THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Trigiant Group Limited ("**Company**"), you should at once hand this circular, together with the enclosed form of proxy, to the purchasers or transferees or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchasers or transferees.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

TRIGIANT GROUP LIMITED
俊知集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1300)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION — ACQUISITION OF THE REMAINING 40% INTEREST IN A NON-WHOLLY-OWNED SUBSIDIARY AND ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; (2) APPLICATION OF WHITEWASH WAIVER; AND NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

The letter from the Board is set out on pages 6 to 24 of this circular and the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 25 to 26 of this circular. The letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 50 of this circular.

A notice convening the extraordinary general meeting ("Meeting") of the Company to be held at 10:30 a.m. on Thursday, 1 June 2017 at Victoria Room III, 3rd Floor, Regal Hong Kong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by 10:30 a.m. (Hong Kong time) on Tuesday, 30 May 2017 or not less than 48 hours before the time appointed for holding any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

* *For identification purpose only*

10 May 2017

CONTENTS

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

"Abraholme"	Abraholme International Limited, a company incorporated in the BVI which is wholly owned by Mr. Qian
"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the SP Agreement
"acting in concert"	has the meaning as ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 5 April 2017 in relation to the SP Agreement, the Acquisition and the Whitewash Waiver
"associate"	has the meaning ascribed to it in the Listing Rules
"Atrium Noble"	Atrium Noble Limited, a company incorporated in the BVI and controlled by Mr. Sun Jinrong, a brother-in-law of Mr. Qian and a director of a subsidiary of the Company. Atrium Noble is owned as to 50% by Mr. Sun Jinrong, the sole director of Atrium Noble, 29.17% by Mr. Dai Xiaolin, a director of a subsidiary of the Company, and 20.83% by Mr. Yu Daxiong, the supervisor of a subsidiary of the Company. As at the Latest Practicable Date, Atrium Noble was the holder of 47,668,920 Shares
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
"BVI"	British Virgin Islands
"Company"	Trigiant Group Limited, a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Acquisition
"connected person"	has the meaning ascribed to it in the Listing Rules

"Consideration"	the aggregate consideration payable by the Company for the Sale Shares under the SP Agreement
"Consideration Shares"	means 228,000,000 Shares to be allotted and issued, credited as fully paid, by the Company to the Vendor upon Completion as part of the Consideration pursuant to the SP Agreement
"controlling shareholder"	has the meaning ascribed to it in the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company convened to be held at 10:30 a.m. on Thursday, 1 June 2017 for the purpose of considering and, if thought fit, approving the SP Agreement and the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver, the notice of which is set out in pages EGM-1 to EGM-3 in this circular
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director, as defined in the Takeovers Code
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board (which comprises the non-executive Director and all the independent non-executive Directors) established to advise the Independent Shareholders with regard to the SP Agreement and the transactions contemplated thereunder and the Whitewash Waiver
"Independent Financial Adviser"	Ballas Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders as to the SP Agreement and the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver

"Independent Shareholders"	Shareholders other than (i) the Mr. Qian Concert Group and the Vendor and parties acting in concert with each of them; and (ii) those who are involved in or interested in the Acquisition and/or the Whitewash Waiver, and their respective concert parties and associates
"Independent Third Party"	third party independent of the Company and the connected persons of the Company
"Last Trading Day"	30 March 2017, being the last full trading day immediately prior to the date of the SP Agreement
"Latest Practicable Date"	5 May 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Jiang"	Mr. Jiang Wei, an executive Director and the Group Chief Executive Officer
"Mr. Qian"	Mr. Qian Lirong, an executive Director and the Chairman of the Board
"Mr. Qian Chenhui"	Mr. Qian Chenhui, the alternate Director to and a nephew of Mr. Qian, and son of Mr. Shen Xinren, the sole director of Neala Holdings
"Mr. Qian Concert Group"	Mr. Qian, Abraholme, Trigiant Investments, Mr. Jiang, Neala Holdings, Atrium Noble and Mr. Qian Chenhui
"Neala Holdings"	Neala Holdings Limited, a company incorporated in the BVI and controlled by Mr. Shen Xinren, a brother-in-law of Mr. Qian, father of Mr. Qian Chenhui and a director of a subsidiary of the Company. Neala Holdings is owned as to 57.69% by Mr. Shen Xinren, the sole director of Neala Holdings, and 42.31% by Mr. Sun Xuelin, an uncle of Mr. Qian and a director of a subsidiary of the Company. As at the Latest Practicable Date, Neala Holdings was the holder of 51,641,330 Shares
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"Previous Acquisition"	the acquisition of 60% of the issued shares of the Target Company by the Purchaser from the Vendor, further particulars of which are set out in the announcement of the Company dated 12 December 2014
"Purchaser"	Trigiant Holdings Limited, a wholly-owned subsidiary of the Company
"Relevant Period"	the period commencing from 5 October 2016, being six months prior to the date of the Announcement (5 April 2017), and up to and including the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC
"SP Agreement"	the agreement dated 30 March 2017 entered into between the Purchaser, the Vendor and the Warrantors in relation to the Acquisition
"Sale Shares"	112 shares of the Target Company, representing 40% of the issued share capital of the Target Company as at the Latest Practicable Date and at Completion
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary shares of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Specific Mandate"	the specific mandate to be sought from the Independent Shareholders at the EGM to grant the authority to the Board for the allotment and issue of the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Code on Takeovers and Mergers
"Target Company"	Jiang Mei Limited, a company incorporated in the BVI with limited liability
"Target Group"	Target Company and its subsidiaries
"Trigiant Investments"	Trigiant Investments Limited, a company incorporated in the BVI and owned as to 91.79% by Abraholme and 8.21% by Headwell International Limited, a company owned as to 32% by Mr. Jiang, 28% by Mr. Xia Jie, 24% by Mr. Jiang Xinhong, and 16% by Mr. Sun Huxing

"Trigiant Optic-Electric"	江蘇俊知光電通信有限公司 (in English for identification purpose only, Jiangsu Trigiant Optic-Electric Communication Co., Ltd.), a limited liability company established in the PRC and owned as to 87.5% by a wholly-owned subsidiary of the Target Company and as to 12.5% by the Group
"Vendor"	Easy Beauty Limited, a company incorporated in the BVI with limited liability
"Warranties"	means the representations, warranties and undertakings given by the Vendor and the Warrantors pursuant to the SP Agreement
"Warrantors"	Mr. Zhu Xujin, Mr. Shao Yijun and Mr. Zhao Ting, being all the shareholders of the Vendor
"Whitewash Waiver"	waiver as may be granted by the Executive under Note 1 on dispensation from Rule 26 of the Takeovers Code in favour of the Vendor in respect of its obligations to make a general offer to acquire the issued Shares (excluding the issued Shares which are owned or agreed to be acquired by the Vendor, the Mr. Qian Concert Group and parties acting in concert with each of them) in accordance with the Takeovers Code as a result of the allotment and issue of the Consideration Shares to the Vendor under the Acquisition
"%"	per cent.

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK$ at the rate of HK$1 to RMB0.88668. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

TRIGIANT
俊知集团

TRIGIANT GROUP LIMITED
俊知集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1300)

Executive Directors:
Mr. Qian Lirong *(Chairman)*
Mr. Jiang Wei *(Group chief executive officer)*

Non-executive Director:
Dr. Fung Kwan Hung

Independent non-executive Directors:
Professor Jin Xiaofeng
Mr. Poon Yick Pang, Philip
Mr. Ng Wai Hung
Ms. Jia Lina

Alternate Director to Mr. Qian Lirong:
Mr. Qian Chenhui

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Room 1801, 18th Floor
Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

10 May 2017

To the Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION — ACQUISITION OF THE REMAINING 40% INTEREST IN A NON-WHOLLY-OWNED SUBSIDIARY AND ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (2) APPLICATION OF WHITEWASH WAIVER

INTRODUCTION

Reference is made to the Announcement in which the Company announced that after trading hours on 30 March 2017, the Purchaser, the Vendor and the Warrantors entered into the SP Agreement in relation to the Acquisition, the Consideration of which shall be partly

* *For identification purpose only*

satisfied by the allotment and issue, credited as fully paid, of the Consideration Shares to the Vendor at Completion. The EGM will be convened for the purpose of, among other matters, considering, and if thought fit, approving the Acquisition and the grant of the Specific Mandate and the Whitewash Waiver.

The purpose of this circular is to give you, among other matters, (i) details of the SP Agreement and the transactions contemplated thereunder and other information as required to be disclosed under the Listing Rules and the Takeovers Code; (ii) details of the application for the Whitewash Waiver; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the SP Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) the notice of the EGM.

THE SP AGREEMENT

Date

30 March 2017

Parties

(1) the Purchaser, a wholly-owned subsidiary of the Company;

(2) the Vendor; and

(3) the Warrantors, being all the shareholders of the Vendor.

The Vendor is a company incorporated in the BVI with limited liability which is principally engaged in investment holding. The Vendor is owned by the Warrantors as to 40% by Mr. Zhu Xujin, who is also its sole director, and 30% by Mr. Shao Yijun and 30% by Mr. Zhao Ting. The Vendor currently holds approximately 12.79% of the issued share capital of the Company as at the Latest Practicable Date and is thus a substantial shareholder of the Company. Accordingly, the Vendor is a connected person of the Company under the Listing Rules.

Assets to be acquired

The Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares free from all encumbrances together with all rights now or thereafter attaching thereto, including all dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the Completion Date. The Sale Shares represent 40% of the issued shares of the Target Company.

The Group acquired 60% of the issued shares of the Target Company under the Previous Acquisition. Further particulars of the Previous Acquisition, the Target Company and the Target Group are set out in the section headed "Information on the Target Group" below.

Consideration

The Consideration for the Acquisition is RMB377,434,849 (equivalent to approximately HK$425,672,000), which shall be settled in the following manner:

(a) as to RMB140,095,440 (equivalent to HK$158,000,000) in cash; and

(b) as to RMB237,339,409 (equivalent to approximately HK$267,672,000) by the allotment and issue, credited as fully paid, of 228,000,000 Consideration Shares to the Vendor at Completion.

The Group plans to fund the cash portion of the Consideration by its internal resources. Having considered the current level of internal resources of the Group and the need to preserve the cash reserve of the Group, the Group may have to consider debt financing if the entire Consideration is to be settled by cash, which would incur additional finance costs to the Group and further increase the gearing of the Group. To prudently manage its financial position without incurring additional interest expenses to the Group, the Board considers that the proposed settlement for the Consideration, being partly through the issue of Consideration Shares which would not require cash outflow from the Company and hence strain the Company's working capital, would allow the Group to maintain a more steady working capital level and more well positioned to pursuing or financing the Group's other business and projects.

The 228,000,000 Consideration Shares represent (i) approximately 14.58% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 12.73% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change to the share capital of the Company prior to Completion).

The issue price of approximately HK$1.174 per Consideration Share represents:

(1) a discount of approximately 0.51% to the closing price of HK$1.18 per Share as quoted on the Stock Exchange on the Last Trading Day, being the date of the SP Agreement;

(2) a discount of approximately 0.68% to the average closing price of HK$1.182 per Share as quoted on the Stock Exchange for the 5 consecutive trading days of the Shares immediately prior to the Last Trading Day;

(3) equivalent to the average closing price of HK$1.174 per Share as quoted on the Stock Exchange for the 5 consecutive trading days of the Shares immediately prior to and including the Last Trading Day; and

(4) a discount of approximately 5.32% over the closing price of HK$1.24 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The issue price per Consideration Share also represents a discount of approximately 38.7% to the audited consolidated net asset value of the Company as at 31 December 2016 attributable to the owners of the Company per Share of approximately RMB1.697 (equivalent to approximately HK$1.91), based on the number of the issued Shares as at 31 December 2016.

Based on the number of 228,000,000 Consideration Shares and assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to Completion, the number of Shares in issue will increase from 1,563,500,000 Shares to 1,791,500,000 Shares upon Completion and the shareholding of Independent Shareholders would be diluted from approximately 47.40% to approximately 41.37%, representing a dilution effect of approximately 12.72% as a result of the issue of the Consideration Shares. Notwithstanding the potential dilution impact on the Independent Shareholders' shareholding, taking into account that (i) the issue price of the Consideration Shares represents a slight discount of approximately 0.51% to the closing price of HK$1.18 per Share on the Last Trading Day and is equivalent to the average closing price of HK$1.174 per Share for the 5 consecutive trading days of the Shares immediately prior to and including the Last Trading Day; (ii) the proposed settlement for the Consideration partly by way of the issue of Consideration Shares can serve to reduce the strain on the working capital, preserve the cash reserve of the Group and enlarge the capital base of the Group; and (iii) debt financing would incur additional finance costs to the Group and further increase the gearing of the Group, the Directors (including the non-executive Director and all the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider that the settlement for the Consideration partly by way of the issue of Consideration Shares and the Subscription Price are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration Shares will be issued under the Specific Mandate to be granted to the Directors by the Shareholders at the EGM.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares to be allotted and issued shall rank pari passu among themselves and with all Shares in issue on the Completion Date.

The Consideration was arrived at after arm's length negotiation between the parties to the SP Agreement on normal commercial terms with reference to (i) the audited profit after tax of Trigiant Optic-Electric for the year ended 31 December 2016; (ii) the exchange loss recorded by the Target Company in relation to its investments in Trigiant Optic-Electric for the year ended 31 December 2016; (iii) the historical performance of the Target Group taking into account the effective interest of 35% in Trigiant Optic-Electric to be acquired by the Group under the Acquisition and considering comparable companies, namely Nanfang Communication Holdings Limited (Stock code: 1617) and Yangtze Optical Fibre and Cable Joint Stock Limited Company (Stock code: 6869), which were companies listed on the Stock Exchange. For such purpose, such comparable companies were selected based on factors that, similar to the Target Group, the comparable companies are principally engaged in the optical fibre business; that the revenue of each such comparable companies is mainly attributable to sales of optical fibre cable and related products; that such comparable companies are profit-making based on their recent published financial information; that the major customers of such comparable companies include the major telecommunication operators in the PRC; (iv) the business development and future prospects of the Target Group given that the Group's optical fibre cable product business has progressed to becoming a major momentum for the Group's business growth; and (v) other benefits and reasons as set out in the paragraph headed "Reasons for and benefits of the Acquisition" below. Considering the above, the Directors (including the non-executive Director and the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon the following conditions precedent:

(1) the Independent Shareholders having passed the necessary resolution approving the transactions contemplated under the SP Agreement and the allotment and issue of the Consideration Shares including the Specific Mandate at the EGM;

(2) the Independent Shareholders having passed the necessary resolution approving the Whitewash Waiver at the EGM;

(3) the Executive having granted the Whitewash Waiver and the satisfaction of any condition attached to the Whitewash Waiver granted, and the Whitewash Waiver not being revoked;

(4) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Consideration Shares, and such approval not being revoked;

(5) the compliance with the applicable requirements under the Listing Rules by the Company;

(6) all such waivers, consents or other documents (if any) as the Vendor may require in relation to the completion of the transactions contemplated under the SP Agreement having been obtained; and

(7) the representations, warranties and undertakings given by the Vendor and the Warrantors to the Purchaser remain true, accurate and not misleading.

The Company may waive the condition precedent (7) above by written notice to the Vendor. Save as aforesaid, none of the conditions precedent is capable of being waived by any party to the SP Agreement.

It is confirmed that in relation to condition precedent (6) above, no such waivers, consents, approvals, authorisations or grant other than the Whitewash Waiver were contemplated as at the Latest Practicable Date.

If the conditions precedent above cannot be fulfilled (or waived, where applicable) on or before 4:00 p.m. on 30 September 2017, the SP Agreement shall terminate (save and except certain provisions, including confidentiality and announcements, notices and governing law) and the obligations of the parties to proceed with Completion shall cease and terminate and no party shall have any claim against or liability to the other party with respect to any matter referred to in the SP Agreement save for any antecedent breaches of the SP Agreement.

As at the Latest Practicable Date, none of the above conditions precedent has been fulfilled.

Completion

Completion shall take place on a day within 5 Business Days after the last outstanding condition precedent is fulfilled or waived (other than the conditions precedent(s) which is/are only capable of being fulfilled at Completion) or such other date as the Company and the Vendor shall agree in writing.

Guarantee of the Warrantors

Under the SP Agreement, the Warrantors have irrevocably, and unconditionally, as primary obligors, undertaken and guaranteed, as the Vendor's guarantors the full, prompt, complete and due performance by the Vendor of all and any of its obligations under the SP Agreement.

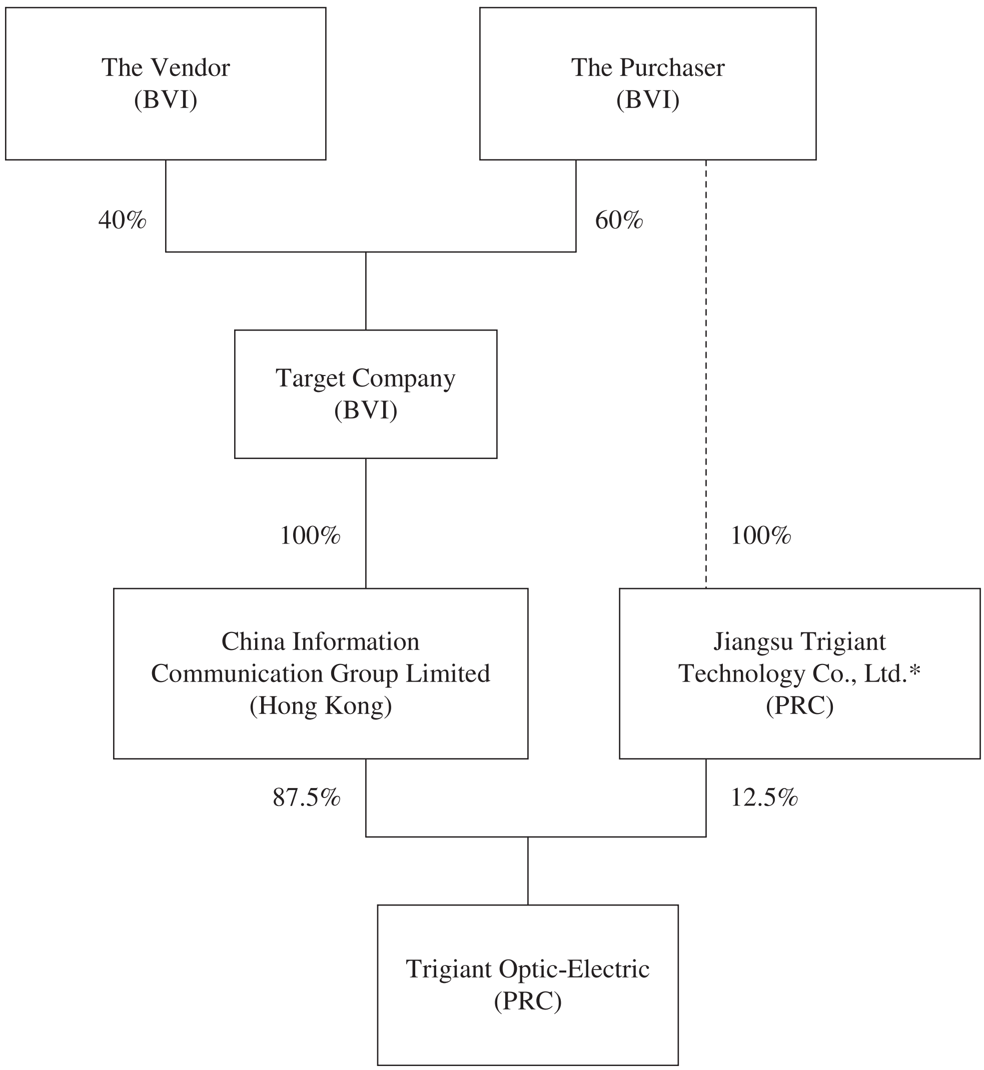
INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability which is principally engaged in investment holding.

The Company, through the Purchaser, is interested in 60% of the equity interest in the Target Company. As disclosed in the announcement of the Company dated 12 December 2014, the Purchaser acquired a total of 60% of the issued shares of the Target Company at a consideration of RMB219,109,680 which was satisfied by the allotment and issue, credited as fully paid, of 200,000,000 Shares to the Vendor. The Previous Acquisition constituted a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and the Company has complied with the relevant applicable Listing Rules requirements in respect of the Previous Acquisition. Completion of the Previous Acquisition took place on 30 December 2014. Since 30 December 2014, each member of the Target Group has become a non-wholly-owned subsidiary of the Company and the financial results of the Target Group has been consolidated into the consolidated financial statements of the Company. As at the Latest Practicable Date, the remaining 40% of the issued shares of the Target Company were owned by the Vendor.

The principal asset of the Target Company is Trigiant Optic-Electric, a limited liability company established in the PRC which is principally engaged in research and development, manufacturing and sale of optical fibre cables, special cable series, electronic components and communication equipment. As at the Latest Practicable Date, Trigiant Optic-Electric is indirectly owned as to 87.5% by the Target Company and as to 12.5% by the Group. Taking into account the 60% stake in the Target Company as held by the Group, the effective interest of the Company in Trigiant Optic-Electric is 65%.

Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date:



Since its incorporation on 1 March 2010, Trigiant Optic-Electric has obtained various awards and certificates of recognition. It has also obtained the respective Certificate for Management System in the areas of quality management, environmental management and employee health and safety issued by TL Certification Centre under the China Academy of Telecommunication Research of the Ministry of Industry and Information Technology of the PRC. Trigiant Optic-Electric has registered a total of 22 patents in the PRC and has established solid growth in its optical fibre cable business in the PRC during the past few years.

The Company's audited consolidated financial results for the year ended 31 December 2016 were published on 27 March 2017. Such audited financial results included the results of the Target Group for the same period.

