Council);
7. “Interim Measures for the Management of the Transfer of State-Owned Property Rights of Enterprises” (Order No. 3 of the Ministry of Finance and the SASAC);
8. “Notice on Relevant Matters Concerning the Transfer of State-Owned Property Rights of Enterprises” (Guo Zi Fa Chan Quan [2006] No. 306);
9. “Administrative Measures for the Appraisal of State-Owned Assets” (Decree No. 91 of the State Council);
10. “Notice Concerning the Issuance of the Detailed Rules for the Implementation of Administrative Measures for the Appraisal of State-Owned Assets” (Guo Zi Ban Fa [1992] No. 36);
11. “Interim Measures for the Administration of Appraisal of State-Owned Assets of Enterprises” (Order No. 12 of the State-Owned Assets Supervision and Administration Commission of the State Council);

12. “Notice on Issues Concerning Strengthening the Administration of the Appraisal of State-Owned Assets of Enterprises” (Guo Zi Wei Chan Quan [2006] No. 274);
13. “Interim Measures for the Administration of State-Owned Shareholders’ Transfer of Their Shares of Listed Companies” (Order No. 19 of the State-Owned Assets Supervision and Administration Commission of the State Council and the China Securities Regulatory Commission);
14. “Notice on Matters Concerning Verification of State-Owned Assets Valuation Report of Enterprises” (Guo Zi Chan Quan [2009] No. 941);
15. “Guidelines on Filing of Appraisal Projects of State-Owned Assets of Enterprises” (Guo Zi Fa Chan Quan [2013] No. 64);
16. “Accounting Standards for Enterprises — Basic Standards” (Order No. 33 of the Ministry of Finance);
17. “Detailed Rules for the Implementation of the Interim Regulations on Value-Added Tax of the People’s Republic of China” (Order No. 50 of the Ministry of Finance and the State Administration of Taxation);
18. “Interim Regulations on Land Use Tax in Cities and Towns of the People’s Republic of China” (Passed at the One Hundred and Sixty-Third Executive Meeting of the State Council on 30 December 2006);
19. SASAC: Notice on Relevant Matters Concerning the Establishment of a System of Joint Release of Information on the Transfer of State-Owned Property Rights in Central Enterprises (Guo Zi Fa Chan Quan [2008] No. 32);
20. “Notice Concerning the Issuance of Interim Measures for Measures on Administration of Appraisal of State-Owned Assets of Enterprises in Beijing City” (Jing Guo Zi Fa [2008] No. 5).

(III) Basis of Appraisal Standards

1. “Assets Appraisal Standards — Basic Standards” (Cai Qi [2004] No. 20);
2. “Code of Ethics for Assets Appraisal — Basic Standards” (Cai Qi [2004] No. 20);
3. “Guidance Opinions on Certified Assets Valuers on the Legal Ownership of Subject under Valuation” (Kuai Xie [2003] No. 18);

4. “Assets Appraisal Standards — Appraisal Procedures” (Zhong Ping Xie [2007] No. 189);
5. “Assets Appraisal Standards — Working Papers” (Zhong Ping Xie [2007] No. 189);
6. “Assets Appraisal Standards — Machinery and Equipment” (Zhong Ping Xie [2007] No. 189);
7. “Assets Appraisal Standards — Real Estate” (Zhong Ping Xie [2007] No. 189);
8. “Guidance Opinions on Types of Value in Assets Appraisal” (Zhong Ping Xie [2007] No. 189);
9. “Guidelines on Business Quality Control in Appraisal Institutions” (Zhong Ping Xie [2010] No. 214);
10. “Assets Appraisal Standards — Enterprise Value” (Zhong Ping Xie [2011] No. 227);
11. “Assets Appraisal Standards — Valuation Report” (Zhong Ping Xie [2011] No. 230);
12. “Assets Appraisal Standards — Engagement Letter” (Zhong Ping Xie [2011] No. 230);
13. “Guides to Asset Valuation Report of State-Owned Assets of Enterprises” (Zhong Ping Xie [2011] No. 230);
14. “Code of Ethics for Asset Appraisal — Independence” (Zhong Ping Xie [2012] No. 248);
15. “Assets Appraisal Standards — Use of Experts” (Zhong Ping Xie [2012] No. 244).

(IV) Basis of Ownership

1. Vehicle driving licence;
2. Property ownership certificate and land use right certificate;
3. Certificates of other relevant property rights.

(V) Pricing Basis

1. “Notice of the NDRC Concerning the Issuance on the Interim Rules on Consultation Fees for Preliminary Works of Construction Projects” (Ji Jia Ge [1999] No. 1283);
2. “Notice of the NDRC and the Ministry of Construction Concerning the Issuance of Regulations on the Administration of Construction Survey and Design Fees” (Ji Jia Ge [2002] No. 10);
3. “Notice of the NDRC and the State Environmental Protection Administration on Issues Concerning the Regulating Environmental Impact Consultation Fees” (Ji Jia Ge [2002] No. 125);
4. “Notice of the NDRC on the Issuance of Interim Measures on the Administration of Bidding Agency Services Fees” (Ji Jia Ge [2002] No. 1980);
5. “Notice of the Ministry of Finance on the Issuance of Certain Regulations on Financial Administration of Basic Construction” (Cai Jian [2002] No. 394);
6. “Notice of the NDRC and the Ministry of Construction on the Issuance of the Regulations on the Administration of Construction Projects Supervision and Related Service Fees” (Fa Gai Jia Ge [2007] No. 670);
7. “Interim Regulations on Value-Added Tax of the People’s Republic of China” (issued by the Order No. 134 of the State Council of the People’s Republic of China on 13 December 1993, amended and passed at the Thirty-Fourth Executive Meeting of the State Council on 5 November 2008 and implemented from 1 January 2009);
8. “Interim Regulations on Vehicle Purchase Tax of the People’s Republic of China” (Order [2000] No. 294 of the State Council);
9. “Provisions on Standards for Mandatory Retirement of Motor Vehicle” (Order No. 12 of the Ministry of Commerce, the NDRC, the Ministry of Public Security and the Ministry of Environmental Protection in 2012);
10. Benchmark interest rate of bank deposit and loans on valuation benchmark date;
11. “Standards for Rating of Damage Condition of Houses (Trial)” (Cheng Zhu Zi [1984] No. 678);
12. Construction cost information in the construction area on valuation benchmark date;
13. “PRC Mechanical and Electrical Products Pricing Manual”;

14. Information provided by the enterprise such as feasibility study report of projects, project investment estimate and design estimate;
15. Relevant construction budget and final account information provided by the enterprise;
16. Financial statements and audit reports of previous years provided by the enterprise;
17. Future operation plan provided by related department of the enterprise;
18. Information of principal products in current market and its market forecast in future years provided by the enterprise;
19. Other relevant valuation information recorded and collected by valuers from on-site survey;
20. Other information related to this asset valuation.

(VI) Other References

1. List of assets and valuation application forms provided by the unit under valuation;
2. Auditor's report issued by Pan-China Certified Public Accountants LLP Beijing branch;
3. Database of Beijing North Asia Asset Assessment Firm (Special General Partnership).

(VII) VALUATION METHODOLOGY

The basic approaches for valuation of enterprises' value mainly include the income approach, market approach and asset-based approach.

The "Asset Valuation Standards — Enterprise Value" requires that for valuation engagement of enterprises' value, the assets valuer should properly select one or more basic assets valuation approaches by analyzing the suitability of those three basic assets valuation approaches (income approach, market approach and asset-based approach) based on relevant conditions, including valuation purpose, valuation object, types of value and the information collected.

Cost approach, also called asset-based approach, refers to the valuation concept of determining the value of the valuation object based on reasonable valuation of all assets and liabilities of valued enterprise. Market approach refers to the valuation concept of determining the value of the valuation object by comparing the valuation object with the reference enterprise, transaction cases of enterprises in the market, shareholders' equity and securities and other equity assets. Income approach, also called income present value approach, refers to the valuation concept of determining the value of the valuation object by capitalizing or discounting the expected income by the valued entity.

For the purpose of this valuation, income approach and asset-based approach have been adopted after analyzing the suitability of the three basic approaches based on relevant conditions including valuation purpose, valuation object, types of value and the information collected. The rationale for selection of valuation methodology is set out as follows:

Income approach: Since the enterprise operates on a going concern basis, production and operation information of the enterprise could be collected, and the future operating income can be forecasted, therefore income approach could be adopted for valuation.

Asset-based approach: asset-based approach refers to the valuation concept of determining the value of the valuation object based on reasonable valuation of all assets and liabilities of the valued enterprise. Details of each asset and liability item could be collected in the valuation, therefore asset-based approach could be adopted for valuation.

Market approach is not adopted for the valuation as it is difficult to identify comparable listed companies or transaction cases in the market.

Introduction of income approach and asset-based approach is as follow:

(I) Income approach

In valuation of the enterprises' value, income approach refers to a valuation approach to determine the value of the valuation object by capitalising or discounting the expected income of the valued enterprise. It applies to the valuation concept of deriving cost from profit in assets valuation. Specific methods typically used under income approach include discounted dividend income method and discounted cash flow method.

Discounted free cash flow model under the discounted cash flow method is adopted for this valuation. Discounted cash flow method is detailed below:

Value of entire shareholders' interests = Overall enterprise value – Value of interest-bearing debts

1. *Overall enterprise value*

Overall enterprise value refers to the sum of entire shareholders' interests and interest-bearing debts. According to the assets allocation and use by the valued entity, the overall enterprise value is calculated as follows:

Overall enterprise value = Value of operating assets + Value of surplus assets +
Value of non-operating assets and liabilities

(1) *Value of operating assets*

Operating assets refer to the assets and liabilities relating to production and operation of the valued entity and involved in forecasting its free cash flows after the valuation base date. Value of operating assets is calculated as follows:

$$P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_{n+1}}{(1+r)^n}$$

where: P: Value of operating assets as at the valuation base date;

F_i : Estimated free cash flow for the i^{th} year after the valuation base date;

F_{n+1} : Estimated free cash flow for the last year of the forecast period;

r: Discount rate (here as weighted average cost of capital, or WACC);

n: Forecast period;

i: the i^{th} year in the forecast period.

Among which, free cash flow of enterprise is calculated as follows:

Free cash flow of enterprise = Net profit after tax + Depreciation and amortisation
+ interest expenses after tax – Capital expenditure –
change in net working capital

Among which, discount rate (weighted average cost of capital, or WACC) is calculated as follows:

$$WACC = K_e \times \frac{E}{E + D} + K_d \times (1 - t) \times \frac{D}{E + D}$$

where: k_e : Cost of equity capital;

k_d : Cost of interest-bearing debt capital;

E: Market value of equity;

D: Market value of interest-bearing debts;

t: Income tax rate.

Where, the cost of equity capital is calculated using the capital asset pricing model (CAPM) as follows:

$$K_e = r_f + ERP \times \beta + r_s$$

where: r_f : Risk-free interest rate;

ERP: Market risk premium;

β : Systematic risk coefficient of equity;

r_s : Enterprise-specific risk adjustment coefficient.

(2) *Value of surplus assets*

Surplus assets refer to assets exceeding the production and operation requirements of the enterprise as at the valuation base date and not involved in forecasting its free cash flow after the valuation base date. Cost approach is adopted for valuation.

(3) *Value of non-operating assets and liabilities*

Non-operating assets and liabilities represent those not relating to the production and operation of the valued entity and not involved in forecasting its free cash flows after the valuation base date. Cost approach is adopted for valuation.

2. *Value of interest-bearing debts*

Interest-bearing debts refer to the liabilities bearing interest payable by the valued object as at the valuation base date. Interest-bearing debts of the valued entity is short-term borrowing. The book value after verification is recognised as the appraisal value.

(II) Asset-based approach

In valuation of enterprises' value, asset-based approach refers to the valuation approach, based on the balance sheets of the valued entity as at valuation base date, used for determining the value of the valuation object by reasonably appraising the value of various assets and liabilities recorded within and outside balance sheets.

1. *Current assets*

Current assets which fall within the scope of valuation mainly include: monetary funds, notes receivable, accounts receivable, prepayments, other receivables, inventory and other current assets.

- (1) Monetary funds include cash and bank deposits and other currency funds, the appraised value of which is determined as the verified value arrived at after checking of cash inventory, verifying bank reconciliation statements and bank confirmations, etc.
- (2) Notes receivable: the valuation personnel first check the general ledger, the breakdowns, the accounting statements and the valuation list. Then, the valuation personnel supervise the accounting of notes in stock, and verify the register of notes receivable. After that, the valuation personnel has a check of the acceptance after the reference data, determine the economic activities involved in the notes to be authentic and the amount thereof to be accurate. The book value after verification is recognised as the appraised value.
- (3) The appraised value of all kinds of receivables is determined according to the respective recoverable amount on verified basis. For the receivables believed to be fully recoverable on adequate grounds, the appraised value is calculated according to the full amount receivable. For the partial amount which is probably irrecoverable, in the event that it is difficult to determine the amount of irrecoverable receivables, historical information and on-site investigation

are used to understand the situation, specifically analyze the amount, time and reasons of loans, recovery of the amounts, as well as the capital, credit and current situation of operation and management of the debtor to estimate the partial amount which is probably irrecoverable in accordance with the aging analysis method as the appraised value calculated after deduction of the loss from risk. For those which have conclusive evidences proving that the receivable cannot be recovered, the appraised value will be nil. The “bad debt provision” on the accounts shall be accounted for as zero.

