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 licensed dealer in securities, bank manager, solicitor, professional accountant or other appropriate independent adviser.

If you have sold or transferred all your shares in Chengdu PUTIAN Telecommunications Cable Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Potevio
中国普天

成 都 普 天 電 纜 股 份 有 限 公 司

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

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

(Stock Code: 1202)

PROPOSED MANDATE IN RELATION TO THE MAJOR AND CONNECTED TRANSACTION IN RESPECT OF THE POTENTIAL DISPOSAL AND NOTICE OF THE 2020 FIRST EGM

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

FRONTPAGE 富比

A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee is set out on pages 17 to 18 of this circular. A letter from the Independent Financial Adviser is set out on pages 19 to 50 of this circular.

A notice convening the 2020 First EGM to be held at 10:00 a.m. on Friday, 16 October 2020 at the conference room of the Company, No. 18 Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC is set out on pages 156 to 157 of this circular.

A form of proxy for use at the EGM is enclosed and is also published on the Stock Exchange’s website (http://www.hkexnews.hk) and the Company’s website (http://www.cdc.com.cn). Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

29 September 2020

CONTENTS

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

“Announcement”	announcement of the Company dated 24 July 2020
“associate(s)”	has the meanings ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday or Sunday or public holiday) on which banks are open in the PRC for general commercial business;
“China Potevio”	中國普天信息產業股份有限公司 (China Potevio Company Limited*), a company established in the PRC with limited liability and the controlling shareholder of the Company, and whom is a central state-owned enterprise and a wholly-owned subsidiary of 中國普天信息產業集團有限公司 (China PUTIAN Corporation*)
“Company”	成都普天電纜股份有限公司 (Chengdu PUTIAN Telecommunications Cable Company Limited), a sino-foreign joint stock company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Definite Agreement"	the legally-binding agreement to be entered into between the Company and the successful bidder upon completion of the public tender as required by the Equity Exchange, pursuant to which the Company shall sell, and the successful bidder shall acquire, 12.5% equity interest in Putian Fasten
“Director(s)”	the director(s) of the Company
"2020 First EGM" or “EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider, and, if thought fit, to approve the resolution(s) in relation to the grant of the Proposed Mandate in respect of the Potential Disposal
"Equity Exchange"	an institution authorised by the State-owned Assets Supervision and Administration Commission to transact assets and equity of state-owned enterprise of the PRC

"Fasten Group"	Fasten Hongsheng and its subsidiaries
"Fasten Hongsheng"	法爾勝泓昇集團有限公司 (Fasten Hongsheng Group Co., Ltd.*), a company incorporated in the PRC with limited liability
"Further Supplemental Announcement"	further supplemental announcement of the Company dated 22 September 2020
"Group"	the Company and its subsidiaries
"H Share(s)"	overseas-listed foreign shares of the nominal value of RMB1.00 each in the ordinary share capital of the Company which are listed on the main board of the Stock Exchange
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising all its independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Potential Disposal and the transactions contemplated thereunder
"Independent Financial Adviser" or "Frontpage Capital"	Frontpage Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Potential Disposal and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders other than China Potevio and its associates for the purpose of the Proposed Mandate for the Potential Disposal and the transactions contemplated thereunder
"Latest Practicable Date'	24 September 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules;
"Potential Disposal"	the proposed disposal of 12.5% equity interest in Putian Fasten by the Company through public tender

"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Proposed Mandate"	the general mandate to be granted in advance to the Directors to enter into and complete the Potential Disposal by the Shareholders at the EGM to be held on 16 October 2020
"Putian Fasten"	普天法爾勝光通信有限公司 (Putian Fasten Cable Telecommunication Company Limited*), a joint venture limited liability company incorporated in the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	Domestic Share(s) and/or H Share(s)
"Shareholder(s)"	the holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplementary Announcement"	Supplementary announcement of the Company dated 14 August 2020
"Valuation Report"	the asset valuation report for the independent valuation on the equity interest in Putian Fasten as at 31 October 2019, appraised by Shanghai Orient
"Valuer" or "Shanghai Orient"	Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評 估有限公司), an independent qualified PRC valuer who performed the valuation on the equity interest in Putian Fasten as at 31 October 2019 and prepared the Valuation Report thereon
"%"	per cent.

* For identification purposes only

成都普天電纜股份有限公司

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

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

(Stock Code: 1202)

Executive Directors:
Mr. Wu Changlin *(Chairman)*
Mr. Hu Jiangbing *(Vice-chairman)*
Mr. Han Shu
Mr. Wang Micheng
Ms. Xu Liying
Ms. Liu Yun

Independent Non-executive Directors:
Ms. Mao Yaping
Mr. Xiao Xiaozhou
Mr. Feng Gang

Registered Office:
No.18 Xinhang Road
The West Park of Hi-tech
Development Zone
Chengdu
Sichuan Province
The PRC
Postal Code: 611731

Principal place of business in Hong Kong:
Unit 406B, 4/F, Mirror Tower
61 Mody Road
Tsim Sha Tsui, Kowloon
Hong Kong

29 September 2020

To the Shareholders

Dear Sirs,

PROPOSED MANDATE IN RELATION TO THE MAJOR AND CONNECTED TRANSACTION IN RESPECT OF THE POTENTIAL DISPOSAL AND NOTICE OF THE 2020 FIRST EGM

INTRODUCTION

Reference is made to the Announcement, the Supplementary Announcement and the Further Supplemental Announcement in relation to the Potential Disposal of the 12.5% equity interest in Putian Fasten by the Company.

The Board resolved to sell 12.5% equity interest in Putian Fasten on 24 July 2020 and would like to seek the Proposed Mandate. Since the Company is a state-owned enterprise, and the Company's equity interest in Putian Fasten is regarded as state-owned assets, the Potential Disposal is subject to a public tender organised by an Equity Exchange in accordance with the relevant laws and regulations of the PRC concerning the disposal of state-owned assets. According to the current plan, the Company and China Potevio will sell 12.5% and 5% equity interests in Putian Fasten, respectively, through an Equity Exchange, and completion of the disposals are not conditional upon each other.

The purpose of this circular is to provide you with, among other things, (i) further details of the Potential Disposal and Proposed Mandate; (ii) financial information of the Group; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) the recommendation of the Independent Board Committee to the Independent Shareholders; (v) the valuation report on Putian Fasten prepared by Shanghai Orient; (vi) a notice convening the 2020 First EGM; and (vii) certain information as required under the Listing Rules.

THE POTENTIAL DISPOSAL

I. 12.5% Equity Interest in Putian Fasten

Putian Fasten is a joint venture limited liability company incorporated in the PRC. It has three wholly-owned subsidiaries, namely Jiangsu Fasten Photonics Co. Ltd., Jiangsu Fasten Optical Cable Co., Ltd and Houma Potevio Fasten Cable Communications Co., Ltd.. Putian Fasten and its subsidiaries are principally engaged in the manufacture of optical cables, optical fibers and ancillary products.

Set out below is the key audited consolidated financial information of Putian Fasten for the two years ended 31 December 2019 prepared in accordance with the PRC accounting standards.

	For the year ended	
	31 December 2019	**31 December 2018**
	RMB'000	*RMB'000*
Profit/(loss) before tax	(48,880)	4,706
Profit/(loss) after tax	(36,536)	4,561

As at 31 December 2019, the total audited consolidated assets and net assets of Putian Fasten were RMB1,390,277,000 and RMB513,093,000, respectively.

II. Major Terms of the Potential Disposal

A. Qualifications of potential bidders

The potential bidders shall satisfy, among others, the following qualifications:

1. the potential transferee shall have good financial position and payment ability;

2. the potential transferee shall have good business credibility; and

3. other qualifications stipulated under the laws and regulations of the PRC. If the potential transferee is a natural person, he/she shall have full civil capacity; or shall be a validly subsisting business entity or other economic entity established under the law.

B. Consideration for the Potential Disposal

On 31 August 2020, Shanghai Orient issued a draft Valuation Report on the entire equity interest of Putian Fasten as at 31 October 2019. As set out in the Supplementary Announcement and the Further Supplemental Announcement, the appraised value of the entire equity interest of Putian Fasten as at 31 October 2019 was further revised to approximately RMB540,915,674.01 using the asset-based approach according to the updated Valuation Report. The appraised value of the 12.5% equity interest in Putian Fasten held by the Company is therefore approximately RMB67,614,459.25. Accordingly, it is expected that the minimum bidding price of the Potential Disposal shall be approximately RMB67,614,459.25. However, in any case, the minimum bidding price of the Potential Disposal will not be lower than the appraised value, which is to be filed with the State-owned Assets Supervision and Administration Commission.

According to the relevant rules and regulations of the State-owned Assets Supervision and Administration Commission, the Valuation Report on the entire equity interest of Putian Fasten as at 31 October 2019 is valid until 30 October 2020 for filing to the Equity Exchange. The Board is of the view that the Valuation Report is a relevant reference because Putian Fasten remained relatively stable during the period and there has been no significant change in its financial position since the date of the Valuation Report. The Valuation Report considered both the asset-based approach and market approach respectively for arriving at the appraised value of the Potential Disposal.

Based on the asset-based approach, the appraised value of Putian Fasten was approximately RMB540,915,674.01. The asset-based approach refers to the method of adding up the appraised value of the various assets that make up a business and deducting the appraised value of the liabilities. In assessing the value of Putian Fasten based on the asset-based approach, the current assets, long-term equity investment, fixed assets, intangible assets and liabilities of Putian Fasten have been taken into consideration.

Based on the market approach, the appraised value of Putian Fasten was approximately RMB535,000,000. The market approach compares the appraised entity with comparable listed companies or comparable transactions to determine appraised value. The selection criteria of the three comparables include companies (i) operating in the optical communication industry and engaged in the manufacture of optical fibers and optical cables business similar to Putian Fasten; and (ii) listed on a stock exchange in the PRC for over two years. The percentage of revenue attributable to the manufacture of optical cables and fibres and ancillary products by each comparable enterprise is 97.28%, 96.07% and 67.07%. Given the operational scale of listed companies, listed companies generally operate in more than one business segments hence there is limited comparable enterprise which derived its revenue significantly from the manufacture of optical cables and fibres and ancillary products. Therefore, despite the comparable enterprises having different percentage of revenue attributable to the manufacture of optical cables and fibres and ancillary products, the Board considered that, and the Valuer confirms, the comparable enterprises are representative samples as they operate in the same industry and are comparable in terms of capital structure, financial risks and EV/EBITDA ratio.

After considering both market and asset-based approach, the Valuer selected the asset-based approach for the valuation conclusion as due the core assets of Putian Fasten, being production lines and properties, the value can be easily verified and properly valued, while through the market approach, the valuation from the listed company comparison is affected to a great extent by the fluctuations in the stock market and that the business model, structure, scale of each comparable listed company differs, it may be difficult to accurately quantify the valuation conclusion.

The Board referred to the Valuation Report and acknowledges that the valuation assumptions made by the Valuer in arriving to the valuation conclusion is normal market practice and have been made with due care and objectivity. The Board also referred to the Valuation Report and assessed that the asset-based approach can more objectively and accurately reflect the appraised value of Putian Fasten and shares the view of the Valuer that the appraised value from the asset-based approach should be adopted and that adopting the appraised value from the asset-based approach as the minimum consideration for the Potential Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

While the Board made reference to the Valuation Report, they have considered other factors when assessing the Potential Disposal, including the historical earnings, dividend and the future growth potential of Putian Fasten. The Board has considered Putian Fasten, since its establishment, has not reached the level as stated in the feasibility report and has been at loss for many years. At present day, there is an overall surplus of production capacity of optical fibers and cables, fierce competition in the optical telecommunications market, suspension of construction work of operator projects and other optical cable projects due to the COVID-19 epidemic, a drop in demand for optical fiber industry and continuing decline in price. This situation is not expected to improve in the short term. At the same time, in accordance with the requirements of the State-owned Assets Supervision and Administration Commission of the State Council to increase quality and efficiency and streamline corporate management, the transfer of 12.5% equity interest of Putian Fasten will benefit the Company's development and aligns with the overall interests of the Shareholders. The final consideration will depend on the final bid price offered by the successful bidder for the Potential Disposal, but will be no less than the relevant minimum bidding price in any event. Since the consideration for the Potential Disposal is subject to the final bidding price and the minimum bidding price will be based on the appraised value of Putian Fasten subject to the approval from the State-owned Assets Supervision and Administration Commission, the Board considers the minimum bidding price to be fair and reasonable.

The consideration of the Potential Disposal will be settled in the following manner:

(a) by a one-off lump sum payment, payable upon the signing of the Definite Agreement; or

(b) by installments, (i) initial transaction payment, which shall be not less than 30% of the final consideration, settled within 5 working days from the effective date of the Definite Agreement and the (ii) remaining transaction payment, payable within one year from the effective date of the Definite Agreement.

According to the relevant laws and regulations, if the payment is settled by installments, the successful bidder is required to pay interest to the Company at the loan interest rate of People's Bank of China for the remaining transaction payment until full payment of the consideration of the Potential Disposal. The method of payment (i.e. one-off lump sum or by installments) and specific details of the settlement (including the account of the beneficiary and the currency for settlement) will be determined by the parties as set out in the Definite Agreement. If the parties opt for the method of payment by installments, the successful bidder shall also be required to enter into a legally binding guarantee agreement with the Company to provide guarantee on the remaining transaction payment, with the value of such guarantee provided, at any point in time, no less than the amount of the remaining transaction payment. The settlement methods of the Consideration for the Potential Disposal are offered in accordance to Article 28 of the Order No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance of the PRC. By offering an alternative payment method, the Directors believe it may attract additional potential bidders and the interest accrued on the remaining transaction payment (if payment by installments is selected) shall be beneficial to the Company and the Shareholders as a whole. Furthermore, the transfer of the ownership of the 12.5% equity interest of Putian Fasten shall only take be completed after the final consideration has been full settled (including any outstanding interest), which is expected to be no later than 29 October 2021.