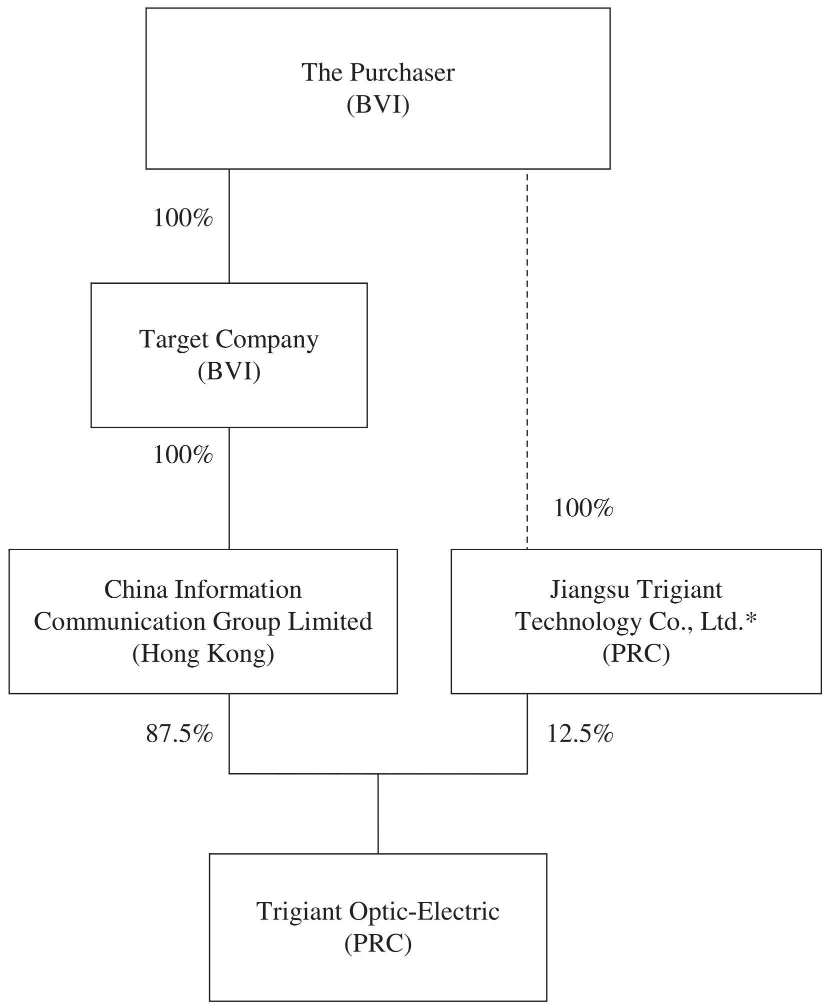
Set out below is a summary of certain financial information of the Target Group for the year ended 31 December 2015 and the year ended 31 December 2016 comprised in the Company's audited consolidated financial statements for the respective periods:

	For the year ended 31 December 2015 *RMB'000 approximately*	**For the year ended 31 December 2016** *RMB'000 approximately*
Profit before taxation	97,956	111,512
Profit for the year attributable to owners of the Target Company	71,565	80,674

As at 31 December 2016, the total asset value and net asset value (excluding non-controlling interest) of the Target Group were approximately RMB747.1 million and RMB337.2 million respectively.

Upon Completion, each member of the Target Group shall become a wholly-owned subsidiary of the Company and the financial results of the Target Group will continue to be consolidated with those of the Group.

Set out below is the shareholding structure of the Target Group immediately after Completion:



REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in research, development and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series, new-type electronic components and other accessories for mobile communications and telecommunications transmission.

The Group has established itself based on the solid foundation of its expertise in manufacturing and sales of feeder cable series. Since its inception, the Group has dedicated its effort to broaden its market segments and customer base within the telecommunication industry. In this regard, the Group acquired a controlling stake in the Target Group at the end of 2014 to further broaden the Group's product portfolio within the telecommunication industry.

Since 30 December 2014, the financial results of the Target Group has been consolidated into the consolidated financial statements of the Company and the Target Group has provided the Group with continuous positive contribution. As a result, the Group's optical fibre cable product business has progressed significantly, becoming a major momentum for the Group's business growth.

Over the recent several years, the PRC has witnessed a fast growth in the broadband network coverage and it is expected that investments in the network construction will continue to rise, amongst which investments in the 4G network and the broadband network will take a dominant role.

In view of the historical performance of the Target Group through Trigiant Optic-Electric, taking into account the Group's optical quality products and services and given the Group's stable and long-term collaboration with the three major telecommunications operators in the PRC, the Directors are of the view that the Acquisition will provide a prime opportunity for the Group to continue to develop its optical fibre cable product business segment which will lay a solid foundation for the long-term development of this business and give a positive impact to the operations, financial results and profitability of the Group.

The terms of the SP Agreement were determined after arm's length negotiations between the parties thereto. In light of the reasons above, the Directors (including the non-executive Director and the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) are of the view that the Acquisition and the terms of the SP Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CHANGES IN SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately following Completion (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion other than the issue of the Consideration Shares); and (iii) for illustration purpose only, immediately upon Completion and upon the exercise in full of all outstanding share options of the Company (assuming that there is no other change in the issued share capital of the Company):

Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately after Completion		(iii) For illustration purpose only, upon Completion and assuming that all the outstanding share options of the Company are exercised in full and Shares have been issued pursuant thereto immediately after Completion *(Note 5)*	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Mr. Qian Concert Group						
Mr. Qian and his associates *(Note 1)*	523,021,750	33.45	523,021,750	29.19	523,021,750	28.07
Mr. Jiang *(Note 2 and 5)*	60,000	0.00	60,000	0.00	2,060,000	0.11
Neala Holdings	51,641,330	3.30	51,641,330	2.88	51,641,330	2.77
Atrium Noble	47,668,920	3.05	47,668,920	2.66	47,668,920	2.56
Mr. Qian Chenhui *(Note 5)*	—	—	—	—	1,200,000	0.06
Subtotal	622,392,000	39.81	622,392,000	34.74	625,592,000	33.58
The Vendor *(Note 3)*	200,000,000	12.79	428,000,000	23.89	428,000,000	22.97
Independent non-executive Directors *(Note 5)*	—	—	—	—	1,600,000	0.09
Eternal Asia (HK) Limited *(Note 4)*	292,876,000	18.73	292,876,000	16.35	292,876,000	15.72
Public Shareholders	448,232,000	28.67	448,232,000	25.02	515,032,000	27.64
Total	1,563,500,000	100.00	1,791,500,000	100.00	1,863,100,000	100.00

Notes:

1. Of these Shares: (a) 6,582,000 Shares are held by Mr. Qian; (b) 250,000 Shares are held by Abraholme; and (c) 516,189,750 Shares are held by Trigiant Investments. Mr. Qian is an executive Director and the Chairman of the Board.

2. Mr. Jiang is an executive Director and the Group Chief Executive Officer.

3. These Shares are held by the Vendor, which is owned by the Warrantors as to 40% by Mr. Zhu Xujun, 30% by Mr. Shao Yijun and 30% by Mr. Zhao Ting.

4. Based on the notices of disclosure of interests dated 20 October 2016 of Eternal Asia (HK) Limited, Shenzhen Eternal Asia Supply Chain Management Ltd.*, Shenzhen Eternal Asia Investment Holding Limited* and Mr. Zhou Guohui each filed with the Stock Exchange, Eternal Asia (HK) Limited is a company wholly owned by Shenzhen Eternal Asia Supply Chain Management Ltd*, which in turn is owned as to 36.54% by Shenzhen Eternal Asia Investment Holding Limited*, which in turn is wholly owned by Mr. Zhou Guohui.

* *For identification purpose only*

5. As at the Latest Practicable Date, the Company has share options granted under its share option scheme entitling the holders thereof to subscribe for an aggregate of 71,600,000 Shares, of which:

   (a) share options entitling the holders thereof to subscribe for an aggregate of 3,200,000 Shares are held by certain members of the Mr. Qian Concert Group, as to 2,000,000 Shares granted to Mr. Jiang and 1,200,000 Shares granted to Mr. Qian Chenhui, respectively;

   (b) share options entitling the holders thereof to subscribe for an aggregate of 1,600,000 Shares are held by the independent non-executive Directors, as to 400,000 Shares granted to each of Professor Jin Xiaofeng, Mr. Poon Yick Pang Philip, Mr. Ng Wai Hung and Ms. Jia Lina respectively; and

   (c) share options entitling the holders thereof to subscribe for an aggregate of 66,800,000 Shares are held by certain employees of the Group who are not core connected persons of the Company.

   All of such share options were granted by the Company on 20 June 2014 the details of which are shown in the section headed "1(b) Share Option Scheme" in Appendix II to this circular. Noting that the exercise price per Share in respect of the above share options is HK$3.15 per Share, which represents a premium of approximately 154.03% over the closing price per Share of HK$1.24 as at the Latest Practicable Date, and that such share options are to be vested in 5 equal batches over a period of 5 years from the date of grant, scenario (iii) in the table above is for illustration purpose only. **The Company will take all reasonable steps to ensure compliance with the public float requirements pursuant to Rule 8.08 of the Listing Rules at all times.**

6. Certain of the figures set out in this table have been subject to rounding adjustments. Accordingly, figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them.

IMPLICATIONS UNDER THE LISTING RULES

The Purchaser's existing 60% interest in the Target Company was acquired by the Purchaser under the Previous Acquisition in 2014. The Previous Acquisition constituted a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and the Company has complied with the relevant applicable Listing Rules requirements in respect of the Previous Acquisition.

The Acquisition contemplated under the SP Agreement constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to notification and announcement requirements of Chapter 14 of the Listing Rules.

In view of the fact that the Vendor is a substantial shareholder of the Company holding 200,000,000 Shares, representing 12.79% of the issued share capital of the Company as at the Latest Practicable Date, the Vendor is a connected person of the Company and accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25% and the Consideration is more than HK$10,000,000, the Acquisition, including the grant of the Specific Mandate, is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors had material interests in the transactions contemplated under the Acquisition and accordingly, no Director was required to abstain on the resolutions at the Board meeting held to approve the SP Agreement and the transactions contemplated thereunder.

TAKEOVERS CODE IMPLICATIONS

Application for the Whitewash Waiver

As at the Latest Practicable Date, (1) the Mr. Qian Concert Group (comprising Mr. Qian, Abraholme, Trigiant Investments, Mr. Jiang, Neala Holdings, Atrium Noble and Mr. Qian Chenhui), taken together, directly or indirectly, hold 622,392,000 Shares, representing approximately 39.81% of the existing issued share capital of the Company; and (2) the Vendor holds 200,000,000 Shares, representing approximately 12.79% of the existing issued share capital of the Company.

Upon Completion at which a total of 228,000,000 Consideration Shares will be issued to the Vendor and assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to Completion, (i) the Vendor will in aggregate hold 428,000,000 Shares, representing approximately 23.89% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; and (ii) the shareholding percentage of the Mr. Qian Concert Group (comprising Mr. Qian, Abraholme, Trigiant Investments, Mr. Jiang, Neala Holdings, Atrium Noble and Mr. Qian Chenhui) in the Company will be diluted to approximately 34.74%. As a result, as each of (i) the Vendor and (ii) the Mr. Qian Concert Group will be owning more than 20% or more of the voting rights of the Company and is thus an associated company (as defined in the Takeovers Code) of the Company and hence, under the definition of "acting in concert" under the Takeovers Code, the Vendor and the Mr. Qian Concert Group would be presumed to be acting in concert with each other.

The allotment and issue of the Consideration Shares to the Vendor would have the effect of increasing the Vendor's shareholding in the Company from 12.79% to 23.89%, and as a result of the Vendor being presumed to be acting in concert with the Mr Qian Concert Group, the aggregate voting rights of the Vendor together with the Mr. Qian Concert Group and parties acting in concert with each of them in the Company would become 58.63% (assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to Completion). Such increase of Vendor's and the Mr. Qian Concert Group's collective holding of voting rights of the Company would therefore trigger an obligation of the Vendor, together with the Mr. Qian Concert Group, and parties acting in concert with each of them, to make a mandatory general offer for all the issued Shares not already owned by them and parties acting in concert with any of them under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive and the Whitewash Waiver is approved by the Independent Shareholders. Such conditions precedent are not capable of being waived by any party to the SP Agreement. The Vendor has made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. As the Vendor, together with the Mr. Qian Concert Group and parties acting in concert with each of them, do not have any plan to make a general offer in respect of the Shares, in the event that the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver not having been approved by the Independent Shareholders, the SP Agreement will lapse and the Acquisition will not proceed.

If the Whitewash Waiver is approved by the Independent Shareholders, the voting rights of the Company held by the Vendor, the Mr. Qian Concert Group, and parties acting in concert with each of them upon the allotment and issue of the Consideration Shares will exceed 50% of the voting rights of the Company. The Mr. Qian Concert Group and/or the Vendor may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer. Nonetheless, any member of the Vendor together with the Mr. Qian Concert Group and parties acting in concert with each of them (1) who acquires, whether by a series of transactions over a period of time or not, 30% or more of the voting rights of the Company would still trigger an obligation to make a general offer under Rule 26 of the Takeovers Code; and (2) who holds not less than 30% but not more than 50% of the voting rights of the Company and that such member acquires additional voting rights and such acquisition has the effect of increasing that member's holding of voting rights of the Company by more than 2% from the lowest percentage holding of that member in the 12 month period ending on and inclusive of the date of the relevant acquisition would still trigger an obligation to make a general offer under Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the Company does not believe that the Acquisition, including the grant of the Specific Mandate, and the Whitewash Waiver will give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules) other than those as set out in this circular. If a concern should arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the whitewash circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Acquisition, including the grant of the Specific Mandate, and the Whitewash Waiver do not comply with other applicable rules and regulations.

Dealings and interest held in the Company's securities by the Vendor and parties acting in concert with it (for this purpose, excluding the Mr. Qian Concert Group and parties acting in concert with any of them)

As at the Latest Practicable Date, the Vendor has confirmed that:

(i) neither the Vendor nor parties acting in concert with it has received an irrevocable commitment from anyone to vote for the Acquisition and/or the Whitewash Waiver;

(ii) save for the proposed allotment and issue of the Consideration Shares under the Acquisition, neither the Vendor nor parties acting in concert with it holds any convertible securities, warrants or options of the Company;

(iii) neither the Vendor nor parties acting in concert with it has entered into outstanding derivative in respect of securities in the Company;

(iv) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares, shares of the Vendor and shares of the Mr. Qian Concert Group members (which are corporations) and which might be material to the Acquisition and/or the Whitewash Waiver;

(v) there are no agreements or arrangements to which the Vendor or any of the parties acting in concert with it is a party which relate to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition and/or the Whitewash Waiver (save as the conditions precedent to the SP Agreement); and

(vi) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Vendor or parties acting in concert with it has borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The Vendor has confirmed that it or parties acting in concert with it have not acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of, voting rights in the Company in the Relevant Period.

Dealings and interest held in the Company's securities by the Mr. Qian Concert Group and parties acting in concert with any of them (for this purpose, excluding the Vendor and parties acting in concert with it)

As at the Latest Practicable Date, the Mr. Qian Concert Group (comprising Mr. Qian, Abraholme, Trigiant Investments, Mr. Jiang, Neala Holdings, Atrium Noble and Mr. Qian Chenhui) has confirmed that:

(i) neither the Mr. Qian Concert Group nor parties acting in concert with any of them has received an irrevocable commitment from anyone to vote for the Acquisition and/or the Whitewash Waiver;

(ii) save for the share options entitling the holders thereof to subscribe for an aggregate of 3,200,000 Shares which are held by certain members of the Mr. Qian Concert Group and their close relatives, neither the Mr. Qian Concert Group nor parties acting in concert with any of them holds any convertible securities, warrants or options of the Company;

(iii) neither the Mr. Qian Concert Group nor parties acting in concert with any of them has entered into outstanding derivative in respect of securities in the Company;

(iv) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares, shares of the Mr. Qian Concert Group members (which are corporations) and shares of the Vendor and which might be material to the Acquisition and/or the Whitewash Waiver;

(v) there are no agreements or arrangements to which the Mr. Qian Concert Group or any of the parties acting in concert with any of them is a party which relate to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition and/or the Whitewash Waiver (save as the conditions precedent to the SP Agreement); and

(vi) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Mr. Qian Concert Group or parties acting in concert with any of them has borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The Mr. Qian Concert Group has confirmed that they or parties acting in concert with any of them have not acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of, voting rights in the Company in the Relevant Period.

FURTHER INTENTION OF THE VENDOR REGARDING THE GROUP

Following the Completion, the Vendor intends to continue the existing business of the Group. The Vendor will provide (if so required) such resources within its means to support the development of the existing business of the Group. The Vendor has no intention to introduce any change to the existing business of the Group including any redeployment of the fixed assets of the Group or terminate the continued employment of the employees of the Group.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising Dr. Fung Kwan Hung, Professor Jin Xiaofeng, Mr. Poon Yick Pang Philip, Mr. Ng Wai Hung and Ms. Jia Lina, being the non-executive Director and all the independent non-executive Directors, has been established to advise and provide recommendation to the Independent Shareholders on the SP Agreement and the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver and to advise the Independent Shareholders on how to vote.

Ballas Capital Limited has been appointed, with the approval of the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the SP Agreement, the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

EGM

The EGM will be held at 10:30 a.m. on Thursday, 1 June 2017 at Victoria Room III, 3rd Floor, Regal Hong Kong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong for the Shareholders to consider and, if thought fit, approve the SP Agreement, the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver. In compliance with the Listing Rules, the resolutions will be voted on by way of a poll at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Mr. Qian Concert Group and the Vendor and parties acting in concert with each of them and their respective associates, who directly or indirectly held 822,392,000 Shares representing approximately 52.60% of the existing issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the resolutions to be proposed at the EGM, no other Shareholder had a material interest the SP Agreement, the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver and no other Shareholder would be required to abstain from voting at the EGM in respect of the resolutions relating to the SP Agreement, the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by 10:30 a.m. on Tuesday, 30 May 2017 or not less than 48 hours before the time appointed for holding any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors (including the non-executive Director and all the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) believe that the terms of the SP Agreement and the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate), and the Whitewash Waiver, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the non-executive Directors after taking into account the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the resolutions to approve the SP Agreement and the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver at the EGM.

Shareholders are advised to read carefully the letter from the Independent Board Committee on pages 25 to 26 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 27 to 50 of this circular, considers that the terms of the SP Agreement and the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver are fair and reasonable insofar as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the SP Agreement and the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate), and the Whitewash Waiver at the EGM.

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 (other than that relating to the Mr. Qian Concert Group, the Vendor and the respective parties acting in concert with any of them) 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 circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Mr. Qian Concert Group, the Vendor and the respective parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the directors of the Mr. Qian Concert Group members which are corporations, the sole director of the Vendor and the Mr. Qian Concert Group members which are individuals) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of the Vendor, namely Mr. Zhu Xujin, and the shareholders of the Vendor jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Group and the Mr. Qian Concert Group and parties acting in concert with any of them (excluding, for this purpose, the Vendor and parties acting in concert with it other than the Mr. Qian Concert Group)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors, the Mr. Qian Concert Group members which are individuals and the directors of the Mr. Qian Concert Group members which are corporations) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Mr. Qian Lirong, Mr. Jiang Wei, the directors of Trigiant Investments Limited, namely Mr. Qian Lirong and Mr. Jiang Wei, the sole director of Abraholme International Limited, namely Mr. Qian Lirong, the sole director of Atrium Noble Limited, namely Mr. Sun Jinrong, the sole director of Neala Holdings Limited, namely Mr. Shen Xinren, Mr. Qian Chenhui, and the shareholders of each of Trigiant Investments Limited, Abraholme International Limited, Atrium Noble Limited and Neala Holdings Limited jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Group and the Vendor and parties acting in concert with it (excluding, for this purpose, the Mr. Qian Concert Group and parties acting in concert with any of them other than the Vendor)) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors and the sole director of the Vendor) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

On behalf of the Board
Trigiant Group Limited
Qian Lirong
Chairman

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the SP Agreement and the Acquisition.

TRIGIANT
— 俊知集团 —

TRIGIANT GROUP LIMITED
俊知集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1300)

10 May 2017

To the Independent Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION — ACQUISITION OF THE REMAINING 40% INTEREST IN A NON-WHOLLY-OWNED SUBSIDIARY AND ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (2) APPLICATION OF WHITEWASH WAIVER

We refer to the circular of the Company dated 10 May 2017 ("**Circular**") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the SP Agreement, the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver, are fair and reasonable insofar as the Independent Shareholders are concerned. Ballas Capital Limited has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 27 to 50 of the Circular, we are of the opinion that the SP Agreement and the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate) and the Whitewash Waiver, are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote

* *For identification purpose only*

in favour of the ordinary resolutions to be proposed at the EGM to approve the SP Agreement and the Acquisition (including the allotment and issue of the Consideration Shares under the Specific Mandate), and the Whitewash Waiver.

Yours faithfully,
For and on behalf of the Independent Board Committee

Dr. Fung Kwan Hung
Non-executive Director

Professor Jin Xiaofeng
Independent non-executive Director

Mr. Poon Yick Pang, Philip
Independent non-executive Director

Mr. Ng Wai Hung
Independent non-executive Director

Ms. Jia Lina
Independent non-executive Director

BALLAS
CAPITAL

Unit 1802, 18/F,
1 Duddell Street, Central
Hong Kong

10 May 2017

To the Independent Board Committee and
the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING 40% INTEREST IN A NON-WHOLLY-OWNED SUBSIDIARY AND APPLICATION OF WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company (the "**Circular**") to the Shareholders dated 10 May 2017, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 5 April 2017, the Company announced that after the trading hours on 30 March 2017, the Purchaser, a wholly-owned subsidiary of the Company, the Vendor and the Warrantors entered into the SP Agreement, pursuant to which the Purchaser has conditionally agreed to purchase the Sale Shares at a Consideration of RMB377,434,849 (equivalent to approximately HK$425,672,000), which shall be settled partly as to RMB140,095,440 (equivalent to approximately HK$158,000,000) in cash and settled partly as to RMB237,339,409 (equivalent to approximately HK$267,672,000) by the allotment and issue of 228,000,000 Consideration Shares to the Vendor at Completion. The Sale Shares represent 40% of the issued shares of the Target Company and as at the Latest Practicable Date, the Target Company is owned as to 60% by the Purchaser and 40% by the Vendor.