- (4) The appraised value of prepayments is determined based on the value of assets or entitlements arising from the corresponding recoverable goods. The appraised values for the relevant goods or entitlements which are recoverable are determined based on the verified book value. The appraised values for prepayments which have conclusive evidences proving that the relevant goods cannot be recovered and cannot form relevant assets or entitlements are zero.
- (5) Inventory: The valuation personnel first acquires the basic condition of the inventory, including raw materials, circulating materials, finished goods (inventories of finished goods) and work in process, which are included in the scope of valuation. According to the list and report of inventories provided by Putian Fasten Cable Telecommunication Company Limited, the inventory of Putian Fasten Cable Telecommunication Company Limited was comprehensively inspected and partially and randomly counted by the valuation personnel in combination with the counting day in the end of month and on-site inspection time of the valued entity after understanding the composition, distribution and management condition of inventory.
 - 1) Raw materials: Raw materials of Putian Fasten Cable Telecommunication Company Limited includes: raw and auxiliary materials, low-value consumables, spare parts and labor insurance products, mainly for steel-plastic composite belt, phosphate steel wire, sheathing materials, aluminum-plastic composite belt and masterbatch. Valuation personnel has understood the verification methods of the cost of raw materials on site and collected relevant information. Raw materials stored in the company’s factory site have been verified by inspection counting on the site. In the inventory-counting process, the valuation personnel emphasized on the quality and no damage or default has been found. Taking into account the similarity between the book raw material costs of the company and the market sales prices after comparison, the appraised value is determined by the verified book value.
 - 2) Circulating material in stocks: The circulating materials of the Company are mainly the externally purchased working uniforms of Putian Fasten Cable Telecommunication Company Limited. Taking into account the

circulating materials in stocks by the valuation personnel, we adopted the same valuation methods as raw material, and thus the appraised value is determined by the verified book value.

- 3) Finished goods (inventories of finished goods): After understanding the calculation methods of the cost of finished goods and collecting relevant information, the complete cost is used as a basis, and the appraisal value is determined by the sales price (tax excluded) deducting all the selling expenses, taxes and part of the profit pursuant to the condition of the sales of the product market, i.e.:

Appraisal value of finished goods = amount confirmed × price excluding tax of the product × (1 – selling expense ratio – business tax and subcharge rate – income tax expenses rate – part of the net profit ratio)

- 4) Work in process: Work in process of the company are mainly consumption of raw materials and products used to produce the middle section of optical cables. Work in process are stored in the motor vehicles and the inventory of work in process. After the valuation personnel understand the calculation methods of the cost of work in process, optical production process was inspected on site. After valuation processes such as counting and verification, the valuation personnel believe that the book value of the work in process reflects the actual cost of work in process more realistically, and thus the appraised value is determined by the verified book value.
- (6) Other current assets: Its amount is mainly the input value-added tax pending deduction. After examining the reasons for the formation of other current assets, valuation personnel performed the necessary evaluation procedures and analyzed the amount of money and the business contents. On the basis of referring to the breakdown ledgers of other current assets, the main contracts, credentials and vouchers involved in the payment were verified according to the principle of importance. On the basis of the verification of expenditures, the appraised value is determined in accordance with the value of remaining assets and rights of enterprise that are stilling existing and not duplicated with other valuation objects in accordance with the valuation purposes of the valuation.

2. Long-term equity investment

Long-term equity investment is mainly the long-term investment in subsidiaries, and all investments in wholly-owned subsidiaries.

For wholly-owned long-term equity investment, valuation of the investee is conducted by adopting the valuation approaches on enterprises' value, and the value on the base date is determined by multiplying the value of the entire shareholders' equity interest after valuation by equity proportion.

The summary of whether each investee is valued as a whole, valuation approach adopted and condition of the valuation approach selected in the final conclusion is as follows:

Number	Name of Investee	Full Valuation or Not	Valuation Approach Adopted	Valuation Approach Selected in the Final Conclusion	Separate Statement Issued or Not
1	Jiangsu Fasten Photonics Co., Ltd.	Yes	Asset-based approach	Asset-based approach	Yes
2	Jiangsu Fasten Optical Cable Co., Ltd.	Yes	Asset-based approach	Asset-based approach	Yes
3	Houma Potevio Optical Telecommunication Company Limited	Yes	Asset-based approach	Asset-based approach	Yes

3. *Machinery equipment*

The machinery equipment is valued mainly by adopting cost approach in accordance with relevant conditions such as the features of various equipment, types of appraised value and the conditions of information collection.

The statement is corresponding to those in the account books after verifying with the list of the machinery and equipment provided by the enterprise. At the same time, the ownership is recognized after examining and verifying the related contracts, legal ownership certificates and accounting evidence. On such basis, professional engineering and technical staff is assigned to carry out necessary on-site inspection and verification of the major equipment.

(1) *Cost approach*

The formula of cost approach is as follows:

Appraised value = full replacement cost × combined newness rate

1) Formation and determination of full equipment replacement cost

The replacement cost refers to the total cost incurred for bringing the equipment subject to valuation into the actual status on valuation base date.

In relation to the valuation of the replacement cost of equipment, the purchase price of the equipment is to be determined first; then add various taxes incurred for bringing that equipment into the actual status, such as transportation and miscellaneous costs, basic fees, installation and test costs, other proper expenses and capital costs, to obtain the replacement cost of that equipment.

A. Determination of the full replacement cost of domestic machineries and equipment

In relation to the valuation of the replacement cost of equipment, the purchase price of the equipment is to be determined first; then add various taxes incurred for bringing that equipment into the actual status, such as transportation and miscellaneous costs, basic fees, installation and test costs, other proper expenses and capital costs, to obtain the replacement cost of that equipment.

Its calculation formula:

$$\begin{aligned} \text{Replacement cost} = & \text{Purchase price of equipment} + \\ & \text{Transportation and miscellaneous costs} + \\ & \text{Basic fees} + \text{Installation and test costs} + \\ & \text{Up-front fees and other proper charges} + \\ & \text{Capital costs} \end{aligned}$$

For the replacement cost (excluding value-added tax) of equipment, its calculation formula is as follow:

$$\begin{aligned} \text{Replacement cost} = & \text{Purchase price (excluding tax)} + \\ & \text{Transportation and miscellaneous fees} \\ & \text{(excluding tax)} + \text{Basic fees} + \text{Installation} \\ & \text{and test cost} + \text{Up-front fees and other} \\ & \text{proper charges} + \text{Capital costs} \end{aligned}$$

Or:

$$\begin{aligned} \text{Replacement cost} = & \text{Purchase price (including tax)} \times (1 + \\ & \text{transportation and miscellaneous cost ratio} + \\ & \text{Basic fees ratio} + \text{Installation and test cost} \\ & \text{ratio}) \times (1 + \text{Other reasonable expenses} \\ & \text{ratio}) \times (1 + \text{Capital cost ratio}) - \text{Input VAT} \\ & \text{on purchase price (including tax)} - \text{Input} \\ & \text{VAT on transportation and miscellaneous} \\ & \text{cost} \end{aligned}$$

Input VAT on purchase price (including tax) = purchasing price (including tax) \div (1 + 17%) \times 17%

Input VAT transportation and miscellaneous cost = Transportation and miscellaneous cost / (1 + 11%) \times 11%

① Determination of purchase price:

Determination of prevailing market price by market consultation: Directly consult prices with dealers or manufacturers or refer to the price list of merchants, officially published price information and price information publicly available in the computer network, and taking into account the possible downward adjustment range of price to determine the current market price of equipment;

Use of alternative methods to determine the prevailing market price of equipment: For equipment with some prevailing market price not available but with substitutes, after the analysis and comparison of technology content and functional differences, determine reasonable prevailing market price pursuant to the principle of alternativeness of valuation;

Adoption of classification of price coefficient adjustment method: For equipment with some prevailing market price not available and with no self-made equipment and non-standard equipment as substitutes, under the premise of adjusting the initial equipment book value to the initial equipment purchasing price, obtain the prevailing market price of equipment to adjustment of book value through calculating the change off coefficient of the price of equipment in the same period or in the same type.

② Transportation and miscellaneous costs and installation and test costs: For equipment that require transportation and installation and test, its transportation and miscellaneous costs and installation and test costs are calculated based on the purchase price of equipment and select the corresponding ratio from different region and types by referring to the “Common Information and Parameters for Asset Valuation”.

③ Basic fees: basic fees ratio is determined by referring to the “Common Information and Parameters for Asset Valuation”.

④ Up-fronts and other proper charges:

With reference to the actual situation in relation to the standard of charges combined with construction of enterprise of relevant industries, the standards of up-fronts and other proper charges are determined. Details of the charge rate of other proper charges are in the following table.

Details of up-fronts expenses rate are in the following table

Serial Number	Name of Expenses	Expenses Rate	Base of Expenses	Basis of expenses
1	Management fees of construction entity	1.32%	Construction expenses	Ministry of Finance, Ministry of Construction [2002] No. 394
2	Construction supervision fees	1.70%	Construction expenses	Prices by NDRC (2007) No.670
3	Environmental valuation costs	0.34%	Construction expenses	Prices by Development Planning Commission & Environmental Protection Bureau (2002) No. 125
4	Project proposal fees and feasibility study fees	0.90%	Construction expenses	Ji Wei Ji Jia Ge (1999) No.1283
5	Survey and design costs	3.40%	Construction expenses	Ji Jia Ge (2002) No.10
6	Bidding agency fees	0.47%	Construction expenses	Prices by Development Planning Commission (2002) No.1980
7	Total	8.13%		

⑤ Capital costs: According to the construction period of the whole set of device, combined with the situation of the equipment purchase and construction of the valued entity, reasonable construction period is determined and to be included in the calculation of capital cost in equal contribution.

Interest rate: The loan interest rate of six months to one year is 4.35% per annum in accordance with the loan interest rate of financial institutions released in 2015 by People's Bank of China

The interest-bearing base is A. A is the sum of purchase costs, transportation and miscellaneous costs, basic fees, installation and test fees and other reasonable costs.

- B. Calculation formula for the valuation of replacement cost of non-standard equipment is:

Replacement cost = Purchasing price of non-standard equipment
+ Transportation and miscellaneous costs +
Basic fees + Installation and test fees + Up-
fronts and other proper charges + Capital
costs

For equipment with replacement cost (excluding VAT), its calculation formula is:

Replacement cost = Purchasing price of non-standard equipment
(excluding tax) + Transportation and
miscellaneous costs (excluding tax) + Basic
fees + Installation and test fees + Up-fronts
and other proper charges + Capital costs

Or:

Replacement cost = Purchasing price of non-standard equipment
(including tax) × (1 + Transportation and
miscellaneous costs ratio + Basic fees ratio
+ Installation and test fees ratio) × (1 + Up-
fronts and other proper charges ratio) × (1 +
Capital costs ratio) – Input VAT on
purchasing price of non-standard equipment
(including tax) – Input VAT on travelling
and miscellaneous costs

Input VAT on purchase price
(including tax) = Purchase price (including tax) ÷ (1 + 17%)
× 17%

The valuation method of Non-standard equipment is estimated and determined based on the comprehensive estimate method pursuant to the “Machinery Industry and Construction Project Budget Estimate and Preparation Methods and Indicators for Estimates”. Corresponding costs are calculated in accordance with the relationship indicators with its cost expenses and additional consideration of certain profit, taxes and design fees. Its formula is:

$$P = (Cm1/km + Cm2) \times (1 + kp) \times (1 + kt) \times (1 + kd/N)$$

P — Purchase price of non-standard equipment;

Cm1 — Major material fees (excluding major outsourcing material fees);

Km — Excluding cost of major material fee ratio of major outsourcing material fees;

Cm2 — Major outsourcing material fee;

KP — Cost margin;

Kt — Sales tax rate;

Kd — Non-standard equipment design fee rate;

N — Amount of non-standard equipment.

C. Determination of the replacement cost of vehicles

The full replacement cost of vehicles comprises of three parts, namely purchase price, purchase surtax and other charges (such as examination fees, license fees and handling charges).

Purchase price: determined by referring to the market price of substitutable vehicle model of the same brand with similar functionalities. For some vehicles which have stopped production, their purchasing price are determined in accordance with the market prices of substituted vehicle types with similar brands and performance. Other charges are determined on the basis of the proper charges standards and level imposed by the local vehicle regulatory authorities.

Vehicles purchase tax: Pursuant to relevant provisions of “Provisional Regulations on the Vehicle Purchase Tax of the People’s Republic of China” (Decree No. 294 of the State Council, 2001), purchase tax payable for vehicles = Assessable price \times 10%. Due to the fact that the assessable price of a vehicle for the taxpayer’s personal use is not subject to value-added tax, purchase surtax = purchase price/ $(1 + 17\%) \times 10\%$.

D. Determination of the replacement cost of electronic equipment

Office electronic equipment included in the scope of this valuation are mainly domestically procured equipment. Therefore, their full replacement costs are valued mainly based on the prevailing market price.

Through the on-site inspection on the usage of instruments (working condition, maintenance, physical appearance, operating rate and good operational performance), values are determined after the amendment of referring necessary equipment records of instruments such as operation, incidents, maintenance and performance.

2) Determination of integrated newness rate

① Machinery equipment

The useful life of machinery equipment is determined through the understanding of on-site inspection of the usage and technical conditions of equipment and mainly based on the economic life and years of service. The combined newness rate is then determined based on the formula below.

$$\text{Combined newness rate} = \frac{\text{Outstanding useful life}}{\text{Outstanding useful life} + \text{years of service}} \times 100\%$$

② Combined newness rate of small equipment such as electronic equipment and air-conditioning equipment is determined in accordance with its economic life, while combined newness rate of large electronic equipment is determined with reference to its working condition and operation status of the equipment.

③ As to vehicles, pursuant to the current mandatory obsolescence standards on vehicles, the newness ratio is determined with reference to the mileage method or years of service (whichever is less) for vehicles with stipulated years of service. As to vehicles without stipulated years of service, the newness ratio is determined with the mileage method with adjustments made in combination with on-site investigation. Where the difference between the newness ratios determined by on-site inspection and determined according to the lesser, then no adjustment is made. Its formula is:

$$\text{Residual value rate of useful life} = \frac{\text{Economic life} - \text{Year of service}}{\text{Economic life}} \times 100\%$$

$$\text{Newness rate of mileage} = \frac{\text{Stipulated mileage travelled} - \text{Mileage travelled}}{\text{Stipulated mileage}} \times 100\%$$

$$\text{Combined newness rate} = \frac{\text{Theoretical newness rate}}{\text{coefficient}} \times \text{Adjustment}$$

3) Determination of appraised value

$$\text{Appraised value} = \text{Full replacement costs} \times \text{Combined newness rate}$$

4. *Other intangible assets*

Other intangible assets involved in this valuation scope are trademark right fee paid by Putian Fasten Cable Telecommunication Company Limited. As to the right fee paid by the enterprise, its appraised value is determined in accordance with the value of remaining assets and rights after the base day.