C. Public tender process of the Potential Disposal

In order to commence the formal process of public tender of the 12.5% equity interest in Putian Fasten, the Company will have to submit the tender notice setting out, inter alia, (i) the minimum consideration of the 12.5% equity interest in Putian Fasten; (ii) the principal terms of the bidding; and (iii) descriptions and qualifications of potential bidders, to the Equity Exchange for the Potential Disposal after obtaining the Independent Shareholders' approval at the EGM.

Once the tender notice is published, the publication period will commence and open for 20 interest Business Days. During the publication period, qualified bidders may indicate their interest in purchasing the 12.5% equity interest in Putian Fasten and register themselves as interested bidders.

Upon expiry of the publication period, the Equity Exchange will notify the Company the identity of the successful bidder of the public tender. The Company will enter into the Definite Agreement in relation to the 12.5% equity interest in Putian Fasten with the successful bidder and to complete the Potential Disposal accordingly.

The Company plans to complete the filing procedures, obtain the necessary consents and approvals including the Independent Shareholder's approval prior to 30 October 2020 for filing the tender notice to the Equity Exchange for the Valuation Report to remain valid. Considering the publication period and assuming a successful bidder is identified, the Company expects the Potential Disposal to be completed no later than 29 October 2021.

D. ***Conditions precedent to the entering into and completion of the Potential Disposal***

The entering into and completion of the Potential Disposal shall be conditional upon the Company having completed all filing procedures and obtained all necessary consents and approvals regarding the Potential Disposal including the approval by the Shareholders in respect of the Proposed Mandate at the EGM. The Proposed Mandate shall be effective for 12 months from date of Shareholders' approval at the EGM. In the case where the filing procedures, necessary consents and approvals including the Independent Shareholders' approval regarding the Potential Disposal cannot be obtained or completed prior to 30 October 2020 for filing to the Equity Exchange, the Company shall produce a new valuation report at a revised valuation benchmark date and shall seek for a separate approval from the Shareholders.

Once a successful bidder for the 12.5% equity interest in Putian Fasten is identified, the Company will have unconditional obligation to enter into the Definite Agreement with such successful bidder and to complete the transaction contemplated thereunder. According to the rules of the Equity Exchange, the Company will not be able to seek the approval of the Independent Shareholders which is required under Chapter 14 and Chapter 14A of the Listing Rules. Accordingly, the Board will seek the Independent Shareholders' advance approval for the grant of the Proposed Mandate at the EGM.

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

III. Reasons for and benefits of the Potential Disposal

As set out in the announcement of the Company dated 24 July 2020, the Group's core development strategy is to cater to the domestic demand of new infrastructure network construction and provide reliable optical communications and energy transmission cable related products. As part of this strategy, the Company intends to further enhance its business structure and concentrate resources to enhance its core technological and business capabilities in order to meet the needs of the Group's strategic development.

The Group has shared a cooperation relationship with the Fasten Group, by sharing resources and capacity, with the leasing of plant facilities of the Company to Putian Fasten for its manufacturing operations. Additionally, both Group's has shared and exchange valuable insights and information on the communication network construction industry. The Group will retain its remaining 10% equity interest in Putian Fasten as an equity investment holding and to maintain the cooperation relationship. On the other hand, the sale of 12.5% equity interest in Putian Fasten would allow the Company to focus on its existing optical product lines, concentrate on its existing partnership with other global players, and build better relationship with these global players who can supply the Group with superior raw materials that in turn enhance the quality of the Group's products. The net proceeds from the Potential Disposal will be used for potential business opportunities aimed at promoting the existing core businesses of the Group, increasing investments in research and development and technological transformation to enhance competitiveness of businesses, as well as general working capital.

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

The Directors (including the independent non-executive Directors but excluding one executive Director who has material interests in the Potential Disposal and is required to abstain from voting) have considered that the Potential Disposal to be fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

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

IV. Financial Impact of the Potential Disposal

The Group is expected to record a gain before tax of approximately RMB5,185,841.95 (subject to adjustment and audit) from the Potential Disposal. It was calculated based on (i) the minimum consideration of approximately RMB67,614,459.25; and (ii) the unaudited carrying amount of the 12.5% equity interest in Putian Fasten held by the Company of approximately RMB62,428,617.30 as at 30 June 2020. The final gain from the Potential Disposal will be determined based on the final consideration for the Potential Disposal, subject to audit by the auditors of the Company.

Possible effect on assets and liabilities of the Company

As of 31 December 2019, the Group's total assets and total liabilities were approximately RMB1,131 million and RMB167 million, respectively. Upon the completion of the Potential Disposal, the net assets of the Group will increase after taking into the gain before tax.

Possible effect on earnings of the Company

As of 31 December 2019, the loss of the Group attributable to equity holders of the Company amounted to approximately RMB50 million, and the Company's share of loss from the investment in Putian Fasten amounted to approximately RMB8 million. Upon completion of the Potential Disposal, the Company expects to continue to account for such investment with equity method according to the applicable accounting standard. Upon the completion of the Potential Disposal, the Company's equity interest in Putian Fasten would decrease from 22.5% to 10% and its share of loss from its investment in Putian Fasten would therefore decrease by 12.5%.

Based on the minimum consideration, the gross proceeds from the Potential Disposal is expected to be approximately RMB67,614,459.25 and net proceeds (after deducting incidental expenses to the transaction) is expected to be approximately RMB67 million. The Group intends to use the proceeds arising from the Potential Disposal (subject to adjustment in accordance with the actual production and operational needs) for potential business opportunities aimed at promoting the existing core businesses of the Group as well as general working capital in the following manner:

	Total	**Approximate percentage**
	(RMB million)	*%*
Expansion of existing locomotive cable business	23.5	35
Investment in research and development and technological transformation of the optical fiber and locomotive cable business	33.5	50
General working capital purposes	10	15
	67.0	100

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

ASSUMPTIONS ADOPTED IN THE VALUATION REPORT

The valuation assumptions adopted in the Valuation Report are as follows:

(I) Basic assumptions

The Valuer has adopted the transaction assumption, the open market assumption, the enterprise going concern assumption and the assumption about the use of an asset for an existing purpose as the basic assumptions in preparation of the Valuation Report.

1. Transaction assumption

The transaction assumption assumes that all assets to be evaluated are in the course of transaction, and the asset appraiser will make an estimation based on a simulated market according to the transaction conditions of the assets to be evaluated. The transaction assumption is one of the fundamental assumption for the asset valuation.

2. Open market assumption

An open market assumption is an assumption about the market conditions into which an asset is intended to enter and what effects the asset will receive under such market conditions. An open market is a fully developed and comprehensive market condition, a competitive market with willing buyers and sellers, where buyers and sellers are on equal footing and have access to adequate market information, and where transactions between buyers and sellers are conducted under voluntary, rational, non-compulsory or unrestricted conditions. The open market assumption is based on the assumption that assets are publicly tradable in the market.

3. Enterprise going concern assumption

Enterprise going concern assumption is assuming that Putian Fasten can legally continue its production and operation business according to its current status within the foreseeable future operating period under the existing asset resources conditions and there will be no major adverse changes in the operating conditions.

4. Assumption about the use of an asset for an existing purpose

Assumption about the use of an asset for an existing purpose is assuming that the use of an asset for an existing purpose is an assumption about the conditions under which the asset is to enter the market and the use status of the asset under such market conditions. First, it is assumed that the assets within the scope of valuation are in use. Then it is assumed that the assets will continue to be used for the current purpose and mode of use without considering asset use conversion or optimal utilization conditions.

(II) General Assumptions

1. The valuation assumes that there will be no unforeseen significant adverse changes in the external economic environment, including the relevant laws, macroeconomic, financial and industrial policies prevailing in the country after the valuation benchmark date, and that there will be no significant impact caused by other human force majeure and unforeseen factors.

2. The appraisal does not consider the impact on Putian Fasten's valuation conclusion of any collateral or guarantee that Putian Fasten and its assets may assume in the future, or any additional price that may be paid as a result of special transactions.

3. It is assumed that there will be no significant changes in the socio-economic environment in which Putian Fasten is located or in the fiscal and taxation policies in place, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable.

4. The current and future business operations of Putian Fasten are and will be legal and in compliance with the relevant provisions of its business license and articles of association.

(III) Special valuation assumptions in the market approach

1. It is assumed that the Appraised Entity strictly follows relevant accounting standards, and the audit reports as at the valuation benchmark date and for the years are true and reliable.

2. It is assumed that the relevant information disclosed by the listed companies for listed company comparison method for this valuation are true and reliable.

3. It is assumed that, unless otherwise specified, all transactions in the capital market are open, equal, voluntary and fair.

4. Impact of natural forces and other force majeure factors or possible impact of special transaction methods on the valuation conclusion are not taken into consideration.

5. Mortgages and guarantees that may undertake in the future are not taken into consideration.

INFORMATION ABOUT THE GROUP, CHINA POTEVIO, PUTIAN FASTEN AND OTHER SHAREHOLDERS OF PUTIAN FASTEN

The Group is principally engaged in the technology research and development, product production, sales and service of various wires and cables, optical fibers and cables, special cable materials, irradiation processing, cable accessories, special equipment, equipment and devices and equipment for various information industry products (excluding categories restricted or prohibited by the PRC).

China Potevio, a company established in the PRC with limited liability and the controlling shareholder of the Company holding 60% equity interest in the Company, is a central state-owned enterprise and a wholly-owned subsidiary of 中國普天信息產業集團有限公司 (China PUTIAN Corporation*) and is primarily engaged in the manufacture, trading and research and services in relevant technology of information telecommunication products; the scope of business includes information communications, photo-electricity, industrial information, e-finance and new energy property bases.

Putian Fasten is a joint venture company incorporated in the PRC with limited liability and is an associate of the Company, in which the Company and China Potevio hold 22.5% and 5% equity interests respectively. Putian Fasten is principally engaged in the manufacture of optical fiber, optical cable and ancillary products.

Fasten Group Company Limited* 法爾勝集團有限公司 is a company established in the PRC with limited liability and a wholly owned subsidiary of Fasten Hongsheng. It is principally engaged in the manufacture, research and development, and sales of various metal products, including, metal wires, cables, machinery and equipment, rope systems, devices, meters, mechanical products and vehicle accessories. As at the Latest Practicable Date, Fasten Group Company Limited owned 28.3% equity interest in Putian Fasten.

Jiangsu Fasten Company Limited* (江蘇法爾勝股份有限公司) is a company listed on the Shenzhen Stock Exchange (stock code: 000890) and is principally engaged in the manufacture and sale of wire, wire rope, optical fiber, optical fiber preform, optical sensor components and other mechanical and electrical products. As at the Latest Practicable Date, Jiangsu Fasten Company Limited owned 19% equity interest in Putian Fasten.

Jiangsu Fasten Optics Telecommunication Technology Limited* (江蘇法爾勝光通信科技有限公司) is a company established in the PRC with limited liability and a wholly owned subsidiary of Fasten Hongsheng. It is principally engaged in the manufacture, research and development, sales and installation services business for various optical fiber related products, including optical fiber, optical cables, fiber-optic sensor and relevant electronic and products and systems. As at the Latest Practicable Date, Jiangsu Fasten Optics Telecommunication Technology Limited owned 25.2% equity interest in Putian Fasten.

Fasten Hongsheng is a company established in the PRC with limited liability and it wholly owns Fasten Group Company Limited and Jiangsu Fasten Optics Telecommunication Technology Limited. It is principally engaged in the manufacture, processing and sales of wide range of steel and electrical products, cables, mechanical products, optical telecommunication products etc. Mr. Zhou Jiang (周江), Mr. Zhang Wei (張煒) and Mr. Zhou Jinru (周津如) are the beneficial owners holding 17%, 11% and 10% of the equity interests of Fasten Hongsheng respectively with 32 other shareholders each holding the remaining equity interests of Fasten Hongsheng ranging from 0.5% to 7%.

To the best of the Directors' knowledge, information and belief and having made reasonable enquiries, apart from China Potevio, the other shareholders of Putian Fasten are Independent Third Parties of the Company and its connected persons.

In light of the above, China Potevio is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

Given that China Potevio is the controlling shareholder of the Company holding 60% equity interest in the Company, China Potevio is a connected person of the Company under Chapter 14A of the Listing Rules. As the Company and China Potevio plan to sell their equity interest in Putian Fasten at the same time, the Potential Disposal, if materialised, will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, it is not expected that any connected person of the Company will participate in the bidding process.

As one or more of the applicable percentage ratios set out in the Listing Rules in respect of the proposal is/are more than 25% but less than 75%, the Potential Disposal, if materialised, will also constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

As such, the Potential Disposal and the transactions contemplated thereunder are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Mr. Wu Changlin, an executive Director and Chairman of the Board, is a director of China Potevio, has a material interest in the Potential Disposal and is required to abstain from voting for approving the Board resolution in relation to the Potential Disposal and the transactions contemplated thereunder.

China Potevio, which will sell its equity interest in Putian Fasten alongside the Company, is regarded as having a material interest in the Potential Disposal. Therefore, China Potevio, being the controlling shareholder of the Company, shall abstain from voting on the resolution of the Company to be proposed at the EGM in relation to the grant of the Proposed Mandate.

An announcement containing, among other things, (i) the results of the public tender; (ii) the final bidding price offered by the successful bidder; and (iii) the entering into of the Definite Agreement in relation to the Potential Disposal will be made by the Company as soon as practicable after the publication period of the tender notice.

2020 FIRST EGM

The 2020 First EGM will be held on Friday, 16 October 2020 at 10:00 a.m. at No. 18 Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC to consider and, if thought fit, grant the Proposed Mandate to the Directors. As China Potevio has material interests in the Potential Disposal, China Potevio is required to abstain from voting in respect of the resolution relating to the grant of the Proposed Mandate at the 2020 First EGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder apart from China Potevio shall abstain from voting on the resolution to be proposed at the EGM.

The resolutions proposed at the 2020 First EGM will be taken by poll.