The Acquisition contemplated under the SP Agreement constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the notification and announcement requirements of Chapter 14 of the Listing Rules. In view of the fact that the Vendor is a substantial shareholder of the Company as at the Latest Practicable Date, the Vendor is a connected person of the Company and accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25% and the Consideration is more than

HK$10,000,000, the Acquisition, including the grant of the Specific Mandate, is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, (1) the Mr. Qian Concert Group (comprising Mr. Qian, Abraholme, Trigiant Investments, Mr. Jiang, Neala Holdings, Atrium Noble and Mr. Qian Chenhui), taken together, directly or indirectly, held 622,392,000 Shares, representing approximately 39.81% of the existing issued share capital of the Company; and (2) the Vendor held 200,000,000 Shares, representing approximately 12.79% of the existing issued share capital of the Company.

Upon Completion, a total of 228,000,000 Consideration Shares will be issued to the Vendor and assuming that there is no other change to the issued share capital of the Company from the Latest Practicable Date and up to Completion, (i) the Vendor will in aggregate hold 428,000,000 Shares, representing approximately 23.89% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; and (ii) the shareholding percentage of the Mr. Qian Concert Group in the Company will be diluted to approximately 34.74%. As a result, as each of (i) the Vendor and (ii) the Mr. Qian Concert Group will be owning more than 20% or more of the voting rights of the Company and is thus associated company (as defined in the Takeovers Code) of the Company and hence, under the definition of "acting in concert" under the Takeovers Code, the Vendor and the Mr. Qian Concert Group would be presumed to be acting in concert with each other.

The allotment and issue of the Consideration Shares to the Vendor would have the effect of increasing the Vendor's shareholding in the Company from 12.79% to 23.89%, and as a result of the Vendor being presumed to be acting in concert with the Mr. Qian Concert Group, the aggregate voting rights of the Vendor together with the Mr. Qian Concert Group and parties acting in concert with each of them in the Company would become 58.63% (assuming that there is no other change to the issued share capital of the Company from the date of this Circular and up to Completion). Such increase of the Vendor's and the Mr. Qian Concert Group's collective holding of voting rights of the Company would therefore trigger an obligation of the Vendor, together with the Mr. Qian Concert Group, and parties acting in concert with each of them, to make a mandatory general offer for all the issued Shares not already owned by them and parties acting in concert with them under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive and the Whitewash Waiver is approved by the Independent Shareholders. The Vendor has made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll.

The Independent Board Committee comprising Dr. Fung Kwan Hung, Professor Jin Xiaofeng, Mr. Poon Yick Pang, Philip, Mr. Ng Wai Hung and Ms. Jia Lina, being all of the non-executive Director and all the independent non-executive Directors, has been established to advise and provide recommendation to the Independent Shareholders on the SP Agreement and the Acquisition and the Whitewash Waiver and to advise the Independent Shareholders on how to vote. None of the Directors had material interests in the transactions contemplated under the Acquisition and accordingly, no Director was required to abstain on the resolutions at the Board meeting held to approve the SP Agreement and the transactions contemplated thereunder. To the best knowledge of the Directors, save for the Mr. Qian Concert Group and the Vendor and parties acting in concert with each of them and their respective associates, who are required to abstain from voting on the resolutions to be proposed at the EGM, no other

Shareholder had a material interest in the SP Agreement, the Acquisition and the Whitewash Waiver and no other Shareholder would be required to abstain from voting at the EGM in respect of the resolutions relating to the SP Agreement, the Acquisition and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion, we have relied upon the information, facts and representations contained in the Circular and those supplied or made available to us by the Company, the Directors and the representatives of the Company (including information we obtained from discussions with management of the Company) for which they are solely and wholly responsible, and to their information and knowledge, were true, accurate and complete in all respects at the time they were given or made and continue to be true, accurate and valid as at the Latest Practicable Date and the Company will notify the Shareholders of any material changes to such information, facts and/or representations as soon as possible. We have assumed that all statements and information supplied, and the opinions and representations made or provided to us by the Directors and the representatives of the Company (including information we obtained from discussions with management of the Company) and those contained in the Circular have been reasonably made after due and careful enquiry.

As stated in the Circular, the Directors collectively and individually accept full responsibility for the Circular and having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular (other than that relating to the Mr. Qian Concert Group, the Vendor and the respective parties acting in concert with them) 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 in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company, the Directors and the representatives of the Company or to believe that material information has been withheld or omitted from the information provided to us or referred to in the available documents. We have not, however, conducted any independent verification of the information provided, nor have we conducted any independent investigation into the business or affairs or future prospects of the Company, the Target Group or any of their respective subsidiaries or associates.

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we, Ballas Capital Limited, were not aware of any relationships or interests between us and (i) the Company; (ii) the Mr. Qian Concert Group; (iii) the Vendor; and (iv) any other parties acting, or presumed to be acting, in concert with any of them, that could be reasonably regarded as a hindrance to our independence as defined under the Takeovers Code and/or Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver. We have not, in the past two years prior to the date of this Circular, provided any services to the Company or had any financial or other connection with the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in respect of the Acquisition and the Whitewash Waiver, we have considered the following principal factors and reasons:

A. Information on the Group

A.1 Background information of the Group

The Group is principally engaged in research, development and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series, new-type electronic components and other accessories for mobile communications and telecommunications transmission.

A.2 Historical financial performance of the Group

Set out below is a summary of the audited consolidated financial results of the Group for the three years ended 31 December 2014 ("**FY2014**"), 31 December 2015 ("**FY2015**") and 31 December 2016 ("**FY2016**"), details of which are set out in the annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**") and the annual report of the Company for the year ended 31 December 2016 (the "**2016 Annual Report**").

	Year ended 31 December		
	FY2016	**FY2015**	**FY2014**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	2,920,995	2,913,379	2,658,093
Cost of sales	(2,308,791)	(2,263,320)	(2,065,226)
Gross profit	**612,204**	**650,059**	**592,867**
Gross profit margin	*21.0%*	*22.3%*	*22.3%*
Other income	28,659	22,440	14,869
Other losses	(148,849)	(91,671)	1,230
Selling and distribution costs	(60,663)	(61,849)	(52,258)
Administrative expenses	(56,568)	(52,837)	(47,224)
Research and development costs	(51,448)	(47,049)	(26,709)
Gain recognised on deemed disposal of available-for-sale investments	—	—	23,769
Fair value change of warrants	7,604	13,149	(18,317)
Finance costs	(59,804)	(73,293)	(46,538)
Profit before taxation	271,135	358,949	441,689
Taxation	(49,191)	(57,183)	(72,620)
Profit and total comprehensive income for the year	221,944	301,766	369,069
Profit and total comprehensive income for the year attributable to owners of the Company	**192,608**	**275,253**	**369,069**

FY2016 vs FY2015

For FY2016, the Group's revenue amounted to approximately RMB2,921.0 million, which represented a slight increase of approximately 0.3% as compared to that of approximately HK$2,913.4 million for FY2015. As noted in the 2016 Annual Report, the slight increase in revenue was the net effect of (i) the decrease in revenue from the Group's two major products, namely, the Group's feeder cable series and flame-retardant flexible cable series, in FY2016 of approximately 5.2% and 1.8%, respectively, mainly as a result of the decrease in average selling prices, and (ii) the increase in revenue from the Group's optical fibre cable series and related products (being revenue mainly contributed by the Target Group) and new-type electronic components in FY2016 of approximately 11.2% and 11.2%, respectively. The Group recorded gross profit of approximately RMB612.2 million in FY2016, which represented a decrease of approximately 5.8% as compared to that of approximately RMB650.1 million in FY2015. Gross profit margin of the Group decreased by approximately 1.3 percentage points from approximately 22.3% in FY2015 to approximately 21.0% in FY2016. The decrease in gross profit and gross profit margin of the Group was mainly due to the Group's strategical adjustment on the selling prices of certain products to enhance competitiveness.

The Group recorded profit attributable to owners of the Company of approximately HK$192.6 million in FY2016, which represented a decrease of approximately 30.0% as compared to that of approximately HK$275.3 million in FY2015. We note from the 2016 Annual Report that such decrease was mainly attributable to (i) the decrease in gross profit of approximately RMB37.9 million; and (ii) the increase in other losses of approximately RMB57.2 million, mainly as a result of the increase in allowance for bad and doubtful debts.

FY2015 vs FY2014

For FY2015, the Group's revenue amounted to approximately RMB2,913.4 million, which represented an increase of approximately 9.6% as compared to that of approximately RMB2,658.1 million in FY2014. As noted from the 2015 Annual Report, such increase in revenue was the net effect of (i) the decrease in revenue from the Group's two major products, namely feeder cables and flame-retardant flexible cable series, in FY2015 of approximately 16.3% and approximately 11.8%, mainly as a result of the decrease in average selling prices, offset by (ii) new revenue from optical fibre cable series and related products of approximately RMB765.3 million in FY2015, being revenue mainly contributed by the Target Group which was acquired by the Group at the end of 2014. The Group recorded gross profit of approximately RMB650.1 million in FY2015, representing an increase of approximately 9.6% as compared to that of approximately RMB592.9 million in FY2014. Gross profit margin of the Group remained stable at approximately 22.3% for both FY2014 and FY2015.

The Group recorded profit attributable to owners of the Company of approximately RMB275.3 million in FY2015, which represented a decrease of approximately 25.4% as compared to that of approximately RMB369.1 million in FY2014. As noted from the 2015 Annual Report, the decrease in net profit was mainly attributable to the net effect of the increase in profit from the optical fibre cable business offset by (i) the increase in other losses of approximately RMB92.9 million mainly as a result of the increase in allowance for bad and doubtful debts and exchange losses from Renminbi exchange fluctuations; and (ii) the increase in finance costs of approximately RMB26.8 million due to the increase in bank borrowings.

A.3 Financial position of the Group

Set out below is a summary of the audited consolidated assets and liabilities of the Company as at 31 December 2016, as extracted from the 2016 Annual Report:

	As at 31 December 2016
	RMB'000
Non-current assets	
— Investment properties	6,900
— Property, plant and equipment	293,834
— Land use rights	73,722
— Intangible asset	96,803
— Goodwill	41,773
— Available-for-sale investments	7,325
— Deferred tax assets	30,355
	550,712
Current assets	
— Inventories	124,928
— Trade and other receivables	2,932,670
— Other financial assets	150,000
— Pledged bank deposits	476,338
— Bank balances and cash	457,193
	4,141,129

	As at 31 December 2016
	RMB'000
Current liabilities	
— Trade and other payables	492,120
— Bank borrowings	1,292,956
— Tax payables	40,315
	1,825,391
Non-current liabilities	
— Government grant	4,307
— Deferred tax liabilities	46,582
	50,889
Net assets	**2,815,561**
Equity	
— Equity attributable to owners of the Company	2,653,978
— Non-controlling interests	161,583
	2,815,561

As at 31 December 2016, the Group's total assets amounted to approximately RMB4,691.8 million, mainly comprising trade and other receivables of approximately RMB2,932.7 million (representing approximately 62.5% of total assets), pledged bank deposits of approximately RMB476.3 million (representing approximately 10.2% of total assets) and bank balances and cash of approximately RMB457.2 million (representing approximately 9.7% of total assets).

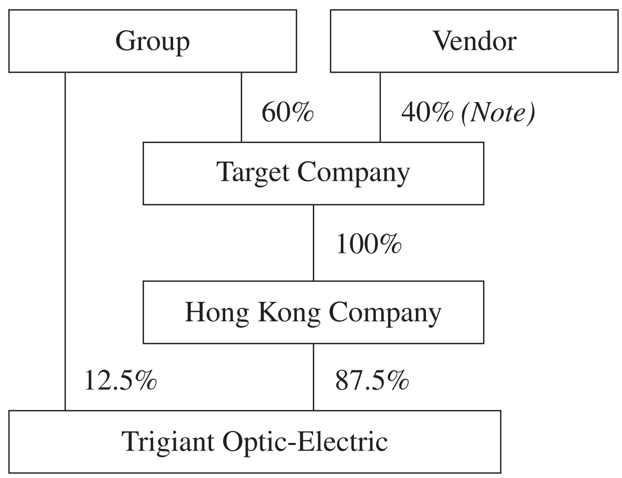
As at 31 December 2016, the Group's total liabilities amounted to approximately RMB1,876.3 million, mainly comprising bank borrowings of approximately RMB1,293.0 million (representing approximately 68.9% of total liabilities) and trade and other payables of approximately RMB492.1 million (representing approximately 26.2% of total liabilities).

As at 31 December 2016, the Group had net assets attributable to owners of the Company of approximately RMB2,654.0 million. As at 31 December 2016, the Target Group, the results of which have been consolidated into the financial results of the Company, had net assets attributable to owners of the Target Company of approximately RMB337.2 million (please refer to the section headed "B.2 Historical financial performance of the Target Group" for details).

B. Information on the Target Group

B.1 Background of the Target Group

The Target Group consists of the Target Company and its subsidiaries, comprising (a) China Information Communication Group Limited (the "**Hong Kong Company**"); and (b) Trigiant Optic-Electric. Set out below is the shareholding structure chart of the Target Group as at the Latest Practicable Date for illustration purpose:



Note: Represents the Sale Shares. Upon Completion, the Target Company will be wholly-owned by the Group.

The Target Group, through Trigiant Optic-Electric, is principally engaged in research and development, manufacturing and sale of optical fibre series, special cable series, electronic components and communication equipment. The majority of the Target Group's revenue is generated from the sales of optical fibre cables through Trigiant Optic-Electric. For each of FY2015 and FY2016, sales of optical fibre cables contributed to approximately 99.7% and approximately 99.3% of the total revenue of the Target Group, respectively.

Target Company

The Target Company is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. The Company, through the Purchaser, currently holds 60% of the equity interest in the Target Company. As disclosed in the announcement of the Company dated 12 December 2014, the Purchaser acquired 60% of the issued shares of the Target Company (the "**2014 Acquisition**") at a consideration of RMB219.1 million. The 2014 Acquisition was completed in December 2014. Since completion of the 2014 Acquisition, each member of the Target Group has become a non-wholly-owned subsidiary of the Company and the financial results of the Target

Group has been consolidated into the consolidated financial statements of the Company. As at the Latest Practicable Date, the remaining 40% of the issued shares of the Target Company were owned by the Vendor.

Hong Kong Company

The Hong Kong Company, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of the Target Company and is principally engaged in investment holding. The Hong Kong Company holds 87.5% equity interest in Trigiant Optic-Electric.

Trigiant Optic-Electric

Trigiant Optic-Electric is a limited company established in the PRC and is principally engaged in research and development, manufacturing and sale of optical fibre series, special cable series, electronic components and communication equipment. As at the Latest Practicable Date, Trigiant Optic-Electric is owned as to 87.5% by the Target Company, through the Hong Kong Company, and is owned as to 12.5% by the Group. Taking into account the Group's 60% interest in the Target Company, the effective interest of the Company in Trigiant Optic-Electric as at the Latest Practicable Date is 65%.

Upon Completion, each member of the Target Group will be a wholly-owned subsidiary of the Company and the financial results of the Target Group will continue to be consolidated with those of the Group.

B.2 Historical financial performance of the Target Group

Set out below is the selected financial information of the Target Group for FY2015 and FY2016. The financial information of the Target Group in FY2015 and FY2016 is consolidated in the Company's audited consolidated financial statements in the respective periods.

	FY2016	**FY2015**
	RMB'000	*RMB'000*
Revenue	834,412	745,316
Gross profit	156,313	146,632
Gross profit margin	*18.7%*	*19.7%*
Profit for the year	92,283	82,291
Profit for the year attributable to owners of the Target Company	80,674	71,565

The Target Group's revenue represents the sales of optical fibre cable series and related products. For each of FY2015 and FY2016, sales of optical fibre cables contributed to approximately 99.7% and approximately 99.3% of the total revenue of the Target Group, respectively.

For FY2016, the Target Group recorded revenue of approximately RMB834.4 million, which represented an increase of approximately 12.0% as compared to that of approximately RMB745.3 million for FY2015. Such increase in revenue was mainly attributable to increase in demand for optical fibre cables in the PRC, following the continued implementation of the "Broadband China" strategy by the Chinese government to enlarge the broadband network and increase broadband access in the PRC. For FY2016, the gross profit of the Target Group amounted to approximately RMB156.3 million, which represented an increase of approximately 6.6% as compared to that of approximately RMB146.6 million for FY2015. The gross margin of the Target Group in FY2016 was approximately 18.7%, which represented a decrease of approximately 1.0 percentage point as compared to that of approximately 19.7% in FY2015. As advised by the Target Company, such decrease in gross profit margin was mainly due to strategic adjustment of price to increase the Target Group's competitiveness for securing customer contracts.

For FY2016, the Target Group recorded profit attributable to owners of the Target Company of approximately RMB80.7 million, which represented an increase of approximately 12.7% as compared to that of approximately RMB71.6 million in FY2015. As advised by the Target Company, the increase in net profit was mainly attributable to the increase in gross profit of approximately RMB9.7 million in FY2016.

As at 31 December 2016, the net assets of the Target Group attributable to owners of the Target Company amounted to approximately RMB337.2 million.

B.3 Reasons and benefits of the Acquisition

As stated in the Letter from the Board, the Group has dedicated its effort to broaden its market segments and customer base within the telecommunications industry. In this regard, the Group acquired a controlling stake in the Target Group at the end of 2014 to further broaden the Group's product portfolio within the telecommunications industry. Since 30 December 2014, the financial results of the Target Group has been consolidated into the consolidated financial statements of the Company and the Target Group has provided the Group with continuous positive contribution. As a result, the Group's optical fibre cable product business has progressed significantly, becoming a major momentum for the Group's business growth.

Based on our review of the financial results of the Group and the Target Group, we note that the revenue of the Target Group attributable to the sales of optical fibre cable series contributed to approximately 25.6% and 28.6% of the Group's total revenue in FY2015 and FY2016, respectively. The Target Group's positive contribution has enabled the Group to record a growth in revenue in both FY2015 and FY2016 of approximately 9.6% and approximately 0.3%, respectively, despite the Group having recorded a continuous decline in revenue from its two major products, namely feeder cable series and flame-retardant flexible cable series, in FY2015 and FY2016, mainly as a result of the decrease in average selling price (please refer to the sub-section "*1.2 Historical financial performance of the Group*" for details). In view of the above, we concur with the view of the management of the Company that the Target Group's optical fibre cable business has become a major contributor to the revenue and business growth of the Group. Furthermore, based on our discussion with management of the Company, we understand that the Company's acquisition of the remaining 40% equity interest in the Target Company (i) will enable the Group to further enhance its operating results and fully benefit from 100% of the cash flow streams and profit of the Target Group; and (ii) enable the Group to further increase its stake in the Target Group, the operations of which the Group is familiar with through its existing 60% interest in the Target Company.

Given the financial performance of the Target Group in the review period (details of which are set out in the sub-section headed "B.2 Historical financial performance of the Target Group") and the Target Group's positive contribution to the Group in each of FY2015 and FY2016, and taking into account the optimistic development of the optical fibre market in the PRC as mentioned below, we concur with the view of the management of the Company that the Acquisition is line with the development of the Group and the Acquisition will provide an opportunity for the Group to continue to develop its optical fibre cable product business segment, which is expected to give a positive impact to the operations, financial results and profitability of the Group.

B.4 Overview of the optical fibre market in the PRC

As stated in the Letter from the Board, over the recent years, the PRC has witnessed a fast growth in the broadband network coverage and it is expected that investments in the network construction will continue to rise, amongst which investments in the 4G network and the broadband network will take a dominant role.

According to the statistics report *(2016年通信運營業統計公報)* issued by the Ministry of Industry and Information Technology ("**MIIT**") of the PRC (the "**MIIT Report**"), fixed assets investments in the mobile communications industry reached approximately RMB236 billion in 2016. Mobile broadband (3G/4G) users have significantly increased and "fibre access" has become increasingly popular for broadband internet access. According to the MIIT Report, the number of broadband users of the three major telecommunications operators in the PRC increased by approximately 37.7 million users to approximately 297 million users in 2016. The proportion of fibre to the home ("**FTTH**") users increased by 19.5 percentage points to account for approximately 228 million of the broadband users in 2016, which represented approximately 76.6% of total broadband users.

Alongside the mobile communication transmission network, the construction of the broadband network has also been improved. In May 2015, the state council of the PRC released a guildeline (國務院辦公廳關於加快高速寬帶網絡建設推進網絡提速降費的指導意見) to improve internet speed, which stipulated measures to be carried out to accelerate the construction of fiber-optic networks and 4G networks. Furthermore, according to the MIIT Report, in 2016, the optic fibre network increased by approximately 5.5 million kilometres nationwide, representing an increase of approximately 22.3% to a total of approximately 30.4 million kilometres. Furthermore, the number of broadband access ports has also increased by approximately 19.8% to approximately 690 million in 2016, out of which the proportion of FTTH ports increased from approximately 59.3% to 75.6%.

Taking into account the above, we concur with the view of the Company that the development of the optical fibre market in the PRC remains optimistic.

B.5 Our view on the Acquisition

Having taken into consideration the above, in particular (i) the historical financial performance of the Target Group (details of which are set out in the sub-section headed "B.2 Historical financial performance of the Target Group") and the Target Group's positive contribution to the Group in each of FY2015 and FY2016; (ii) the Acquisition is in line with the Group's business development and will provide an opportunity for the Group to continue to develop its optical fibre cable product business, which is expected to give a positive impact to the operations, financial results and profitability of the Group; (iii) the Acquisition represents an acquisition of the remaining interest in the Target Group and enables the Group to further increase its stake in the Target Group; and (iv) our analysis on the major terms of the SP Agreement (with details set out in the section headed "C. Major terms of the SP Agreement" in our letter below), we consider that the Acquisition is in the interests of the Company and the Shareholders as a whole.

C. Major terms of the SP Agreement

The following is our analysis and view on the major terms of the SP Agreement:

C.1 Consideration

The Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares. The Sale Shares represent 40% of the issued shares of the Target Company.

The SP Agreement stipulates that the Consideration for the Acquisition is RMB377,434,849 (equivalent to approximately HK$425,672,000), which shall be settled as to (i) RMB140,095,440 (equivalent to approximately HK$158,000,000) in cash; and (ii) as to RMB237,339,409 (equivalent to approximately HK$267,672,000) by the allotment and issue, credited as fully paid, of 228,000,000 Consideration Shares to the Vendor at Completion at the issue price of approximately HK$1.174 per Consideration Share.