5. Long-term deferred expenses are mainly expenses of construction maintenance and reconstruction projects. The appraised value is determined in accordance with the value of remaining assets and rights of enterprise that are stilling existing and not duplicated with other valuation objects in accordance with the valuation purposes of this valuation.

6. *Liabilities*

In relation to the valuation of accounts payable, receipts in advance and taxes payable in current liabilities, according to the breakdown of items provided by the enterprise, the audited value after audit and verification is used as their appraised values. As to different liabilities, verified liabilities that are not actually assumed are calculated at nil value.

VIII. IMPLEMENTATION PROCESS AND STATUS OF VALUATION PROCEDURES

The assets and liabilities related to the valuation object were valued by valuation personnel from 9 November 2015 to 18 November 2015. Implementation process and status of main valuation procedures are as follows:

(I) Specifying basic matters of the valuation engagement

The person-in-charge of our firm discussed with the representative of the entrusting parties to determine the entrusting parties, valued enterprise and other users of the valuation report other than the entrusting party, identify the purpose of valuation, valuation object and scope of valuation, types of value, valuation base date, limitations on use of valuation report, submission time and method of valuation report, and other important matters to be specified by the work and assistance of the entrusting party and certified assets valuer.

(II) Signing the engagement letter

Our firm has decided to undertake the valuation business after specific engagement analysis and comprehensive assessment of the professional competence, independence and business risks according to the specific conditions of the valuation engagement.

(III) Preparation of valuation plan

We developed the valuation plan by taking into account the characteristics of this project, such as large quantity of assets, numerous independent auditing entities, extensive geographical distribution and numerous parties involved to ensure the valuation quality with uniform valuation methods and parameters, after concluding from the past experience in valuing similar valuation projects and the characteristics of various types of enterprise assets within the valuation scope. The valuation plan includes specific procedures, schedules, staff arrangement and technical plan of the valuation.

(IV) On-site Investigation

Valuation personnel has performed necessary investigation and verification on the assets and liabilities of the valuation object involved and carried out necessary due diligence on the operation and management status of the valued entity.

1. Verification of assets

- (1) *Guiding the valued entity to fill in the forms and prepare the information to be provided to the valuation institution*

On the basis of self-checking of assets, valuation personnel guided the financial and assets management staff of the valued entity to thoroughly and accurately report the assets that fall within the scope of valuation in accordance with the “assets valuation declaration forms” and its filling-in requirements and the assets list provided by the valuation institution. Meanwhile, supporting documents of assets ownership as well as documents and information showing the situation such as performance, status, economic and technical indicators, were collected and prepared.

- (2) *Preliminary review and optimization of the assets valuation declaration form filled in by the valued entity*

Through inspecting the relevant information, valuation personnel understand the details of the specific assets that fell within the scope of valuation and then carefully reviewed different types of “assets valuation declaration forms” to check whether the forms are complete or correct and whether there is any ambiguity in the asset items. Also, valuation personnel checks if there is any omission in the “assets

valuation declaration forms” based on their experience and the relevant information on hand, and gives feedbacks to the valued entity to optimize the “assets valuation declaration forms”.

(3) *Site reconnaissance*

Based on the type, quantity and distribution of the assets included in the scope of valuation, valuation personnel carries out site reconnaissance for each asset with the assistance of the relevant personnel of the valued entity in accordance with the relevant requirements of the assets valuation standards. Given the different nature and characteristics of assets, various reconnaissance methods are adopted accordingly.

(4) *Supplementation, revision and optimization of assets valuation declaration forms*

In accordance with the site reconnaissance results and through sufficient communication with the relevant personnel of the valued entity, valuation personnel further optimizes the contents of the “assets valuation declaration forms” so as to match the accounts and the contents of the forms with the facts.

(5) *Inspection of supporting documents and information for ownership*

Valuation personnel inspects the supporting documents and information for ownership of the assets such as motor vehicles included in the scope of valuation. Incomplete and ambiguous information on ownership is drawn to the attention of the enterprise for verification or provision of explanatory documents on relevant ownership.

2. *Due Diligence*

Valuation personnel undertakes necessary due diligence to fully understand the operation and management status and the risks of the valued entity. The main contents of the due diligence are as follows:

- (1) the history, substantial shareholders and shareholding proportion, necessary ownership and operation and management structure of the valued entity;
- (2) the assets, the financial, production, operation and management conditions of the valued entity;
- (3) the operation plan, development planning and financial forecasts of the valued entity;
- (4) the past valuation and transactions of the valuation object and the valued entity;

- (5) the macro and regional economic factors affecting the production and operation of the valued entity;
- (6) the development status and prospect of the industry of the valued entity;
- (7) other relevant information.

(V) Collection of information

We collect valuation information based on the specific situation of valuation engagement, and supplement and collect valuation information in a timely manner in accordance with the needs of the valuation engagement and changes in circumstances during the implementation process of the valuation engagement. Such information includes:

Information directly and independently obtained from channels such as the market, information obtained from related parties such as the entrusting party and the valued entity, as well as information obtained from professional institutions and other relevant departments;

In forms of query records, inquiry results, inspection records, industry information, analysis information and government documents, etc.;

Information formed through necessary analysis, induction and collation by the certified assets valuer according to the specific situations of the valuation business.

(VI) Determination of estimates

Taking into account the specific conditions of each asset, valuation personnel selected the corresponding formula and parameters according to the valuation methods chosen to perform analysis, calculation and judgement, and form the preliminary valuation conclusion. The person-in-charge of the project summed up the preliminary valuation conclusion of each asset, and compiled the draft of the valuation report.

(VII) Internal Review

Based on the above work, we completed the initial draft of the asset valuation report. After the three-tier review of the initial draft of the valuation report and the working paper, our firm has carried out necessary communication with the entrusting party and the valued entity about the contents of the valuation report. After full consideration of the relevant opinions, we made the necessary adjustments, revisions and optimization to the valuation conclusion, and then reviewed the report again according to our internal three-tier review system and procedures for assets valuation report, and then submitted the official valuation report to the entrusting parties.

IX. VALUATION ASSUMPTIONS

Given the changes in the macro environment and corporate operation environment where each asset and liability of the valued entity is located, some assumptions must be made to fully support the valuation conclusion we have drawn. The valuation assumptions adopted in this valuation are as follows:

(I) Basic assumptions

1. Transaction assumption: As the fundamental and prerequisite premise of the asset assumptions, it is assumed all the valuation object are in the course of transaction and the valuation made by the valuer is based on simulated market, including terms of transaction of the valuation object.
2. Assumption of open market: It is assumed that the market intended to be entered into by the valued assets is an open market. An open market is a fully developed and excellent market condition, referring to a competitive market with voluntary buyers and sellers. In this market, status of both buyers and sellers are equal, which means they are given opportunities and time to acquire sufficient market information. Both buyers and sellers are supposed to be voluntary and rational rather than being coerced or confined during the transactions.
3. Assumption of continuous use: firstly, it is assumed that the valued assets are being used (including assets being used and reserved assets); secondly, based on the relevant data and information, it is predicted that these assets being used will continuously be used.

(II) General Assumptions

1. It is expected to have no material changes in the relevant national laws, regulations and policies applicable to the industry of the valued entity;
2. It is expected to have no material changes in the socio-economic environment and economic development, save for those known to the public;
3. All the parameters deriving from this valuation are determined in accordance with the unchanged pricing system, without considering the impact of inflation.

(III) Special Assumptions

1. This valuation is premised on specific valuation purposes set out in this assets valuation report;
2. This valuation is premised on the actual amount of stocks of all the assets as at valuation base date, and the current market prices of the relevant assets are based on the domestic effective prices as at valuation base date;

3. This valuation assumes that the existing usage of the valued assets will remain unchanged and the valued entity will continue to operate as a going concern;
4. This valuation has taken no account of the impact on appraisal value from mortgage and guarantee possible to be undertaken in the future and additional amount possible to be paid by special counterparty, nor the impact on assets' price from changes to the State's macroeconomic policies and occurrence of natural forces and other force majeure;

When there is any change on the aforesaid conditions, the valuation results will usually become invalid.

According to the requirements of assets valuation, valuer believe that these premise conditions stand on the ground on the valuation base date, and valuer will not be liable for different valuation results caused by changes on such premise conditions resulted from relatively significant changes in the future economic environment.

X. VALUATION CONCLUSIONS

(I) Valuation results by income approach

As at the valuation base date, the book value of total assets was RMB749.1664 million, the book value of total liabilities was RMB258.5639 million, and the book value of net assets was RMB490.6025 million for Putian Fasten Cable Telecommunication Company Limited.

The value of equity interests attributable to shareholders for Putian Fasten Cable Telecommunication Company Limited evaluated by income approach was RMB516.3400 million, representing evaluated appreciation of RMB25.7375 million and appreciation rate of 5.25%.

(II) Valuation results by asset-based approach

As at the valuation base date, the book value of the assets was RMB749.1664 million with appraised value of RMB774.1385 million, representing an appreciation of RMB24.9721 million and appreciation rate of 3.33%; the book value of total liabilities was RMB258.5639 million with appraised value of RMB258.5639 million and have no appraised appreciation or depreciation; the book value of net assets was RMB490.6025 million with appraised value of RMB515.5746 million, representing an appreciation of RMB24.9721 million and appreciation rate of 5.09% for Putian Fasten Cable Telecommunication Company Limited.

The particulars of valuation results by the asset-based approach are detailed in the following summary valuation results table:

Summary table of valuation results by the asset-based approach

Valuation base date: 31 October 2015

Unit: RMB0'000

Item		Book Value	Appraised Value	Increase/Decrease in Value	Appreciation Rate %
		A	B	C = B - A	D = (B - A)/A × 100%
Current assets	1	38,759.53	38,759.93	0.40	0.00
Non-current assets	2	36,157.10	38,653.92	2,496.82	6.91
Long-term equity investments	3	30,504.68	33,002.36	2,497.68	8.19
Investment properties	4				
Fixed assets	5	2,247.00	2,246.13	-0.86	-0.04
Construction in progress	6				
Intangible assets	7	2,366.67	2,366.67		
Other non-current assets	8	1,038.76	1,038.76		
Total assets	9	74,916.64	77,413.85	2,497.21	3.33
Current liabilities	10	25,856.39	25,856.39		
Non-current liabilities	11				
Total liabilities	12	25,856.39	25,856.39		
Net assets	13	49,060.25	51,557.46	2,497.21	5.09

(III) Comparison of valuation results between income approach and cost approach and analysis on causes of differences

The total value of equity interests of shareholders by income approach was RMB516.3400 million, while that by asset-based approach was RMB515.5746 million. The difference in value was RMB0.7654 million, representing a difference rate of 0.15%.

The two valuation methods adopt different perspectives. The asset-based approach is to determine the value of the valued object on the basis of reasonable evaluation of all assets and liabilities items of the enterprise, while the income approach is to capitalize or discount the expected return of the enterprise to determine the value of the valued object by evaluating the value of the enterprise with expected revenue perspective, which reflects the comprehensive profitability of each assets of the enterprise.

(IV) Reasons for selecting valuation results by income approach as the valuation conclusion

This valuation appraised the total value of equity interests of shareholders primarily with the valuation methods of income approach and cost approach. With the analysis on the valuation results of income approach and cost approach, we ultimately adopt the valuation conclusion from income approach for the following reasons:

1. The cost approach reflects the value of assets from the perspective of the re-acquired assets, by which the value of the valued object is determined on the basis of the reasonable evaluation of all assets and liabilities items of the enterprise, thus truly reflecting the value of the enterprise as at the valuation base date;
2. For valuation by the income approach, the discounted free cash flow model of the enterprises is adopted. When conducting future cash flow forecast, we conducted future cash flow forecast for both the management headquarters and the production companies of the enterprise, where production of optical fiber and production of optical cable are included in companies comprising the enterprise. Not only are all the tangible assets, intangible assets and liabilities that have been listed in the balance sheet of the enterprise taken into account, but also the future income generated by the above assets, future income generated from the corporate planning of increasing assets and the goodwill that was not listed on the balance sheet. Adopting the results by income approach can better reflect the actual corporate value of Putian Fasten Cable Telecommunication Company Limited.

(V) Valuation conclusion of this valuation project

Beijing North Asia Asset Assessment Firm (Special General Partnership) has adopted income approach and cost approach respectively and conducted valuations on the total equity interests of the shareholders of Putian Fasten Cable Telecommunication Company Limited, in accordance with national laws with respect to assets valuation and regulations and rules of other relevant national departments, and based on the principles of independence, imparity, scientificity and objectivity as well as upon the performance of necessary valuation procedures. After analysis of the valuation results of the two methods, this valuation eventually adopted the valuation results of income approach, that the value of the total equity interests of shareholders of Putian Fasten Cable Telecommunication Company Limited as at the valuation base date on 31 October 2015 was RMB516.3400 million with appraised appreciation of RMB25.7375 million and an appreciation rate of 5.25%.