The Independent Board Committee comprising Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Proposed Mandate for the Potential Disposal. Frontpage Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A notice convening the 2020 First EGM is set out on pages 156 to 157 of this circular. Whether or not you intend to attend the 2020 First EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the 2020 First EGM. Completion and return of the form of proxy will not prevent the Shareholders from attending and voting in person at the 2020 First EGM (or any adjournment thereof) should they so wish.

CLOSURE OF REGISTER OF MEMBERS

The H Share register of members of the Company will be closed from 13 October 2020 to 16 October 2020, both days inclusive, during which period no transfer of H Shares will be registered, in order to determine the entitlement to attend and vote at the EGM. In order to be qualified for attending at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. at the close of business on 12 October 2020.

RECOMMENDATIONS

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser, respectively, which set out their recommendations in respect of the Proposed Mandate for the Potential Disposal and the principal factors considered by them in arriving at their recommendations, and the additional information contained in the appendices to this circular.

The Directors (including the independent non-executive Directors but excluding one executive Director who has material interests in the Potential Disposal and is required to abstain from voting) are of the view that the Potential Disposal is fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. The Board therefore recommends the Independent Shareholders to vote in favour of the resolution as set out in the notice of the EGM.

The Directors are of the view that (i) this circular provides sufficient information for the Shareholders to make informed decision; (ii) the Company is able to comply with the requirements under Rule 2.13 of the Listing Rules despite the fact that the Definite Agreement regarding the 12.5% equity interest in Putian Fasten will be entered into after the despatch of this circular and the date thereof is not able to be disclosed in this circular. Further, if the Potential Disposal is approved by the Independent Shareholders and that the Company is successful in the tender, the Company will publish an additional announcement to disclose the results of the public tender and the date and major terms of the Definite Agreement.

Yours faithfully,
For and on behalf of the Board
Chengdu PUTIAN Telecommunications Cable Company Limited
Wu Changlin
Chairman

Potevio
中国普天

成都普天電纜股份有限公司

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

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

(Stock Code: 1202)

29 September 2020

To the Shareholders

Dear Sir or Madam,

PROPOSED MANDATE IN RELATION TO THE MAJOR AND CONNECTED TRANSACTION IN RESPECT OF THE POTENTIAL DISPOSAL

Reference is made to the circular of Chengdu PUTIAN Telecommunications Cable Company Limited dated 29 September 2020 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in relation to the Proposed Mandate for the Potential Disposal.

Frontpage Capital has also been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Mandate for the Potential Disposal.

Your attention is drawn to the letter from the Board (as set out on pages 4 to 16 of the Circular) and the letter of advice from the Independent Financial Adviser (as set out on pages 19 to 50 of the Circular).

Having considered the information contained in the letter from the Board, the interests of the Independent Shareholders and the advice and recommendation given by the Independent Financial Adviser, we consider that despite the Potential Disposal is not in the ordinary course of business, the terms and conditions of the Potential Disposal are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution approving the Proposed Mandate for the Potential Disposal at the EGM.

Yours faithfully,
Independent Board Committee of
Chengdu PUTIAN Telecommunications Cable Company Limited
Mao Yaping
Xiao Xiaozhou
Feng Gang
Independent Non-executive Directors

FRONTPAGE 富比

29 September 2020

To the Independent Board Committee and the Independent Shareholders of
Chengdu PUTIAN Telecommunications Cable Company Limited

Dear Sirs or Madams,

PROPOSED MANDATE IN RELATION TO THE MAJOR AND CONNECTED TRANSACTION IN RESPECT OF THE POTENTIAL DISPOSAL

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the disposal of 12.5% equity interest in Putian Fasten Cable Telecommunication Co. Ltd., details of which are set out in the "Letter from the Board" (the "**Board Letter**") contained in the circular of the Company dated 29 September 2020 and issued to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless the context requires otherwise.

The Board resolved to sell 12.5% equity interest in Putian Fasten on 24 July 2020 and would like to seek the Proposed Mandate. Since the Company is a state-owned enterprise, and the Company's equity interest in Putian Fasten is regarded as state-owned assets, the Potential Disposal is subject to a public tender organised by an Equity Exchange in accordance with the relevant laws and regulations of the PRC concerning the disposal of state-owned assets. It is proposed that the Company and China Potevio will sell 12.5% and 5% equity interests in Putian Fasten, respectively, through an Equity Exchange. The minimum consideration in respect of the Potential Disposal shall be approximately RMB67,614,459.25 (i.e. the expected minimum bidding price to be quoted at the public tender), which is determined by reference to the value of the shareholders' equity in Putian Fasten as at 31 October 2019, being the valuation benchmark date, of approximately RMB540,915,674.01, as evaluated by the Valuer, and subject to the approval of the State-owned Assets Supervision and Administration Commission of the PRC. The final consideration will depend on the final bid price of the public tender, but will be no less than the minimum consideration in any event.

As at the Latest Practicable Date, given that China Potevio is the controlling shareholder of the Company holding 60% equity interest in the Company, China Potevio is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. As the Company and China Potevio plan to sell their equity interest in Putian Fasten at the same time, the Potential Disposal, if materialised, will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios set out in the Listing Rules in respect of the proposal is more than 25% but less than 75%, the Potential Disposal, if materialised, will also constitute a major transaction for the Company under Chapter 14 of the Listing Rules. As such, the Proposed Mandate and the transactions contemplated thereunder are subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

China Potevio, which will sell its equity interest in Putian Fasten alongside the Company, is regarded as having a material interest in the Potential Disposal. Therefore, China Potevio, being the controlling shareholder of the Company, shall abstain from voting on the resolution of the Company to be proposed at the EGM in relation to the grant of the Proposed Mandate. Mr. Wu Changlin, an executive Director and Chairman of the Board, is also a director of China Potevio, is regarded as having a material interest in the Potential Disposal and has abstained from voting for approving the Board resolution in relation to the Proposed Mandate and the transactions contemplated thereunder. Save as disclosed above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the Latest Practicable Date, no other Shareholder has any material interest in the Potential Disposal and is required to abstain from voting on the resolution of the Company to be proposed at the EGM in relation to the grant of the Proposed Mandate.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Ms. Mao Yaping, Mr. Xiao Xiaozhou and Mr. Feng Gang, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Potential Disposal. Our role as independent financial adviser is to give our opinion and recommendation as to whether the Potential Disposal is on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the terms of the Potential Disposal; (ii) the Valuation Report on Putian Fasten prepared by the Valuer; (iii) the 2019 annual report and interim report of the Company; (iv) the financial results of Putian Fasten for the years ended 31 December 2018 and 2019; and (v) other information as set out in the Circular.

We have also relied on all relevant information, opinions and facts supplied and representations made to us by the Company, the Directors and the management of the Company. We have assumed that all such information, opinions, facts and representations provided to us or contained or referred to in the Circular, for which the Company and the Directors are fully responsible, are true and accurate in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Company and the Directors, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial positions or future prospects of the Company, the Group, Putian Fasten any of their respective subsidiaries or associates. Our advice was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, we have not been involved in the negotiations in respect of the terms of the Potential Disposal.

OUR INDEPENDENCE

We are not connected with the Directors, chief executive and substantial shareholders of the Company, the Group, Putian Fasten or any of their respective subsidiaries or associates and do not have any shareholding, direct or indirect, in any member of the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Company as at the date hereof. No arrangement exists whereby we will receive any benefits from the Company or the Directors, chief executive and substantial shareholders of the Company, the Group, Putian Fasten or any of their respective subsidiaries or associates for our services to the Company in connection with this appointment aside from our professional fees. We have not acted as an independent financial adviser or a financial adviser to the Company for other transactions in the two years prior to the Latest Practicable Date. We consider that we are independent from the Company pursuant to Rule 13.84 of the Listing Rules and are accordingly eligible to provide an opinion to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Mandate and the transactions contemplated thereunder.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our opinion to the Independent Board Committee and the Independent Shareholders in relation to Potential Disposal, we have taken into account the following principal factors:

1. Background and financial information of the Group

The Company acts as an investment holding company of the Group. The Group is principally engaged in the technology research and development, product manufacturing, sales and service of electric wires and cables, optical fibers and cables, wire and cable specific materials, cable accessories, special equipment, equipment and devices for various information industry products (except categories restricted or prohibited by the State Council of the PRC).

The following table summarises the audited consolidated income statements of the Group for the years ended 31 December 2018 and 2019 ("**Year 2018**" and "**Year 2019**", respectively) as extracted from the 2019 annual report of the Company:

	Year ended 31 December	
	2019	**2018**
	RMB'000	*RMB'000*
Revenue		
Copper cable and related products	249,950	273,097
Optical communication products	189,792	333,656
Wire bushings and related products	9,515	7,468
Aluminum rods and related products	–	387
	449,257	614,608
Operating Profit/(Loss)	(60,488)	39,866
Profit/(Loss) before tax	(63,431)	40,166
Net Profit/(Loss)	(63,360)	17,693
Attributable to equity holders of the Company	(50,135)	(15,013)
Attributable to non-controlling interests	(13,225)	32,706

Source: 2019 annual report of the Company

The revenue of the Group decreased by approximately RMB165,351,000, or 26.9%, from approximately RMB614,608,000 for the Year 2018 to approximately RMB449,257,000 for the Year 2019. In particular, the revenue of the Group generated by optical communication products decreased by approximately 43.1% from approximately RMB333,656,000 for the Year 2018 to approximately RMB189,792,000 for the Year 2019. According to the management of the Group, due to the substantial completion of the 4G construction and the slowdown of the 5G development in the PRC, the demand for optical fibers has decreased. Meanwhile, domestic manufacturers have expanded their production capacities of optical fibers and optical cables, which has resulted in over supply of optical fibers and optical cables and a significant decrease in unit price of the optical communication products of the Group. As a result of the foregoing, the Group recorded an operating loss of RMB60,488,000 (operating profit for the Year 2018: RMB39,866,000) and a net loss attributable to equity holders of the Company of RMB50,135,000 for the Year 2019 (net loss attributable to equity holders of the Company for the Year 2018: RMB15,013,000).

The following table summarises the audited consolidated statements of financial position of the Group as at 31 December 2018 and 2019 as extracted from the 2019 annual report of the Company:

	As at 31 December	
	2019	**2018**
	RMB'000	*RMB'000*
Non-current assets	423,696	456,073
Current assets	708,206	801,584
Total assets	**1,131,902**	**1,257,657**
Non-current liabilities	64,866	68,270
Current liabilities	101,957	144,849
Total liabilities	**166,823**	**213,119**
Equity attributable to the parent company	857,926	908,062
Equity attributable to Non-controlling interests	107,153	136,476
Total equity	**965,079**	**1,044,538**

Source: 2019 annual report of the Company

As at 31 December 2019, the Group recorded total assets of approximately RMB1,131,902,000, representing a decrease of 10.0% as compared with that of 31 December 2018. The total equity of the Group amounted to approximately RMB965,079,000 as at 31 December 2019, representing a decrease of approximately 7.6% as compared with that of 31 December 2018.

2. Background and financial information of Putian Fasten

Putian Fasten is a joint venture company registered in the PRC on 10 September 2012 with limited liability. Putian Fasten is an associate of the Company and is owned as to approximately 22.5% and 5% by the Company and China Potevio, respectively. Putian Fasten has three wholly-owned subsidiaries, namely Jiangsu Fasten Photonics Co. Ltd., Jiangsu Fasten Optical Cable Co., Ltd. and Houma Potevio Fasten Cable Communications Co., Ltd., each of which is registered in the PRC with limited liability. Putian Fasten and its subsidiaries (the "**Putian Fasten Group**") are principally engaged in the manufacture of optical fiber, optical cable and ancillary products.

Set out below is the summary of the key financial information of Putian Fasten Group based on the audited consolidated financial statements of Putian Fasten for the Year 2018 and the Year 2019:

	Year ended 31 December	
	2019	**2018**
	RMB'000	*RMB'000*
Revenue	816,815	812,328
Net profit/(loss) before taxation	(48,880)	4,706
Net profit/(loss) after taxation	(36,536)	4,561

	As at 31 December	
	2019	**2018**
	RMB'000	*RMB'000*
Total assets	1,390,277	1,510,977
Net assets	513,093	549,630

The revenue of Putian Fasten Group increased by approximately RMB4,487,000, or 0.6%, from approximately RMB812,328,000 for the Year 2018 to approximately RMB816,815,000 for the Year 2019. Despite the slight increase in revenue which was primarily contributed by the sales of certain production materials to the Fasten Group, the gross profit margin of the principal business operation of Putian Fasten Group decreased significantly from approximately 7.9% for the Year 2018 to approximately 0.4% for the Year 2019. In particular, Putian Fasten Group has recorded a gross loss of approximately RMB15,675,000 from its optical cable products for the Year 2019 as compared to a gross profit of approximately RMB27,713,000 for the Year 2018. As a result of the foregoing, Putian Fasten Group recorded a net loss after taxation of RMB36,536,000 for the Year 2019, representing a decrease of RMB41,097,000 as compared to the net profit after taxation of RMB4,561,000 for the Year 2018. As discussed with the management of the Group, the net loss after taxation was mainly attributable to the excess supply and intense competition of the optical fiber and cable market. While many PRC optical fiber and cable manufacturers have expanded their production capacity in the last few years, the demand for optical fibers and cables from the network carriers in the PRC declined gradually since the substantial completion of 4G construction, which has resulted in the significant decrease in the selling price of Putian Fasten Group's products in 2019.

3. Reasons for and benefits of the Potential Disposal

As set out in the Board Letter, the Group's core development strategy is to cater to the domestic demand of new infrastructure network construction and provide reliable optical communications and energy transmission cable related products. As part of this strategy, the Company intends to further enhance its business structure and concentrate resources to enhance its core technological and business capabilities in order to meet the needs of the Group's strategic development.