As stated in the Letter from the Board, the Consideration was arrived at after arm's length negotiation between the parties to the SP Agreement on normal commercial terms with reference to (i) the audited profit after tax of Trigiant Optic-Electric for the year ended 31 December 2016; (ii) the historical performance of the Target Group, taking into account the effective interest of 35% in Trigiant Optic-Electric to be acquired by the Group under the Acquisition and considering comparable companies principally engaged in the sales of optical fibre cable and related products which are listed on the Stock Exchange; (iii) the business development and future prospects of the Target Group given that the Group's optical fibre cable product business has progressed to becoming a major momentum for the Group's business growth; (iv) the exchange loss recorded by the Target Company in relation to its investments in Trigiant Optic-Electric for the year ended 31 December 2016; and (v) other benefits and reasons as set out in the section headed "Reasons for and benefits of the Acquisition" in the Letter from the Board. We have further discussed with the Company about its basis for identifying comparable companies and understand that the comparable companies identified by the Company are the same as the Comparables (as defined below), which are listed on the Stock Exchange and principally engaged in the optical fibre business (which at least 50% of total revenue is attributable to the sales of optical fibre and related products) and profit making.

In assessing the fairness and reasonableness of the Consideration, we have adopted the price-to-earnings approach which has been considered as a suitable approach for analysing companies that have a track record of generating profits. Given that the Target Group was profitable in each of FY2015 and FY2016, we consider that the price-to-earnings ratio is the most appropriate method to evaluate the fairness of the Consideration. Apart from the price-to-earnings approach, we have also considered the price-to-book approach in assessing the fairness and reasonableness of the Consideration in relation to the net asset value of the Target Group attributable to owners, which amounted to approximately RMB337.2 million as at 31 December 2016.

We have conducted research on comparable companies which (i) are listed on the Stock Exchange; (ii) are principally engaged in the optical fibre business (which at least 50% of total revenue is attributable to the sales of optical fibre and related products based on the latest published results announcements); and (iii) profit making (collectively, the "**Relevant Criteria**"). When determining the above criteria, we have taken into account the principal business of the Target Group and the Target Group's revenue contribution from optical fibre cables and related products that accounted for more than 90% of its revenue for each of FY2015 and FY2016. Based on the Relevant Criteria above, we have identified 2 comparable companies (the "**Comparables**") with details set out below. We consider that the

Comparables represent the exhaustive list of comparable companies under the Relevant Criteria. The Relevant Criteria are determined with reference to the principal business of the Target Group and we consider them to be the most appropriate. We further consider that relaxing the selection criteria on comparable companies to include more companies for comparison purposes would lead to the inclusion of comparable companies whose businesses are not directly comparable to the Target Group, and may not lead to a representative analysis on the fairness and reasonableness of the Consideration.

Company name	**Stock code**	**Principal business**	**Market capitalisation** *HK$'million* *(Note 1)*	**Net profit attributable to owners of the company** *RMB'million* *(Note 2)*	**Net assets attributable to owners of the company** *RMB'million* *(Note 2)*	**P/E Ratio** *(approximately times)* *(Note 3)*	**P/B Ratio** *(approximately times)* *(Note 4)*
Nanfang Communication Holdings Ltd. ("**Nanfang Communications**")	1617	Manufacture and sale of optical fibre cables.	2,139.2	100.0 *(equivalent to approximately HK$112.8 million)*	677.9 *(equivalent to approximately HK$764.5 million)*	19.0	2.8
Yangtze Optical Fibre and Cable Joint Stock Co. Ltd. ("**Yangtze Optical**")	6869	Supply optical fibres and preforms and optical fibre cables	10,054.4	701.4 (equivalent to approximately HK$790.9 million)	4,177.1 (equivalent to approximately HK$4,710.9 million)	12.7	2.1
			Average			**15.9**	**2.5**
			Maximum			**19.0**	**2.8**
			Minimum			**12.7**	**2.1**
			Implied multiple of the Acquisition			**11.7** *(Note 5)*	**2.8** *(Note 6)*

Source: Bloomberg and the website of the Stock Exchange

Notes:

(1) Data regarding the market capitalisations are sourced from Bloomberg as at 30 March 2017, being the date of the SP Agreement.

(2) The net profit attributable to owners of the company and the net assets attributable to owners of the company of Nanfang Communications and Yangtze Optical are based on their latest results announcements for the year ended 31 December 2016.

(3) The price-to-earnings ratios of each of Nanfang Communications and Yangtze Optical are calculated by dividing their market capitalisations as at 30 March 2017 by their net profit attributable to owners of the company for the year ended 31 December 2016.

(4) The price-to-book ratios of each of Nanfang Communications and Yangtze Optical are calculated by dividing their market capitalisations as at 30 March 2017 by their net assets attributable to owners of the company as at 31 December 2016.

(5) The implied price to earnings ratio (the "**Implied P/E Ratio**") of the Acquisition is calculated by dividing the hypothetical consideration of approximately RMB943.5 million (being the hypothetical consideration for acquiring 100% equity interest in the Target Company, based on the Consideration of approximately RMB377.4 million divided by 0.4)

(the "**Hypothetical Consideration**") by the profit after tax of the Target Group attributable to owners of the Target Company for the year ended 31 December 2016 of approximately RMB80.7 million.

(6) The implied price to book ratio (the "**Implied P/B Ratio**") of the Acquisition is calculated by dividing the Hypothetical Consideration of approximately RMB943.5 million (being the hypothetical consideration for acquiring 100% equity interest in the Target Company) by the net assets of the Target Group attributable to owners of the Target Company as at 31 December 2016 of approximately RMB337.2 million.

With reference to the above table, we note that the price-to-earnings ratio of the Comparables range from approximately 12.7 times to 19.0 times, with an average of approximately 15.9 times. The price-to-book ratio of the Comparables ranged from approximately 2.1 times to 2.8 times, with an average of approximately 2.5 times. Since the Implied P/E Ratio, which we consider to be the most appropriate valuation multiple for assessing the fairness and reasonableness of the Consideration in view of the Target Group's track record of generating profits, of 11.7 times is slightly below the low end of the range of the Comparables, and the implied P/B ratio of 2.8 times is comparable to the average of the price-to-book ratios of the Comparables of 2.5 times, we consider that the Consideration is fair and reasonable so far as the Company and the Shareholders are concerned.

C.2 Mode of settlement for the Consideration

Pursuant to the SP Agreement, the Consideration for the Acquisition of approximately RMB377.4 million shall be settled as to (i) approximately RMB140.1 million in cash; and (ii) approximately as to RMB237.3 million by the allotment and issue, credited as fully paid, of 228,000,000 Consideration Shares to the Vendor at Completion at the issue price of approximately HK$1.174 per Consideration Share.

Notwithstanding the potential dilution impact on Independent Shareholders' interests in the Company as a result of the issue of Consideration Shares (please refer our analysis in the sub-section headed "C.4 Effect of the issue of the Consideration Shares on the shareholding of the Company" for details), based on our discussion with the management of the Company, we understand that the proposed settlement for the Consideration, being partly by cash and partly through the issue of Consideration Shares, which the issue of Consideration Shares does not require cash outflow from the Company, would reduce the strain on the Company's working capital and preserve cash for financing the Group's other projects and general working capital use. Based on the 2016 Annual Report, we note that the Group had bank balances and cash of approximately RMB457.2 million as at 31 December 2016. If the total Consideration of approximately RMB377.4 million were to be fully settled in cash, the Group's bank balances and cash would be substantially reduced. Furthermore, as discussed with management of the Company, as debt financing would incur additional finance costs to the Group and further increase the gearing of the Group, the Company considers that to prudently manage its financial position without incurring additional interest expenses to the Group, issuing Consideration Shares to settle a substantial portion of the Consideration is considered to be an appropriate means of settlement. Having considered the current level of internal resources of the Group and that the issue of Consideration Shares would preserve the cash reserve of the Group, we concur with the Directors that the proposed settlement method for the Consideration by way of a combination of cash and the issue of Consideration Shares is in the best interests of the Company and its Shareholders.

C.3 Analysis of the issue price of the Consideration Shares

Pursuant to the SP Agreement, RMB237.3 million (equivalent to approximately HK$267.7 million) of the Consideration shall be settled by the issue of 228,000,000 Consideration Shares to the Vendor at Completion at the issue price of approximately HK$1.174 per Consideration Share.

The issue price of approximately HK$1.174 per Consideration Share represents:

(i) a discount of approximately 0.51% to the closing price of HK$1.180 per Share as quoted on the Stock Exchange on the Last Trading Day, being the date of the SP Agreement;

(ii) equivalent to the average closing price of HK$1.174 per Share as quoted on the Stock Exchange for the 5 consecutive trading days of the Shares immediately prior to and including the Last Trading Day;

(iii) a discount of approximately 1.76% to the average closing price of HK$1.195 per Share as quoted on the Stock Exchange for the 10 consecutive trading days of the Shares immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 1.18% to the average closing price of HK$1.188 per Share as quoted on the Stock Exchange for the 20 consecutive trading days of the Shares immediately prior to the Last Trading Day;

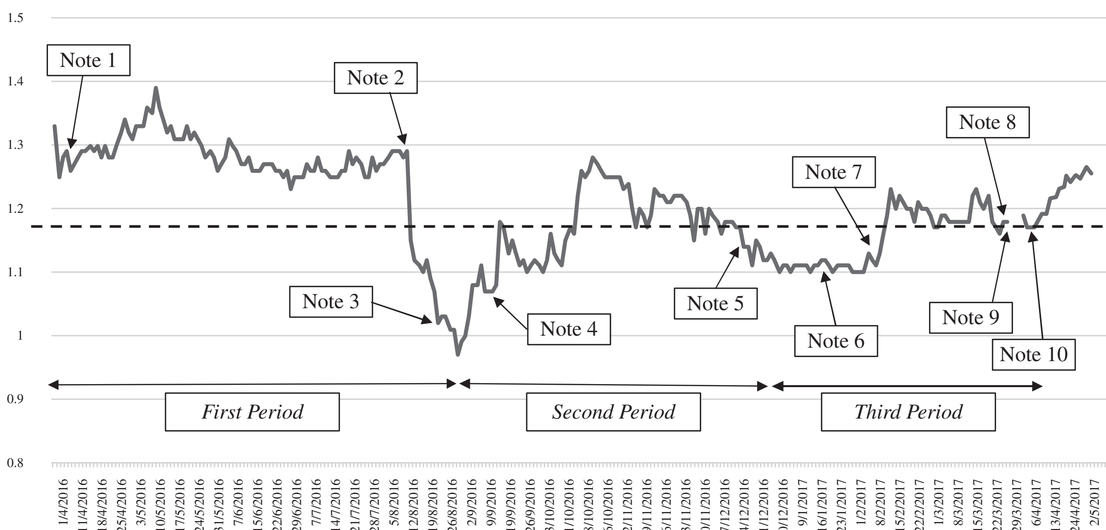
(v) a discount of approximately 5.32% to the closing price of HK$1.240 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(vi) a discount of approximately 38.7% to the net asset value per share of approximately HK$1.91 (based on the latest published consolidated net asset value of the Group attributable to owners of the Company of approximately RMB2,654.0 million (equivalent to approximately HK$2,992.8 million) and 1,563,500,000 shares in issue as at the Latest Practicable Date).

As stated in the Letter from the Board, the 228,000,000 Consideration Shares represent (i) approximately 14.58% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 12.73% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change to the share capital of the Company prior to Completion).

Historical price performance of the Shares

The chart below illustrates the closing price level of the Shares as quoted on the Stock Exchange from 1 April 2016 to 30 March 2017, being the 12-month period immediately preceding and including the Last Trading Day, and from 6 April 2017, being the first trading day after the publication of the Announcement, to the Latest Practicable Date (both days inclusive) (collectively, the "**Review Period**") as follows:



Source: Bloomberg and website of the Stock Exchange

Note 1: The Company issued the announcement in relation to the pledge of Shares by Eternal Asia (HK) Limited, a substantial shareholder of the Company, on 5 April 2016.

Note 2: The Company issued the profit warning announcement in relation to the Group's financial results for the six months ended 30 June 2016 on 15 August 2016. It was announced that the Group expected to record a decrease in profit for the six months ended 2016 of approximately 40% to 50% as compared to the unaudited profit of approximately RMB140.5 million for the six months ended 30 June 2015.

Note 3: The Company issued the interim results announcement for the six months ended 30 June 2016 on 24 August 2016.

Note 4: The Company issued the announcement in relation to the proposed modifications to the terms of unlisted warrants on 19 September 2016.

Note 5: The Company issued the announcement in relation to the redemption of unlisted warrants on 5 December 2016.

Note 6: The Company issued the announcement in relation to the purchase of investment products constituting a discloseable transaction on 17 January 2017.

Note 7: The Company issued the profit warning announcement in relation to the Group's financial results for FY2016 on 10 February 2017. It was announced that the Group expected to record a decrease in profit attributable to owners of the Company of approximately 25% for FY2016 as compared to that of approximately RMB275.3 million for FY2015.

Note 8: The Company issued the annual results announcement for the year ended 31 December 2016 on 27 March 2017.

Note 9: The Company issued the announcement in relation to the halt of trading of the Shares pending the release of inside information on 31 March 2017.

Note 10: The Company issued the Announcement on 5 April 2017.

As shown in the chart above, for the period from 1 April 2016 to the Last Trading Day (both days inclusive, the "**Pre-Announcement Period**"), the closing price of the shares fluctuated around the issue price of the Consideration Shares (the "**Issue Price**"). During the Pre-Announcement Period, the lowest closing price of the Shares was HK$0.97 per Share recorded on 1 September 2016 and the highest closing price of the Shares was HK$1.39 per Share recorded on 11 May 2016, as quoted on the Stock Exchange. The Issue Price of approximately HK$1.174 represents (i) a discount of approximately 15.5% to the highest closing price ; (ii) a premium of approximately 21.0% to the lowest closing price; and (iii) a discount of approximately 2.3% to the average daily closing price during the Pre-Announcement Period.

For the period from 1 April 2016 to the end of August 2016, (the "**First Period**"), the price of the Shares was generally above the Issue Price and remained relatively stable from 1 April 2016 up to early August 2016. In mid-August 2016, the Share price experienced a sharp decline, which the Share price declined by approximately 21.7% from approximately HK$1.29 on 15 August 2016 to approximately HK$1.01 on 31 August 2016. We enquired with the management of the Company for the possible reason for the decline in Share price in mid-August 2016 and were advised that the Company was not aware of any other particular matters which might have impact on the Share price except for the Company's profit warning announcement published on 15 August 2016 in relation to the expected decrease of the Group's profit for the six months ended 30 June 2016 (the "**1H2016 Warning**").

For the period from early September 2016 to mid-December 2016 (the "**Second Period**"), the price of the Shares fluctuated around the Issue Price. The Share price was generally below the Issue Price but on an upward trend from early September 2016 to mid-October 2016 (the "**Second Period Upward Trend**"), and the Share Price was generally above the Issue Price but on a downward trend from mid-October 2016 to mid-December 2016 (the "**Second Period Downward Trend**"). The average daily closing price of the Shares in the Second Period was approximately HK$1.166, representing a discount of approximately 0.7% to the Issue Price of approximately HK$1.174. We enquired with management of the Company for the possible reason for the Second Period Upward Trend were advised that the Company was not aware of any particular matters which might have impact on the Share price, except for the Company's announcement on 19 September 2016 in relation to the proposed modifications of terms of unlisted warrants of the Company, enabling the Company to redeem the warrants prior to the expiry of the subscription period. The Company also advised that they were not aware of any particular matters that might have impact the Share price for the Second Period Downward Trend.

For the period from mid-December 2016 to the Last Trading Day (the "**Third Period**"), the Share Price fluctuated around the Issue Price level. The average daily closing price of the Shares in the Third Period was approximately HK$1.152, representing a discount of approximately 1.9% to the Issue Price of approximately HK$1.174. We have enquired with management of the Company for the possible reason for the movements in Share Price in the Third Period and were advised that the Company was not aware of any particular matters which might have impact on the Share Price, except for the Company's announcement on 17 January 2017 relating to the purchase of investment products constituting a discloseable transaction and the Company's profit warning announcement on 10 February 2017 in relation to the expected decrease in the Group's profit for the year ended 31 December 2016 (the "**FY2016 Warning Announcement**"). We have further enquired with the management of the Company on the possible reasons for the increase in Share Price in mid February 2017, and were advised that the Company was not aware of any particular matters which might have impact on the Share Price, except for the possible reason that the FY2016 Warning Announcement, which was issued on 10 February 2017, stated an expected decrease in profit of the Group for the year ended 31 December 2016 of approximately 25%, being proportionally smaller than the decrease in profit of the Group for the six months ended 30 June 2016 of approximately 45.6% as disclosed in the interim results announcement of the Company for the six months ended 30 June 2016.

For the period from 6 April 2017, being the first trading day after the publication of the Announcement, to the Latest Practicable Date (the "**Post-Announcement Period**"), the price of the Shares fluctuated around the Issue Price Level. The average closing price of the Shares in the Post-Announcement Period was approximately HK$1.211, representing a premium of approximately 3.15% to the Issue Price of HK$1.174.

Based on our review of the trading prices of the Shares during the Review Period, we note the following:

(i) the Shares traded within a relatively stable price range from around HK$1.0 to $1.4 per Share in the 12 months prior to the Last Trading Day;

(ii) the price range of the Shares further narrowed to around HK$1.1 to HK$1.3 per Share in the 6 months prior to the Last Trading Day; and

(iii) there is no observable unusual fluctuation in the trading price of the Shares throughout the Review Period.

Given the above, we consider that it is reasonable to determine the issue price of the Consideration Shares with reference to the trading price of the Shares prevailing around the date of the SP Agreement. In particular, having considered that the issue price of the Consideration Shares (i) represents a slight discount of approximately 0.51% to the closing price of HK$1.18 per Share on the Last Trading Day and is equivalent to the average closing price of HK$1.174 per Share for the 5 consecutive trading days of the Shares immediately prior to and including the Last Trading Day; and (ii) the price performance of the Shares during the Pre-Announcement Period fluctuated generally around the Issue Price level as analysed above, we are of the view that the issue price of the Consideration Shares is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

C.4 Effect of the issue of the Consideration Shares on the shareholding of the Company

As stated in the Letter from the Board, the 228,000,000 Consideration Shares represent (i) approximately 14.58% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 12.73% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change to the share capital of the Company prior to Completion).

As referred to in the Letter from the Board, as a result of the issue of the Consideration Shares, the number of Shares of the Company will increase from 1,563,500,000 Shares immediately before Completion to 1,791,500,000 Shares immediately after Completion. The shareholding of Independent Shareholders in the Company, namely Eternal Asia (HK) Limited and the Public Shareholders, will be diluted from approximately 18.73% to approximately 16.35% immediately before and after Completion and from approximately 28.67% to approximately 25.02% immediately before and after Completion, respectively.

Notwithstanding the potential dilution impact on Independent Shareholders' interests in the Company as a result of the issue of Consideration Shares, taking into account the following factors: (i) the issue price of the Consideration Shares represents a slight discount of approximately 0.51% to the closing price of HK$1.18 per Share on the Last Trading Day and is equivalent to the average closing price of HK$1.174 per Share for the 5 consecutive trading days of the Shares immediately prior to and including the Last Trading Day; (ii) the proposed settlement method for the Consideration partly by way of the issue of Consideration Shares can serve to reduce the strain on the working capital and enlarge the capital base of the Group; and (iii) debt financing or bank loans will incur further interest burden to the Company, we consider that the level of potential dilution to the shareholding interests of the Independent Shareholders, is acceptable.

C.5 Conditions precedent

Completion is conditional upon the fulfillment, or where applicable, waiver of the conditions precedent. Please refer to the sub-section headed "Conditions Precedent" in the Letter from the Board for details.

C.6 Completion

Completion shall take place on a day within 5 Business Days after the last outstanding condition precedent is fulfilled or waived (other than the conditions precedent(s) which is/are only capable of being fulfilled at Completion) or such other date as the Company and the Vendor shall agree in writing.

C.7 Our view on the SP Agreement

Having considered the above, in particular (i) the implied P/E Ratio of the Acquisition is slightly below the low end of the range of the price-to-earning ratios of the Comparables and the implied P/B Ratio of the Acquisition is comparable to the average of the price-to-book ratios of the Comparables; (ii) the proposed settlement method for the Consideration by way of a combination of cash and the issue of Consideration Shares would reduce the strain on the Group's working capital and preserve the cash of the Group; and (iii) the issue price of the Consideration Shares is fair and reasonable (as analysed in the sub-section headed "C.3 Analysis of the issue price of the Consideration Shares" above), we are of the view that the principal terms of the SP Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

D. Possible financial effects of the Acquisition

(i) Accounting treatment upon completion of the Acquisition

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the results and assets and liabilities of the Target Group will continue to be consolidated into the consolidated financial statements of the Group.

(ii) Earnings and net asset value

Upon Completion, as the Target Company will become an indirect wholly-owned subsidiary of the Company, there will not be any non-controlling interests in the Target Company and the Target Group's profit and net assets attributable to owners of the Company is expected to increase.

(iii) Working capital

As stated in the Letter from the Board, the Consideration for the Acquisition of RMB377.4 million shall be settled as to (i) RMB140.1 million in cash; and (ii) as to RMB237.3 million by the allotment and issue, credited as fully paid, of 228,000,000 Consideration Shares. The Group plans to fund the cash portion of the Consideration by its internal resources. Given that Group had bank balances and cash (not including the pledged bank deposits) of approximately RMB457.2 million, we concur with the view of the Company that the Group would have sufficient internal resources to fulfill its payment obligation of the cash portion of the Consideration under the Acquisition.

Having considered the above, in particular that upon Completion there will not be any non-controlling interest in the Target Company and the Target Group's profit and net assets attributable to owners of the Company is expected to increase, and taking into account the historical financial performance of the Target Group and its positive contribution to the Group in FY2015 and FY2016, we are of the view that the possible financial effects of the Acquisition are in the interests of the Company and the Independent Shareholders as a whole. However, Shareholders should note that the exact financial effects of the Acquisition shall only be ascertained, and subject to audit, upon Completion.