XI. NOTES ON SPECIAL ISSUES

Relevant matters discovered in the course of valuation that may affect the valuation conclusion but are beyond the valuer's qualifications and capability to evaluate and estimate are as follows:

- (I) The valuation results reflect the current price of valuation object within the valuation purpose determined in accordance with the principles of the open market. This valuation has taken no account of the impact on appraisal value from mortgage and guarantee possible to be undertaken in the future and additional amount possible to be paid by special counterparty, nor the impact on assets' price from changes to the State's macroeconomic policies and occurrence of natural forces and other force majeure. In the event of changes on the aforementioned conditions and the continuing operation principle adopted in the course of the valuation, the valuation conclusion will generally become invalid.
- (II) This valuation is conducted by the valuation institution based on the principles of independence, objectivity and imparity. The valuation institution and the staff participated in this valuation do not have any interest with the entrusting parties and other related parties. The valuation personnel has complied with professional ethical standards and performed their duties with their best effort in the course of valuation.
- (III) The preparation of this report is based on behavior documents, business licenses, proof documents of ownership, financial statements, accounting certificates provided by the entrusting party and the valued entity in relation to the valuation. The valuer has made necessary independent verification for this project. The entrusting parties and the valued entity shall be responsible for the authenticity, legality and integrity of the materials provided.
- (IV) The certified assets valuer of this project is aware of the liquidity of the assets may have a material impact on the valuation object. As it is impossible to obtain the information on the industry and relevant transactions of property rights of assets, and due to the absence of analysis basis for the liquidity of the assets, the impact of liquidity of assets on the value of the valued object is not considered in this valuation.
- (V) The certified assets valuer is aware of the value of some shareholders' equity is not necessarily the product of the proportion of the value of all the shareholders' equity and equity interest. As it is impossible to gain access to the industry information and relevant equity transaction, and due to the absence of analysis basis, the impact on the valuation results from the possible premium or discount generated by factors such as the size of shareholdings proportion and shareholding structure are not considered in this valuation.

(VI) Special notes in event of incomplete or flawed ownership information

As at the valuation base date, due to the particularities and complicacies of concealed works such as facility foundations, underground pipelines and grooves, valuation personnel has verified their existence, technicalities and ownership by checking relevant drawings, construction contracts, budget and final accounts reports, testing reports, maintenance and operation records, etc.

1 housing construction of Jiangsu Fasten Optical Cable Co., Ltd., a subsidiary of Putian Fasten Cable Telecommunication Company Limited, in Beimenwei had not obtained the property ownership certificates.

As at the valuation base date, the intangible assets of Putian Fasten Cable Telecommunication Company Limited and its subsidiary, Jiangsu Fasten Optical Cable Co., Ltd. that have not been included in the book record are specified as follow:

Serial No.	Name of Utility Model	Patent No.	Date of Patent Application	Patentee	Date of authorized publication
1	Brace device for production of self-supporting fiber cables	ZL 03 3 78171.7	29 August 2003	Jiangsu Fasten Optical Cable Co., Ltd.	1 December 2004
2	Head device of beam tube plastic extruding machine for fiber cable	ZL 2006 2 0126282.0	30 October 2006	Jiangsu Fasten Optical Cable Co., Ltd.	31 October 2007
3	Central beam tube type micro fiber cable	ZL 2005 2 0074722.8	22 August 2005	Jiangsu Fasten Optical Cable Co., Ltd.	6 December 2006
4	Sizing device for air cushion type aluminum tape roller	ZL 2009 2 0299500.4	22 December 2009	Jiangsu Fasten Optical Cable Co., Ltd.; Fasten Group Company	8 December 2010
5	Rotary cable peeling device	ZL 2009 2 0299498.0	22 December 2009	Jiangsu Fasten Optical Cable Co., Ltd.; Fasten Group Company	27 October 2010
6	Parallel double-steel wire strengthened three-unit core fiber cable	ZL 2011 2 0127491.8	27 April 2011	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	4 January 2012
7	Rat-proof internal wiring fiber cable	ZL 2011 2 0127500.3	27 April 2011	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	23 November 2011

Serial No.	Name of Utility Model	Patent No.	Date of Patent Application	Patentee	Date of authorized publication
8	Constant tension control device for beam tube spool rack	ZL 2011 2 0127496.0	27 April 2011	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	23 November 2011
9	Automatic filling device for fiber belt pre-coating	ZL 2011 2 0127493.7	27 April 2011	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	23 November 2011
10	Temperature sensing optical fiber	ZL 2012 2 0700081.2	18 December 2012	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	24 July 2013
11	Flat double-beam tubes fiber cable	ZL 2012 2 0699982.4	18 December 2012	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	24 July 2013
12	Rotary steel wire spool device	ZL 2012 2 0699920.3	18 December 2012	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	24 July 2013
13	Smooth steel strip longitudinal covering device	ZL 2012 2 0700084.6	18 December 2012	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	24 July 2013
14	Bulge detection device for tubing wire	ZL 2012 2 0700527.1	18 December 2012	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	24 July 2013
15	Pre-heat device for contacting steel wire	ZL 2012 2 0700528.6	18 December 2012	Jiangsu Fasten Optical Cable Co., Ltd.; Jiangsu Fasten Hongsheng Group Co. Ltd.	24 July 2013
16	Large bulge detection device for tubing wire	ZL 2014 2 0395973.5	17 July 2014	Putian Fasten Cable Telecommunication Company Limited; Jiangsu Fasten Optical Cable Co., Ltd.	17 December 2014
17	Beam tube consistency maintaining device	ZL 2014 2 0395367.3	17 July 2014	Putian Fasten Cable Telecommunication Company Limited; Jiangsu Fasten Optical Cable Co., Ltd.	17 December 2014
18	Steel strip longitudinal covering and forming device for fiber cable	ZL 2014 2 0395344.2	17 July 2014	Putian Fasten Cable Telecommunication Company Limited; Jiangsu Fasten Optical Cable Co., Ltd.	17 December 2014

Serial No.	Name of Utility Model	Patent No.	Date of Patent Application	Patentee	Date of authorized publication
19	Enhanced GYXTW-type fiber cable	ZL 2014 2 0395366.9	17 July 2014	Putian Fasten Cable Telecommunication Company Limited; Jiangsu Fasten Optical Cable Co., Ltd.	17 December 2014
20	Opto-electronic hybrid cables	ZL 2014 2 0395352.7	17 July 2014	Putian Fasten Cable Telecommunication Company Limited; Jiangsu Fasten Optical Cable Co., Ltd.	17 December 2014
21	Rat-proof electric-resistant fiber cable	ZL 2014 2 0414059.0	25 July 2014	Putian Fasten Cable Telecommunication Company Limited; Jiangsu Fasten Optical Cable Co., Ltd.	17 December 2014

The impact of the abovementioned intangible assets on the valuation conclusion is taken into account in this valuation.

(VII) **Special Notes for events in relation to guarantee and loans**

- As of the valuation base date, the total guaranteed bank borrowings of RMB200,000,000.00 of Jiangsu Fasten Optical Cable Co., Ltd. and Jiangsu Fasten Photonics Co., Ltd., the subsidiaries of Putian Fasten Cable Telecommunication Company Limited, are detailed as follow:

Guarantor	Guarantee	Guaranteed amount	Commencement Date of Guarantee	Expiry Date of Guarantee	Whether the Guarantee is Fully Fulfilled
Jiangsu Fasten Hongsheng Group Co. Ltd.	Jiangsu Fasten Optical Cable Co., Ltd.	40,000,000.00	2015/12/9	2017/12/9	No
Jiangyin Hongtai Property Company Ltd.	Jiangsu Fasten Optical Cable Co., Ltd.	20,000,000.00	2016/8/8	2018/8/8	No
Jiangsu Fasten Photonics Co., Ltd.	Jiangsu Fasten Photonics Co., Ltd.	50,000,000.00	2016/3/2	2018/3/2	No
Fasten Hongsheng Group Co., Ltd.	Jiangsu Fasten Photonics Co., Ltd.	60,000,000.00	2015/11/20	2017/11/20	No
Jiangyin Hongtai Property Company Ltd.	Jiangsu Fasten Photonics Co., Ltd.	30,000,000.00	2016/4/9	2018/4/9	No

Among which, the buildings and land owned by Jiangsu Fasten Photonics Co., Ltd. were pledged as collateral. The impact of the pledge on the valuation conclusion is taken into account in this valuation.

2. Provision of funds (loans)

Name of connected party	Funds provided to connected party	Funds provided to the Company by connect party
Fasten Group Company Limited	70,000,000.00	
Jiangsu Fasten Hongsheng Group Co. Ltd.	50,000,000.00	

Explanation: During the year, total revenue of RMB3,850,000.00 was acquired by providing loans to Fasten Group Company Limited; total revenue of RMB109,999.98 was acquired by providing loans to Jiangsu Fasten Hongsheng Group Co. Ltd.

- (VIII) According to regulation 2 of article 3 effective period of trademark license in the trademark license agreement entered into between China Potevio Company Limited and Putian Fasten Cable Telecommunication Company Limited: when there is change on the shareholding structure of Putian Fasten Cable Telecommunication Company Limited and the shareholding proportion of China Potevio Company Limited and its subsidiaries in Party B less than 30%, China Potevio Company Limited has the right to terminate the trademark license agreement unilaterally and immediately. Since the rights to use trademark, “普天” (No. 1980958) and “potevio” (No. 4648836) could not be determined, the impact of the abovementioned events on the valuation conclusion is taken into account in this valuation.
- (IX) The valuation conclusion is issued by Beijing North Asia Asset Assessment Firm (Special General Partnership) and is subject to the profession and ability of the valuation personnel who specifically participate in this project.
- (X) The analysis, opinions and conclusions in the report are only valid under the premise of assumptions and restrictions set forth in the report, and do not represent the impartial professional analysis, opinions and conclusions of the valuation personnel.
- (XI) In terms of faulty matters which exists in the enterprise that are likely to affect the value of assets, the valuation institution and valuation institution shall not assume relevant responsibilities if the enterprises did not provide any special explanations when performing entrusting and the said faulty matters could not be learned by the valuer during the valuation procedures.

(XII) Subsequent Events

None.

The users of the valuation report shall pay attention to the impact on the valuation conclusion is taken into account in this valuation.

XII. NOTES ON RESTRICTIONS ON THE USE OF VALUATION REPORT

- (I) This valuation report shall only be used for the valuation objects and purposes stated herein;
- (II) This valuation report shall only be used by users of the valuation report stated herein;
- (III) Before all or any part of the contents of this valuation report is extracted, quoted or disclosed to the public media, the related content shall be reviewed by the valuation institution, unless required by the laws and regulations and otherwise agreed by the relevant parties;
- (IV) This valuation report must be signed by the certified assets valuer and sealed by the valuation institution in order to be duly used;
- (V) This valuation report shall be submitted to the capital-contributing enterprise for filing in order to be duly used;
- (VI) The valuation conclusion shown in the valuation report shall only be valid for the economic acts described herein. The validity period of the valuation conclusion is one year commencing from the valuation base date.

XIII. VALUATION REPORT DATE

The valuation report date is the date on which professional opinions are formed by the assets valuer. The valuation report date of this valuation project is 30 May 2016.

Beijing North Asia Asset Assessment Firm

(Special General Partnership)

Beijing City, The PRC

30 May 2016

ANNEXES TO THE VALUATION REPORT

1. Tables of summary and breakdown of assets valuation results (Another book)
2. Copies of business license, assets valuation qualification certificate and assets valuation qualification for securities business of the assets valuation institution
3. Copies of qualification certificate of the signing certified assets valuer of this report
4. Copies of business licenses and organization code certificates of the entrusting parties and the valued enterprise
5. Copy of audit report
6. Copies of ownership title documents such as real estate ownership certificates, land use rights certificates and vehicle licenses
7. Letters of undertaking of entrusting party and the valued entity
8. Letters of undertaking of the valuation institution and certified assets Valuer
9. Asset valuation engagement agreement
10. Copies of documents on the economical acts
11. Valuation report templates

Serial No.	Name of Investee	Valuation Report and Valuation Explanations	Valuation Breakdown and Earnings Forecast Statement
1	Putian Fasten Cable Telecommunication Company Limited	Valuation Report, Valuation Explanations	Valuation Breakdown and Earnings Forecast Statement
2	Jiangsu Fasten Photonics Co., Ltd.	Valuation Explanations	Valuation Breakdown
3	Jiangsu Fasten Optical Cable Co., Ltd.	Valuation Explanations	Valuation Breakdown
4	Houma Potevio Optical Telecommunication Company Limited	Valuation Explanations	Valuation Breakdown

I. ASSETS AND FINANCIAL ANALYSIS OF THE VALUED ENTITY

(I) Financial position and operation results

The balance sheet of Putian Fasten Cable Telecommunication Company Limited as at 2013, 2014 and 31 October 2015 (on consolidation basis) is as below:

Balance Sheet from 2013 to October 2015

Unit: RMB0'000

Item/year	31 December 2013	31 December 2014	31 October 2015
Current assets			
Monetary funds	12,239.77	4,263.91	7,304.49
Held-for-trading financial assets			
Notes receivable	473.64	1,522.93	1,032.68
Accounts receivable	16,447.58	24,841.02	32,852.33
Prepayments	2,440.05	721.89	1,134.32
Interests receivable		2.75	
Dividend receivable			
Other receivables	7,294.02	5,835.02	8,154.84
Inventories	11,294.67	7,835.84	6,947.43
Non-current assets due within one year			
Other current assets	5,000.00	5,371.89	194.99
Total current assets	55,189.73	50,395.25	57,621.08
Non-current assets:			
Financial assets available for sale			
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments			
Investment properties			
Fixed assets	21,251.13	22,316.45	21,233.70
Construction-in-progress	1,414.25	1,985.32	928.67
Construction materials	86.93		
Disposal of fixed assets	14.63		
Productive biological assets			
Oil and gas assets			
Intangible assets	6,764.92	6,598.10	6,459.08
Development expenses			
Goodwill	2,198.58	2,198.58	2,198.58
Long-term expenditures subject to amortization		1,568.15	1,745.04
Deferred income tax assets	165.13	138.26	132.09
Other non-current assets			
Total non-current assets	31,895.57	34,804.86	32,697.16
Total assets	87,085.30	85,200.11	90,318.24