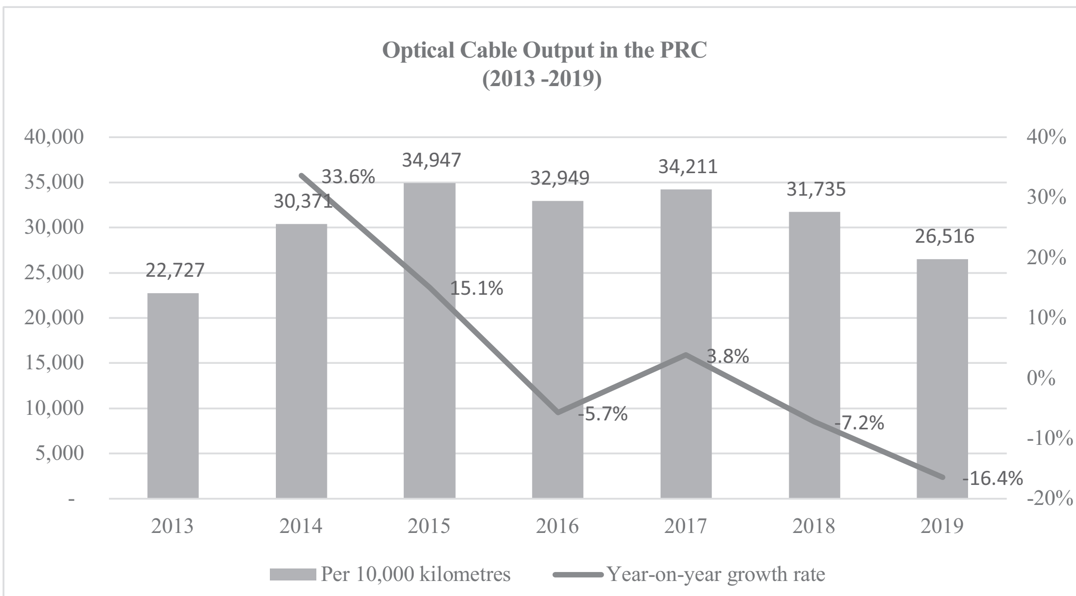
According to the 2019 annual report of the Company, due to the overall surplus of production capacity of optical fibers and cables, along with the fierce competition in the optical telecommunications market as well as the Coronavirus Disease 2019 epidemic ("**COVID-19**"), the construction of operator projects and other optical cable projects has suspended. As there is lower demand and declining sales volume for optical fibers, the price of optical fibers is expected to fall further. In view of such critical circumstances, the Company will constantly increase the percentage of production and sales of optical fibers with high gross profit, boost the sales volume of export optical fibers to reduce the adverse effect on profit brought by the sharp decline in the price of optical fibers. The Company also plans to increase investment in technological research and development, improve product portfolio of locomotive cable business, expand coverage of rail transit cables products to enhance its business competitiveness in the locomotive cable business. During the Year 2019, in accordance with the Group's business development needs and following the principle of "shutdown, suspension and integration", the Company had shut down the wire feed cable business, stripped the irradiation and processing business and withdrawn from certain loss-making enterprises including Chongqing Putaifeng Aluminium Co. Ltd., and Chengdu Yuexin Materials Co., Ltd, to revitalise idle assets, optimise resource allocation and improve economic efficiency. Having considered the above, we concur with the Directors' view that the Potential Disposal can help the Group to facilitate its business structure and concentrate its resources. Also, the Potential Disposal is in line with the strategic development plan of the Group.

According to the Board Letter, the Group has shared a cooperation relationship with the Fasten Group, by sharing resources and capacity, with the leasing of plant facilities of the Company to Putian Fasten for its manufacturing operations. Additionally, the Group and the Fasten Group have shared and exchanged insights and information on the communication network construction industry. The Group will retain its remaining 10% equity interest in Putian Fasten to maintain the cooperation relationship. On the other hand, the sale of 12.5% equity interest in Putian Fasten would allow the Company to focus on its locomotive cable business and core optical product lines, which include small-diameter and specialised optical fiber production targeting the non-carrier customers which have higher requirements on the performance of the optical fiber products (such as requirements on bending and compressive resistance), concentrate on its existing partnership with other global players, and build better relationship with these global players who can supply the Group with superior raw materials that in turn enhance the quality of the Group's products. The net proceeds from the Potential Disposal will be used for potential business opportunities aimed at promoting the existing core businesses of the Group, namely the locomotive cable business and the core optical fiber products with high gross profit, increasing investments in research and development and technological transformation to enhance competitiveness of the businesses, as well as general working capital.

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

The Directors (including the independent non-executive Directors but excluding one executive Director who has material interests in the Potential Disposal and is required to abstain from voting) consider that the Potential Disposal is fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Further, the Directors considered that it would be beneficial for the Company to capture the investment gain arising from the Potential Disposal.

In assessing the fairness and reasonableness of the Potential Disposal, we have taken into account the outlook of the optical fiber and cable industry in the PRC in which Putian Fasten principally operates. Based on our research on the market data, we noted that the optical cables market in the PRC has slowed down in recent years as shown in the chart below:



Source: National Bureau of Statistics of the PRC, Zhiyan Consulting Group

The optical cable output increased rapidly at a compound annual growth rate ("**CAGR**") of approximately 24.0% from approximately 227.3 million kilometres in 2013 to approximately 349.5 million kilometres in 2015, and then slowed down to approximately 342.1 million kilometres in 2017. The optical cable market recorded a downturn in 2018 and 2019. The optical cable output decreased by approximately 7.2% to approximately 317.4 million kilometres in 2018 as compared with 2017, and decreased further by approximately 16.4% to approximately 265.2 million kilometres in 2019 as compared with 2018. According to the Market Analysis Report 2019 of the Optical Communication Field in Global & China Market published by Network Telecom magazine, one of the network and telecommunication industry's leading publications in China, the growth of the PRC's optical fiber deployment during the earlier years was mainly due to the construction of optical broadband access network and 4G mobile communication base station. By 2018, as the construction of China's optical broadband access network and 4G mobile communication base station has been substantially completed, while the 5G construction has not started on a large scale, the growth of optical cable demand has slowed down, and the three major network carriers in the PRC have adjusted and reduced the capital expenditure for fixed network construction. Further, according to the article published by CRU International Limited titled "Optical fibre and cable industry review" on 23 January 2020, it was reported that the demand for optical cable in China decreased by double-digits from 2018 to 2019 and the fibre and cable manufacturers in the PRC had built up inventories to levels in excess of 20 million kilometres in 2019. This contributed to the downward pressure on price where industry participants reported record-low fibre prices in late 2019. While there were uncertainties on the 5G deployment of optical fibers and cables, it was expected that 2020 could be another lacklustre year.

In view that (i) the excess supply from manufacturers and lower demand from the network carriers have resulted in severe pricing pressure on the optical fiber and cable products and poor business performance of Putian Fasten; (ii) it is also uncertain as to when the market is going to recover and when Putian Fasten can improve its business performance and achieve satisfactory financial results given the market is under severe excess supply condition and the demand for 5G development is not expected to be substantially released in the near future; (iii) through the Potential Disposal, the Group would be able to record a gain on disposal, obtain proceeds, optimise its resource allocation and focus on its principal activities and improve the Group's performance; and (iv) the retaining of the 10% equity interest in Putian Fasten would allow the Group to maintain the cooperation between the Group and the Fasten Group, we concur with the view of the Directors that the Potential Disposal is fair and reasonable so far as the Independent Shareholders are concerned.

4. Major Terms of the Potential Disposal

4.1 Qualifications of potential bidders

The potential bidders shall satisfy, among others, the following qualifications:

1. the potential transferee shall have good financial position and payment ability;

2. the potential transferee shall have good business credibility; and

3. other qualifications as stipulated under the laws and regulations of the PRC. If the potential transferee is a natural person, he/she shall have full civil capacity; or shall be a validly subsisting business entity or other economic entity established under the law.

4.2 Consideration for the Potential Disposal

On 31 August 2020, the Valuer issued the Valuation Report on the entire equity interest of Putian Fasten as at 31 October 2019. According to the Valuation Report, the appraised value of the entire equity interest of Putian Fasten as at 31 October 2019 was approximately RMB540,915,674.01. The appraised value of the 12.5% equity interest in Putian Fasten held by the Company is therefore approximately RMB67,614,459.25. Accordingly, it is expected that the minimum bidding price of the Potential Disposal shall not be lower than the appraised value, which is to be filed with the State-owned Assets Supervision and Administration Commission of the PRC.

According to the relevant rules and regulations of the State-owned Assets Supervision and Administration Commission of the PRC, the Valuation Report on the entire equity interest of Putian Fasten as at 31 October 2019 is valid until 30 October 2020 for filing to the Equity

Exchange. The Board is of the view that it is reasonable to use the valuation of Putian Fasten as at 31 October 2019 as a reference for determining the minimum consideration. The final consideration will depend on the final bidding price offered by the successful bidder for the Potential Disposal, but will be no less than the relevant minimum bidding price in any event. Since the consideration for the Potential Disposal is subject to the final bid price and the minimum bidding price is determined by reference to the appraised value of Putian Fasten subject to the approval from relevant State-owned Assets Supervision and Administration Commission of the PRC, the Board considers the minimum bidding price to be fair and reasonable.

The consideration of the Potential Disposal will be settled in the following manner:

(a) by a one-off lump sum payment, payable upon the signing of the Definite Agreement; or

(b) by installments, (i) the initial transaction payment, which shall be not less than 30% of the final consideration, to be settled within 5 working days from the effective date of the Definite Agreement; and (ii) the remaining transaction payment, payable within one year from the effective date of the Definite Agreement.

According to the relevant laws and regulations, if the payment is settled by installments, the successful bidder is required to pay interest to the Company at the loan interest rate of People's Bank of China for the remaining transaction payment until full payment of the consideration of the Potential Disposal. The method of payment (i.e. one-off lump sum or by installments) and specific details of the settlement (including the account of the beneficiary and the currency for settlement) will be determined by the parties as set out in the Definite Agreement. If the parties opt for the method of payment by installments, the successful bidder shall also be required to enter into a legally binding guarantee agreement with the Company to provide a guarantee on the remaining transaction payment, with the value of such guarantee provided, at any point of time, no less than the amount of the remaining transaction payment.

4.3 Public tender process of the Potential Disposal

In order to commence the formal process of public tender of the 12.5% equity interest in Putian Fasten, the Company will have to submit the tender notice setting out, inter alia, (i) the minimum consideration of the 12.5% equity interest in Putian Fasten and the consideration of the 5% equity interest in Putian Fasten held by China Potevio; (ii) the principal terms of the bidding; and (iii) descriptions and qualifications of potential bidders, to the Equity Exchange for the Potential Disposal after obtaining the Independent Shareholders' approval at the EGM.

Once the tender notice is published, the publication period will commence and open for 20 Business Days. During the publication period, qualified bidders may indicate their interest in purchasing the 12.5% equity interest in Putian Fasten and the 5% equity interest in Putian Fasten held by China Potevio and register themselves as interested bidders.

Upon expiry of the publication period, the Equity Exchange will notify the Company the identity of the successful bidder of the public tender. The Company and China Potevio will then enter into the Definite Agreement in relation to the 12.5% equity interest in Putian Fasten with the successful bidder and to complete the Potential Disposal accordingly.

According to the Board Letter, the Company plans to complete the filing procedures, obtain the necessary consents and approvals including the Independent Shareholder's approval prior to 30 October 2020 for filing the tender notice to the Equity Exchange for the Valuation Report to remain valid. Considering the publication period and assuming a successful bidder is identified, the Company expects the Potential Disposal to be completed no later than 29 October 2021.

According to the Law of the People's Republic of China on the State-Owned Assets of Enterprises (中華人民共和國企業國有資產法), the transfer of state-owned assets shall follow the principles of valuable consideration, openness, fairness and equity. The Company is required to dispose of its 12.5% equity interest of Putian Fasten in its fair value, and in an open, fair and impartial manner in compliance with the required PRC laws. Therefore, we are of the view that the performance of the valuation of Putian Fasten and the subsequent open for tender at an Equity Exchange in a public manner according to the procedures above are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned.

4.4 Conditions precedent to the entering into and completion of the Potential Disposal

The entering into and completion of the Potential Disposal shall be conditional upon the Company having completed all filing procedures and obtained all necessary consents and approvals regarding the Potential Disposal including the approval by the Independent Shareholders in respect of the Proposed Mandate at the EGM. The Proposed Mandate shall be effective for 12 months from date of Shareholders' approval at the EGM. In the case where the filing procedures, necessary consents and approvals including the Independent Shareholders' approval regarding the Potential Disposal cannot be obtained or completed prior to 30 October 2020 for filing to the Equity Exchange, the Company shall produce a new valuation report at a revised valuation benchmark date and shall seek for a separate approval from the Shareholders.

Once a successful bidder for the 12.5% equity interest in Putian Fasten is identified, the Company will have an unconditional obligation to enter into the Definite Agreement with such successful bidder and to complete the transaction contemplated thereunder. According to the rules of the Equity Exchange, the Company will not be able to seek the approval of the Independent Shareholders which is required under Chapter 14 and Chapter 14A of the Listing Rules. Accordingly, the Board will seek the Independent Shareholders' advance approval for the grant of the Proposed Mandate at the EGM.

According to the Board Letter, as at the Latest Practicable Date, none of the conditions has been fulfilled.

5. Evaluation of the consideration

According to the Board Letter, the minimum consideration in respect of the Potential Disposal shall be approximately RMB67,614,459.25 (i.e. the expected minimum bidding price to be quoted at the public tender), which is determined by reference to the value of the shareholders' equity in Putian Fasten as at 31 October 2019, being the valuation benchmark date, of approximately RMB540,915,674.01, as evaluated by the Valuer. The final consideration will depend on the final bid price of the public tender, but will be no less than the minimum consideration in any event.