E. Whitewash Waiver

As stated in the Letter from the Board, the allotment and issue of the Consideration Shares to the Vendor would have the effect of increasing the Vendor's shareholding in the Company from 12.79% to 23.89%, and as a result of the Vendor being presumed to be acting in concert with the Mr. Qian Concert Group, the aggregate voting rights of the Vendor together with the Mr. Qian Concert Group and parties acting in concert with each of them in the Company would become 58.63% (assuming that there is no other change to the issued share capital of the Company from the date of this announcement and up to Completion). Such increase of Vendor's and the Mr. Qian Concert Group's collective holding of voting rights of the Company would therefore trigger an obligation of the Vendor, together with the Mr. Qian Concert Group, and parties acting in concert with each of them, to make a mandatory general offer for all the issued Shares not already owned by them and parties acting in concert with any of them under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive and the Whitewash Waiver is approved by the Independent Shareholders.

The Vendor has made an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll.

Completion is conditional upon, among other things, the Executive having granted the Whitewash Waiver and the Independent Shareholders approving the Whitewash Waiver. In the event that the Whitewash Waiver is not granted by the Executive or the Whitewash Waiver not having been approved by the Independent Shareholders, the SP Agreement will lapse and the Acquisition will not proceed.

In light of (i) the reasons and possible benefits of the Acquisition to the Company as set forth in the section headed "*B.3 Reasons and benefits of the Acquisition*", in particular, the Acquisition will provide an opportunity for the Group to continue to develop its optical fibre cable product business and is expected to give a positive impact to the operations, financial results and profitability of the Group, in view of the historical financial performance of the Target Group and its positive contribution to the Group in each of FY2015 and FY2016; and (ii) the terms of the SP Agreement being fair and reasonable so far as the Independent Shareholders are concerned; we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for completion of the Acquisition, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned, for the purpose of proceeding with the Acquisition.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

(i) the Acquisition represents an acquisition of the remaining interest in the Target Group and will provide an opportunity for the Group to continue to develop its optical fibre cable business segment;

(ii) taking into account the historical financial performance of the Target Group and its positive contribution to the Group in FY2015 and FY2016, the Acquisition is expected to further enhance the Group's operating results and enable the Group to fully benefit from 100% of the cash flow streams and profit of the Target Group;

(iii) the implied P/E Ratio of the Acquisition is slightly below the low end of the range of the price-to-earning ratios of the Comparables and the implied P/B Ratio of the Acquisition is comparable to average of the price-to-book ratios of the Comparables;

(iv) the proposed settlement method for the Consideration by way of a combination of cash and the issue of Consideration Shares would reduce strain on the Company's working capital and preserve cash for the Group;

(v) the issue price of the Consideration Shares represent a slight discount to the closing price of the Shares on the Last Trading day and is equivalent to the average closing per Share for the 5 consecutive trading days of the Shares immediately prior to and including the Last Trading Day; and

(vi) the Whitewash Waiver is a pre-requisite for completion of the Acquisition,

we are of the opinion that while the Acquisition is not in the ordinary and usual course of business of the Group, the Acquisition and the Whitewash Waiver are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to approve the Acquisition, including the Specific Mandate for the allotment and issue of the Consideration Shares, and the Whitewash Waiver at the EGM.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Heidi Cheng	**Colin Lee**
Managing Director	*Vice President*

Note: Ms. Heidi Cheng of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2004 and Mr. Colin Lee of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activity since 2013. Ms. Heidi Cheng and Mr. Colin Lee of Ballas Capital Limited have over 20 and 3 years of experience in the corporate finance industry, respectively.

1. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

The following is a summary of the audited consolidated financial information of the Group for the years ended 31 December 2014, 2015 and 2016 as extracted from the published annual financial statements of the Group for the relevant years.

	For the year ended 31 December		
	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	2,920,995	2,913,379	2,658,093
Profit before tax	271,135	358,949	441,689
Income tax expense	(49,191)	(57,183)	(72,620)
Profit attributable to:			
Owners of the Company	192,608	275,253	369,069
Non-controlling interests	29,336	26,513	—
	221,994	301,766	369,069
Earnings per share			
Basic (RMB)	12.32 cents	19.45 cents	33.07 cents
Diluted (RMB)	12.32 cents	19.45 cents	33.07 cents
Dividends (RMB'000)	63,648	163,312	122,934
Dividends per Share (HK$)	2.8 cents	10.5 cents	14 cents

Deloitte Touche Tohmatsu, the auditors of the Company did not issue any qualified opinion on the financial statements of the Group for the years ended 31 December 2014, 2015 and 2016, and the Company had no items which are exceptional or extraordinary because of size, nature or incidence for the same financial years.

2. INDEBTEDNESS

At the close of business on 28 February 2017, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group in aggregate had outstanding bank borrowings amounting to approximately RMB1,240,567,000 which comprised:

	RMB'000
(a) Bank borrowings — unsecured and unguaranteed	1,154,101
(b) Bank borrowings — secured and unguaranteed	86,466

The Group's secured and unguaranteed bank borrowings of approximately RMB86,466,000 were secured by bank deposits of the Group. The Group does not have any material contingent liabilities at 28 February 2017.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal trade payables and bills payables in the ordinary course of business, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities issued and outstanding or authorised or otherwise created but unissued, bank borrowings and overdrafts or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits or other material contingent liabilities as at 28 February 2017.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 28 February 2017 and up to and including the Latest Practicable Date.

3. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial and trading position of the Group since 31 December 2016, being the date on which the latest published audited financial statements of the Company were made up.

The Directors have confirmed that as at the Latest Practicable Date, save and except for the proposed Acquisition, details of which are set out in the announcement of the Company dated 5 April 2017 and in this circular, the Directors are not aware of any material change in the financial and trading position of the Group since 31 December 2016, being the date on which the latest published financial statements of the Company were made up.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In October 2016, the copper price started to bounce back significantly and its strong momentum continued in early 2017. Given that the main raw material of the Group's two major products, namely, feeder cable series and flame-retardant flexible cable series, is copper and the selling price of these products is linked to copper price, the rebound in the copper price will bring positive effects on the turnover from these products. In addition, the Group already adopted the mechanism of strategic pricing adjustments in an effort to expand its market shares. Owing to the orderly development plan of the telecommunications business sector in the PRC, the Group continues to anticipate a promising future for its major products.

The State Council of the PRC announced the "Notice on National Informatisation under the 13th Five-Year Plan" at the end of 2016, thereby stipulating definite guidelines about informatisation development in coming years. As included in these guidelines, the penetration rate of mobile broadband users will grow from 57% in 2015 to 85% in 2020. Meanwhile, the proportion of the fibre-to-the-home users over the total broadband users will increase by 24 percentage points to 80% in 2020. The emerging e-business, e-payments, and diverse social networking media in recent years require a variety of telecommunication infrastructure support. As an indispensable part of mobile telecommunication equipment, the Group's feeder cable series witnessed a robust demand. Furthermore, the optical fibre cable series as core components of the telecommunication infrastructure will also benefit from the enormous market demand.

Looking forward to 2017, the changing political and economic conditions may affect the market sentiment. However, the Group believes that it will constantly maintain its leading advantages in the market position due to various factors including quality products, well-developed after-sales services, years of production and sales experience and close partnership with the three major telecommunications operators in the PRC. In light of the outstanding performance of the optical fibre cable series, the Group therefore entered into an agreement to acquire the remaining 40% interest in the Target Company.

Meanwhile, the PRC government is also actively engaged in the planning of the 5G network telecommunications, which aims to commercialise the 5G network by 2020. In addition, the three major telecommunications operators in the PRC have already devised their plans for the 5G network development. China Mobile has previously announced that a large-scale experiment on the 5G network will be conducted in 2017, and the 5G network will be put into a commercialised trial in 2018. It is expected that the 5G network with different frequencies will continue the use of independent feeder cable series for transmission purposes. The advent of the 5G network represents new market demands for feeder cable products.

Looking forward to the future, the Group will also look to the overseas market by expanding its business in the Middle East and the Southeast Asia under the ''Belt and Road'' Initiative, which will further consolidate its business foundation. By closely capitalising on opportunities arising from the rebound in the copper price, the Group will also safeguard the market position for its major products, while proactively exploring new opportunities in the telecommunications sector.

Set out below are the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 extracted from the annual report of the Company for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Turnover	5	2,920,995	2,913,379
Cost of goods sold		(2,308,791)	(2,263,320)
Gross profit		612,204	650,059
Other income	6	28,659	22,440
Other losses	7	(148,849)	(91,671)
Selling and distribution costs		(60,663)	(61,849)
Administrative expenses		(56,568)	(52,837)
Research and development costs		(51,448)	(47,049)
Fair value change of warrants	28	7,604	13,149
Finance costs	8	(59,804)	(73,293)
Profit before taxation	9	271,135	358,949
Taxation	11	(49,191)	(57,183)
Profit and total comprehensive income for the year		221,944	301,766
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		192,608	275,253
Non-controlling interests		29,336	26,513
		221,944	301,766
Earnings per share	13		
— Basic		RMB12.32 cents	RMB19.45 cents
— Diluted		RMB12.32 cents	RMB19.45 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Investment properties	14	6,900	6,900
Property, plant and equipment	15	293,834	283,211
Land use rights	16	73,722	75,842
Intangible asset	17	96,803	108,904
Goodwill	18	41,773	41,773
Available-for-sale investments	19	7,325	6,375
Deferred tax assets	27	30,355	15,680
		550,712	538,685
Current assets			
Inventories	20	124,928	95,686
Trade and other receivables	21	2,932,670	3,055,860
Other financial assets	22	150,000	—
Pledged bank deposits	23	476,338	541,428
Bank balances and cash	23	457,193	233,825
		4,141,129	3,926,799
Current liabilities			
Trade and other payables	24	492,120	418,106
Bank borrowings — due within one year	25	1,292,956	1,302,315
Tax payables		40,315	39,444
		1,825,391	1,759,865
Net current assets		2,315,738	2,166,934
Total assets less current liabilities		2,866,450	2,705,619

	Notes	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Government grants	26	4,307	1,073
Deferred tax liabilities	27	46,582	45,864
Warrants	28	—	7,617
		50,889	54,554
Net assets		2,815,561	2,651,065
Capital and reserves			
Share capital	29	12,651	12,651
Reserves		2,641,327	2,506,167
Equity attributable to owners of the Company		2,653,978	2,518,818
Non-controlling interests		161,583	132,247
Total equity		2,815,561	2,651,065

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company											
	Share capital	Share premium	Capital redemption reserve	Statutory surplus reserve fund	Special reserve	Other reserve	Property revaluation reserve	Share option reserve	Accumulated profits	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note a)*	*RMB'000* *(Note b)*	*RMB'000* *(Note c)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	10,629	840,175	–	234,519	62,947	24	622	5,663	801,709	1,956,288	105,734	2,062,022
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	–	275,253	275,253	26,513	301,766
Issue of shares *(Note 29)*	2,123	479,748	–	–	–	–	–	–	–	481,871	–	481,871
Expenses incurred in connection with the issue of shares	–	(24,198)	–	–	–	–	–	–	–	(24,198)	–	(24,198)
Repurchase of shares *(Note 29)*	(101)	(16,514)	101	–	–	–	–	–	(101)	(16,615)	–	(16,615)
Recognition of equity-settled share based payment *(Note 30)*	–	–	–	–	–	–	–	9,531	–	9,531	–	9,531
Dividends recognised as distribution *(Note 12)*	–	–	–	–	–	–	–	–	(163,312)	(163,312)	–	(163,312)
Transfer	–	–	–	55,807	–	–	–	–	(55,807)	–	–	–
At 31 December 2015	12,651	1,279,211	101	290,326	62,947	24	622	15,194	857,742	2,518,818	132,247	2,651,065
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	–	192,608	192,608	29,336	221,944
Recognition of equity-settled share based payment *(Note 30)*	–	–	–	–	–	–	–	6,200	–	6,200	–	6,200
Dividends recognised as distribution *(Note 12)*	–	–	–	–	–	–	–	–	(63,648)	(63,648)	–	(63,648)
Transfer	–	–	–	22,483	–	–	–	–	(22,483)	–	–	–
At 31 December 2016	12,651	1,279,211	101	312,809	62,947	24	622	21,394	964,219	2,653,978	161,583	2,815,561

Notes:

(a) During the year ended 31 December 2015, 12,500,000 shares of HK$0.01 each were repurchased at a total consideration of approximately HK$20,430,000 (approximately RMB16,615,000). All of the shares repurchased during the prior year were cancelled and the nominal value of such cancelled shares was credited to capital redemption reserve and paid out from the Company's accumulated profits, and the relevant premium was paid out from the Company's share premium.

(b) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Company are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiaries while the amount and allocation basis are decided by directors of those subsidiaries annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied for conversion into capital by means of capitalisation issue.

(c) The special reserve represents the deemed contribution arising from acquisition of a subsidiary in 2009.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Operating activities			
Profit before taxation		271,135	358,949
Adjustments for:			
Gain on disposal of property, plant and equipment		(64)	(33)
Interest income		(10,989)	(16,504)
Investment income from other financial assets		(5,358)	—
Government grants		(736)	(340)
Allowance for bad and doubtful debts		135,272	62,719
Amortisation of intangible asset		12,101	12,101
Fair value changes on investment properties		—	70
Exchange loss		13,328	28,882
Finance costs		59,804	73,293
Depreciation of property, plant and equipment		30,271	27,835
Operating lease rentals in respect of land use rights		2,120	1,873
Fair value change of warrants	28	(7,604)	(13,149)
Loss on redemption of warrants	28	249	—
Expense recognised in respect of equity-settled share-based payments	30	6,200	9,531
Operating cash flows before movements in working capital		505,729	545,227
(Increase) decrease in inventories		(29,242)	59,239
Increase in trade and other receivables		(14,394)	(710,846)
Increase in trade and other payables		72,658	59,999
Cash generated from (used in) operations		534,751	(46,381)
PRC Enterprise Income Tax paid		(62,277)	(69,518)
PRC withholding tax paid		—	(475)
Net cash generated from (used in) operating activities		472,474	(116,374)

	2016	2015
	RMB'000	*RMB'000*
Investing activities		
New pledged bank deposits placed	(2,103,369)	(952,095)
Purchase of other financial assets	(150,000)	—
Purchase of property, plant and equipment	(38,545)	(39,716)
Investment in an available-for-sale investment	(950)	—
Release of pledged bank deposits	2,168,459	765,010
Interest received	13,261	19,034
Investment income received	5,358	—
Receipt of government grants	3,970	—
Proceeds from disposal of property, plant and equipment	343	39
Payment for acquisition of land use rights	—	(13,352)
Net cash used in investing activities	(101,473)	(221,080)
Financing activities		
Repayment of bank borrowings	(1,730,978)	(2,245,086)
Dividends paid	(63,648)	(163,312)
Interest paid	(61,076)	(77,361)
Redemption of warrants	(520)	—
New bank borrowings raised	1,708,589	2,168,005
Repayment to a related party	—	(39,739)
Expenses incurred in connection with the issue of shares	—	(24,198)
Repurchase of shares	—	(16,615)
Proceeds from issue of shares	—	481,871
Net cash (used in) generated from financing activities	(147,633)	83,565
Net increase (decrease) in cash and cash equivalents	223,368	(253,889)
Cash and cash equivalent at beginning of the year	233,825	487,714
Cash and cash equivalent at end of the year, represented by bank balances and cash	457,193	233,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (''Stock Exchange''). In the opinion of the directors of the Company, the Company does not have an immediate and ultimate holding company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activity of the Company is to act as an investment holding company. The Group is mainly engaged in the manufacture and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series and other accessories for mobile communications and telecommunication equipment.

The consolidated financial statements are presented in Renminbi (''RMB'') which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (''HKFRSs'')

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA'') for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

The application of the above amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instrument[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle[5]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Apply HKFRS 9 ''Financial instruments'' with HKFRS 4 ''Insurance contracts''[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as FVTPL or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may enhance the disclosures and has no material impact on the amounts reported in the Group's consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as operating cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB249,000 as disclosed in note 33. A preliminary assessment indicates that these arrangements may meet the definition of a lease under HKFRS 16 such that the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The directors of the Company do not anticipate that the application of the other amendments to HKFRSs will have a material impact on the Group's financial performance and position and/or the disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (''Listing Rules'') and by the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The consolidated financial statements have been prepared on the historical cost basis, except for the investment properties and warrants that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating (or groups of CGUs) unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For the goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or groups of CGUs).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

If there is a transfer from investment property carried at fair value to owner-occupied property evidenced by the commencement of owner occupation, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress include property, plant and equipment in the course of construction for production, supply or administrative purposes. Construction in progress are carried at cost less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidence by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On subsequent sale on retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is included in profit or loss.

Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Land use rights

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as operating lease. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight line basis, except for those that are classified and accounted for as investment properties under the fair value model.

The up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and released over the lease term on a straight line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Research and development costs

Expenditure on research activities, including staff costs, is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables (including trade and other receivables, other financial assets, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rates except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments past the credit period granted, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Warrants

Warrants that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument are accounted as derivatives. The warrants are initially recognised at fair value and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Other financial assets

The Group's policies for investments in financial assets that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the consolidated statement of financial position at cost less impairment losses. Dividend and interest income from these investments calculated using the effective interest method are recognised in profit or loss. When the investments are derecognised or impaired, the gain or loss is recognised in profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Renal income from operating lease is recognised in profit or loss on a straight line basis over the term of the relevant lease.

The Group as lessee

Operating leases payments are recognised as an expense on a straight line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and released to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes/Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment of trade receivables

The Group makes allowance for bad and doubtful debts based on an assessment of the recoverability of the trade receivables. Allowances are made on trade receivables whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for bad and doubtful debts is required, the Group takes into consideration of the credit history of the trade receivables, including delay in payments, settlement history and aging analysis of the trade receivables. Following the identification of doubtful debts, the credit team discusses with the relevant customers and reports on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, further allowance for bad and doubtful debts is required.

At 31 December 2016, the carrying amount of trade receivables are approximately RMB2,896,818,000 (2015: RMB3,015,106,000) (net of allowance for bad and doubtful debts of RMB197,991,000 at 31 December 2016 (2015: RMB62,719,000)).

Impairment assessment of goodwill

Impairment of goodwill is assessed by comparing the recoverable amount (i.e. the value in use) of the cash-generating unit to which the goodwill belong to and its carrying amount at the end of each reporting period. The value in use calculation requires management to estimate the present value of the future cash flows expected to arise from the cash-generating unit, with key assumptions including budget sales and gross margin, growth rates and suitable discount rates.

Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise.

The carrying amount of goodwill of the Group is RMB41,773,000 as at 31 December 2016. During the year ended 31 December 2016, no impairment loss is recognised on the goodwill and the information relating to the details of the key assumptions used in assessing the recoverable amount of goodwill is set out in note 18.

Allowance for inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales. Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. The management reviews the inventory aging listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow moving items. Although the Group carried periodic review on the net realisable value of inventories, the actual realisable value of inventories is not known until the sale was concluded. At 31 December 2016, the carrying amount of inventories are approximately RMB124,928,000 (2015: RMB95,686,000).

Recoverable amount of intangible asset

Management reconsidered the recoverability of intangible asset arising on acquisition of subsidiaries. The carrying amount included in the consolidated statement of financial position is RMB96,803,000 (2015: RMB108,904,000) which set out in note 17. Impairment losses are made if recoverable amount fall short of the carrying amount. Recoverable amount is estimated based on value in use. The estimated value in use is in turn based on cash flow forecasts consistent with the most up-to-date budgets and plans formally approved by the management and on reasonable and supportable assumptions, including the discount rates and useful lives. The estimation of the number of years that future economic benefits can be generated by intangible asset takes into account the expected changes in market demand for the products and the expected actions of competitors and potential competitors. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

Fair value measurement and valuation process

The Group's investment properties and warrants are measured at fair value for financial reporting purposes. The directors of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets and liabilities, the causes of the fluctuations will be reported to the board of directors of the Company. Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties and warrants are disclosed in notes 14 and 28, respectively.

5. TURNOVER AND SEGMENT INFORMATION

Turnover represents the fair value of the consideration received and receivable for goods sold during the year, net of discounts and sales related taxes.

The Group's chief operating decision maker has been identified as the executive directors of the Company ("Executive Directors") who review the business with the following reportable and operating segments by products:

- Feeder cable series
- Optical fibre cable series and related products
- Flame-retardant flexible cable series

- New-type electronic components
- Other accessories (including splitters, couplers and combiners)

The above segments have been identified on the basis of internal management reports prepared and regularly reviewed by the Executive Directors when making decisions about allocating resources and assessing performance of the Group.

The segment results represent the gross profits earned by each segment (segment revenue less segment cost of goods sold). Other income, other losses, selling and distribution costs, administrative expenses, research and development costs, fair value change of warrants, finance costs and taxation are not allocated to each reportable segment. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

The information of segment results is as follows:

For the year ended 31 December 2016

	Feeder cable series	Optical fibre cable series and related products	Flame-retardant flexible cable series	New-type electronic components	Other accessories	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover							
— External sales	1,450,555	851,284	484,824	109,601	24,731	—	2,920,995
— Inter-segment sales	—	272,673	218	—	—	(272,891)	—
	1,450,555	1,123,957	485,042	109,601	24,731	(272,891)	2,920,995
Cost of goods sold	(1,133,412)	(951,904)	(398,113)	(74,593)	(23,660)	272,891	(2,308,791)
Segment result	317,143	172,053	86,929	35,008	1,071	—	612,204

For the year ended 31 December 2015

	Feeder cable series	Optical fibre cable series and related products	Flame-retardant flexible cable series	New-type electronic components	Other accessories	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover							
— External sales	1,529,449	765,280	493,756	98,522	26,372	—	2,913,379
— Inter-segment sales	—	311,643	385	—	—	(312,028)	—
	1,529,449	1,076,923	494,141	98,522	26,372	(312,028)	2,913,379
Cost of goods sold	(1,171,572)	(912,219)	(397,040)	(71,810)	(22,707)	312,028	(2,263,320)
Segment result	357,877	164,704	97,101	26,712	3,665	—	650,059

The reportable segment results are reconciled to profit after taxation of the Group as follows:

	2016	2015
	RMB'000	*RMB'000*
Reportable segment results	612,204	650,059
Unallocated income and expenses		
— Other income	28,659	22,440
— Other losses	(148,849)	(91,671)
— Selling and distribution costs	(60,663)	(61,849)
— Administrative expenses	(56,568)	(52,837)
— Research and development costs	(51,448)	(47,049)
— Fair value change of warrants	7,604	13,149
— Finance costs	(59,804)	(73,293)
Profit before taxation	271,135	358,949
Taxation	(49,191)	(57,183)
Profit for the year	221,944	301,766

As there is no discrete information in respect of segment assets and liabilities and other information available for the assessment of performance and allocation of resources for different reportable segment and thus, no analysis of segment assets and liabilities is presented.