Item/year	31 December 2013	31 December 2014	31 October 2015
Current liabilities:			
Short-term borrowings	22,000.00	20,000.00	20,000.00
Held-for-trading financial liabilities			
Notes payable		1,000.00	4,312.68
Accounts payable	9,460.44	14,108.04	16,144.55
Receipts in advance	225.57	157.33	447.91
Staff remuneration payable	101.84	124.82	103.49
Taxes payable	104.04	179.45	238.39
Interests payable			50.00
Dividend payable			
Other payables	1,163.34	87.58	95.89
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities	33,055.23	35,657.22	41,392.91
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Long-term payable			
Special payable	30.20		76.50
Anticipated liabilities			
Deferred income tax liabilities	1,094.55	1,014.47	946.28
Other non-current liabilities			
Total non-current liabilities	1,124.75	1,014.47	1,022.78
Total liabilities	34,179.98	36,671.69	42,415.69
Owner's equity:			
Paid up capital	50,000.00	50,000.00	50,000.00
Capital surplus		38.98	38.98
Less: Treasury shares			
Additional paid-in capital			
Undistributed profit	-108.58	-1,510.55	-2,136.44
Total owners' equity	49,891.42	48,528.43	47,902.54
Total liabilities and owners' equity	84,071.40	85,200.12	90,318.23

The income statement of Putian Fasten Cable Telecommunication Company Limited in as at 2013, 2014 and January to October 2015 (on consolidation basis) is as below:

Income Statement from 2013 to October 2015

Unit: RMB0'000

Item/year	2013	2014	January to October 2015
I. Operating revenue	43,344.31	48,252.26	58,637.75
Less: Operating cost	37,086.08	43,542.82	51,962.07
Business tax and surcharges	121.87	295.94	259.51
Sales expenses	2,101.88	2,317.57	2,682.57
Administrative expenses	3,481.88	3,751.89	3,468.46
Finance expenses	380.75	762.60	648.49
Assets impairment losses	-23.85	-20.83	313.02
Add: Gains on fair value change			
Investment gains	61.42	594.92	11.00
II. Operating profit	257.12	-1,802.81	-685.37
Add: Non-operating income	24.73	119.70	12.65
Less: Non-operating expenses	2.94	0.84	2.44
III. Total profit	278.91	-1,683.95	-675.16
Less: Income tax expenses	205.21	-28.51	-49.28
IV. Net profit	73.70	-1,655.44	-625.88

Note: The financial statements of the valued entity as at the valuation base date and 2014 have been audited by the Beijing Branch Office of Pan-China Certified Public Accountants LLP, while the financial statement for 2013 has been audited by WUYIGE Certified Public Accountants LLP, who both expressed unqualified audit opinions.

(II) Major financial indicators

Major financial indicators of Putian Fasten Cable Telecommunication Company Limited in years 2013 and 2014

Major Financial Indicators in Recent Two Years

Item	2013	2014	Average for the Preceding Two Years	Industry Average
Profitability				
Return on net assets (%)	0.30	-3.36	-1.53	4.20
Return on total assets (%)	0.18	-1.96	-0.89	3.90
Profit margin of principal operations (%)	14.16	9.15	11.65	9.80
Assets operation				
Total assets turnover (time)	1.03	0.57	0.80	0.50
Current assets turnover (time)	1.57	0.91	1.24	1.10
Inventories turnover (time)	3.28	4.55	3.92	2.50
Receivables turnover (time)	3.61	1.72	2.67	1.50
Solvency				
Gearing ratio (%)	40.66	43.04	41.85	60.00
Multiples of interests received	2.05	-0.82	0.62	1.50
Quick ratio (%)	132.79	119.36	126.08	95.00
Development				
Sales (operation) growth rate (%)		11.32	11.32	3.60
Rate of capital accumulation (%)		-2.73	-2.73	9.30

(1) Profitability analysis

In the previous two years, the profit margin of principal operations of Putian Fasten Cable Telecommunication Company Limited for the years 2013–2014 were 14.16% and 9.15%, respectively and the average for the two years was 11.65%, which was higher than the industry average of 9.80%. Return of total assets were 0.18% and -1.96%, respectively and the average for the two years was -0.98%, which was lower than the industry average of 3.90%. Return on net assets in the previous two years were 0.30% and -3.36%, respectively and the average was -1.53%, which was lower than the industry average of 4.20%. These three indicators show that the profit margin of principal operations of the Company was fair, yet the return on assets was comparatively poor, implying a relatively weak profitability of the enterprise.

(2) *Operating capability analysis*

The operating capacity indicators, such as total assets turnover, current assets turnover and inventories turnover, of Putian Fasten Cable Telecommunication Company Limited in recent years has been weakening. It is primary due to, after analysis, the reduction of selling price of products in the highly competitive optical fibres and optical cables industry. However, every indicator of the Company outperformed the industry average level, and the total assets turnover and the current assets turnover were both higher than the industry average. In particular, the inventories turnover has been much higher than the industry average level, implying that the operating capital management and the capacity of market development of the enterprise are staying in the advanced level within the industry.

(3) *Solvency analysis*

The gearing ratio of Putian Fasten Cable Telecommunication Company Limited has remained stable in the recent three years which is ahead of the industry average level.

The average quick ratio for the three years was 126.08%, which was higher than the average level of 95.00% in the industry. The average multiples of interests received was 0.62, which was lower than the average industry level of 1.50. The profitability of the Company requires further improvement.

(4) *Developmental capability analysis*

The sales growth rate of Putian Fasten Cable Telecommunication Company Limited in 2014 was 11.32% and it was expected that the sales growth rate would be higher than 30% in 2015. Expectation was made due to the undersupply of the Company's products with the bloom of the industry. Sales price also rebounded, which led to a more extensive growth in sales income.

II. ASSUMPTIONS FOR THE INCOME FORECAST**(I) *General assumptions***

1. There would be no material changes in the relevant prevailing national laws, regulations and policies as well as the macro-economic conditions and there would be no other material and adverse impact(s) resulting from force majeure and unpredictable factors, assuming that the valued entity operates on an ongoing concern basis after the valuation base date.
2. It is assumed that the management of the valued entity is responsible and stable, and is capable of performing its respective roles after the valuation base date.

3. Unless otherwise stated, the Company fully complies with all relevant laws and regulations, and there would be no significant violation thereof affecting the development and realization of income of the Company.
4. The accounting policies to be adopted by the Company in the future are basically consistent with those adopted in this valuation in all material aspects.
5. It is assumed that there would be no material changes in the interest rate, exchange rate, tax base and tax rate and policy-imposed levies that are relevant to the valued entity after the valuation base date.
6. It is assumed with premise that the property right owner owns the legal property right in this valuation report.
7. The property ownership certificates, financial statements, accounting certificates, lists of assets and other relevant information provided by the enterprise in relation to the valuation are true, legal, complete and reliable. There is no defects, contingencies or other issues of the valued entity or valuation target which may affect the appraised value of the assets that the property right owner fails to provide and the valuation personnel is still not aware of after performing the valuation procedures.

(II) Special assumptions

1. The business scope and business model of the Company will remain in the same direction with their present ones on the basis of its existing management approaches and standards. The development of the Company will also be in line with the development plan provided to the valuer in the foreseeable future and there are no material adjustments to the policies of production and operation.
2. This valuation assumes that all the obtained production and business permits that are necessary for production and operation of Putian Fasten Cable Telecommunication Company Limited can still be obtained through application after expiration in future years. The product trademark owners can duly extend the trademark when it expires and continue to allow the valued entity to use with compensation.
3. Upon expiration of leases of the leased properties and lands currently in operation, Putian Fasten Cable Telecommunication Company Limited can renew the tenancy under the same market conditions without affecting its normal production and operation.
4. The products sold and the prices of raw materials vary in the same direction while the level of gross profit remains relatively stable.

5. It is assumed that the cash inflows and outflows of the valued entity inflows and outflows evenly upon the valuation base date;

III. VALUATION CALCULATION AND ANALYSING PROCESSES

(I) Specific methods of income approach and model selection

Income approach is adopted for valuation of the total equity of the shareholders of Putian Fasten Cable Telecommunication Company Limited, meaning the total equity of shareholders is derived based on the free cash flow of the enterprise for certain years in the future, then discounting it at appropriate discounting rate, adding the surplus assets value, value of non-operating assets and less interest-bearing debts.

1. *Valuation model:*

The free cash model of the enterprise in the future income discount method is adopted in this valuation.

2. *Calculation formula*

Value of all shareholders' equity = overall value of the enterprise – interest-bearing debts

Overall value of enterprise = value of operational assets + surplus assets + value of non-operational assets

Where, the value of operational assets is determined based on the following formula

Free cash flow discount value of the enterprise = present value of free cash flow during the specific forecast period + present value of free cash flow after the specific forecast period

The specific forecast period refers to the period from the valuation base date to the time when the enterprise attains relatively stable operating conditions.

3. *Determination of forecast period*

It is estimated that the results of the Company in the coming years will grow steadily pursuant to the actual situation and the operational scale of enterprise of Putian Fasten Cable Telecommunication Company Limited, and accordingly, the forecast period is determined to be from November 2015 to the end of 2019 and the annual income after 2019 will remain unchanged at the level of 2019.

4. *Determination of income period*

In accordance with the features of the operations which Putian Fasten Cable Telecommunication Company Limited is engaging as well as the judgement to future developing potential and the prospect of the Company, in consideration of the background of Chengdu PUTIAN Telecommunications Cable Company Limited (成都普天電纜股份有限公司) and Fasten Group Company Limited (法爾勝集團有限公司), the Company possess better market operation capability and market development capability as well as considerable market competitiveness and the ability to continue as a going-concern. The income period of this valuation is determined as on perpetual basis.

5. *Determination of free cash flow*

Free cash flow of the enterprise is adopted in this valuation, and the formula for calculating free cash flow is as follows:

(For every year during the forecast period) Free cash flow = profit before interest and tax \times (1 – income tax rate) + interest expenses (net of tax effects) + depreciation and amortisation – capital expenditures – additional amount of working capital

6. *Determination of final value*

Given that the income period is determined as on perpetual basis, the formula of final value is:

$P_n = R_{n+1} \times \text{final value discount coefficient}$.

R_{n+1} determined based on the cash flow adjustment at the year end of the forecast period.

7. *Consideration on the year-end discount*

Considering the on-going free cash flow in the year, this valuation assumption is estimated to occur in the end of the year. Therefore, the discounted time of free cash flow is considered based on the year-end discount.

1. *Determination of discount rate*

According to the principle of consistent basis for the income amount and the discount rate, the basis of the income amount for this valuation is the free cash flow of the enterprise and the weighted average capital cost (WACC) is chosen as the discount rate.

Formula: $WACC = R_e \times E / (D + E) + R_d \times D / (D + E) \times (1 - T)$
In the formula: R_e : cost of equity capital

R_d : cost of debt capital

T : income tax rate

$E / (D + E)$: percentage of equity in total capital

$D / (D + E)$: percentage of debt in total capital

Where: $R_e = R_f + \beta \times ERP + R_s$

R_f = risk-free return

β = market risk coefficient

ERP = market risk premium

R_s = Specific corporate risk adjustment coefficient

2. *Determination of the value of surplus assets value*

Surplus assets are assets in excess of those necessary for the enterprise's operation on the valuation base date and assets that are not involved in the free cash flow forecast of the enterprise after the valuation base date. Upon verification, surplus cash of the Company is determined as surplus assets.

3. *Determination of the value of non-operational assets and liabilities*

Non-operational assets and liabilities refer to assets and relevant liabilities that are not related to the production and operation of the valued entity and are not included in the scope of income forecast. In this valuation, internal deposits, construction prepayment, interests payable and dividend payable within other payables are valued by using income approach.

4. *Determination of the value of interest-bearing debts*

Interest-bearing debts are mainly amounts borrowed by the Company from financial institutions or other entities and individuals and relevant interests. Internal borrowings within other payables is regarded as interest-bearing debts in this valuation and is valued by using cost approach.

(II) Income forecast for the forecast period

The forecast for the future financial data of Putian Fasten Cable Telecommunication Company Limited is made on the basis of the operation results from year 2013 to October 2015 of the enterprise in compliance with prevailing national laws and regulations, in accordance with national macro policies and national and regional macro-economic conditions, development plans and operation plans, strengths, weaknesses, opportunities and risks of the enterprise, in particular the market environment which the enterprise is exposed to and future development prospect and potential (with the forecast for future financial data from financial budget in future years of the enterprise), the primary data forecast is stated below:

1. *Forecast on operating income*(1) *Analysis on operating income*

The historical annual operating income of Putian Fasten Cable Telecommunication Company Limited is as below:

Operating income between 2013 and January to October 2015

Unit: RMB0'000

Business item	Historical data		
	2013	2014	January to October 2015
Income from principal operations	43,344.31	48,182.33	58,444.05
Optical fibres	17,257.32	16,917.31	12,821.96
Optical cables	26,086.99	31,265.02	45,622.09
Other operating income		69.93	193.69
Total	43,344.31	48,252.26	58,637.74
Growth rate (%)		11.32%	21.52%

From historical data, it is revealed that the sales income of Putian Fasten Cable Telecommunication Company Limited has grown rapidly along with the recovery of the industry and market. Against the backdrop of expanding market demand, there has been a comparatively substantial growth in operating income in January to October 2015.

(2) *Forecast on operating income*

1) Optical fibres

The current optical fibres production capacity of Photonics (光子公司) is 6 million core kilometres and the actual production volume could reach 6.5 million core kilometres at full capacity.

At present, Jiangsu Photonics Company (江蘇光子公司) produces its own light guides of 100 tonnes and Jiangyin Shinetsu (江陰信越) now have light guide production capacity of 280 tonnes, which provides 50% of light guides. Hence, in term of future light guide source, Putian Fasten Cable Telecommunication Company has secured the supply of 240 tonnes of light guides, in which each tonne of light guide produces optical fibres of approximately 33,300 core kilometres.