In order to determine the fairness and reasonableness of the minimum consideration to the Potential Disposal, we have conducted the following analysis:

5.1 The Valuation Report

We have obtained and reviewed the Valuation Report and its underlying calculations prepared by the Valuer. We have also reviewed and inquired the Valuer on (i) the qualifications and experience in relation to the preparation of the Valuation Report; (ii) the key basis and assumptions; and (iii) the steps and due diligence measures taken by the Valuer for conducting the valuation. We noted that the Valuer is an independent firm which possesses the relevant qualifications approved by the China Securities Regulatory Commission and the Ministry of Finance of the PRC, and is one of the firms designated by the PRC government to conduct valuation of state-owned assets. We also noted that the signatories of the Valuation Report have in aggregate over 15 years of experiences in conducting asset appraisal. Furthermore, we have reviewed the terms of engagement of the Valuer and noted that the scope of work is appropriate to the valuation. The Valuer has also confirmed that they are independent to the Group, Putian Fasten and their respective associates.

Methodology

We have reviewed and discussed with the Valuer the methodology adopted in performing the valuation. Based on our understanding from the Valuer, the Valuation Report has been prepared in accordance with the PRC valuation standard. Under the PRC valuation standard, the Valuer has to consider two approaches out of the three widely-used approaches, namely the cost approach (also known as the asset-based approach), income approach and market approach.

Asset-based approach established value based on the cost of reproducing or replacing the assets less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk. The application of income approach requires that the assets to be appraised should have sustainable future operation, and the future earnings from the assets could be reliably predictable, and the risks and rewards related to the assets could be reliably estimated and measured.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

The Valuer considered that income approach may not be appropriate. According to the Valuer, the optical fiber and cable market was under excess supply condition and intense competition. There was severe downward pricing pressure on the optical fiber and cable products, which has resulted in continual decrease in earnings and the net loss of Putian Fasten Group for the Year 2019. As it is not expected that the market condition and the business performance of Putian Fasten would change substantially in the near future, it was therefore not practical to perform a reasonable forecast on its earnings. The Valuer therefore considers adopting the asset-based approach and market approach in performing the valuation.

Assumptions

According to the Valuation Report, the Valuation was performed based on the following assumptions

1. Basic assumptions

The Valuer has adopted the transaction assumption, the open market assumption, the enterprise going concern assumption and the assumption about the use of an asset of an existing purpose as the basic assumptions in preparation of the Valuation Report.

(i) The transaction assumption is the fundamental assumption for asset valuation that the assets to be appraised are assumed to be in the process of the transaction, and their value can be estimated according to the transaction conditions in a simulated market.

(ii) The open market assumption assumes that the assets are publicly tradable in the market with developed and comprehensive market condition where the market is competitive with willing buyers and sellers who have access to adequate market information.

(iii) The enterprise going concern assumption assumes that Putian Fasten Group can continue to carry on its business in the foreseeable future under the existing assets resources conditions with no material adverse changes to its operating conditions.

(iv) The assumption about the use of an asset for an existing purpose assumes that the assets will continue to be used for the current purpose and mode of usage without considering asset use conversion or optimal utilisation conditions.

2. General assumptions

In performing the Valuation, the following general assumptions have also been adopted:

(i) There will be no unforeseen significant adverse changes in the external economic environment, including the relevant prevailing laws, macroeconomic, financial and industrial policies, and there will be no significant force majeure and unforeseen factors;

(ii) The appraisal did not consider the impact of any collateral or guarantee that Putian Fasten Group and its assets may assume in the future;

(iii) There will be no significant changes in the socio-economic environment in which Putian Fasten Group operates; and

(iv) The current and future business operations of Putian Fasten Group comply with the applicable regulatory requirement, the relevant provisions of its business licence and its articles of association.

3. Specific assumptions held in the market approach

In applying the market approach in the Valuation, the Valuer has also assumed that:

(i) Putian Fasten Group complies with the relevant accounting standards in preparing its financial statements, and its audit reports for the past years and its accounts as at the valuation benchmark date are true and reliable;

(ii) the relevant information disclosed by the market comparables for listed company comparison method are true and reliable;

(iii) unless otherwise specified, all transactions in the capital market are open, equal, voluntary and fair transactions;

(iv) any impact of natural forces and other force majeure factors or possible impact of special transaction methods on the valuation are not taken into consideration; and

(v) mortgages and guarantees that may be undertaken in the future are not taken into consideration.

We have inquired the Valuer on the applicability of the abovementioned assumptions and we understand that such assumptions are generally and consistently adopted in other business valuation exercises and are in line with the market practices. We are therefore of the view that the assumptions adopted in the Valuation are fair and reasonable so far as the Independent Shareholders are concerned.

Basis and details of the valuation approach

1. Asset-based approach

By adopting the asset-based approach, the valuer has studied the assets and liabilities of Putian Fasten as at 31 October 2019, being the valuation benchmark date, and made any adjustments that were needed to reflect the current value of the assets and liabilities. After obtaining the adjusted assets and liabilities, the Valuer then consolidated all the values to arrive at the appraised value of Putian Fasten. The appraised value of Putian Fasten under the asset-based approach was approximately RMB540,915,674.01, representing a surplus of approximately 20.1% above the net asset value of Putian Fasten as at the valuation benchmark date. In assessing the value of Putian Fasten, the Valuer has considered the followings:

Current assets

The current assets of Putian Fasten as at the valuation benchmark date comprised primarily cash and bank balances, notes receivable, accounts receivable, inventories and other receivables, the appraised value of which are determined by the verified carrying value. The appraised value of the current assets was slightly lower than the carrying value as at the valuation benchmark date by approximately RMB11,702.73 or 0.001%, mainly on the lower value of the inventories.

The inventories of Putian Fasten included raw materials, finished goods, and products-in-progress (semi-finished goods). The Valuer has (i) adopted the market price to value the raw materials; (ii) considered the corresponding cost-profit ratio, and deducting selling expenses and taxes necessary to realise the sales to value the finished goods; and (iii) considered the valuation method of the corresponding finished goods and progress of completion in assessing the value of the products-in-progress. As discussed with the Valuer, the appraised value of the work in process of Putian Fasten was lower than the carrying value by approximately RMB11,754.03 mainly due to the sluggish sales condition and the high production cost of the products.

Long-term equity investment

The long-term equity investment of Putian Fasten as at the valuation benchmark date comprised its equity investment in its wholly-owned subsidiaries, namely Jiangsu Fasten Photonics Co. Ltd., Jiangsu Fasten Optical Cable Co., Ltd. and Houma Potevio Fasten Cable Communications Co., Ltd. The appraised value of each long-term equity investment is ascertained separately by using appropriate valuation methods on the assets and liabilities of the investee. The appraised value of the long-term equity investment was higher than the carrying value as at the valuation benchmark date by approximately RMB92,586,490.10 or 30.4%, mainly on the appreciation of the value of the buildings and land use rights of Jiangsu Fasten Optical Cable Co., Ltd. and Jiangsu Fasten Photonics Co. Ltd..

Buildings of Jiangsu Fasten Optical Cable Co., Ltd. and Jiangsu Fasten Photonics Co. Ltd.

The buildings comprised the production premises of Jiangsu Fasten Optical Cable Co., Ltd. and Jiangsu Fasten Photonics Co. Ltd., and the residential properties owned by Jiangsu Fasten Optical Cable Co., Ltd. The Valuer has adopted the replacement cost method for assessing the value of the production premises, and the market approach for assessing the value of the residential properties.

Concerning the production premises of Jiangsu Fasten Optical Cable Co., Ltd. and Jiangsu Fasten Photonics Co. Ltd., the replacement cost of the production premises is determined by the costs of constructing the same buildings as at the valuation benchmark date including the materials and labour costs and the residue ratio of the buildings which is determined based on the current degree of quality and usage after the physical inspection by the Valuer. The Valuer had referred to the "Jiangsu Specification for Measurement of Bill of Quantities"《工程量清單專案計量規範(江蘇)》, the "Jiangsu Construction and Renovation Works Pricing" 《江蘇省建築與裝飾工程計價定額》, the Jiangsu Engineering Pricing web (江蘇省工程造價資訊網) and the pricing information of construction materials announced by the relevant government authorities in determining the construction costs. The appraised value of the production premises of Jiangsu Fasten Optical Cable Co., Ltd. was higher than the carrying value by approximately RMB22,547,596.61 or 200.9%, and the appraised value of the production premises of Jiangsu Fasten Photonics Co. Ltd. was higher than the carrying value by approximately RMB33,754,662.77 or 423.4%. As discussed with the Valuer, the appraised value of the production premises was higher than the carrying value primarily because (i) the majority of the construction works of the production premises were completed during 2001 to 2005 and the costs of construction such as the labour costs and materials costs have increased afterwards, resulting in higher replacement costs; and (ii) the useful life estimated and adopted by the Valuer is longer than the useful life adopted for calculating the depreciation and carrying value.

Regarding the residential properties owned by Jiangsu Fasten Optical Cable Co., Ltd., the market value of the residential properties is determined with reference to the selling price of the comparable properties in the vicinity on the valuation benchmark date, and adjusted for the differences in characteristics including the location, transportation, availability of public facilities, building age, floor, level of building management and renovation status. The appraised value of the residential properties of Jiangsu Fasten Optical Cable Co., Ltd. was higher than the carrying value by approximately RMB1,499,962.54 or 858.9%. As discussed with the Valuer, the appraised value of the production premises was higher than the carrying value primarily because (i) the market price of the residential properties increased as compared with the historical acquisition cost of Jiangsu Fasten Optical Cable Co., Ltd. at the time of purchase; and (ii) the useful life estimated and adopted by the Valuer is longer than which the useful life adopted for calculating the depreciation and carrying value.

Land use rights of Jiangsu Fasten Optical Cable Co., Ltd. and Jiangsu Fasten Photonics Co. Ltd.

In valuing the land use rights of Jiangsu Fasten Optical Cable Co., Ltd. and Jiangsu Fasten Photonics Co. Ltd., the Valuer has adopted the market approach to calculate the average unit price of the land use rights and then times the area of the land to arrive at the valuation of the land use rights. The Valuer has made reference to the market value of comparable lands at similar location for similar permitted industrial use in or around the valuation benchmark date and make appropriate adjustments for the differences in characteristics including the location, transportation, land shape and availability of infrastructure between the subject asset and the comparable lands to arrive at a fair unit price. The appraised value of the land use right of Jiangsu Fasten Optical Cable Co., Ltd. was higher than the carrying value by approximately RMB26,428,440.62 or 905.0%, and the appraised value of the land use right of Jiangsu Fasten Photonics Co. Ltd. was higher than the carrying value by approximately RMB20,453,140.21 or 532.2%. As advised by the Valuer, such increase was mainly due to the increase in market value of the land in recent years as the local government has improved the infrastructure to attract investment for industrial park development.

Fixed assets

The fixed assets of Putian Fasten as at the valuation benchmark date comprised primarily machinery equipment, motor vehicles and other electronic equipment, the appraised value of which are determined by the replacement cost of the fixed assets. The appraised value of the fixed assets was slightly lower than the carrying value as at the valuation benchmark date by approximately RMB312,379.16 or 2.3%, mainly on the lower value of the electronic equipment.

The Valuer has considered the market price of the similar equipment, other costs associated with its replacement and the corresponding useful life of the electronic equipment in determining the value of the electronic equipment. As discussed with the Valuer, the lower replacement cost of the electronic equipment was mainly due to the decrease in the market price of the general electronic equipment along the technological advancement and development in the recent years.

Intangible assets

The intangible assets of Putian Fasten as at the valuation benchmark date comprised primarily trademarks and patents, the appraised value of which are determined by the replacement costs of the intangible assets. The appraised value of the fixed assets was slightly higher than the carrying value as at the valuation benchmark date by approximately RMB27,154.00 or 0.1%.

The Valuer has considered the registration fee and other relevant development cost in determining the value of the intangible assets of Putian Fasten. As discussed with the Valuer, the appraised value was higher mainly on the replacement cost for certain self-developed trademarks and patents not already reflected in the books of Putian Fasten.

Liabilities

The liabilities of Putian Fasten comprised current liabilities (short-term borrowings, notes payable, accounts payable and other payables) and non-current liabilities (long-term borrowings). The appraised value of each liability is determined based on the amount of liabilities that Putian Fasten would actually be required to assume after the economic activity for which the liabilities are appraised has been conducted. The appraised value of the liabilities was slightly higher than the carrying value as at the valuation benchmark date by approximately RMB1,616,504.44 or 0.2%. As discussed with the Valuer, the higher appraised value was mainly on the recalculation of the unaccrued interest for the other payables of Putian Fasten.

We have inquired the Valuer on the appraisal methods used under the asset-based approach and we understand that the appraisal methods adopted are common methodologies in establishing the valuation of the assets and liabilities and such methodologies were in compliance with the relevant professional standard for valuation in the PRC. Based on our review on the Valuation Report, we noted that the appraised value of the assets and liabilities (excluding the buildings and land use rights) were generally in line with their respective carrying value as at the valuation benchmark date. As for the buildings and land use rights which the appraised value was much higher than the carrying value, we consider that the Valuer has referred to fair and reasonable market comparables or source of data to arrive at the appraised value. We therefore are of the view that the methodologies and assumptions adopted in the asset-based approach are fair and reasonable so far as the Independent Shareholders are concerned.

2. Market approach

Market approach refers to the valuation method that compares the appraised entity with comparable listed companies or comparable transactions to determine the value of the appraised entity. According to the Valuation Report, the appraised value of Putian Fasten under the market approach by adopting the listed companies comparison method was approximately RMB535,000,000, representing a surplus of 18.8% above the net asset value of Putian Fasten as at the valuation benchmark date.