Substantially all of the Group's turnover is derived from the PRC and substantially all of its non-current assets are also located in the PRC (the place of domicile).

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total turnover of the Group are as follows:

	2016	2015
	RMB'000	*RMB'000*
Customer A	1,159,258	1,117,981
Customer B	942,678	822,806
Customer C	542,235	608,419

6. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Government grants *(note)*	10,145	4,243
Interest income	10,989	16,504
Investment income from other financial assets	5,358	—
Rental income	400	400
Others	1,767	1,293
	28,659	22,440

Note: As at 31 December 2016, included in government grants is approximately RMB9,409,000 (2015: RMB3,903,000) incentive provided by the PRC local authorities to the Group for encouragement of business development in the Yixing region. There were no specific conditions attached to the grants, and the Group recognised the grants upon receipts. In respect of the remaining amount of approximately RMB736,000 (2015: RMB340,000), they are government subsidies received for the acquisition of property, plant and equipment as disclosed in note 26.

7. OTHER LOSSES

	2016	**2015**
	RMB'000	*RMB'000*
Allowance for bad and doubtful debts *(note 21)*	(135,272)	(62,719)
Exchange loss	(13,328)	(28,882)
Loss on redemption of warrants *(note 28)*	(249)	—
Loss on fair value changes on investment properties	—	(70)
	(148,849)	(91,671)

8. FINANCE COSTS

	2016	**2015**
	RMB'000	*RMB'000*
Interest on bank borrowings	59,804	73,293

9. PROFIT BEFORE TAXATION

	2016	**2015**
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 10)*	2,786	2,761
Other staff costs:		
Salaries and other benefits	77,600	70,016
Retirement benefit schemes contributions	8,155	7,117
Share-based payment	5,901	9,100
Total staff costs	94,442	88,994
Auditor's remuneration	1,923	1,789
Amortisation of intangible asset	12,101	12,101
Cost of inventories recognised as expenses	2,308,791	2,263,320
Depreciation of property, plant and equipment	30,271	27,835
Operating lease payment in respect of warehouses and office premises	1,398	1,330
Operating lease rentals in respect of land use rights	2,120	1,873
and after crediting:		
Gain on disposal of property, plant and equipment	64	33
Gross rental income from investment properties (net of nil direct operating expenses)	400	400

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS

Details of emoluments paid or payable by the Group to the directors and chief executive of the Company are as follows:

For the year ended 31 December 2016

	Mr. Qian Lirong *RMB'000* *(note a)*	Mr. Jiang Wei *RMB'000* *(note b)*	Dr. Fung Kwan Hung *RMB'000*	Professor Jin Xiaofeng *RMB'000*	Mr. Poon Yick Pang Philip *RMB'000*	Mr. Ng Wai Hung *RMB'000*	Ms. Jia Lina *RMB'000*	Total *RMB'000*
Directors' fee	—	—	104	78	182	174	78	616
Basic salaries and allowances	1,010	837	—	—	—	—	—	1,847
Retirement benefits scheme contributions	12	12	—	—	—	—	—	24
Share-based payment	—	167	—	33	33	33	33	299
	1,022	1,016	104	111	215	207	111	2,786

For the year ended 31 December 2015

	Mr. Qian Lirong *RMB'000* *(note a)*	Mr. Jiang Wei *RMB'000* *(note b)*	Dr. Fung Kwan Hung *RMB'000* *(note c)*	Professor Jin Xiaofeng *RMB'000*	Mr. Poon Yick Pang Philip *RMB'000*	Mr. Ng Wai Hung *RMB'000*	Ms. Jia Lina *RMB'000*	Total *RMB'000*
Directors' fee	—	—	33	73	171	163	73	513
Basic salaries and allowances	978	815	—	—	—	—	—	1,793
Retirement benefits scheme contributions	12	12	—	—	—	—	—	24
Share-based payment	—	239	—	48	48	48	48	431
	990	1,066	33	121	219	211	121	2,761

Notes:

(a) Mr. Qian Lirong is also the chairman of the board of directors of the Company and his emoluments disclosed above include those services rendered by him as the chairman of the board of directors of the Company.

(b) Mr. Jiang Wei is also the chief executive officer of the Company and his emoluments disclosed above include those services rendered by him as the chief executive officer of the Company.

(c) Dr. Fung Kwan Hung was appointed as a non-executive director of the Company with effect from 31 August 2015.

Of the five highest paid individuals of the Group, two (2015: two) were the directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2015: three) individuals were as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Basic salaries and allowances	2,777	2,572
Retirement benefits schemes contributions	40	38
Share-based payment	467	670
	3,284	3,280

Their emoluments were within the following bands:

	2016	**2015**
	No. of employees	**No. of employees**
HK$1,000,001 to HK$1,500,000	2	2
HK$1,500,001 to HK$2,000,000	1	1

During the year ended 31 December 2016 and 2015, no emoluments were paid by the Group to the directors of the Company and any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during both years.

11. TAXATION

	2016	**2015**
	RMB'000	*RMB'000*
The charge (credit) comprises:		
PRC Enterprise Income Tax	63,148	75,657
Deferred taxation *(note 27)*	(13,957)	(18,474)
Taxation for the year	49,191	57,183

The PRC Enterprise Income Tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Pursuant to the relevant laws and regulations in the PRC, the principal subsidiaries of the Company in the PRC were endorsed as Advanced Technology Enterprises and entitled to a preferential tax rate of 15% pursuant to the Enterprise Income Tax Law (''EIT Law'') of the PRC.

According to the relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Detail Implementation Rules.

No provision for Hong Kong Profits Tax is made in the consolidated financial statements as the Group does not derive assessable profits from Hong Kong for both years.

The taxation for the year can be reconciled to the profit before taxation as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Profit before taxation	271,135	358,949
Tax at the applicable income tax rate of 25%	67,784	89,737
Tax effect on income not taxable for tax purpose	(2,501)	(4,855)
Tax effect on expenses not deductible for tax purpose	8,679	5,651
Tax effect of tax concession	(27,548)	(43,778)
Withholding tax on undistributed earnings	3,922	10,428
Others	(1,145)	—
Taxation for the year	49,191	57,183

12. DIVIDENDS

	2016	**2015**
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2016 interim — HK1.2 cents (2015: HK7 cents) per share	16,250	91,261
2015 final — HK3.5 cents (2014: HK7 cents) per share	47,398	72,051
	63,648	163,312

Subsequent to the end of the reporting period, a final dividend of HK1.6 cents per share in respect of the year ended 31 December 2016 (2015: HK3.5 cents per share) has been proposed by the directors. Such final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2016	**2015**
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to the owners of the Company for the purpose of basic and diluted earnings per share	192,608	275,253

	2016	**2015**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,563,500	1,415,362

The computation of diluted earnings per share does not assume the exercise of the Company's share options and warrants because the exercise price of those share options and warrants were higher than the average market price of the Company's share during both years.

14. INVESTMENT PROPERTIES

	2016	2015
	RMB'000	*RMB'000*
AT FAIR VALUE		
At 1 January	6,900	6,970
Changes in fair value recognised in profit or loss	—	(70)
At 31 December	6,900	6,900

The Group's investment properties were situated in the PRC under medium-term leases.

The fair value of the Group's investment properties at 31 December 2016 and 31 December 2015 have been arrived at on the basis of a valuation carried out at those dates by Savills Valuation and Professional Services Limited, independent qualified professional valuer not connected to the Group. The valuation was arrived at based on income method on the basis of capitalisation of net income based on a schedule provided by the management of the Group with due allowance for reversionary income potential of the property and where appropriate, also considered direct comparison approach by making reference to the comparable market transactions as available in the market.

All of the Group's property interest held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The following table gives information about how the fair value of the Group's investment properties is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurement is categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurement is observable.

Carrying value of investment property	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Industrial property in the PRC RMB6,900,000 (2015: RMB6,900,000)	Level 3	The key inputs are: (1) Term yield; (2) Reversionary yield; and (3) Market unit rent of individual unit.	Term yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received, of 6% (2015: 6%).	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 7% (2015: 7%).	The higher the reversionary yield, the lower the fair value.
			Market unit rent, using direct market comparables and taking into account of location and other individual factors such as size of property and facilities, of RMB11.7/square metre/month (2015: RMB11.6/square metre/month).	The higher the market unit rent, the higher the fair value.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2015	163,752	177,743	8,032	9,527	1,821	360,875
Additions	—	561	393	369	34,383	35,706
Transfer	—	29,966	(548)	—	(29,418)	—
Disposals	—	(7)	—	—	—	(7)
At 31 December 2015	163,752	208,263	7,877	9,896	6,786	396,574
Additions	—	1,015	922	—	39,236	41,173
Transfer	22,571	18,740	92	—	(41,403)	—
Disposals	—	(8)	—	(1,207)	—	(1,215)
At 31 December 2016	186,323	228,010	8,891	8,689	4,619	436,532
DEPRECIATION						
At 1 January 2015	20,079	56,751	3,923	4,776	—	85,529
Provided for the year	7,771	17,817	1,078	1,169	—	27,835
Transfer	—	316	(316)	—	—	—
Eliminated on disposal	—	(1)	—	—	—	(1)
At 31 December 2015	27,850	74,883	4,685	5,945	—	113,363
Provided for the year	7,771	20,524	804	1,172	—	30,271
Eliminated on disposal	—	(4)	—	(932)	—	(936)
At 31 December 2016	35,621	95,403	5,489	6,185	—	142,698
CARRYING VALUES						
At 31 December 2016	150,702	132,607	3,402	2,504	4,619	293,834
At 31 December 2015	135,902	133,380	3,192	3,951	6,786	283,211

The Group's buildings are located on land in the PRC under a lease term of 50 years.

The above items property, plant and equipment, other than construction in progress, are depreciated after taking into account their estimated residual value, using straight line method, at the following rates per annum:

Buildings	4.5%
Plant and machinery	9%
Furniture, fixtures and equipment	18%
Motor vehicles	18%

16. LAND USE RIGHTS

	2016 *RMB'000*	2015 *RMB'000*
CARRYING AMOUNT		
At beginning of the year	77,962	66,483
Addition	—	13,352
Charge to profit or loss for the year	(2,120)	(1,873)
At the end of the year	75,842	77,962
Analysed for reporting purposes as:		
Current portion *(note 21)*	2,120	2,120
Non-current portion	73,722	75,842
	75,842	77,962

The amount represents prepayment of rentals for land use rights under medium-term lease situated in the PRC for a period of 50 years.

17. INTANGIBLE ASSET

	RMB'000
COST	
At 1 January 2015, 31 December 2015 and 31 December 2016	121,005
AMORTISATION	
At 1 January 2015	—
Amortisation	12,101
At 31 December 2015	12,101
Amortisation	12,101
At 31 December 2016	24,202
CARRYING VALUES	
At 31 December 2016	96,803
At 31 December 2015	108,904

The intangible asset represents customer relationship acquired by the Group as part of a business combination during the year ended 31 December 2014 and has finite useful life and is amortised on a straight line basis over 10 years.

18. GOODWILL

	2016 *RMB'000*	2015 *RMB'000*
At cost, arising on acquisition of subsidiaries	41,773	41,773

During the year ended 31 December 2014, the Group acquired 60% of the issued share capital of Jiang Mei Limited ("Jiang Mei"), a company incorporated in the British Virgin Island ("BVI"). Jiangsu Trigiant Optic-Electric Communication Co., Ltd. ("Trigiant Optic-Electric") is the subsidiary of Jiang Mei and is engaged in the manufacture and sales of optical fibre cable and related products business (including cables series, electronic components and equipment for communication uses). The goodwill is allocated to the cash-generating unit ("CGU").

At 31 December 2016, the directors of the Company conducted a review of the carrying value of goodwill and determine that there is no impairment of the CGU containing that goodwill. The recoverable amount of this CGU has been determined based on a value in use calculation. The calculation uses cash flow forecast based on financial budgets approved by the management covering a period of 5 years and discount rate of 15.80% (2015: 16.43%). The CGU's cash flows beyond the 5-year period are extrapolated using a steady 3% (2015: 3%) growth rate. This growth rate is based on the relevant industry growth rate forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budget sales and gross margin. The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this CGU to exceed the aggregate recoverable amount of this CGU.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2016	**2015**
	RMB'000	*RMB'000*
Unlisted equity investments, at cost		
Name of investees		
江蘇俊知傳感技術有限公司 (Jiangsu Trigiant Sensing Technology Co., Ltd.) ("Trigiant Sensing")	6,375	6,375
江蘇俊知智慧工業有限公司 (Jiangsu Trigiant Intelligent Industry Co., Ltd) ("Trigiant Intelligent")	950	—
	7,325	6,375

At 31 December 2016, the above unlisted equity investments represent 12.5% and 19% equity interests in Trigiant Sensing and Trigiant Intelligent, respectively, which are both private entities established in the PRC. Trigiant Sensing is principally engaged in the research, development, manufacture and sales of radio frequency identification system, new electronic components, optoelectronic integrated components, optoelectronic integrated subsystems, microelectronic devices, sensor and micro smart label products. Trigiant Intelligent is principally engaged in the manufacture and sales of automated system and others. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. INVENTORIES

	2016	**2015**
	RMB'000	*RMB'000*
Raw materials	33,292	28,977
Work in progress	20,624	17,193
Finished goods	71,012	49,516
	124,928	95,686

21. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables, net	2,896,818	3,015,106
Bills receivables	18,333	12,388
	2,915,151	3,027,494
Current portion of land use rights *(note 16)*	2,120	2,120
Interest receivables	5,466	7,738
Other receivables	5,801	12,132
Prepaid expenses	597	4,254
Staff advances	3,535	2,122
	2,932,670	3,055,860

The Group normally allows a credit period ranging from 180 to 360 days to its customers.

The following is an aged analysis of the trade and bill receivables presented based on the invoice date, or otherwise, delivery date, at the end of the reporting period, which approximated the respective revenue recognition dates:

	2016	2015
	RMB'000	*RMB'000*
Age		
0–90 days	795,267	831,608
91–180 days	613,879	748,358
181–365 days	756,838	1,239,015
Over 365 days	749,167	208,513
	2,915,151	3,027,494

At 31 December 2016, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,169,950,000 (2015: RMB819,935,000), which are past due at end of the reporting period for which the Group has not provided for impairment loss. Based on the historical experiences, trade receivables that are past due but not impaired are generally recoverable. The Group does not hold any collateral over these balance.

The following is an aging analysis of trade receivables which are past due but not impaired:

	2016	2015
	RMB'000	*RMB'000*
Age		
181–365 days	420,783	611,422
Over 365 days	749,167	208,513
	1,169,950	819,935

In determining whether an allowance for bad and doubtful debt is required, the Group takes into consideration of credit history, including delay in payments, settlement history and aging analysis of trade receivables. Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality.

Movement in the allowance for bad and doubtful debts:

	2016	**2015**
	RMB'000	*RMB'000*
At 1 January	62,719	—
Allowance for the year	135,272	62,719
At 31 December	197,991	62,719

Included in trade and other receivables are following amounts denominated in currency other than functional currency of the group entities which it relates:

	2016	**2015**
	RMB'000	*RMB'000*
United States Dollars	7,033	3,033

22. OTHER FINANCIAL ASSETS

	2016	**2015**
	RMB'000	*RMB'000*
Available-for-sale financial assets — unlisted	150,000	—

At 31 December 2016, the Group's other financial assets represented financial products issued by a financial institution, with maturity of 6 to 12 months (2015: Nil) and non-guaranteed returns ranging from 4.8% to 6.0% per annum (2015: Nil), depending on the performance of the underlying investment of such underlying products, including investments in investments in bank savings, listed debt securities, money market bonds, bond market funds, low-risk fixed income investment in asset nature, and other fixed income in asset nature.

These financial assets are designated as available-for-sale financial assets and are measured at cost less any identified impairment losses at the end of each reporting period as these financial assets do not have a quoted market price in an active market and quoted prices in active market for similar financial assets or observable market data as significant inputs for valuation techniques are also not available.

None of the available-for-sale financial assets are past due or impaired. Subsequent to 31 December 2016, the investment period of investment products amounted to RMB40 million had ended and the Group has received related proceeds of approximately RMB41 million (including the relevant investment income) from settlement of such matured investment products.

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

At 31 December 2016, the pledged bank deposits carried interest at the prevailing market rate ranging from approximately 1.3% to 6.0% (2015: 2.0% to 4.0%) per annum.

At 31 December 2016, the pledged bank deposits represent deposits pledged to banks to secure bank borrowings, bills payables and letters of credit issued by the Group.

At 31 December 2015, the pledged bank deposits represent deposits pledged to banks to secure bills payables and letters of credit issued by the Group.

At 31 December 2016, bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carried interest at prevailing market rate ranging from 0.01% to 0.35% (2015: 0.01% to 1.35%) per annum.

Included in bank balances and cash are the following amounts denominated in currencies other than functional currency of the group entities which it relates:

	2016	2015
	RMB'000	*RMB'000*
Hong Kong Dollars	5,772	39,696
United States Dollars	19,063	70,461
Euro Dollars	2,096	33,631

24. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	133,365	132,704
Bills payables	294,462	223,922
	427,827	356,626
Accrued expenses	8,560	9,695
Deposits from suppliers	12,303	11,860
Other payables	10,650	10,003
Other tax payables	9,987	12,770
Payable for acquisition of property, plant and equipment	2,693	65
Payroll and welfare payables	20,100	17,087
	492,120	418,106

The Group normally receives credit terms ranging from 30 to 90 days from its suppliers. The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2016	2015
	RMB'000	*RMB'000*
Age		
0–90 days	294,599	138,489
91–180 days	51,591	216,993
181–365 days	81,637	1,144
	427,827	356,626

Included in trade and other payables are the following amounts denominated in currency other than the functional currency of the group entities which it relates:

	2016	2015
	RMB'000	*RMB'000*
Hong Kong Dollars	96	391

25. BANK BORROWINGS — DUE WITHIN ONE YEAR

	2016	**2015**
	RMB'000	*RMB'000*
Secured *(note)*	87,260	—
Unsecured	1,205,696	1,302,315
	1,292,956	1,302,315

The bank borrowings comprise:

Variable rate borrowings	936,586	925,366
Fixed rate borrowings	356,370	376,949

Note: As at 31 December 2016, the bank borrowings are secured by pledged bank deposits owned by the Group as set out in note 23.

Included in bank borrowings are following amounts denominated in currencies other than functional currency of the group entities which it relates:

	2016	**2015**
	RMB'000	*RMB'000*
Hong Kong Dollars	181,586	134,045
United States Dollars	69,370	246,794
Euro Dollars	—	35,476

As at 31 December 2016, fixed rate bank borrowings carried interests ranging from 2.36% to 4.79% (2015: 2.55% to 6.30%) per annum.

As at 31 December 2016, variable-rate RMB denominated bank borrowings carried interests at 100% of the People's Bank of China ("PBOC") rate (2015: 95% of PBOC rate to 110% of PBOC rate) per annum.

As at 31 December 2016, variable-rate United States Dollars denominated bank borrowings carried interests ranging from London Interbank Offered Rate ("LIBOR") plus 1.7% to LIBOR plus 2.0% (2015: LIBOR plus 1.8% to LIBOR plus 2.7%) per annum.

As at 31 December 2016, variable-rate Hong Kong Dollars denominated bank borrowings carried interests ranging from Hong Kong Interbank Offered Rate ("HIBOR") plus 0.6% to HIBOR plus 0.9% (2015: HIBOR plus 1.05% to HIBOR plus 1.85%) per annum.

As at 31 December 2015, variable-rate Euro Dollars denominated bank borrowings carried interests ranging from LIBOR plus 1.08% per annum.

26. GOVERNMENT GRANTS

	2016	2015
	RMB'000	*RMB'000*
At beginning of the year	1,073	1,413
Additions	3,970	—
Release to profit or loss for the year	(736)	(340)
At the end of the year	4,307	1,073

Government grants represent government subsidies received by the Group in relation to the acquisition of property, plant and equipment in current and prior years. The amounts have been treated as deferred income and were transferred to income over the useful lives of the relevant assets.

27. DEFERRED TAXATION

The following is the deferred tax liabilities recognised by the Group and movements thereon during the year:

	Intangible asset	Fair value adjustment on acquisition	Tax on undistributed earnings	Revaluation of properties	Allowance for bad and doubtful debts	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	30,252	8,515	7,857	2,034	—	48,658
(Credited) charged to profit or loss for the year	(3,025)	(179)	10,428	(18)	(15,680)	(8,474)
Withholding tax paid	—	—	(10,000)	—	—	(10,000)
At 31 December 2015	27,227	8,336	8,285	2,016	(15,680)	30,184
(Credited) charged to profit or loss for the year	(3,025)	(179)	3,922	—	(14,675)	(13,957)
At 31 December 2016	24,202	8,157	12,207	2,016	(30,355)	16,227

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016	2015
	RMB'000	*RMB'000*
Deferred tax assets	30,355	15,680
Deferred tax liabilities	(46,582)	(45,864)
	(16,227)	(30,184)

According to relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Details Implementation Rules. Deferred tax liability on the undistributed earnings of the PRC subsidiaries earned during the year have been accrued at the tax rate of 10% (2015: 10%) on the expected dividend stream of the undistributed earnings of the PRC subsidiaries for each year which is determined by the directors of the Company.