Assuming Jiangsu Photonics (江蘇光子公司) invests RMB20 million to expand its optical fibre production capacity to 1.5 million core kilometres from 2016, Photonics Company (光子公司) will reach its full capacity in 2017 and optical fibres production will reach 8.00 million core kilometres.

Optical fibre production of Photonics Company (光子公司) was calculated as 6.50 million core kilometres in 2016 and calculated as 8.0 million core kilometres in 2017 to 2019.

2) Optical cables

The existing theoretical capacity of the three optical cable operational bases is 8.00 million core kilometres (where Putian Fasten Cable Telecommunication Company Limited accounts for 4.00 million core kilometres, Houma accounts for 2.00 million core kilometres and Chengdu accounts for 2.00 million core kilometres), based on the optical fibres sales plan for 2016 of 6.70 million core kilometres (2015: optical cables production volume of approximately 4.50 million core kilometres). The plan is made by discounting the existing production volume of those three optical cables bases of 8.00 million core kilometres at 80% to the actual production volume, while self-owned optical fibres supply of 6.0 million core kilometres is available taking into account the tight supply of light guides and optical fibres in future years (Since optical fibres was not won in the tender with China Mobile in 2016, there were extra 3.00 million core kilometres of optical fibres of Photonics Company (光子公司) for direct external sales in 2016 while 3.00 million core kilometres of optical fibres won in the tender with China Mobile

was from optical fibres of other bid-winning manufacturers) and 0.7 million core kilometres of optical fibres being the self-undertaken optical fibres OEM order from an enterprise in the same sector.

It is assumed that Putian Fasten Cable Telecommunication Company Limited invested RMB20.00 million in expanding the optical fibres production capacity by 2.00 million core kilometres (by using the existing plants). Initial production will be commenced in the beginning of 2017, and hence theoretical capacity of those three optical cables bases of Putian Fasten Cable Telecommunication Company Limited will reach 10.00 million core kilometres and the actual production volume will be approximately 8.00 million core kilometres by discounting at 80%. The actual production volume in 2018 at 90% discount will be approximately 9.00 million core kilometres. In 2017 and beyond, all optical fibres of Putian Fasten Cable Telecommunication Company Limited will be self-produced and self-used in the case that optical fibres of Putian Fasten Cable Telecommunication Company Limited won the tender of China Mobile.

3) Forecast on selling price

The selling price of products is estimated with the existing price of optical fibres and optical cables products as well as the future market demand. The selling price of optical fibres is calculated on a weighted basis with 80% of unit price of standard length optical fibres (with tax) and 20% of the unit price of non-standard optical fibre (with tax). "Price of China Mobile order" is estimated based on the tender price of Putian Fasten Cable Telecommunication Company Limited (excluding optical fibres and transportation fees) of 2016 plus the optical fibres price of the year (except for 2016 when optical fibres of Putian Fasten Cable Telecommunication Company Limited did not win the tender of China Mobile, the price of outsourcing optical fibre was determined based on the average price of the enterprise nominated in Mobile). Unit purchase price of Non-China Mobile is estimated based on the weighted average selling price in the latest tender season and is subject to upward adjustment at certain ratios.

Table of Unit Selling Price Forecast

Unit: yuan

Unit Selling Price	2016	2017	2018	2019
Unit selling price of optical fibres				
80% of unit price of standard length optical fibres (with tax)	57.0	59.9	62.8	62.8
20% of unit price of non-standard optical fibres (with tax)	50.0	52.5	55.1	55.1
Unit price of optical fibres (with tax)	55.6	58.4	61.3	61.3
Unit price of optical fibres (without tax)	47.5	49.9	52.4	52.4
Unit selling price of optical cables				
China Mobile	82.6	88.4	92.8	92.8
Non-China Mobile	112.0	117.0	122.3	122.3

Forecast for operating income in the coming years of Putian Fasten Cable Telecommunication Company Limited is as below:

Table of Operating Income Forecast

Unit: RMB0'000

Business Item	Future Data Forecast					Final value
	November to December 2015	2016	2017	2018	2019	
Income from principal operations	12,774.25	80,488.00	82,156.00	98,252.00	98,252.00	98,252.00
Optical fibres	5,892.80	14,256.00				—
Optical cables	6,881.45	66,232.00	82,156.00	98,252.00	98,252.00	98,252.00
Total	12,774.25	80,488.00	82,156.00	98,252.00	98,252.00	98,252.00

2. Forecast on operating costs

Operating costs are the costs corresponding to operating income.

(1) *Historical annual operating costs*

The costs of the principle operations mainly include material cost, labour costs, depreciation, depletion, repair, utilities, examination fees and others. The operating costs of the enterprise for the year 2013 and 2014 as well as between January and October 2015 are set out in the table below:

Operating Costs Between 2013 and January to October 2015

Unit: RMB0'000

Items Breakdown	Historical Data		
	2013	2014	January to October 2015
Cost of principal operations	37,086.08	43,497.81	51,831.25
Optical fibres	14,965.63	15,022.00	9,637.33
Optical cables	22,120.45	28,475.81	42,193.92
Other operating costs		45.01	130.82
Total	37,086.08	43,542.82	51,962.07
Cost of sales/sales income (%)	85.6%	90.2%	88.6%

From the perspective of historical annual unit cost, the Company had a higher cost in 2014 under the influence of the relatively poor industry sentiment. For January to October 2015, sales income increased significantly while cost of sales decreased, but the Company still recorded a net profit of -RMB6.2588 million.

(2) *Forecast on future annual operating costs*

Future annual operating costs still consist of fuel cost, packaging materials cost, labour wages, depreciation, depletion, repair, utilities, licenses fees for patents and equipment rental fees.

Upon analysis, the cost of sales rate decreased between January to October 2015, which was due to the surge of selling price under the improvement of industry sentiment and undersupply of products. In 2016, the Company won the bid of 3.00 million-core kilometres optical cables project of China Mobile with a relatively low price, which affected the cost of sales rate. However, it anticipated that the cost of sales rate will further decrease upon the expansion of production in 2017.

Labour wages include wages, welfare fees, various insurance and provident funds, where reference is made to the demand for labour in coming years as provided by the human resources department as well as the growth of average wages in local community in recent years, the forecasted number of labour and total wages in the coming years.

Licenses fees for patents: Jiangsu Fasten Company Limited (江蘇法爾勝股份有限公司) has authorized Jiangsu Fasten Photonics Co., Ltd., a subsidiary of Putian Fasten Cable Telecommunication Company Limited, to use the patent of “low-water-peak pre-optical fibre stick” 《低水峰光纖預制棒》. Both parties signed the “Patents Implementation and Licences Contract” on 28 September 2008, and renewed the contract to 30 September 2018 on 1 July 2013. The rental fees amount to RMB31.1094 million and the rental fees payable per quarter amount to RMB1.4814 million. After 30 September 2018, Jiangsu Fasten Company Limited (江蘇法爾勝股份有限公司) will cease to charge any licenses fee for patents.

Equipment rental fees: Jiangsu Fasten Company Limited (江蘇法爾勝股份有限公司) and Jiangsu Fasten Photonics Co., Ltd., a subsidiary of Putian Fasten Cable Telecommunication Company Limited, entered into an equipment rental agreement on 1 October 2008 for a lease period of 10 years. Equipment under the rental includes 2 draw towers and ancillary facilities. The rental fees for 10 years amount to RMB108.706941 million and the rental fees payable per quarter amount to RMB5.176521 million. After 30 September 2018, Jiangsu Fasten Company Limited (江蘇法爾勝股份有限公司) will cease to charge any equipment rental fees.

Accordingly, the forecast for future annual costs is set out in the table below:

Table on Operating Costs Forecast

Unit: RMB0'000

Items Breakdown	Future Data Forecast					
	November to December 2015	2016	2017	2018	2019	2019
Cost of principal operations	10,793.68	70,751.07	68,213.13	80,000.14	78,102.76	78,102.76
Optical fibres	4,429.03	10,747.92				—
Optical cables	6,364.65	60,003.15	68,213.13	80,000.14	78,102.76	78,102.76
Total	10,793.68	70,751.07	68,213.13	80,000.14	78,102.76	78,102.76

3. Forecast on business tax and surcharges

Business tax and surcharges include urban maintenance and construction tax, education surcharges and local education surcharges. The urban construction tax is payable at 7% of turnover tax, the education surcharge is payable at 3% of turnover tax and the local education surcharge is payable at 2% of turnover tax. For the Company's procurement, apart from the value-added tax on packaging materials of 17%, the value-added tax rate for others is 13%. The value-added tax rate of the sales of the Company is 17%.

The forecast result for the business tax and surcharges for different years is set out in the table below:

Table on Business Tax and Surcharges Forecast

Breakdown	Unit	July to December 2015	2016	2017	2018	2019	Final Value
Value-added tax							
Sales tax		2,171.62	13,682.96	13,966.52	16,702.84	16,702.84	16,702.84
Input tax	RMB0'000	1,544.17	9,729.54	8,667.42	10,515.54	10,515.54	10,515.54
Value-added tax payable	RMB0'000	627.45	3,953.42	5,299.10	6,187.30	6,187.30	6,187.30
Tax surcharges							
Surcharges payable	RMB0'000	627.45	3,953.42	5,299.10	6,187.30	6,187.30	6,187.30
Urban maintenance and construction tax	7%	43.92	276.74	370.94	433.11	433.11	433.11
Education surcharge	3%	18.82	118.60	158.97	185.62	185.62	185.62
Local education surcharge	2%	12.55	79.07	105.98	123.75	123.75	123.75
Total surcharges	RMB0'000	75.29	474.41	635.89	742.48	742.48	742.48
Total business tax and surcharges	RMB0'000	75.29	474.41	635.89	742.48	742.48	742.48

4. Forecast on sales expenses

The sales expenses of Putian Fasten Cable Telecommunication Company Limited mainly include transportation fees, wages for sales personnel, business fees, agency fees, advertisement and promotion expenses and other fees. Forecast for future years is made based on the data of previous years and the business scale of the enterprise in the future. The forecast data of sales expenses is set out in the table below:

Table on Sales Expenses Forecast

Unit: 0'000

Fees Breakdown	Future Data Forecast					Total Value
	July to December 2015	2016	2017	2018	2019	
Staff remuneration	109.41	754.72	792.46	832.08	873.68	873.68
Transportation fees	191.61	1,207.32	1,232.34	1,473.78	1,473.78	1,473.78
Packaging fees	—	102.60	121.19	133.31	133.31	133.31
Agency fees	59.37	210.29	220.80	231.84	231.84	231.84
Business fees	58.81	370.49	389.01	408.46	408.46	408.46
Advertisement and promotion fees	12.00	50.00	55.00	60.50	66.55	66.55
Office and travelling fees	63.67	293.02	322.32	354.55	354.55	354.55
Others	20.66	65.00	85.00	85.00	85.00	85.00
Total	515.53	3,053.44	3,218.12	3,579.52	3,627.17	3,627.17

5. Forecast on administrative expenses

Administrative expenses of Putian Fasten Cable Telecommunication Company Limited mainly include management remuneration, research and development fees, office and travelling fees, business reception fees, intermediaries fees and others.

Staff remuneration includes various social insurance and provident funds, where reference is made to the demand for labour in the coming years as provided by the human resources department as well as the growth of average wages in local community in recent years, the forecasted number of labour and total wages in the coming years.

Forecast data of administrative expenses is set out below in details:

Table on Administrative Expenses Forecast

Unit: 0'000

Fees Breakdown	Future Data Forecast					Total Value
	November to December 2015	2016	2017	2018	2019	
Staff remuneration	217.76	1,362.43	1,430.55	1,502.08	1,577.18	1,577.18
Insurance fees	22.55	137.15	144.01	144.01	144.01	144.01
Depreciation and amortization expenses	20.82	195.63	195.63	195.63	195.63	195.63
Business reception fees	18.22	116.33	127.96	134.36	139.73	139.73
Office and travelling expenses	34.99	223.41	245.75	258.04	258.04	258.04
Research and development fees	98.17	860.54	903.57	930.68	930.68	930.68
Taxes	26.20	180.87	180.87	180.87	180.87	180.87
Intermediaries fees	26.30	98.43	98.43	98.43	98.43	98.43
Transportation and repair fees	39.93	222.21	226.82	271.25	271.25	271.25
Utilities	—					—
Others	53.40	299.13	311.76	317.00	317.00	317.00
Total	558.34	3,696.13	3,865.35	4,032.35	4,112.82	4,112.82

6. Forecast on finance expenses

As of the valuation base date, the Company has borrowed RMB200.00 million from financial institutions at benchmark interest rate plus 20%. The Company plans to increase its investment in optical fibres and optical cables by RMB20.00 million each, which will be financed by project loans at a rate determined at three-year benchmark rate plus 20%. Such interest began interest capitalization in 2016, and would be borne as finance expenses starting from 2017.

In 2016, given the significant increase in the sales of optical cables as compared to 2016, we considered the addition of RMB20.00 million one-year liquidity loan at a rate determined at one-year benchmark interest rate plus 20%. At the valuation base date, the Company provided funds of RMB70.00 million to related parties, which was not required by the Company for its ordinary production and operation and was deducted from bank borrowings for estimating finance expenses. As there is no significant pattern of change in amounts for interest income and foreign exchange gains and losses, no analysis and forecast for the future are made.

Table on Finance Expenses Forecast

Unit: 0'000

Fees Breakdown	Future Data Forecast				
	November to December 2015	2016	2017	2018	2019
Principal for long-term bank borrowings			4,000.00	4,000.00	
Interest expenses for long-term bank borrowings			228.00	228.00	
Annual average principal for short-term bank borrowings	13,000.00	14,000.00	15,000.00	15,000.00	15,000.00
Interest expenses for short-term bank borrowings	113.10	730.80	783.00	783.00	783.00
Interest expenses subtotal	113.10	730.80	1,011.00	1,011.00	783.00
Charges	3.11	14.20	24.20	24.20	24.20
Foreign exchange gains and losses	0.24				
Interest income					
Total	116.45	745.00	1,035.20	1,035.20	807.20

7. Forecast on non-operating income and expenses

Putian Fasten Cable Telecommunication Company Limited recorded non-operating income for 2013 and 2014 and between January and October 2015, which mainly represent other miscellaneous income that was not related to operating income. Non-

operating expenses mainly represent various non-recurring income and expenses such as net loss on disposal of fixed assets. The above non-recurring income and expenses are unpredictable income and expenses and are not considered in this forecast.