The Valuer has selected three comparables which are (i) principally operated in the optical communication industry and engaged in the manufacture of optical fibers and optical cables business similar to Putian Fasten; and (ii) listed on a stock exchange in the PRC for over two years. In order to assess the fairness and reasonableness of the selection of comparables by the Valuer, we have summarised the information of the comparables selected by the Valuer in the following table:

Company	Stock code	Listing date	Principal business activities
Tianjin Futong Xinmao Science & Technology Co., Ltd.	000836.SZ	29 September 1997	Manufacturing of optical fiber preforms, optical fibers and optical cables
Sichuan Tianyi Comheart Telcom Co., Ltd.	300504.SZ	30 March 2018	Physical connection and protection of communication network, optical communication products, mobile communication network optimisation system and broadband network terminal equipment research and development, production, sales and service
Nanjing Huamai Technology Co., Ltd.	603042.SH	2 June 2017	Design and production of optical fiber cable and other communication devices and equipment

We have reviewed the recent financial statements of the comparables selected by the Valuer and noted that all of the selected comparables fulfill the aforementioned selection criteria. Based on the above selection criteria, we consider the comparable companies selected by the Valuer to be fair and reasonable, as (i) the selected comparables have a similar principal business and are operating in a similar industry with Putian Fasten Group; and (ii) the listing period of over two years helped eliminate companies with high fluctuations in stock price in the early period after listing on the stock exchange and ensured the actual operational performance is reflected in the financial results after listing.

The Valuer has adopted the enterprise value to earnings before interest, tax, depreciation and amortisation ratio (the "**EV/EBITDA Ratio**") as the benchmark valuation multiple in the market approach. According to the Valuer, Putian Fasten is an optical fiber and cable manufacturing enterprise which is characterised by its asset intensive nature. The enterprise value of Putian Fasten is therefore affected by various factors, such as the remaining economic life of the machinery and equipment, scale of assets and financial leverage. As earnings before interest, tax, depreciation and amortisation ("**EBITDA**") in the EV/EBITDA Ratio can take into account the abovementioned factors in assessing the value of the appraised entity, the Valuer considers the EV/EBITDA Ratio the suitable benchmark ratio to be adopted in the valuation. Having considered the above, we concur with the Valuer that the EV/EBITDA valuation multiple used by the Valuer is fair and reasonable.

Besides, we have also discussed with the Valuer regarding the adjustments of the discount for lack of marketability ("**DLOM**") applied in the valuation. We understand that the DLOM was applied after taking into account the limited liquidity of the equity of Putian Fasten which was not listed on a stock exchange and not actively traded in an open market. The Valuer determined the size of adjustment of DLOM by referring to the "2018 DLOM Calculation Table on Comparison of Price-to-Earnings Ratios between Non-listed Company Transactions and Listed Companies"《非上市公司併購市盈率與上市公司市盈率比較估算缺少流通折扣率計算表 (2018年)》(the "**DLOM Calculation Table**") issued by China Alliance Appraisal Company Limited covering information of approximately 622 non-listed company transactions and 2,299 listed companies across different industries. The Valuer has adopted the electric and electronic machinery and equipment manufacturing industry DLOM rate from the DLOM Calculation Table as the DLOM adjustment rate in assessing the value of Putian Fasten. The Valuer considers the electric and electronic machinery and equipment manufacturing industry DLOM rate to be a good reference against which an appropriate discount for the valuation of Putian Fasten is assessed as the electric and electronic machinery and equipment manufacturing industry covers the manufacturing of optical cables which Putian Fasten is principally engaged in. We have discussed with the Valuer the application of the DLOM Calculation Table and we understand that the DLOM Calculation Table is a popular reference for business valuation field in the PRC as the statistics cover a large number of companies and transactions. We have also reviewed the DLOM Calculation Table and cross-checked the electric and electronic machinery and equipment manufacturing industry DLOM rate from the DLOM Calculation Table with the adjustment rate which the Valuer applied for the Valuation and found them to be consistent. Taking into account the above, we are of the view that the basis and assumption in relation to the DLOM applied in the valuation, including the adjustment of DLOM applied in the Valuation, is fair and reasonable so far as the Independent Shareholders are concerned.

Further details of the basis, assumptions and calculations in respect of the valuation of Putian Fasten are included in the Valuation Report set out in Appendix II to the Circular.

Conclusion

According to the Valuer, as Putian Fasten Group is principally engaged in the manufacture and sales of optical fiber and cable products, its core assets consist primarily the production premises, land use rights, machinery and equipment, the value of which can be objectively assessed by adopting the asset-based approach. While for market approach, as there are differences in characteristics including business operation, asset allocation, operating scale and efficiency between Putian Fasten and its industry peers, it may not be practicable to account and adjust for the abovementioned differences objectively and accurately in assessing the value of Putian Fasten by reference to the valuation multiples of its industry peers. The Valuer is therefore of the view that asset-based approach is the most appropriate as it can provide a reasonable assessment of the value of assets and liabilities. The Directors referred to the Valuation Report and acknowledge that the valuation assumptions made by the Valuer in arriving at the valuation conclusion is normal market practice and have been made with due care and objectivity. The Directors also referred to the Valuation Report and assessed that the asset-based approach can more objectively and accurately reflect the appraised value of Putian Fasten, as the value of the core assets of Putian Fasten, being production lines and properties, can be easily verified and properly valued under the asset-based approach. The Directors therefore shared the view of the Valuer that the appraised value from the asset-based approach should be adopted. Having considered the factors abovementioned, we concur with the Valuer and the Directors that the asset-based approach is the most appropriate for assessing the value of equity interest of Putian Fasten.

According to the Valuation Report, the appraised value of Putian Fasten under the asset-based approach of approximately RMB540,915,674.01 was approximately RMB5,915,674.01 or 1.1% higher than the value appraised under the market approach. We have also reviewed the Valuation Report and the audited consolidated statement of financial position of Putian Fasten as at 31 December 2019. We noted that the appraised value of Putian Fasten of RMB540,915,674.01 under the asset-based approach represented a surplus of approximately 5.4% above the consolidated net asset value of Putian Fasten as at 31 December 2019. Based on our review of the Valuation Report and discussion with the Valuer, we understand that the appraised value of Putian Fasten was higher than its net asset value mainly due to the higher appraised value of the production premises and land-use rights owned by the subsidiaries of Putian Fasten and we are of the view that the basis and assumptions adopted by the Valuer are fair and reasonable as explained in the paragraph handed "Basis and details of the valuation approach – Asset-based approach" above.

We also noted that the basis of determination of the consideration with reference to the valuation prepared by a qualified valuation institution for state-owned enterprises is a common practice, as it is a requirement specified under the Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises《企業國有資產交易監督管理辦法》, jointly promulgated by the State-owned Assets Supervision and Administration Commission and the Ministry of Finance of the PRC, and effective on 24 June 2016. In light of the various reasons as discussed above, we are of the view that using the Valuation Report as a basis to determine the minimum consideration is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

5.2 Comparable analysis

To further understand the reasonableness and fairness of the valuation of Putian Fasten, we have adopted the comparable approach whereby the minimum consideration of the Potential Disposal is used to derive the valuation of Putian Fasten, and is compared to the valuation of the industry peers of Putian Fasten. In our assessment, we have attempted to identify comparable companies which are listed on a stock exchange and generated majority of their revenue from the manufacturing and sale of optical fibers and cables in the PRC. However, we are not able to identify a meaningful and representative list of comparable companies as most of the listed optical telecommunication industry participants based in the PRC have diversified product portfolios and have a fair amount of their revenue generated from product or business lines other than optical fibers and cables.

In view of the above, to provide a meaningful and representative list of comparable companies for comparison purpose, we have therefore revised the selection criteria and have identified 5 companies (the "**Comparable Companies**") that (i) the shares of which are listed on the Hong Kong Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; (ii) principally operate in the optical telecommunication industry in the PRC with majority of their respective consolidated revenue generated from the manufacture and sale of optical fiber and communication cable products; and (iii) had net assets ranging from RMB250,000,000 to RMB1,500,000,000, representing approximately half to three times of the net assets size of Putian Fasten Group, as at the end of their latest full financial year, which to the best of our knowledge represent the exhaustive samples that meet the aforesaid selection criteria. Given the capital intensive nature of the optical telecommunication industry, we have further reviewed the total assets size of the Comparable Companies and we found that the total assets of the Comparable Companies are not less than half of and not more than one time higher than that of Putian Fasten. We therefore consider that the selection criteria of the Comparable Companies is fair and reasonable as it can provide a representative and meaningful list of companies with operating scale reasonably comparable to Putian Fasten for our comparison purpose. Below sets out the table detailing our selection basis of the Comparable Companies:

Company	**Stock code**	**Principal activities**	**Revenue breakdown by products** *(Note)*	**Net assets attributable to owners of the company** *(Note)*
Putian Communication Group Limited	1720.HK	Production and sale of optical fiber cables, communication copper cables and structured cabling system products in the PRC	**Optical fibers and communication cables: 71.8%** Structured cabling system products: 28.2%	RMB468,783,000
TIME Interconnect Technology Limited	1729.HK	Manufacturing and sale of cable assembly products	**Cable assembly products: 100.0%**	HK$603,405,000 (equivalent to approximately RMB543,608,000)
Nanfang Communication Holdings Limited	1617.HK	Manufacturing and sales of optical fiber cables and related devices in the PRC	**Optical fiber cables and optical distribution network devices: 100.0%**	RMB814,231,000
Tianjin Futong Xinmao Science & Technology Co., Ltd	000836.SZ	Manufacturing of optical fiber preforms, optical fibers and optical cables	**Optical communication network products: 97.3%** Others: 2.7%	RMB1,245,242,000
Jiangsu Tongguang Electronic Wire & Cable Corp., Ltd	300265.SZ	Research and development and manufacturing of optical fiber cables, electric wires and cables and other special equipment wires and cables	**Optical fibers, copper wires and cables: 80.2%** Special equipment wires and cables: 14.5% Others: 5.3%	RMB1,063,617,000

Note: The information was extracted from the annual reports of the Comparable Companies for their respective latest full financial year.

Based on the above selection criteria, we are of the view the Comparable Companies are fair and representative samples, having considered that (i) the Comparable Companies operate in a similar industry and are engaged in similar business activities with Putian Fasten in the PRC, as evidenced by the fact that a fair portion of their revenue were contributed from the manufacture and sale of optical fibers and cables; and (ii) the Comparable Companies are of operating scale reasonably comparable to Putian Fasten Group. Based on their respective net assets attributable to the owner of the company, the Comparable Companies are of half to three times the size of Putian Fasten.

While we noted that price-to-earnings ratio(s) (the "**P/E Ratio(s)**") is a commonly adopted trading multiple analysis, as Putian Fasten recorded a net loss of approximately RMB36,536,000 for its latest full financial year, it is not practicable to perform P/E Ratio analysis for Putian Fasten. For our comparison approach, alternatively, we have extracted price-to-book ratio(s) (the "**P/B Ratio(s)**") and EV/EBITDA Ratio(s), which are considered widely accepted financial valuation metrics for loss making companies, of the Comparable Companies based on the financial information as disclosed in their respective latest publication of annual report to assess the fairness and reasonableness of the minimum consideration. We consider the P/B Ratios and the EV/EBITDA Ratios to be representative benchmark to assess the fairness and reasonableness of the valuation of Putian Fasten, after taking into account that (i) as Putian Fasten and the Comparable Companies are manufacturing enterprises which are asset intensive, the use of P/B Ratios can produce a fair comparison on the pricing on the net assets of the companies; (ii) as the telecommunication industry is characterised by being capital intensive with relatively high level of debt financing and fixed costs, the use of the EV/EBITDA Ratio can avoid the distortion of capital structure and compare the value of an underlying operation, as EBITDA is a proxy of the companies' operating performance independent from non-cash items including depreciation and amortisation; and (iii) as Putian Fasten was loss-making under the severe excess supply condition of the optical fibers and cables market, EBITDA is considered a reliable indicator on the operating efficiency and financial soundness of Putian Fasten as it can focus on the baseline profitability of the companies being assessed without capital expenses factored in. The table sets out details of the valuation metrics of the Comparable Companies:

Company name	Stock code	Enterprise Value *(Note 2)*	EV/ EBITDA Ratio *(Note 3)*	P/B Ratio *(Note 4)*
Putian Communication Group Limited	1720.HK	RMB932.0 million	8.62	1.67
TIME Interconnect Technology Limited	1729.HK	HK$310.4 million (equivalent to RMB279.6 million)	1.62	0.91
Nanfang Communication Holdings Limited	1617.HK	RMB1,567.2 million	27.85	2.18
Tianjin Futong Xinmao Science & Technology Co., Ltd.	000836.SZ	RMB5,115.0 million	30.40	3.61
Jiangsu Tongguang Electronic Wire & Cable Corp., Ltd.	300265.SZ	RMB4,586.0 million	34.55	3.84
	Maximum		34.55	3.84
	Minimum		1.62	0.91
	Average		20.61	2.44
	Median		27.85	2.18
	Minimum (excluding Putian Communication Group Limited and TIME Interconnect Technology Limited)		27.85	2.18
The Company	1202.HK	N/A	N/A	0.25
Putian Fasten		RMB810.3 million	24.68	1.05

Notes:

1. For the purpose of computing the EV/EBITDA Ratios and the P/B Ratios of the Comparable Companies and the Company, the market capitalisation of the Comparable Companies and the Company were calculated based on the closing share price and the number of issued shares as at 24 July 2020.

2. The enterprise value of the Comparable Companies, the Company and Putian Fasten were computed by their respective equity value (market capitalisation or implied valuation) plus debt and non-controlling interest minus cash and cash equivalents as at their respective latest full financial year end date based on data as extracted from their respective latest published annual report.

3. The EV/EBITDA Ratios of the Comparable Companies and Putian Fasten were calculated by dividing their respective enterprise value with their respective EBITDA for the latest full financial year which was computed based on data as extracted from their respective latest published annual report. The Company recorded a loss before interest, tax, depreciation and amortisation and therefore its EV/EBITDA Ratio is not applicable.

The EV/EBITDA Ratio of Putian Communication Group Limited is calculated based on: (i) the enterprise value of RMB932.0 million; divided by (ii) the EBITDA for the year ended 31 December 2019 of approximately RMB108.2 million. The enterprise value of approximately RMB932.0 million is the sum of (a) the market capitalisation of approximately HK$869.0 million (equivalent to approximately RMB782.9 million) as at 24 July 2020; and (b) bank and other borrowings of approximately RMB223.6 million, less (c) cash and cash equivalents of approximately RMB74.4 million as at 31 December 2019. The EBITDA for the year ended 31 December 2019 of approximately RMB108.2 million is the sum of (1) net profit of approximately RMB66.8 million; (2) finance cost of approximately RMB7.9 million; (3) income tax of approximately RMB16.9 million; and (4) depreciation and amortisation of approximately RMB16.6 million.