28. WARRANTS

	Number of underlying shares upon exercise of Warrants
Balance at 1 January and 31 December 2015	200,000,000
Redeemed during the year	(200,000,000)
Balance at 31 December 2016	—

On 10 April 2014, the Company issued unlisted warrants ("Warrant(s)") at an issue price of HK$0.01 per unit of Warrant (approximately RMB0.008 each) entitling the holders thereof to subscribe in cash for up to an aggregate amount of HK$630,000,000 for new shares ("Warrant Shares") of the Company upon the exercise of the subscription rights attached to the Warrants at a subscription price of HK$3.15 per Warrant Share (subject to adjustments) at any time for the period commencing from the date of issue of the Warrants (i.e. 10 April 2014) and ending on the third anniversary thereof (or if that is not a business day, the first business day immediately following such date (both days inclusive)). Based on the initial subscription price of HK$3.15 per Warrant Share, upon the exercise of the subscription rights attached to the Warrants in full, 200,000,000 Warrant Shares will be issued.

Pursuant to the shareholders' approval at the extraordinary general meeting of the Company held on 9 November 2016, the Company has redeemed all outstanding Warrants in full on 5 December 2016.

The ascribed values of the Warrants at the issue date and at the end of the reporting period were determined using binomial option pricing model and the inputs used are as follows:

	Date of issue 10 April 2014	31 December 2015
Share price	HK$2.28	HK$1.57
Exercise price	HK$3.15	HK$3.15
Risk rate	0.77%	0.24%
Dividend yield	6.14%	7.84%
Volatility	54.98%	50.46%
Remaining life	3 years	1.28 years

The movement of the carrying amount of warrants during the year is set out below.

	2016 *RMB'000*	2015 *RMB'000*
At 1 January	7,617	19,926
Exchange realignment	258	840
Change in fair value	(7,604)	(13,149)
Elimination on redemption	(271)	—
At 31 December	—	7,617

At 31 December 2016, the fair value of the Warrants outstanding was nil (2015: HK$9,092,000 (approximately RMB7,617,000)). A fair value gain of RMB7,604,000 (2015: fair value gain of RMB13,149,000) is recognised in the current year and the amount has been charged to profit or loss. None of the Warrants have been exercised and all of the Warrants have been cancelled upon completion of the redemption on 5 December 2016. The Company has paid an aggregate sum of HK$600,000 (approximately RMB520,000) for the redemption and loss on redemption of RMB249,000 was charged to profit or loss during the current year.

29. SHARE CAPITAL

	Number of shares	Amount in *HK$*	Shown in the financial statements as *RMB'000*
Ordinary shares at HK$0.01 each			
Authorised:			
At 1 January 2015, 31 December 2015 and 31 December 2016	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2015	1,315,000,000	13,150,000	10,629
Repurchase of shares *(note a)*	(12,500,000)	(125,000)	(101)
Issue of shares *(note b)*	261,000,000	2,610,000	2,123
At 31 December 2015 and 31 December 2016	1,563,500,000	15,635,000	12,651

The movements in the Company's issued share capital are as follows:

(a) During the year ended 31 December 2015, 12,500,000 shares of HK$0.01 each were repurchased at a total consideration of approximately HK$20,430,000 (equivalent to approximately RMB16,615,000). The price of repurchases was ranging from HK$1.50 to HK$1.80 for each share.

(b) On 6 June 2015, the Company entered into a subscription agreement ("Subscription Agreement") with an independent third party to allot and issue 261,000,000 ordinary shares of HK$0.01 each ("Subscription Shares") at a subscription price of HK$2.27 per Subscription Share, further particulars of which are set out in the announcement of the Company dated 7 June 2015. The completion of the Subscription Agreement took place on 14 July 2015.

All ordinary shares of the Company issued during the year ended 31 December 2015 rank pari passu with the then existing ordinary shares in all respects.

30. SHARE OPTIONS

Share option scheme of the company

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 27 May 2014, the Company adopted a share option scheme (the "Scheme").

Under the Scheme which is valid for a period of ten years commencing on 29 May 2014, the board of directors of the Company may, at its discretion, grant options to subscribe for shares in the Company to eligible participants ("Eligible Participants") who contribute to the long term growth and profitability of the Company. The Eligible Participants include (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest; (b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any

Invested Entity; and (g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, in order to provide incentives or rewards for the Eligible Participants' contribution to the Group.

The subscription price for the Company's shares shall be a price at least equal to the highest of the nominal value of the Company's shares, the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company's shares quoted on the Stock Exchange on the date of an offer of the grant of the options. The options must be taken up within 21 business days from the date of grant upon payment of HK$1 and are exercisable over a period to be determined and notified by the directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than ten years from the date of adoption of the Scheme.

The initial total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the Scheme. The maximum number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Group must not exceed 30% of the Company's shares in issue from time to time. The total number of the Company's shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

A total of 74,400,000 share options were granted on 20 June 2014 under the Scheme and a total of 71,600,000 share options remained outstanding as at 31 December 2016. The closing price of the shares of the Company immediately before the date of grant of share options was HK$2.0. The fair value of the share options on date of grant was approximately HK$33,019,000 (approximately RMB26,085,000) which is calculated using Black-Scholes Pricing Model based on risk free rate of 0.742% to 1.724%, expected volatility of 53.663%, expected life of 3 to 7 years and expected dividend rate of 7.0%. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The Group recognised a share-based payment expense of approximately RMB6,200,000 during the year ended 31 December 2016 (2015: RMB9,531,000). In respect of each grantee, the share options shall vest in five equal tranches over five years commencing from the date falling on first anniversary of 4 July 2014, being the date of acceptance, as to 20% of the share options for the first tranche (4 July 2015) and 20% of the share options on each of the following four tranches (that is, 4 July 2016, 2017, 2018 and 2019 respectively), subject to the relevant grantee remaining as an eligible person under the Scheme at the time of each vesting of the share options, and the share options vested are exercisable during a two years period commencing from the date of vesting of the relevant share options.

As at 31 December 2016, 28,640,000 shares were issuable under the Scheme (2015: 14,560,000).

A summary of the movements of the number of share options under the Scheme for the year is as follows:

Date of grant	Balance at 1 January 2015	Lapsed during the year	Balance at 31 December 2015	Lapsed during the year	Balance at 31 December 2016	Exercise price	Exercisable period
Granted to directors on							
20 June 2014	720,000	—	720,000	—	720,000	HK$3.15	4 July 2015 to 3 July 2017
20 June 2014	720,000	—	720,000	—	720,000	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	720,000	—	720,000	—	720,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	720,000	—	720,000	—	720,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	720,000	—	720,000	—	720,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	3,600,000	—	3,600,000	—	3,600,000		
Granted to employees on							
20 June 2014	14,160,000	(320,000)	13,840,000	(240,000)	13,600,000	HK$3.15	4 July 2015 to 3 July 2017
20 June 2014	14,160,000	(320,000)	13,840,000	(240,000)	13,600,000	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	14,160,000	(320,000)	13,840,000	(240,000)	13,600,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	14,160,000	(320,000)	13,840,000	(240,000)	13,600,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	14,160,000	(320,000)	13,840,000	(240,000)	13,600,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	70,800,000	(1,600,000)	69,200,000	(1,200,000)	68,000,000		
Total	74,400,000	(1,600,000)	72,800,000	(1,200,000)	71,600,000		

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and accumulated profits as disclosed in the consolidated financial statements.

The management of the Group reviews the capital structure periodically. The Group considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through the payment of dividends, issue of new shares as well as the issue of new debts or the redemption of existing debts.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016	2015
	RMB'000	*RMB'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	3,857,582	3,814,909
Other financial assets	150,000	—
Available-for-sale investments	7,325	6,375
Financial liabilities		
Amortised cost	1,766,529	1,697,957
Warrants	—	7,617

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, available-for-sale investments, pledged bank deposits, other financial assets, bank balances and cash, trade and other payables, warrants and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing pledged bank deposits, bank balances and bank borrowings at variable interest rates. Bank borrowings at fixed interest rates expose the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates offered by the PBOC, LIBOR and HIBOR from its RMB denominated borrowings, United States Dollars denominated borrowings and Hong Kong Dollars denominated borrowings, respectively.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank pledged deposits, bank balances and variable rate bank borrowings at the end of the reporting period and assumed that the amount of assets and liabilities outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates on pledged bank deposits and bank balances had been 5 basis points (2015: 5 basis points) lower and bank borrowings had been 25 basis points (2015: 25 basis points) lower and all other variables were held constant, the Group's post tax profit for the year would be increased by RMB1,406,000 (2015: RMB1,444,000).

There would be an equal and opposite impact on the post tax profit for the year where there had been 5 basis points (2015: 5 basis points) higher for pledged bank deposits and bank balances and 25 basis points (2015: 25 basis points) higher for bank borrowings. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the reporting period do not reflect the exposure during the year.

Currency risk

The Group has foreign currency sales during the year which exposed to foreign currency risk. During the year ended 31 December 2016 approximately 1.1% (2015: 0.6%) of the Group's sales are denominated in currency other than the functional currency of the group entity which it relates.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at end of the reporting period are as follows:

	2016		**2015**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hong Kong Dollars	5,772	181,682	39,696	134,436
United States Dollars	26,096	69,370	73,494	246,794
Euro Dollars	2,096	—	33,631	35,476

The Group are mainly exposed to currency risk of United States Dollars and Hong Kong Dollars, relative to the RMB, the functional currency of the relevant group entities. The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in the RMB against the relevant foreign currencies. The Group currently does not have any foreign currency hedging policy and will consider hedging its foreign currency exposure should the need arise. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2015: 5%) change in foreign currency rates. The sensitivity analysis includes bank balances, trade and other receivables, trade and other payables and bank borrowings.

If the RMB strengthens 5% against the relevant currencies, the post tax profit for the year will be increased (decreased) as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Hong Kong Dollars	6,597	3,553
United States Dollars	1,623	6,499
Euro Dollars	(79)	69

There would be an equal and opposite impact on the result of the year if RMB weakens 5% against the relevant currencies. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposures at the end of the reporting period do not reflect the exposure during the year.

Equity price risk

The Group is exposed to equity price risk in relation to its available-for-sale investments and other financial assets which are measured at cost less impairment at the end of the reporting period. The Group's equity price risk is mainly concentrated on its equity investments in two (2015: one) PRC local enterprises (details are disclosed in note 19) and its other financial assets (details are disclosed in note 22). In managing the equity price risk, the management reviews the carrying amounts of the investments and assess whether there is any indication of impairment on a regular basis.

Credit risk

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

The Group has concentration of credit risk in relation to trade and bills receivables from top three customers amounting to RMB2,642,719,000 (2015: RMB2,754,273,000) representing approximately 90.7% (2015: 91.0%) of the total net trade and bills receivables at 31 December 2016. The largest trade receivable from a customer by itself accounted for approximately 47.8% (2015: 41.4%) of the total trade and bills receivables at 31 December 2016. In order to minimise the credit risk, the management has reviewed the recoverable amounts of trade and bills receivables regularly to ensure that follow-up action is taken timely and assigned a dedicated team to monitor the credit risk that takes into consideration the credit history, including default or delay in payments, settlement history and aging analysis of trade receivables. In this regard, the directors of the Company consider that the credit risk on trade receivables is significantly reduced.

The Group's credit risk on bank balances and deposits or bills receivables is limited and there is no significant concentration of credit risk because all bank deposits or bills are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of the reporting period.

	Weighted average effective interest rate	**Repayable on demand or less than 6 months**	**6 months to 1 year**	**Total undiscounted cash flows**	**Total carrying amount**
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016					
Trade and other payables	—	367,573	106,000	473,573	473,573
Bank borrowings					
— variable rate	3.57	604,149	345,094	949,243	936,586
— fixed rate	3.98	222,758	141,073	363,831	356,370
		1,194,480	592,167	1,786,647	1,766,529

	Weighted average effective interest rate	Repayable on demand or less than 6 months	6 months to 1 year	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2015					
Trade and other payables	—	395,642	—	395,642	395,642
Bank borrowings					
— variable rate	3.33	475,989	500,667	976,656	925,366
— fixed rate	4.61	166,578	217,291	383,869	376,949
		1,038,209	717,958	1,756,167	1,697,957

Fair value measurements of financial instruments

Other than the financial liability at FVTPL, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

The Group's warrants are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the warrants is determined (in particular, the valuation technique and inputs used).

Financial liability	**Fair value at**		**Fair value hierarchy**	**Valuation technique and key inputs**	**Significant unobservable inputs and relationship**
	31.12.2016	**31.12.2015**			
	RMB'000	*RMB'000*			
Financial liability at FVTPL: Warrants	—	7,617	Level 2	Binomial model Key inputs: (1) Share price (2) Exercise price (3) Risk free rate (4) Dividend yield (5) Expected volatility (6) Expected life	The higher the risk free rate, dividend yield and expected volatility, the higher the fair value.

There were no transfers between Levels 1, 2 and 3 during the year ended 31 December 2016 and 31 December 2015.

33. OPERATING LEASE COMMITMENTS

The group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2016	**2015**
	RMB'000	*RMB'000*
Within one year	249	849
In the second to fifth years inclusive	—	101
	249	950

The leases are negotiated for a lease term of 1 to 2 years at fixed monthly rental.

The group as lessor

Property rental income earned during the current year was RMB400,000 (2015: RMB400,000). The Group's properties are expected to generate rental yield of 4.0% on an ongoing basis. All of the properties held have a committed tenant, Trigiant Sensing, for the next two years (2015: two years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016	**2015**
	RMB'000	*RMB'000*
Within one year	400	67
In the second to fifth years inclusive	467	—
	867	67

34. RELATED PARTY TRANSACTIONS

Other than the transactions and balances with related parties disclosed in the respective notes, the Group has no other significant transactions and balances with related parties.

The details of remuneration of key management personnel, represents emoluments of directors of the Company paid/payable during the year, are set out in note 10.

35. RETIREMENT BENEFIT SCHEMES

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a certain percentage of its payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

The Group operates a Mandatory Provident Fund Scheme (''MPF Scheme'') for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,500 per month for each employee.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016	2015
	RMB'000	*RMB'000*
Non-current assets		
Investment in a subsidiary	785,160	785,160
Loan to a subsidiary *(note a)*	150,545	85,746
	935,705	870,906
Current assets		
Other receivables	32	30
Amount due from a subsidiary *(note b)*	560,290	726,308
Bank balances	2,519	3,141
	562,841	729,479
Current liabilities		
Other payables	1,951	2,474
Bank borrowings — due within one year	163,695	231,486
	165,646	233,960
Net current assets	397,195	495,519
Total assets less current liabilities	1,332,900	1,366,425
Non-current liability		
Warrants	—	7,617
Net assets	1,332,900	1,358,808
Capital and reserves		
Share capital	12,651	12,651
Reserves *(note 37)*	1,320,249	1,346,156
Total equity	1,332,900	1,358,807

Notes:

(a) The amount represents loan to a subsidiary of the Company. The amount is unsecured, non-interest bearing and in the opinion of the directors of the Company, the amount is expected to repay over one year, therefore it is classified as non-current asset.

(b) The amount from a subsidiary is unsecured, non-interest bearing and expected to be recovered within one year.

37. RESERVES OF THE COMPANY

	Share premium	Capital redemption reserve	Share option reserve	Accumulated profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	840,175	—	5,663	28,605	874,443
Profit and total comprehensive income for the year	—	—	—	186,458	186,458
Issue of shares *(note 29)*	479,748	—	—	—	479,748
Expenses incurred in connection with the issue of shares	(24,198)	—	—	—	(24,198)
Repurchase of shares *(note 29)*	(16,514)	101	—	(101)	(16,514)
Recognition of equity-settled share based payment *(note 30)*	—	—	9,531	—	9,531
Dividends recognised as distribution *(note 12)*	—	—	—	(163,312)	(163,312)
At 31 December 2015	1,279,211	101	15,194	51,650	1,346,156
Profit and total comprehensive income for the year	—	—	—	31,541	31,541
Recognition of equity-settled share based payment *(note 30)*	—	—	6,200	—	6,200
Dividends recognised as distribution *(note 12)*	—	—	—	(63,648)	(63,648)
At 31 December 2016	1,279,211	101	21,394	19,543	1,320,249

38. SUBSIDIARIES

Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issue and fully paid share capital/registered capital 2016	2015	Attributable equity interest of the Company 2016	2015	Principal activities
Board Vision Investments Limited	BVI	US$1	US$1	100%	100%	Inactive
China Information Communication Group Limited	Hong Kong	HK$1	HK$1	60%	60%	Investment holding
Jiang Mei	BVI	US$280	US$280	60%	60%	Investment holding
Jiangsu Trigiant Technology Co. Ltd* ("Trigiant Technology")	PRC	US$80,000,000	US$80,000,000	100%	100%	Manufacture and sales of feeder cable series and related products for mobile communications and telecommunication equipment
Trigiant (HK) Limited	Hong Kong	HK$1	HK$1	100%	100%	Investment holding
Trigiant Holdings Limited	BVI	US$1,000	US$1,000	100%	100%	Investment holding
Trigiant Optic-Electric#	PRC	RMB200,000,000	RMB200,000,000	65%	65%	Research and development, manufacturing and sale of optical fibre, optical cables, special cable services, electronics components and communication equipment

* Trigiant Technology is a wholly foreign owned enterprise established in the PRC.

\# Trigiant Optic-Electric is a limited liability company established in the PRC.

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

1. SHARE CAPITAL AND SHARE OPTIONS

(a) Share Capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following Completion were/will be as follows:

(i) As at the Latest Practicable Date

Authorised:		*HK$*
10,000,000,000	Shares of HK$0.01 each	100,000,000.00
Issued and fully paid or credited as fully paid:		*HK$*
1,563,500,000	Shares of HK$0.01 each	15,635,000.00

(ii) Immediately following the Completion

Authorised:		*HK$*
10,000,000,000	Shares of HK$0.01 each	100,000,000.00
Issued and fully paid or credited as fully paid:		HK$
1,563,500,000	Shares as at the Latest Practicable Date	15,635,000.00
228,000,000	Consideration Shares to be allotted and issued under the SP Agreement	2,280,000.00
1,791,500,000	Shares in issue upon Completion	17,915,000.00

All the issued Shares rank equally with each other in all respects including the rights in respect of capital, dividend and voting.

The Shares are listed and traded on the Main Board of the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

There had been no alteration to the authorised share capital and the issued share capital of the Company since 31 December 2016, being the date on which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date.

(b) Share Option Scheme

As at the Latest Practicable Date, the Company had outstanding share options granted under the Share Option Scheme entitling the holders thereof to subscribe for an aggregate of 71,600,000 Shares, the details of which are set out below:

Holders of outstanding share options	As at Latest Practicable Date	Date of grant	Exercise period	Exercise price (HK$ per Share)
Directors				
Mr. Jiang	400,000	20 June 2014	4 July 2015 to 3 July 2017	3.15
	400,000	20 June 2014	4 July 2016 to 3 July 2018	3.15
	400,000	20 June 2014	4 July 2017 to 3 July 2019	3.15
	400,000	20 June 2014	4 July 2018 to 3 July 2020	3.15
	400,000	20 June 2014	4 July 2019 to 3 July 2021	3.15
Professor Jin Xiaofeng	80,000	20 June 2014	4 July 2015 to 3 July 2017	3.15
	80,000	20 June 2014	4 July 2016 to 3 July 2018	3.15
	80,000	20 June 2014	4 July 2017 to 3 July 2019	3.15
	80,000	20 June 2014	4 July 2018 to 3 July 2020	3.15
	80,000	20 June 2014	4 July 2019 to 3 July 2021	3.15
Mr. Poon Yick Pang Philip	80,000	20 June 2014	4 July 2015 to 3 July 2017	3.15
	80,000	20 June 2014	4 July 2016 to 3 July 2018	3.15
	80,000	20 June 2014	4 July 2017 to 3 July 2019	3.15
	80,000	20 June 2014	4 July 2018 to 3 July 2020	3.15
	80,000	20 June 2014	4 July 2019 to 3 July 2021	3.15
Mr. Ng Wai Hung	80,000	20 June 2014	4 July 2015 to 3 July 2017	3.15
	80,000	20 June 2014	4 July 2016 to 3 July 2018	3.15
	80,000	20 June 2014	4 July 2017 to 3 July 2019	3.15
	80,000	20 June 2014	4 July 2018 to 3 July 2020	3.15
	80,000	20 June 2014	4 July 2019 to 3 July 2021	3.15
Ms. Jia Lina	80,000	20 June 2014	4 July 2015 to 3 July 2017	3.15
	80,000	20 June 2014	4 July 2016 to 3 July 2018	3.15
	80,000	20 June 2014	4 July 2017 to 3 July 2019	3.15
	80,000	20 June 2014	4 July 2018 to 3 July 2020	3.15
	80,000	20 June 2014	4 July 2019 to 3 July 2021	3.15
Subtotal	3,200,000			
Employees of the Group	13,680,000	20 June 2014	4 July 2015 to 3 July 2017	3.15
	13,680,000	20 June 2014	4 July 2016 to 3 July 2018	3.15
	13,680,000	20 June 2014	4 July 2017 to 3 July 2019	3.15
	13,680,000	20 June 2014	4 July 2018 to 3 July 2020	3.15
	13,680,000	20 June 2014	4 July 2019 to 3 July 2021	3.15
Subtotal	68,400,000			
Total	71,600,000			

As at the Latest Practicable Date, other than the above outstanding share options and the proposed allotment and issue of the Consideration Shares under the Acquisition, the Company had no outstanding convertible securities, options, warrants or conversion rights which affect the Shares.

2. DISCLOSURE OF INTEREST

(a) Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short position of the Directors and the chief executive of the Company 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 (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position

Name of Director	**Nature of interest**	**Number of Shares**	**Number of Underlying Shares** *(Note 2)*	**Approximate percentage of shareholding** *(Note 1)*
Mr. Qian	Beneficial owner	6,582,000	—	33.45%
	Interest of controlled corporation *(Note 3)*	516,439,750	—	
Mr. Jiang	Beneficial owner	60,000	2,000,000	0.13%
Professor Jin Xiaofeng	Beneficial owner	—	400,000	0.03%
Mr. Poon Yick Pang Philip	Beneficial owner	—	400,000	0.03%
Mr. Ng Wai Hung	Beneficial owner	—	400,000	0.03%
Ms. Jia Lina	Beneficial owner	—	400,000	0.03%
Mr. Qian Chenhui *(Note 4)*	Beneficial owner	—	1,200,000	0.08%

Notes:

1. The total number of Shares in issue as at the Latest Practicable Date (1,563,500,000 Shares) has been used for the calculation of the approximate percentage.