8. *Forecast on depreciation and amortization for future years*

Pursuant to the the amortization method for depreciation provision of fixed assets adopted by the Company, valuation personnel has made forecast for fixed assets in stock one by one based on the enterprise's prevailing depreciation period, residual value and the depreciation amount provided. Based on the original classification of fixed assets, the forecasted depreciation is divided into costs and administrative expenses of principle operations. The forecast data of depreciation and amortization is set out in the table below in details:

Table on Depreciation and Amortization Forecast

Unit: 0'000

Item/Year	November to December 2015	2016	2017	2018	2019
Total amortization for intangible assets	11.84	71.06	71.06	71.06	71.06
Total depreciation for fixed assets	492.96	2,853.87	3,435.87	3,435.87	4,435.87

9. *Forecast on income tax*

The income tax rate of Putian Fasten Cable Telecommunication Company Limited is 25%. The forecast data of income tax is set out in the table below in details:

Table on Forecast for Income Tax

Unit: 0'000

Item/Year	November to December 2015	2016	2017	2018	2019
Income Tax		108.74	1,297.08	2,215.58	2,714.89

10. *Forecast on capital expenditures*

Capital expenditures include ordinary update expenses for assets required for continuous operation and new investment expenses. As understood, in foreseeable future, the enterprise will expand its processing and production scale for optical cables and optical fibres in 2016, and the newly added capital expenditures are anticipated to be RMB40.00 million.

Detailed forecast data is set out in the table below:

Table on Forecast for Capital Expenditures

Unit: 0'000

Type	Fees Breakdown	November to December 2015	2016	2017	2018	2019
Expenses on maintenance of existing production equipment	Purchase/Update/Modification of fixed assets	248.56	1,543.01	1,765.75	1,765.72	1,765.72
	Purchase/Development of intangible assets	0.21	1.24	1.24	1.24	1.24
Expenses on new production capacity	Purchase/Update/Modification of fixed assets		4,000.00			
	Purchase/Development of intangible assets					
Total		248.77	5,544.25	1,766.96	1,766.96	1,766.96

11. *Forecast for increase in working capital*

(1) *Working capital at the valuation base date*

The addition of working capital refers to cash utilized for provision of commercial credit and cash maintained for ordinary operation needs along with the change of operating activities of an enterprise, etc. Meanwhile, in the course of economic activities, obtaining the commercial credit provided by other parties could correspondingly reduce the immediate payment of cash. It is assumed in the forecast that the benchmark balance continues to be stable. Accordingly, the calculation of the increase in working capital considers various factors, such as cash maintained for operation needs, accounts receivable, inventories, accounts payable and prepayments.

The working capital of an enterprise as at the benchmark date is determined after deducting surplus assets, interest-bearing debts, non-operating assets and non-operating liabilities from the enterprise's book value.

(2) *Forecast on minimum cash on hand*

Generally, an enterprise needs to keep a certain amount of cash to maintain normal operation. Through the analysis on the Company's cash on hand for working capital and cost payment for the respective periods between 2013 and 2014, the cash on hand out of the working capital of the Company was approximately 1-month payment cost.

(3) *Forecast on increase in working capital*

Increase in working capital in 2015 = working capital required for 2015 – carrying working capital as at the benchmark date

Increase in working capital in subsequent year = working capital required for the prevailing year – working capital required for the preceding year

Details of the increase in working capital is set out in the table below:

Forecast for future working capital is as below:

Table on Working Capital Forecast

Unit: 0'000

Items/Year	2015	2016	2017	2018	2019
Total sales income	71,412.00	80,488.00	82,156.00	98,252.00	98,252.00
Total cost of sales	62,755.75	70,751.07	68,213.13	80,000.14	78,102.76
Expenses for the period	8,324.64	7,968.98	8,754.56	9,389.55	9,289.67
Business tax	334.80	474.41	635.89	742.48	742.48
Sales expenses	3,198.10	3,053.44	3,218.12	3,579.52	3,627.17
Administrative expenses	4,026.80	3,696.13	3,865.35	4,032.35	4,112.82
Finance expenses	764.94	745.00	1,035.20	1,035.20	807.20
Completion costs	71,080.39	78,720.05	76,967.69	89,389.69	87,392.43
Non-payment costs	3,049.02	2,924.93	3,506.93	3,506.93	3,506.93
Depreciation/Amortization	3,049.02	2,924.93	3,506.93	3,506.93	3,506.93
Payment costs	68,031.37	75,795.12	73,460.76	85,882.76	83,885.50
Minimum cash on hand	5,669.28	6,316.26	6,121.73	7,156.90	6,990.46
Inventories	16,029.57	18,071.79	17,423.53	20,434.26	19,949.62
Receivables	19,196.77	21,636.56	22,084.95	26,411.83	26,411.83
Payables	13,423.69	15,133.92	14,591.04	17,112.33	16,706.47
Working capital	27,471.93	30,890.69	31,039.17	36,890.66	36,645.44
Increase in working capital	76.21	3,418.76	148.48	5,851.49	-245.22

(4) *Forecast on the enterprise's free cash flow in future years*

Given that the revenue period is determined as perpetual, it is anticipated that the operation after the period could be forecasted in a stable manner, and the annual free cash flow with perpetual period is adjusted and determined based on the free cash flow in the end of the year.

Based on the above analysis, the operating cash flow of Putian Fasten Cable Telecommunication Company Limited in future years is set out in the table below:

Table on Gross Cash Flow Forecast

Unit: 0'000

Item	Future Forecast					Final Value
	November to December 2015	2016	2017	2018	2019	
Operating income	12,774.25	80,488.00	82,156.00	98,252.00	98,252.00	98,252.00
Operating costs	10,793.68	70,751.07	68,213.13	80,000.14	78,102.76	78,102.76
Business tax and surcharges	75.29	474.41	635.89	742.48	742.48	742.48
Operating gross profit	1,905.28	9,262.52	13,306.98	17,509.38	19,406.76	19,406.76
Sales expenses	515.53	3,053.44	3,218.12	3,579.52	3,627.17	3,627.17
Administrative expenses	558.34	3,696.13	3,865.35	4,032.35	4,112.82	4,112.82
Finance expenses	116.45	745.00	1,035.20	1,035.20	807.20	807.20
Operating profit	714.96	1,767.95	5,188.31	8,862.31	10,859.57	10,859.57
Total profit	714.96	1,767.95	5,188.31	8,862.31	10,859.57	10,859.57
Add: Finance expenses after tax	84.83	548.10	758.25	758.25	587.25	587.25
Income tax		108.74	1,297.08	2,215.58	2,714.89	2,714.89
Net profit	714.96	1,659.21	3,891.23	6,646.73	8,144.68	8,144.68
Add: Depreciation/ amortization	504.80	2,924.93	3,506.93	3,506.93	3,506.93	3,506.93
Gross cash flow	1,304.59	5,132.24	8,156.41	10,911.91	12,238.86	12,238.86

(III) Determination of discount rate

Discount rate, or expected rate of investment return, is an important parameter to determine the appraised value based on income approach. Since the valued enterprise is not a listed company, its discount rate could not be directly calculated. Therefore, this valuation makes analysis and calculation on selected comparable companies to derive the expected rate of investment return of the valued enterprise.

1. *Selection of comparable companies*

In this valuation, the selection criteria for comparable companies are as below:

- The comparable company is a profitable company in recent years;
- The comparable company shall have at least two years of listing history;
- The comparable company issues Renminbi A shares in Shanghai or Shenzhen Stock Exchanges;
- The comparable company engages in or its principle operations are optical fibres and optical cable industries.

Based on the above four principles, we have selected 4 listed companies as comparable companies, namely Etern Company, Hengtong Optic-Electric, FiberHome and Xinmao Science.

2. *Determination of weighted average cost of capital (WACC)*

WACC (Weighted Average Cost of Capital) represents the expected rate of total investment return. It is the weighted average value of expected rate of equity return and rate of debt return upon adjustment of income tax.

When calculating the rate of total investment return, the first step requires the calculation of the rate of return of equity funds and the calculation of the rate of return of debt funds with public market data as of the valuation base date, while the second step is the calculation of the weighted average rate of equity return and rate of debt return.

(1) *Determination of return of equity*

To determine the rate of equity return, the Capital Asset Pricing Model or “CAPM” is required. CAPM usually estimates investors’ demand for gains to determine the method for deriving the Company’s return of equity. It could be expressed in the following formula:

$$Re = Rf + \beta \times ERP + Rs$$

Where:

Re — Return of equity

Rf — Risk free return

β — Risk coefficient

ERP — Excess return on market risk

Rs — Excess return on specific corporate risk

The following steps are taken to determine CAPM:

1) *Determination of risk free return*

Yield of treasury bonds is usually regarded as risk free since the risk of default upon maturity of such debt rights is minimal and neglectable.

Risk free return reflects the basic value of capital without default risk for the principal and with guaranteed expected income. Yield of treasury bonds of 4.00% (compound yield) with maturity date over 10 years from the valuation base date is selected as risk free yield.

2) *Determination of equity risk yield*

ERP is market risk premium, usually referring to the excess of the average yield of stock market index over the average risk free yield (usually refers to the yield of long-term treasury bonds). CSI 300 Index comparatively conforms with the prevailing international rules, and its 300 constituents could better reflect the condition of China’s stock market. In this valuation, the valuation personnel leveraged on the professional database of WIND Info to make estimation and analysis on the excess yield of China’s CSI 300 Index in recent 15 years. The estimation result shows that the excess yield for 15 years (year 1999 to 2014) would be 7.50%, and thus the market risk premium used in this valuation is 7.50%.

3) Determination of comparable companies to stock market risk coefficient β (Levered Beta)① Determination of β value

β is regarded as the indicator to weigh the comparative risks among companies. For investment in a company in the stock market, if its β value is 1.1, it implies that the risk of its stock is 10% higher than the risk of the whole stock market in average. Alternatively, if the company's β is 0.9, it implies that the risk of its stock is 10% lower than the risk of the whole stock market in average. Since investors expect to obtain higher return for high risk, β value is very useful for investors to weigh the corresponding risk for investment in specific types of stocks.

Currently, Wind Info from the Mainland China is a company engaging in the research of β and provision of calculation formula for β value calculation. For this valuation, we select the β calculator as published by Wind Info to calculate β value. (CSI 300 Index is selected as the index).

 β Enquiry Table on Comparable Listed Companies

Name of comparable companies	Stock code	Interest-bearing debts (D)	Debt ratio	Market fair value for equity (E)	Equity to value ratio	β inclusive of capital structure factors (Levered β)	β exclusive of capital structure factors (Unlevered β)	Income tax rate (T)
Etern Company	600105.SH	49,011.95	4.96%	939,795.6300	95.04%	1.3765	1.3181	15%
Hengtong Optic-Electric	600487.SH	757,841.02	34.10%	1,464,697.4967	65.90%	1.1061	0.7682	15%
FiberHome	600498.SH	438,109.49	14.32%	2,621,483.8589	85.68%	1.1122	0.9739	15%
Xinmao Science	000836.SZ	83,847.04	9.81%	770,994.4329	90.19%	1.0374	0.9592	25%
Average value of comparable companies		15.80%		84.20%			1.0049	

Upon calculation, the β of comparable companies excluding capital structure factor (Unlevered β) = 1.0049

- ② Determination of the valued enterprise's capital structure ratio

With the adoption of comparable companies' average capital structure, after calculation:

$$E/(E + D) = 70.55\%$$

$$D/(E + D) = 29.45\%$$

- ③ Estimation on the Levered Beta under the determined capital structure ratio of the valued enterprise aforementioned

Levered Beta of the valued enterprise is calculated by substituting the determined capital structure ratio of the valued enterprise to the following formula:

$$\text{Levered Beta} = \text{Unlevered Beta} \times [1 + (1-T) D/E]$$

In the formula: D: debt value;

E: equity value;

T: applicable income tax rate (25%);

After calculation, the Levered Beta with capital structure factor of Putian Fasten Cable Telecommunication Company Limited = 1.3195.

④ Estimation of return on specific corporate risk R_s

Generally, the capital pricing model is used to estimate the returns of a portfolio. The investment risks of a single company are usually higher than the risks of a portfolio. Therefore, the excessive returns generated from the specific corporate risk must be considered when calculating the investment returns of a single company or stock. Currently, in terms of the specific corporate risk, the scale of the company affects the scale of the investment risk. The smaller the scale of the assets of the company is, the higher the investment risk is; or the larger the scale of the assets of the company is, the smaller the investment risk is. The relationship between the scale of corporate assets and the investment risks has been extensively accepted by the investors.

There are articles published by numerous well-known research institutions in the international community explaining the relationship between the asset scale of a company and returns on investment in details. For instance, in USA, similar discourse by Ibbotson Associate could be found in its SBBI annual research report. Another notable research about excess returns on scale by American research company is the research from Grabowski-King, as shown in the following table in details:

Excess Return on Sample Scale

Group	Net asset book value (US\$ million)	Arithmetic average of excess return on scale	Arithmetic average of excess return on scale after smooth process
1	16,884	5.70%	4.20%
2	6,691	4.90%	5.40%
3	4,578	7.10%	5.80%
—	—	—	—
20	205	10.30%	9.80%
21	176	10.90%	10.00%
22	149	10.70%	10.20%
23	119	10.40%	10.50%
24	84	10.50%	11.00%
25	37	13.20%	12.00%

It is revealed from the above table that excess return on scale of a company increases gradually from 4.2% to around 12% with the decrease in asset scale.