The EV/EBITDA Ratio of TIME Interconnect Technology Limited is calculated based on: (i) the enterprise value of HK$310.4 million; divided by (ii) the EBITDA for the year ended 31 March 2020 of approximately HK$191.8 million. The enterprise value of approximately HK$310.4 million is the sum of (a) the market capitalisation of approximately HK$552.0 million as at 24 July 2020; and (b) bank and other borrowings of approximately HK$40.0 million, less (c) cash and cash equivalents of approximately HK$281.6 million as at 31 March 2020. The EBITDA for the year ended 31 March 2020 of approximately HK$191.8 million is the sum of (1) net profit of approximately HK$128.1 million; (2) finance cost of approximately HK$5.0 million; (3) income tax of approximately HK$27.8 million; and (4) depreciation and amortisation of approximately HK$30.9 million.

The EV/EBITDA Ratio of Nanfang Communication Holdings Limited is calculated based on: (i) the enterprise value of RMB1,567.2 million; divided by (ii) the EBITDA for the year ended 31 December 2019 of approximately RMB56.3 million. The enterprise value of approximately RMB1,567.2 million is the sum of (a) the market capitalisation of approximately HK$1,971.2 million (equivalent to approximately RMB1,775.9 million) as at 24 July 2020; and (b) bank and other borrowings of approximately RMB110.0 million, less (c) cash and cash equivalents of approximately RMB318.7 million as at 31 December 2019. The EBITDA for the year ended 31 December 2019 of approximately RMB56.3 million is the sum of (1) net profit of approximately RMB33.9 million; (2) finance cost of approximately RMB10.4 million; (3) income tax of approximately RMB7.9 million; and (4) depreciation and amortisation of approximately RMB4.1 million.

The EV/EBITDA Ratio of Tianjin Futong Xinmao Science & Technology Co., Ltd is calculated based on: (i) the enterprise value of RMB5,115.0 million; divided by (ii) the EBITDA for the year ended 31 December 2019 of approximately RMB168.3 million. The enterprise value of approximately RMB5,115.0 million is the sum of (a) the market capitalisation of approximately RMB4,495.5 million as at 24 July 2020; (b) bank and other borrowings of approximately RMB783.0 million; (c) non-controlling interests of approximately RMB51.8 million, less (d) cash and cash equivalents of approximately RMB215.3 million as at 31 December 2019. The EBITDA for the year ended 31 December 2019 of approximately RMB168.3 million is the sum of (1) net profit of approximately RMB48.2 million; (2) finance cost of approximately RMB39.9 million; (3) income tax of approximately RMB6.4 million; and (4) depreciation and amortisation of approximately RMB73.8 million.

The EV/EBITDA Ratio of Jiangsu Tongguang Electronic Wire & Cable Corp. Ltd. is calculated based on: (i) the enterprise value of RMB4,586.0 million; divided by (ii) the EBITDA for the year ended 31 December 2019 of approximately RMB132.7 million. The enterprise value of approximately RMB4,586.0 million is the sum of (a) the market capitalisation of approximately RMB4,086.9 million as at 24 July 2020; (b) bank and other borrowings of approximately RMB1,013.4 million; (c) non-controlling interests of approximately RMB72.7 million, less (d) cash and cash equivalents of approximately RMB586.9 million as at 31 December 2019. The

EBITDA for the year ended 31 December 2019 of approximately RMB132.7 million is the sum of (1) net profit of approximately RMB33.8 million; (2) finance cost of approximately RMB44.8 million; (3) income tax of approximately RMB10.5 million; and (4) depreciation and amortisation of approximately RMB43.7 million.

4. The P/B Ratios of the Comparable Companies, the Company, and Putian Fasten were calculated by dividing their respective market capitalisation or implied valuation with their respective equity attributable to the parent company as at their respective latest full financial year end date.

5. For the purpose of computing the P/B Ratio and EV/EBITDA Ratio of Putian Fasten, the implied valuation of Putian Fasten was calculated by dividing the minimum consideration of approximately RMB67,614,459.25 by 12.5%.

EV/EBITDA Ratios

As shown in the table above, the EV/EBITDA Ratios of the Comparable Companies range from approximately 1.62 to approximately 34.55, with an average of 20.61 and median of 27.85. The implied EV/EBITDA Ratio of Putian Fasten represented by the minimum consideration of approximately 24.68, was higher than the average but lower than the median of the EV/EBITDA Ratios of the Comparable Companies. We noted that the EV/EBITDA Ratio of TIME Interconnect Technology Limited was significantly lower at approximately 1.62. This can be attributable to its low level of borrowings which produces relatively lower enterprise value as it did not utilise its capacity of debt financing during its latest full financial year. To substantiate the assessment of the fairness and reasonableness of the minimum consideration of the Potential Disposal, we have performed a further analysis to compare the implied EV/EBITDA Ratio of Putian Fasten with that of the Comparable Companies excluding TIME Interconnect Technology Limited. If TIME Interconnect Technology Limited was excluded, the average EV/EBITDA Ratio of the remaining Comparable Companies was approximately 25.35, and was slightly higher than the EV/EBITDA Ratio of Putian Fasten. As the equity of Putian Fasten was not publicly listed, the lack of marketability should discount the value of its equity when compared to the valuation of the shares of the Comparable Companies which are all listed on nationally recognised stock. As such, we consider the minimum consideration in the Potential Disposal, implying an EV/EBITDA Ratio which was in line with the average of that of the Comparable Companies and just slightly below the average of that the Comparable Companies excluding TIME Interconnect Technology Limited, to be fair and reasonable.

P/B Ratios

The P/B Ratios of the Comparable Companies range from approximately 0.91 times to approximately 3.84 times, with an average of approximately 2.44 times and a median of 2.18 times. We noted that the implied P/B Ratio of Putian Fasten represented by the minimum consideration of approximately 1.05 times, was towards the low end of the range of P/B Ratios of the Comparable Companies, lower than the average and median of the P/B Ratios of the Comparable Companies, but higher than the P/B Ratio of the Company. We noted that the P/B Ratio of TIME Interconnect Technology

Limited was lower than the rest of the Comparable Companies at 0.91 times. Such low P/B Ratio is possibly affected by its acquisition of a networking cable business at the relevant time, which was completed in June 2020 and expected to result in a significant decrease in the consolidated net assets of TIME Interconnect Technology Limited according to its circular, while we obtained the share price data on 24 July 2020 and financial statements as at 31 March 2020 for computing the trading multiples for the comparable analysis. If TIME Interconnect Technology Limited was excluded, the average P/B Ratio of the remaining Comparable Companies was approximately 2.83, also higher than the P/B Ratio of Putian Fasten. Despite the fact that the implied P/B Ratio was below the average P/B Ratios of the Comparable Companies and the P/B Ratios of the comparable Companies excluding TIME Interconnect Technology Limited, we consider the minimum consideration fair and reasonable, taking into account that (i) Putian Fasten recorded a net loss of approximately RMB36,536,000 whereas all of the Comparable Companies were profit making during their respective latest full financial year; (ii) the equity of Putian Fasten was not publicly listed and the lack of marketability should discount the value of its equity when compared to the valuation of the shares of the Comparable Companies which are all listed on nationally recognised stock exchanges; and (iii) the P/B Ratio implied in the Potential Disposal is higher than the P/B Ratio of the Company.

5.3 The settlement of the consideration

According to the Board Letter, the consideration of the Potential Disposal will be settled in the following manner:

(a) by a one-off lump sum payment, payable upon the signing of the Definite Agreement; or

(b) by installments, (i) the initial transaction payment, which shall be not less than 30% of the final consideration, to be settled within 5 working days from the effective date of the Definite Agreement; and (ii) the remaining transaction payment, payable within one year from the effective date of the Definite Agreement.

We have reviewed the rules and regulations in respect of the settlement of state-owned equity transactions published by the Equity Exchanges and we noted that the settlement methods as stated in the Board Letter followed such rules and regulations of the Equity Exchanges. We therefore consider that the method of settlement of the consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the above, we are of the view that the consideration of the Potential Disposal, which is in any case not lower than the minimum consideration determined based on the appraised value of the equity interest of Putian Fasten by Valuer, is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

6. Use of proceeds

As stated in the Board Letter, the proceeds from the Potential Disposal will be used for potential business opportunities aimed at promoting the core businesses of the Group, increasing investments in research and development and technological transformation to enhance the competitiveness of businesses, as well as general working capital. Based on the minimum consideration, after deducting the expenses incidental to the transaction, the net proceeds to be received by the Company are expected to be approximately RMB67 million. The Group intends to apply the proceeds in the following manner:

	Total	**Approximate percentage**
	(RMB million)	*%*
Investment in research and development and technological transformation of the optical fiber and locomotive cable business	33.5	50.0
Expansion of existing locomotive cable business	23.5	35.0
General working capital	10.0	15.0
	67.0	100.0

The management of the Group expected that the severe excess supply condition in the optical telecommunication industry is likely to persist in the near future. To counter the intense competition and pricing pressure resulted from such excess supply condition, the management of the Group considers it important to advance the research and development on core optical product lines, including small-diameter and specialised optical fiber production targeting the non-carrier customers which have higher requirements on the performance of the optical fiber products (such as requirements on bending and compressive resistance). Further, the Group intends to develop new locomotive cable products, enhance its locomotive cable products coverage and expand its existing locomotive cable business to capture the increasing business opportunities brought about by the national railway development plan. The Group also aims to strengthen its working capital to support the risk management for the Group amid the global economic uncertainty under the United States-China trade tension and outbreak of COVID-19. Having considered the above, the management of the Group is of the view that the allocation of net proceeds is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Having discussed with the management of the Group its plans on using the sale proceeds, we concur with the Directors that the use of proceeds is fair and reasonable so far as the Independent Shareholders are concerned.

7. Financial effects of the Potential Disposal

7.1 Earnings

According to the 2019 annual report of the Company, for the year ended 31 December 2019, the Group's net loss attributable to the equity holders of the Company amounted to approximately RMB50,135,424.57 and the Company's share of loss from its investment in Putian Fasten amounted to approximately RMB8,220,631.94. Upon the completion of the Potential Disposal, the Company currently expects it would continue to exert significant influence on Putian Fasten and would continue to account for such investment with equity method according to the applicable accounting standard. Upon the completion of the Potential Disposal, the Company's equity interest in Putian Fasten would decrease from 22.5% to 10.0% and therefore its share of loss from its investment in Putian Fasten would decrease by 12.5%.

Based on (i) the minimum consideration of approximately RMB67,614,459.25; and (ii) the unaudited carrying amount of the 12.5% equity interest in Putian Fasten held by the Company of approximately RMB62,428,617.30 as at 30 June 2020, the Group is expected to record a gain before tax of approximately RMB5,185,841.95 (the "**Gain Before Tax**") (subject to adjustment and audit) from completion of the Potential Disposal. The final gain on completion of the Potential Disposal will be determined based on the final consideration for the Potential Disposal, subject to audit by the auditors of the Company.

7.2 Net asset value

According to the 2019 annual report of the Company, as at 31 December 2019, the total net assets of the Group was approximately RMB965,078,790. Upon completion of the Proposed Disposal, it is expected that the net assets of the Group will increase after taking into account the Gain Before Tax. We consider that completion of the Potential Disposal will have an overall improvement on the Group's net assets position.

7.3 Cashflow

According to the 2019 annual report of the Company, as at 31 December 2019, the total cash and bank balance of the Group was approximately RMB459,059,145.36. Upon completion of the Potential Disposal, the Group's cash and bank balance would increase by the amount of net proceeds received, which is determined by the final bidding price but in any case not lower than the minimum consideration of approximately RMB67,614,459.25 less any expenses incidental to the transaction. As set out in the Board Letter, the Company intends to use such proceeds for potential business opportunities aimed at promoting the existing core businesses of the Group, increasing investments in research and development and technological transformation to enhance competitiveness of businesses, as well as general working capital.

7.4 Gearing ratio

According to the 2019 annual report of the Company, as at 31 December 2019, the gearing ratio of the Group, which was derived by total liabilities divided by total assets of the Group, was approximately 14.74%. Upon completion of the Potential Disposal, it is expected that the total assets of the Group will increase after taking into account the expected gain on disposal. As such, assuming the total liabilities of the Group will remain at same level, it is expected that the gearing ratio will decrease slightly.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position or results of the Group will be upon completion of the Potential Disposal. Based on the above analysis, the Potential Disposal would have positive impact on the Group's earnings, net asset value, cashflow, and the gearing ratio. On such basis, we are of the view that the Potential Disposal is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons as stated above, we consider that although the Potential Disposal is not in the ordinary and usual course of business of the Group, the terms of the Potential Disposal are fair and reasonable insofar as the Independent Shareholders are concerned, and the transactions contemplated under the Proposed Mandate is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend that the Independent Board Committee advise the Independent Shareholders, and we recommend that, the Independent Shareholders vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Proposed Mandate and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Frontpage Capital Limited
David Lo
Director

Note: Mr. David Lo is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Frontpage Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance. He has more than 11 years of experience in corporate finance.

CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019 AND SIX MONTHS ENDED 30 JUNE 2020

Financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020 are disclosed in the following documents, which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.cdc.com.cn/) respectively:

- Annual Report 2017 (pages 63 to 178), hyperlink:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804271834.pdf

- Annual Report 2018 (pages 57 to 186), hyperlink:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904262625.pdf

- Annual Report 2019 (pages 66 to 204), hyperlink:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042300716.pdf

- Interim Report 2020 (pages 25 to 228), hyperlink:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0918/2020091801284.pdf

INDEBTEDNESS STATEMENT

(a) Borrowings

At the close of business on 31 July 2020, being the latest date for the purpose of preparing this indebtedness statement prior to the printing of this circular, the Group had an outstanding borrowing of approximately RMB6.63 million (equivalent to EUR799,628.96). The outstanding borrowing is a French government loan made to the Company and is guaranteed by China PUTIAN Corporation.