2. These are the share options granted by the Company on 20 June 2014 the details of which are shown in the section headed "1(b) Share Option Scheme" in this appendix above.

3. Of these Shares: (a) 250,000 Shares are held by Abraholme; and (b) 516,189,750 Shares are held by Trigiant Investments. Abraholme is wholly owned by Mr. Qian and Trigiant Investments is owned as to 91.79% by Abraholme.

4. Mr. Qian Chenhui is the alternate Director to Mr. Qian.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO to be entered into the register referred to therein; or (c) pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Long position

Name of substantial Shareholder	**Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding** *(Note 1)*
Abraholme *(Note 2)*	Beneficial owner	250,000	33.03%
	Interest of controlled corporation	516,189,750	
Trigiant Investments *(Note 2)*	Beneficial owner	516,189,750	33.02%
Madam Qian Jindi *(Note 3)*	Interest of spouse	523,021,750	33.45%
Eternal Asia (HK) Limited *(Note 4)*	Beneficial owner	281,778,000	18.02%
Shenzhen Eternal Asia Supply Chain Management Ltd.* 深圳市怡亞通供應鏈股份有限公司 *(Note 4)*	Interest of controlled corporation	281,778,000	18.02%

Name of substantial Shareholder	Nature of interest	Number of Shares	Approximate percentage of shareholding *(Note 1)*
Shenzhen Eternal Asia Investment Holding Limited* 深圳市怡亞通投資控股有限公司 *(Note 4)*	Interest of controlled corporation	281,778,000	18.02%
Mr. Zhou Guohui *(Note 4)*	Interest of controlled corporation	281,778,000	18.02%
People's Bank of China *(Note 5)*	Interest of controlled corporation	261,000,000	16.69%
Easy Beauty Limited *(Note 6)*	Beneficial owner	428,000,000	27.37%
Mr. Zhu Xujun *(Note 6)*	Interest of controlled corporation	428,000,000	27.37%

Notes:

1. The total number of Shares in issue as at the Latest Practicable Date (1,563,500,000 Shares) has been used for the calculation of the approximate percentage.

2. Abraholme is wholly owned by Mr. Qian and Trigiant Investments is owned as to 91.79% by Abraholme. The sole director of Abraholme is Mr. Qian. The directors of Trigiant Investments are Mr. Qian and Mr. Jiang. Mr. Qian is an executive Director and Chairman of the Board. Mr. Jiang is an executive Director.

3. Madam Qian Jindi is the spouse of Mr. Qian and under the SFO, she is deemed to be interested in all the shares in which Mr. Qian is interested or deemed to be interested.

4. Based on the notices of disclosure of interests dated 20 October 2016 of Eternal Asia (HK) Limited, Shenzhen Eternal Asia Supply Chain Management Ltd.*, Shenzhen Eternal Asia Investment Holding Limited* and Mr. Zhou Guohui each filed with the Stock Exchange, Eternal Asia (HK) Limited is wholly owned by Shenzhen Eternal Asia Supply Chain Management Ltd*, which in turn is owned as to 36.54% by Shenzhen Eternal Asia Investment Holding Limited*, which in turn is wholly owned by Mr. Zhou Guohui.

5. Based on the notices of disclosure of interests dated 31 March 2016 of People's Bank of China filed with the Stock Exchange.

6. Easy Beauty Limited is owned as to 40% by Mr. Zhu Xujun.

Save as disclosed above, as at the Latest Practicable Date, there was no other person (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

3. ADDITIONAL DISCLOSURE UNDER TAKEOVERS CODE

(a) As at the Latest Practicable Date, save for the SP Agreement entered into by the Vendor and the interests as disclosed in the section headed "2. Disclosure of Interest" in this appendix, neither the Vendor nor any parties acting in concert with it held any securities, options, warrants, convertible securities and derivatives of the Company or had dealt for value in the securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.

(b) As at the Latest Practicable Date, save for the interests disclosed in the sections headed "1. Share Capital and Share Options" and "2. Disclosure of Interest" in this appendix, neither the Mr. Qian Concert Group (comprising Mr. Qian, Abraholme, Trigiant Investments, Mr. Jiang, Neala Holdings, Atrium Noble and Mr. Qian Chenhui) nor any parties acting in concert with any of them held any securities, options, warrants, convertible securities and derivatives of the Company or had dealt for value in the securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.

(c) No Shares acquired by the Vendor in pursuance of the allotment and issue of the Consideration Shares will be transferred, charged or pledged to any other persons.

(d) As at the Latest Practicable Date, no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Acquisition including the grant of the Specific Mandate and the Whitewash Waiver. As at the Latest Practicable Date, all Directors who, directly or indirectly, holding any voting rights in the Company are required to abstain from voting at the EGM in respect of the resolutions relating to the Acquisition including the grant of the Specific Mandate and the Whitewash Waiver.

(e) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between (i) the Vendor or any party acting in concert with it, and any other person; or (ii) the Mr. Qian Concert Group (comprising Mr. Qian, Abraholme, Trigiant Investments, Mr. Jiang, Neala Holdings, Atrium Noble and Mr. Qian Chenhui) or any party acting in concert with any of them, and any other person.

(f) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between (i) the Vendor or any party acting in concert with it; (ii) the Mr. Qian Concert Group (comprising Mr. Qian, Abraholme, Trigiant Investments, Mr. Jiang, Neala Holdings, Atrium Noble and Mr. Qian Chenhui) or any party acting in concert with any of them; and (iii) any Director or Shareholder having any connection with or dependence upon the Acquisition including the grant of the Specific Mandate and/or the Whitewash Waiver.

(g) As at the Latest Practicable Date, there were no agreements or arrangements to which (i) the Vendor or any party acting in concert with it; or (ii) the Mr. Qian Concert Group (comprising Mr. Qian, Abraholme, Trigiant Investments, Mr. Jiang, Neala Holdings, Atrium Noble and Mr. Qian Chenhui) or any party acting in concert with any of them, is a party which relate to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition or the Whitewash Waiver.

(h) As at the Latest Practicable Date, (i) the Company did not have any interest in the securities, options, warrants, convertible securities and derivatives of the Vendor and had no dealings in the securities, options, warrants, convertible securities and derivatives of the Vendor during the Relevant Period; and (ii) the Company did not have any interest in the securities, options, warrants, convertible securities and derivatives of any member of the Mr. Qian Concert Group (where such entity is a company) and had no dealings in the securities, options, warrants, convertible securities and derivatives of any member of the Mr. Qian Concert Group (where such entity is a company) during the Relevant Period.

(i) As at the Latest Practicable Date, (i) none of the Directors had any interest in the securities, options, warrants, convertible securities and derivatives of the Vendor; and (ii) save for the interests disclosed in the section headed "2. Disclosure of Interest" in this appendix, none of the Directors had any interest in the securities, options, warrants, convertible securities and derivatives of any member of the Mr. Qian Concert Group (where such entity is a company).

(j) None of the Directors had dealt for value in the securities, options, warrants, convertible securities and derivatives of the Company or the Vendor or any member of the Mr. Qian Concert Group (where such entity is a company) during the Relevant Period.

(k) As at the Latest Practicable Date, none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of any of its subsidiaries; nor (iii) any adviser to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code), had any interest in the securities, options, warrants, convertible securities and derivatives of the Company and/or had dealt in the securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.

(l) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(m) As at the Latest Practicable Date, no securities, options, warrants, convertible securities and derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company, nor did any such fund managers deal in any securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period.

(n) As at the Latest Practicable Date, save for the interests disclosed in the sections "1. Share Capital and Share Options" and "2. Disclosure of Interest" in this appendix, none of the Directors held Shares of the Company.

(o) As at the Latest Practicable Date and during the Relevant Period, no securities, options, warrants, convertible securities and derivatives of the Company had been borrowed or lent by any of the Directors or by the Company or by the Vendor or any party acting in concert with it or by the Mr. Qian Concert Group or any party acting in concert with each of them.

(p) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which was conditional or dependent upon the outcome of the Acquisition including the grant of the Specific Mandate and/or the Whitewash Waiver or otherwise connected with the Acquisition including the grant of the Specific Mandate and/or the Whitewash Waiver.

(q) As at the Latest Practicable Date, no benefit had been given or will be given to any Director as compensation for loss of office or otherwise in connection with the Acquisition including the grant of the Specific Mandate and/or the Whitewash Waiver.

(r) As at the Latest Practicable Date, (i) other than the SP Agreement, there was no material contract entered into by the Vendor or any party acting in concert with it in which any Director had a material personal interest; and (ii) there was no material contract entered into by the Mr. Qian Concert Group or any party acting in concert with each of them in which any Director had a material personal interest.

4. SERVICE CONTRACTS

(a) Mr. Qian Lirong, an executive Director, had entered into a service agreement with the Company and the appointment of Mr. Qian Lirong as an executive Director is for a term of three years commencing from 19 March 2015 and expiring on 18 March 2018. Mr. Qian Lirong is entitled to a fixed annual director's remuneration of HK$600,000 and RMB480,000 and he is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all executive Directors for any financial year of the Company may not exceed 10% of the audited combined or consolidated audited net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of the Company. Except for a total remuneration of approximately RMB1,010,000 received from the Company and approximately RMB12,000 retirement scheme contributions made by the Company for Mr. Qian Lirong, he did not receive any bonus payments, whether fixed or discretionary in nature, or other emoluments for the year ended 31 December 2016;

(b) Mr. Jiang Wei, an executive Director, had entered into a service agreement with the Company and the appointment of Mr. Jiang Wei as an executive Director is for a term of three years commencing from 19 March 2015 and expiring on 18 March 2018. Mr. Jiang Wei is entitled to a fixed annual director's remuneration of

HK$33,000 and RMB40,000 and he is also entitled to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all executive Directors for any financial year of the Company may not exceed 10% of the audited combined or consolidated audited net profit of the Group (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of the Company. Except for a total remuneration of approximately RMB837,000 received from the Company and approximately RMB12,000 retirement scheme contributions made by the Company for Mr. Jiang Wei, he did not receive any bonus payments, whether fixed or discretionary in nature, or other emoluments for the year ended 31 December 2016; and

(c) Dr. Fung Kwan Hung, a non-executive Director, had entered into an appointment letter with the Company and the appointment of Dr. Fung Kwan Hung as a non-executive Director is for a term of three years commencing from 31 August 2015 and expiring on 30 August 2018. Dr. Fung Kwan Hung is entitled to a fixed annual director's fee of HK$120,000 and there is no variable remuneration payable under such service agreement with the Company. Except for the director's fee of approximately RMB104,000 received from the Company, he did not receive any bonus payments, whether fixed or discretionary in nature, or other emoluments for the year ended 31 December 2016;

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which:

(i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement;

(ii) was a continuous contract with a notice period of 12 months or more; or

(iii) was a fixed term contract with more than 12 months to run irrespective of the notice period.

As at the Latest Practicable Date, none of the Directors had entered, or been proposed to enter, into any service contract with the Company or any other member of the Group which is not expiring or may not be terminable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

None of the Directors had any direct or indirect interest in any assets which have, since 31 December 2016 (being the date to which the latest audited financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

As at the Latest Practicable Date, save for the SP Agreement in which Mr. Qian and Mr. Jiang, each being a member of the Mr. Qian Concert Group, who would be presumed to be acting in concert with the Vendor as a result of the allotment and issue of the Consideration Shares to the Vendor under the Acquisition (further details of which are set out in the section headed ''Takeovers Code implications'' in the Letter from the Board in this circular), is interested, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting which was significant in relation to the business of the Group.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any interests in other business, which competes or may compete, either directly or indirectly, with the business of the Group.

7. MATERIAL CONTRACTS

During the two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, had been entered into by the Group and are or may be material:

(a) the subscription agreement dated 6 June 2015 entered into between the Company and Eternal Asia (HK) Limited (''Subscriber'') pursuant to which the Company agreed to allot and issue, and the Subscriber agreed to subscribe for 261,000,000 new Shares (''Subscription Shares'') at the subscription price of HK$2.27 per Subscription Share under general mandate, further details of which are set out in the announcements of the Company dated 7 June 2015 and 14 July 2015;

(b) (i) the investment agreement dated 12 July 2016 entered into between the Company as the investor investor, 陸家嘴財富管理(上海)有限公司 (''LJZ Wealth Management'') as the manager and 平安銀行股份有限公司上海分行 (''Ping An Bank Shanghai Branch'') as the custodian pursuant to which the Company purchased the investment product 靜湖安盈2號 (Jinghu Anying No. 2) of an amount of RMB20 million for an investment period from 12 July 2016 to 14 January 2017 with an anticipated annual rate of return of 4.8%; (ii) the investment agreement dated 9 August 2016 entered into between the Company as the investor investor, LJZ Wealth Management as the manager and Ping An Bank Shanghai Branch as the custodian pursuant to which the Company purchased the investment product 靜湖安盈2號 (Jinghu Anying No. 2) of an amount of RMB20 million for an investment period from 9 August 2016 to 11 February 2017 with an anticipated annual rate of return of 4.8%; (iii) the investment agreement dated 22 September 2016 entered into between the Company as the investor investor, LJZ Wealth Management as the manager and Ping An Bank Shanghai Branch as the custodian pursuant to which the Company purchased the investment product 靜湖安盈2號 (Jinghu Anying No. 2) of an amount of RMB35 million for an investment period from 22 September 2016 to 22 April 2017 with an anticipated annual rate of return of 4.8%; and (iv) the investment agreement dated 11 October 2016 entered into between the Company as the investor

investor, LJZ Wealth Management as the manager and Ping An Bank Shanghai Branch as the custodian pursuant to which the Company purchased the investment product 靜湖安盈1號 (Jinghu Anying No. 1) of an amount of RMB30 million for an investment period from 11 October 2016 to 13 May 2017 with an anticipated annual rate of return of 5.3%, further particulars of each of which are set out in the announcement of the Company dated 17 January 2017; and

(c) the SP Agreement.

8. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange (i) at the end of each of calendar months during the Relevant Period; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	**Closing Price of the Shares** *HK$*
31 October 2016	1.25
30 November 2016	1.15
30 December 2016	1.13
27 January 2017	1.11
28 February 2017	1.20
30 March 2017 (being the Last Trading Day)	1.18
31 March 2017	—
28 April 2017	1.23
Latest Practicable Date	1.24

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$1.10 on each of 4 January 2017, 9 January 2017, 16 January 2017, 24 January 2017, 2 February 2017, 3 February 2017, 6 February 2017 and 7 February 2017 and HK$1.28 on 25 October 2016 respectively.

9. MATERIAL LITIGATION

No member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material importance known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

10. EXPERT AND CONSENT

The following are the name and qualification of the expert who has given its opinions or advice which is included in this circular:

Name	Qualification
Ballas Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the expert named above:

(a) had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letter, report and/or summary of its opinions and references to its name and logo in the form and context in which they are included;

(b) was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(c) did not have any direct or indirect interest in any assets which had since 31 December 2016 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS INFORMATION

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands and the principal place of business in Hong Kong is at Room 1801, 18th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.

(b) The company secretary of the Company is Mr. Leung Siu Kei. Mr. Leung Siu Kei is a fellow of each of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The registered office of the Vendor is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and its correspondence address in Hong Kong is Units 7208–10, 72nd Floor, The Center, 99 Queen's Road C., Central, Hong Kong. It is owned as to 40% by Mr. Zhu Xujin, as to 30% by Mr. Shao Yijun and 30% by Mr. Zhao Ting. Mr. Zhu Xujin is the sole director of the Vendor.

(e) The registered office of Abraholme is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and its correspondence address in Hong Kong is Units 7208–10, 72nd Floor, The Center, 99 Queen's Road C., Central, Hong Kong. It is wholly owned by Mr. Qian. Mr. Qian is the sole director of Abraholme.

(f) The registered office of Trigiant Investments is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and its correspondence address in Hong Kong is Units 7208–10, 72nd Floor, The Center, 99 Queen's Road C., Central, Hong Kong. It is owned as to 91.79% by Abraholme and as to 8.21% by Headwell International Limited, a company incorporated in the BVI and owned as to 32% by Mr. Jiang, as to 28% by Mr. Xia Jie, as to 24% by Mr. Jiang Xinhong and as to 16% by Mr. Sun Huxing. Mr. Qian and Mr. Jiang are the directors of Trigiant Investments.

(g) The registered office of Neala Holdings is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and its correspondence address in Hong Kong is Units 7208–10, 72nd Floor, The Center, 99 Queen's Road C., Central, Hong Kong. It is owned as to 57.69% by Mr. Shen Xinren and as to 42.31% by Mr. Sun Xuelin. The sole director of Neala Holdings is Mr. Shen Xinren.

(h) The registered office of Atrium Noble is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands and its correspondence address in Hong Kong is Units 7208–10, 72nd Floor, The Center, 99 Queen's Road C., Central, Hong Kong. It is owned as to 50% by Mr. Sun Jinrong, as to 29.17% by Mr. Dai Xiaolin, and as to 20.83% by Mr. Yu Daxiong. The sole director of Atrium Noble is Mr. Sun Jinrong.

(i) The Independent Financial Adviser is Ballas Capital Limited whose address is at Unit 1802, 18/F., 1 Duddell Street, Central, Hong Kong.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. on any Business Day at the principal place of business of the Company in Hong Kong at Room 1801, 18th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong, (ii) on the website of the Company (www.trigiant.com.hk), and (iii) on the website of the SFC (www.sfc.hk), from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016;

(c) the letter from the Board, the text of which is set out the section headed "Letter from the Board" of this circular;

(d) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;

(e) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;

(f) the service contract(s) or appointment letter(s) (as the case may be) entered into between the Company with the Directors referred to in the paragraph headed "Service contracts" in this appendix;

(g) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;

(h) the written consent referred to in the paragraph headed "Expert and consent" in this appendix; and

(i) this circular.

13. GENERAL

The English text of this circular shall prevail over its Chinese text in case of inconsistencies.

TRIGIANT GROUP LIMITED
俊知集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1300)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**Meeting**") of Trigiant Group Limited ("**Company**") will be held at 10:30 a.m. on Thursday, 1 June 2017 at Victoria Room III, 3rd Floor, Regal Hong Kong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong, or at any adjournment thereof for the purpose of considering and, if thought fit, passing each of the following resolutions, with or without amendments, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT:**

   (a) the acquisition ("**Acquisition**") of the Sale Shares (defined in in the circular of the Company dated 10 May 2017 ("**Circular**"), a copy of which marked "A" and signed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) in relation to Jiang Mei Limited, a company incorporated in the British Virgin Islands with limited liability, as contemplated under the sale and purchase agreement dated 30 March 2017 and entered into between Trigiant Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser, Easy Beauty Limited as vendor and Zhu Xujin, Shao Yijun and Zhao Ting as the warrantors ("**SP Agreement**", a copy of the SP Agreement marked "B" and signed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) be and is hereby approved, confirmed and ratified and the Acquisition and all other transactions contemplated under the SP Agreement (including but not limited to the allotment and issue of the Consideration Shares under the Specific Mandate (each as defined in the Circular)) be and are hereby approved;

   (b) the board ("**Board**") of directors of the Company or a committee thereof be and is hereby specifically authorised to allot and issue the Consideration Shares in accordance with the terms of the SP Agreement; and

* *For identification purpose only*

(c) the Board or a committee thereof be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deed on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Acquisition and to agree to such variation, amendments or waiver or matters relating thereto (excluding any variation, amendments or waiver of such documents or any terms thereof, which are fundamentally and materially different from those as provided for in the SP Agreement and which shall be subject to approval of the shareholders of the Company) as are, in the opinion of the Board or a committee thereof, in the interest of the Company and its shareholders as a whole."

2. "**THAT** subject to and conditional upon:

(a) the passing of the resolution numbered 1 in the notice of the Meeting; and

(b) the granting of the waiver by the Executive Director of Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director of any obligation on the part of Easy Beauty Limited ("**Vendor**") to make a mandatory general offer to the holders of securities of the Company to acquire securities of the Company other than those already owned or agreed to be subscribed by the Vendor, the Mr. Qian Concert Group (as defined in the circular of the Company dated 10 May 2017 ("**Circular**"), a copy of which marked "A" and signed by the chairman of the Meeting for identification purpose has been tabled at the Meeting) and parties acting in concert with each of them which would otherwise arise under Rule 26.1 of the Takeovers Code (as defined in the Circular) ("**Whitewash Waiver**") as a result of the allotment and issue of the Consideration Shares (as defined in the Circular) to the Vendor under the Acquisition (as defined in the Circular) and the satisfaction of any conditions that may be imposed thereon,

the Whitewash Waiver be and is hereby approved and the board of directors of the Company or a committee thereof be and is hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deed on behalf of the Company and to do such other things and to take all such actions as it considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or to implement the Whitewash Waiver."

On behalf of the Board
Trigiant Group Limited
Qian Lirong
Chairman

Hong Kong, 10 May 2017

Registered office	*Principal place of business in Hong Kong*
Cricket Square	Room 1801, 18th Floor
Hutchins Drive	Tai Tung Building
P.O. Box 2681	8 Fleming Road
Grand Cayman KY1-1111	Wanchai
Cayman Islands	Hong Kong

Notes:

1. For determining the entitlement of shareholders of the Company to attend and vote at the Meeting, the register of members of the Company will be closed from Friday, 26 May 2017 to Thursday, 1 June 2017 (both days inclusive) during which period no transfer of Shares will be effected. In order to qualify for the entitlement to attend and vote at the Meeting, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. (Hong Kong time) on Thursday, 25 May 2017.

2. A member entitled to attend and vote at the Meeting convened by the above notice shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company.

3. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed, or a certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 10:30 a.m. (Hong Kong time) on Tuesday 30 May 2017 or not less than 48 hours before the time for holding any adjourned Meeting.

4. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Code on Takeovers and Mergers, the above resolution will be decided by way of poll.

As at the date hereof, the board of directors comprises the following members:

Executive Directors:	Mr. Qian Lirong *(Chairman)* Mr. Jiang Wei *(Group chief executive officer)*
Non-executive Director:	Dr. Fung Kwan Fung
Independent non-executive Directors:	Professor Jin Xiaofeng Mr. Poon Yick Pang, Philip Mr. Ng Wai Hung Ms. Jia Lina
Alternate Director to Mr. Qian Lirong:	Mr. Qian Chenhui