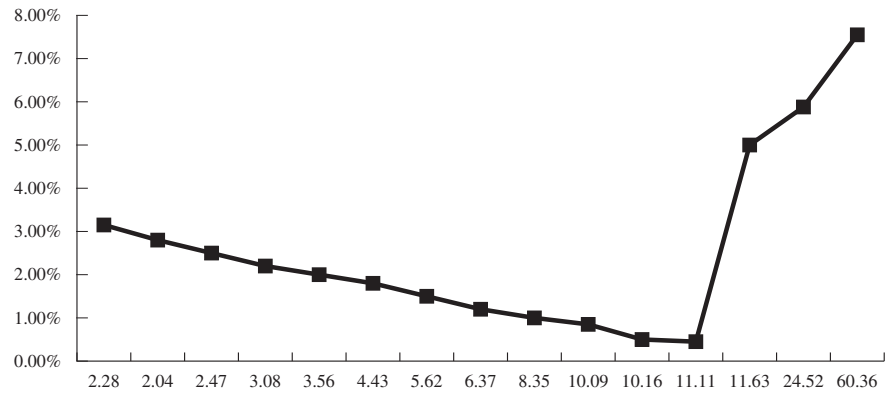
By referring to Grabowski-King's research concept, we have conducted analysis and research on more than 1,000 listed companies in Shanghai and Shenzhen stock markets for 1999 to 2006 and have made the following conclusions:

We have arranged and categorized the sample points based on the adjusted net asset book value and derive the following data.

Shareholders' Equity within the Scope of Scale Standard

Group	Number of sample points	Scope of scale standard (hundred million dollars)	Excess returns on scale (original Beta)	Shareholder's equity (hundred million dollars)
1	7	0-0.5	3.22%	2.28
2	20	0.5-1.0	2.79%	2.04
3	28	1.0-1.5	2.49%	2.47
4	98	1.5-2.0	2.27%	3.08
5	47	2.0-2.5	2.02%	3.56
6	53	2.5-3.0	1.78%	4.43
7	88	3.0-4.0	1.49%	5.62
8	83	4.0-5.0	1.31%	6.37
9	57	5.0-6.0	0.99%	8.35
9	47	6.0-7.0	0.84%	10.09
10	34	7.0-8.0	0.64%	10.16
11	41	8.0-10.0	0.54%	11.11
12	79	10.0-15.0	5.05%	16.63
13	35	15.0-20.0	5.90%	24.52
14	35	20	7.41%	60.36

**Graph of Excess Return on Scale Corresponding
to Shareholder's Equity**



It is presented that the excess return on scale tends to decline when net asset scale is below 1 billion and the return no longer fits such decline trend when net asset scale exceeds the 1 billion.

In accordance with the data from the above table, by applying the method of linear regression analysis, the regression equation between excess return, total asset scale and total return on assets is as follows:

$$R_s = 3.73\% - 0.717\% \times \ln(S) - 0.267\% \times ROA + 1.8\%$$

$$(R^2 = 91.08\%)$$

Where: R_s : excess return on scale of the company;

S : total asset book value of the company (ten thousand dollars)/10000 ($NA \leq 1$ billion);

ROA : Returns on assets of the company.

According to the conclusion above, total assets and total profit as at the valuation base date of the valued entity are substituted to the above regression equation to calculate the excess return on scale of the valued entity. The value of specific risk excessive return R_s of the valued entity is:

$$R_s = 3.73\% - 0.717\% \times \ln(S) - 0.267\% \times ROA = 2.15\%$$

⑤ Calculating the prevailing return on equity

After putting the suitable data into the formula of CAPM, we could calculate the expected return on equity of the valued enterprise.

$$\begin{aligned} R_e &= R_f + \beta \times ERP + R_s = 4.00\% + 1.3195 \times 7.50\% \\ &\quad + 2.15\% = 16.05\% \end{aligned}$$

(2) Determination of return on debentures

In China, a reasonable estimation on the return on debentures is made by combining the fair market long-term and the short-term bank loan interest rates.

Currently, in China, only a small quantity of state-owned large enterprises or the state key projects are permitted to issue corporate bonds. In fact, there is no corporate bonds market in China although some corporate bonds are tradable. However, on the other hand, the loan interest rate promulgated by the officials is available. The interest rate of the loan with a term of one year is 4.35% on the valuation base date, and on this basis, the actual interest rate of loans of the Company is 20% up, being 5.22%. Such interest rate is used as our annual expected return on debentures.

(3) Confirmation on weighted average returns on total capital

For projected returns on equity and returns on credit, we could adopt the weighted average method to calculate the weighted average return on total capital. The weight is the proportion of the actual proportion of equity and debenture structure of the valuation target. The weighted average return on total capital is calculated by using the formula below:

$$WACC = R_e \frac{E}{E+D} + R_d \frac{D}{E+D} (1-T)$$

where:

WACC = weighted average cost of capital;

E = equity value;

R_e = expected return on equity;

D = value of interest-bearing debentures;

R_d = expected return on debentures;

T = Corporate income tax rate;

(4) Determination of the discount rate of the valued enterprise

$$\text{WACC} = 16.05\% \times 70.55\% + 5.22\% \times 29.45\% \times (1-25\%) = 12.48\%$$

Based on the calculation above, the weighted average return on total capital of the valued enterprise we got is 12.48% and it is used as the discount rate of the enterprise.

(IV) Calculation of the value of total equity of shareholders

1. Value of operating assets

Value of operating assets = present value of cash flow during the specific forecast period + present value of perpetual annual cash flow

Value of operating assets is calculated based on the following formula:

$$P = \sum_{i=1}^n [A_i \times (1+R)^{-i}] + (A/R) \times (1+R)^{-n}$$

In the formula: P: Present value of free cash flow to the enterprise's equity;

A_i: free cash flow to equity of the enterprise for the *i*th year;

A: perpetual annual free cash flow to equity;

i : specific forecast period;

R : discount rate.

Details of the calculation result are set out in the table below:

Table on Operating Asset Value in Forecast Period and Perpetual Annual Period

Unit: ten thousand dollars

Name of item	Future forecast					Final Value
	July to December 2015	2016	2017	2018	2019	
Cash flow						
Gross cash flow	1,304.59	5,132.24	8,156.41	10,911.91	12,238.86	12,238.86
Less: Capital expenditures	248.77	5,544.25	1,766.96	1,766.96	1,766.96	1,766.96
Increase (decrease) in working capital	76.21	3,418.76	148.48	5,851.49	-245.22	
Net cash flow	979.61	-3,830.77	6,240.97	3,293.46	10,717.12	10,471.90
Discount years	0.17	1.17	2.17	3.17	4.17	
Discount coefficient	0.9802	0.8714	0.7748	0.6888	0.6124	4.9071
Net present value of net cash flow	960.21	-3,338.13	4,835.50	2,268.54	6,563.16	51,386.66
Sum of the present value of cash flow	62,675.94					

2. Determination of the value of surplus assets

Surplus assets are assets in excess of those necessary for the enterprise's production and operation on the valuation base date and assets that are not involved in the free cash flow forecast of the enterprise after the valuation base date.

In this valuation, through on-site inspection, the book value of monetary funds of Putian Fasten Cable Telecommunication Company Limited on the valuation base date was RMB73.044900 million and the minimum amount of cash on hand was RMB56.476900 million. Thus,

$$\begin{aligned}
 \text{Surplus cash} &= \text{book value of monetary funds on the valuation base date} - \\
 &\quad \text{minimum amount of cash on hand} \\
 &= \text{RMB73,044,900} - \text{RMB56,476,900} \\
 &= \text{RMB16,568,000}
 \end{aligned}$$

3. Valuation of non-operating assets and liabilities

Non-operating assets are assets and relevant liabilities not included in the income forecast scope which are not directly related to operating revenue of the enterprise.

Non-operating assets are the amount of RMB70.00000 million loan lent to a related party, Jiangsu Fasten Hongsheng Group, and interests of borrowings of RMB3.5147 million. The aggregate amount of RMB73.5147 million was regarded as non-operating assets.

Non-operating liabilities was interest payable in the amount of RMB500,000.

The appraisal value of non-operating assets and liabilities was RMB73.0147 million.

4. Calculation on the overall value of the enterprise

$$\begin{aligned}\text{Enterprise overall value} &= \text{value of operating assets} + \text{surplus assets} + \text{value of} \\ &\quad \text{non-operating assets} \\ &= \text{RMB626,759,400} + \text{RMB16,568,000} + \\ &\quad \text{RMB73,014,700} \\ &= \text{RMB716,342,100}\end{aligned}$$

5. Determination of the value of interest-bearing debts

As of the valuation base date, Putian Fasten Cable Telecommunication Company Limited has no long-term or short-term bank borrowings. Interest-bearing debts are short-term loans of RMB200.00 million.

6. Determination of the total equity of shareholders

$$\begin{aligned}\text{Total equity of shareholders} &= \text{enterprise overall value} - \text{value of interest-bearing} \\ &\quad \text{debts} \\ &= \text{RMB716,342,100} - \text{RMB200,000,000} \\ &= \text{RMB516,340,000 (rounded)}\end{aligned}$$



Add.: No. 1366 Qianjiang Rd., Hangzhou
P.C.: 310020
Tel: (0571) 8821 6888
Fax: (0571) 8821 6999

20 March 2017

The Board of Directors
Chengdu PUTIAN Telecommunications Cable Company Limited

Dear Sirs,

We have examined the calculations of the discounted cash flow forecast (the “**Forecast**”) underlying the valuation (the “**Valuation**”) of the entire equity interest of Putian Fasten Cable Telecommunication Company Limited (the “**Target Company**”) performed by Beijing North Asia Asset Assessment Firm (the “**Valuer**”) in relation to the proposed disposal on the Target Company by the Chengdu PUTIAN Telecommunications Cable Company Limited (the “**Company**”). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Forecast**”).

Directors’ Responsibilities

The directors of the Company are solely responsible for the preparation of the Forecast and the reasonableness and validity of the assumptions based on which the Forecast is prepared (the “**Assumptions**”).

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 China Institute of Certified Public Accountants (the “**CICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Internal Control Guidelines for Listed Companies 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 on the accounting policies and calculations of the Forecast based on our procedures and to report our opinion solely to you, as a body, solely for the purpose in connection with the Circular and for no other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness. The standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Forecast in accordance with the Assumptions adopted by the directors and as to whether the Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with China Standards on Auditing issued by the CICPA. Accordingly, we do not express an audit opinion.

The Assumptions include hypothetical assumptions about future events and management actions that may or may not necessarily be expected to occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Accordingly we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Forecast has been properly compiled in accordance with the Assumptions adopted by the directors.

Yours faithfully,

Pan-China Certified Public Accountants

Certified Public Accountants

PRC

Potevio**中国普天****成都普天電纜股份有限公司****CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED****(a sino-foreign joint stock limited company incorporated in the People's Republic of China)*

(Stock Code: 1202)

20 March 2017

Listing Division

The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour View Street
Hong Kong

Dear Sir/Madam,

Re: Major and Connected Transaction — Disposal of 22.5% Equity Interest in the Target Company

We refer to the announcements of Chengdu Putian Telecommunications Cable Company Limited (the “**Company**”) dated 29 July 2016, 27 October 2016, 31 October 2016, 2 December 2016, 23 December 2016 and 17 January 2017 in relation to the Disposal of 22.5% equity interest (the “**Disposal**”) in Putian Fasten Cable Telecommunications Company Limited (the “**Target Company**”). Unless the context otherwise requires, terms defined in this circular shall have the same meanings when used herein.

We have reviewed and discussed the independent Valuation Report prepared by Beijing North Asia, which forms the basis for determining the consideration for the Disposal. We note that the methodology applied in deriving the fair value estimate of the valuation of 100% equity interest in the Target Group is regarded as a profit forecast under Rule 14.61 of the Listing Rules. Pursuant to Rule 14.62 of the Listing Rules, we have engaged Pan-China Certified Public Accountants, acting as the Company’s auditor, to examine the arithmetical accuracy of the calculation of the Valuation Report in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness”.

* For identification purposes only

On the basis of the above, we confirm that the fair value estimate of the valuation of 100% equity interest in the Target Group as contained in the Valuation Report has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of the Board

Chengdu PUTIAN Telecommunications Cable Company Limited

Zhang Xiaocheng

Chairman

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with the Company and/or any of its subsidiaries which is not determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2015, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up.

8. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

9. EXPERT

The following is the qualifications of the experts (the “**Experts**”) who have given opinions or advice in this circular:

Name	Qualification
Pan-China Certified Public Accountants	PRC Certified Public Accountants
Beijing North Asia Asset Assessment Firm	Independent qualified PRC valuer

The letters, reports and/or opinions from the Experts are given as of the date of this circular. Each of the Experts have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letters, reports and/or opinion, as the case may be, and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the Experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the Experts did not have any interest, directly or indirectly, in any assets which had since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MATERIAL CONTRACTS

The Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the Latest Practicable Date.

11. GENERAL

The registered office of the Company is situated at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, 611731, the PRC. The principal place of business of the Company in Hong Kong is at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The H share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The company secretary of the Company is Ms. Kwong Yin Ping, Yvonne, who is a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong during normal business hours on any weekday (excluding Saturdays and public holidays) from 9:00 a.m. to 6:00 p.m. from the date of this circular for 14 days:

- (a) this circular;
- (b) the Definite Agreement;
- (c) the letter from the Board, the text of which is set out on pages 4 to 14 of this circular;
- (d) the Announcements;
- (e) the circular of the Company dated 26 May 2016;
- (f) the audited consolidated financial statements of the Company for each of the two years ended 31 December 2014 and 2015;
- (g) the report from the Pan-China Certified Public Accountants as set out on pages I-1 to I-50 of this circular;

- (h) the written consent of Pan-China Certified Public Accountants referred to in paragraph 9 of this appendix;
- (i) the written consent of Beijing North Asia Asset Assessment Firm referred to in paragraph 9 of this appendix; and
- (j) the articles of association of the Company.