(b) Pledge of assets

At the close of business on 31 July 2020, the Group did not pledge any asset to banks or other financial institutions.

(c) Contingent liabilities

As at 31 July 2020, the Group had no material contingent liabilities. Apart from as disclosed above and intra-group liabilities, at the close of business on the Latest Practicable Date the Group did not have any debt securities authorised or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, lease obligations, hire purchase commitments, guarantees, or other material contingent liabilities.

WORKING CAPITAL

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

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2019 being the date to which the latest published audited financial statements of the Group was made up.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Since early this year and up to the Latest Practicable Date, the outbreak of novel coronavirus ("**COVID-19**") has been critical to the global economy. Although, many countries such as the PRC has achieved remarkable results in effectively controlling the spread of COVID-19 and that work and production in various cities has been resumed, it has already led to an impact to the Company and has slowed down the progress of the construction work of operator projects and other optical cable projects which resulted in a drop of sales volume together with a decline in unit prices for the Company.

Despite the difficulty in reducing and reversing losses and the uncertainty of the extent of the future impact of COVID-19, the Company will continue to strive to, increase its recognition and trust within customer market and, internally, enhance productivity, product quality, and the cost awareness of employees at all levels, while strengthening technical process improvement, equipment upgrades and transformation, with an aim to overcome difficulties, improve quality and efficiency and complete this year's tasks of budget.

The Group's scope of business includes telecommunication businesses products such as wires and cables, optical fibres and optical cables, and irradiation processing. The Directors confirm that the Group still holds the 10% equity interest in Putian Fasten after the completion of this Potential Disposal. The Directors expect that the business of the Group will remain relatively stable in the current financial year and there will be little impact from the Potential Disposal to the production of the Group as the Group processes a complete production chain and does not overlay rely on any particular member of the Group. Therefore, the Group's production operations will not be interrupted and business will be carried out as usual.

STATEMENT OF ASSET APPRAISER

I. This Asset Valuation Report is prepared in accordance with the Asset Valuation Standards – Basic Standards issued by the Ministry of Finance and professional conduct standards for asset valuation and professional ethics for asset valuation issued by China

II. The Appointer or other users of the Asset Valuation Report shall use the Asset Valuation Report under the scope under the provisions of the laws, administrative rules and regulations and set out in the Asset Valuation Report. Where the Appointer or other users of the Asset Valuation Report are in breach of the above regulations, the valuation agency and its asset appraising professionals would not bear the responsibilities.

III. This Asset Valuation Report shall only be used by the Appointer, other users of the Asset Valuation Report specified in the asset valuation entrustment contract, and users of Asset Valuation Report under the provisions of laws, administrative rules and regulations. Save for the above, any other institutions and individuals shall not be the users of the Asset Valuation Report.

IV. Users of the Asset Valuation Report shall correctly acknowledge the conclusion of valuation, which should not be viewed as the realizable value of the valuation object nor should it be deemed to be a guarantee for the realizable value of the valuation object.

V. Users of the Asset Valuation Report should be aware of the assumptions as the premise of the valuation conclusion, and the special notes and the restrictions on the use of the Asset Valuation Report.

VI. The valuation agency and its asset appraising professionals have complied with the laws, administrative rules and regulations and asset valuation standards on the principles of independence, objectivity and impartiality, and are responsible, under the laws, for the Asset Valuation Report issued by them.

VII. We have no existing or expected relationship of interests with the valuation object set out in the Asset Valuation Report or with the relevant parties, and have no prejudice against the relevant parties.

VIII. The list of assets and liabilities and profit forecasts of the valuation object should be declared by the Appointer and the Appraised Entity and certified by signature, seal or other means permitted by law. According to the Asset Valuation Law of the People's Republic of China: "the Appointer shall be responsible for the truthfulness, completeness and legality of the ownership certificates, financial accounting information and other information provided by it."

IX. We have conducted on-site investigation, and given due consideration to the legal title status of the legal title of the valuation object of this valuation report and the relevant assets and examined the relevant information regarding the legal title of the relevant assets. We have duly disclosed issues that may have a significant impact on the conclusion of the assessment and have requested the Appointer and other relevant parties to perfect the titles for the purpose of issuing the valuation report. However, we only express our opinion on the value of the valuation object and the relevant assets, and we are not entitled to give any form of guarantee on their legal titles. This report is also not to be used as any form of title certificates.

X. Our inspection of physical assets such as equipment and buildings (structures) is limited to their apparent quality, use and maintenance conditions in accordance with common practice, and does not involve the covered, concealed and difficult-to-observe parts of its interior. We do not have the capacity nor have we been commissioned to carry out professional technical test and appraisal of the quality of the interior of these assets. Our valuation is based on information provided by the Appointer and other relevant parties, if the quality of the interior of the valuation object is defective, the valuation conclusion of this Asset Valuation Report may be affected to a different extent.

SUMMARY OF VALUATION

Important Note

This valuation report is for reference purpose in respect of the economic activity illustrated in the valuation report only. The following is extracted from the text of the valuation report. You should read the text of the valuation report if you wish to understand the details of this appraised business and the appraised conclusion correctly.

Upon the engagement, subject to laws, administrative regulations and asset valuation standards, and on the principles of independence, objectivity and impartiality, Shanghai Orient Appraisal Co., Ltd. conducted an appraisal on the valuation subject under the economic activity, based on appropriate valuation approach and necessary valuation process. The summary of the asset valuation results is as follows:

Appointer: (1) Chengdu PUTIAN Telecommunications Cable Company Limited and (2) China Potevio Company Limited

Appraised Entity: Putian Fasten Cable Telecommunication Co. Ltd.

Valuation purpose: Equity transfer

Economic activity: Pursuant to the Reply to Matters Concerning the Transfer of 12.5% State-owned Equity in Putian Fasten Cable Telecommunication Company Limited (Zhong Pu Zi Ben [2020] No. 81) of China PUTIAN Corporation (中國普天信息產業集團有限公司) and the Resolution of the Second Meeting of the Second Board of Directors of Putian Fasten Cable Telecommunication Company Limited (普天法爾勝光通信有限公司), Chengdu PUTIAN Telecommunications Cable Company Limited and China Potevio Company Limited proposed to jointly transfer their 17.5% equity interest in Putian Fasten Cable Telecommunication Co. Ltd.

Valuation subject: the entire shareholders' equity in the Appraised Entity.

Scope of valuation: Total assets and liabilities of the Appraised Entity, specifically including current assets, non-current assets and liabilities. The total carrying value of all assets, liabilities and shareholders' equity declared by the Appraised Entity amounted to RMB1,249,251,315.81, RMB799,008,699.57 and RMB450,242,616.24 respectively. Net profit attributable to the parent company in the consolidated statement amounted to RMB442,952,803.03.

Type of value: market value.

Valuation benchmark date: 31 October 2019

Valuation approaches: the market approach and the asset-based approach are considered, and the valuation conclusion using the asset-based approach is finally selected based on comprehensive analysis of the reasonableness of different valuation methods and the initial valuation conclusion as well as the quantity and quality of information adopted.

Valuation conclusions: After the valuation, the entire shareholders' equity in the Appraised Entity is RMB540,915,674.01, being RENMINBI FIVE HUNDRED FORTY MILLION NINE HUNDRED AND FIFTEEN THOUSAND SIX HUNDRED AND SEVENTY FOUR DOLLARS AND ONE CENT ONLY.

Validity period of the valuation conclusion: the valuation conclusion shall be valid for one year from the valuation benchmark date, i.e. effective to 30 October 2020.

If the valuation project involves state-owned assets, the report should filed with the state-owned assets administration authority in accordance with the relevant regulations and approval process. The report must be filed with the State-owned Assets Supervision and Administration Commission before it can be formally used, and the valuation conclusion applies only to the economic activities shown in this report.

Special matters:

Subsidiary: Jiangsu Fasten Photonics Co. Ltd.

As at the valuation benchmark date, the Appraised Entity entered into the "Maximum Mortgage Contract" (2017 Jiang Yin Zi No. 098) with Jiangyin Sub-branch of Industrial and Commercial Bank of China Limited to create a mortgage over the buildings and land use rights owned by the enterprise. The holder of the mortgage is Jiangyin Sub-branch of Industrial and Commercial Bank of China Limited, and the mortgagee is Jiangsu Fasten Photonics Co. Ltd. and the effective period of the principal debt is from 29 August 2017 to 29 August 2020, and the maximum balance of the borrowings is RMB62,987,700. In accordance with Article 36 of the Guarantee Law of the People's Republic of China: where a property on state-owned land acquired by law is mortgaged, the land use right of the state-owned land within the area occupied by such property is mortgaged at the same time; where a property on state-owned land acquired by way of transfer is mortgaged, the property on such state-owned land at the time of mortgage shall be mortgaged at the same time. As a mortgage has been placed on the land owned by the enterprise, a mortgage has been placed on all buildings and structures owned by the enterprise in this valuation. It is understood that the enterprise is currently in normal operation and makes normal repayment according to the contract. There has been no breach of contract, and subsequent repayments will be made on schedule, and the mortgage does not have a significant impact on the enterprise's operation. Therefore, the possible impact of the mortgage on the valuation of the property was not taken into account in this valuation.

Subsidiary: Jiangsu Fasten Optical Cable Co., Ltd.

As at the valuation benchmark date, the area of the North Gatehouse included in the scope of the valuation is 20.00 square meters and no certificate had been applied for because the gatehouse is relatively small and it is not the main production room of the enterprise, so the enterprise has not applied for a certificate of real property ownership for it; the enterprise has provided information such as the construction contract, payment receipts and invoices of the above-mentioned property, as well as an explanation of the non-application of the certificate, etc. as evidence that the building is owned by the enterprise and there is no dispute over ownership. The area of the building is confirmed according to the relevant information provided by the enterprise and combined with the information obtained from on-site investigation and simple survey, and if the conditions for certificate issuance to be met in the future and the area recorded in the certificate does not match the declared area, the appraised value of the building would be adjusted accordingly. Given that the property is not the main production plant of the enterprise, the failure to obtain the certificate has no impact on the operation of the enterprise. Therefore, the possible impact of the uncertified area on the valuation of the property was not taken into account in this valuation.

As at the valuation benchmark date, the Appraised Entity entered into the "Maximum Mortgage Contract" (2017 Jiang Yin Zi No. 098) with Jiangyin Sub-branch of Industrial and Commercial Bank of China Limited to create a mortgage over the buildings and land use rights owned by the enterprise. The holder of the mortgage is Jiangyin Sub-branch of Industrial and Commercial Bank of China Limited, and the mortgagee is Jiangsu Fasten Optical Cable Co., Ltd. and the effective period of the principal debt is from 29 August 2017 to 29 August 2020, and the maximum balance of the borrowings is RMB62,987,700. In accordance with Article 36 of the Guarantee Law of the People's Republic of China: where a property on state-owned land acquired by law is mortgaged, the land use right of the state-owned land within the area occupied by such property is mortgaged at the same time; where a property on state-owned land acquired by way of transfer is mortgaged, the property on such state-owned land at the time of mortgage shall be mortgaged at the same time. As a mortgage has been placed on the land owned by the enterprise, a mortgage has been placed on all buildings and structures owned by the enterprise in this valuation. It is understood that the enterprise is currently in normal operation and makes normal repayment according to the contract. There has been no breach of contract, and subsequent repayments will be made on schedule, and the mortgage does not have a significant impact on the enterprise's operation. Therefore, the possible impact of the mortgage on the valuation of the property was not taken into account in this valuation.

The abovementioned special matters may have an impact on the conclusion of the valuation, to which users of the valuation report should pay due attention when implementing the economic activity. In addition, users of the valuation report should also pay attention to the impact of the valuation assumptions set out in the main text of the valuation report and the impact of significant events after the period on the conclusion of the valuation, and make appropriate use of this valuation report.

IN RESPECT OF THE ENTIRE SHAREHOLDER'S INTEREST OF PUTIAN FASTEN CABLE TELECOMMUNICATION COMPANY LIMITED IN RELATION TO THE PROPOSED TRANSFER OF THE 17.5% EQUITY INTEREST OF CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED AND CHINA POTEVIO COMPANY LIMITED

ASSET VALUATION REPORT
DONG ZHOU PING BAO ZI [2019] NO. 1486
TEXT

To: Chengdu PUTIAN Telecommunications Cable Company Limited and China Potevio Company Limited:

In accordance with your engagement, we, Shanghai Orient Appraisal Co., Ltd., have appraised the market value of all equity interest in Putian Fasten Cable Telecommunication Co. Ltd. held by Chengdu PUTIAN Telecommunications Cable Company Limited and China Potevio Company Limited (中國普天信息產業股份有限公司) involved in the proposed transfer of equity interest in Putian Fasten Cable Telecommunication Co. Ltd. as at 31 October 2019, by way of considering the market approach and asset-based approach and carrying out necessary valuation procedures in accordance with the laws, administrative regulations and asset valuation standards while sticking to the principles of independence, objectiveness and fairness. We report the details of the asset valuation as follows:

I. THE APPOINTERS, APPRAISED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT

(I) Overview of the Appointer (the "Appointers")

Company Name:	China Potevio Company Limited
Unified social credit code:	91110000710931555N
Company Address:	No. 2, Shangdi Second Street, Zhongguancun Science Park, Haidian District, Beijing
Legal representative:	Lyu Weiping
Registered capital:	RMB1,903.05 million only
Nature of company:	Other joint stock limited company (non-listed)

Scope of business:	Information services of category II value-added telecommunications services (excluding fixed line telephone information services and internet information services, with an expiry date on 20 January 2020); technology development, production, sales and service of telecommunication systems and terminals, network communication equipment and terminals, broadcast and television systems and terminals, computers and software, system integration, optical cables, special postal equipment and related supporting components; contracting and bidding agent for domestic and foreign projects; contracting, project planning, design, and supervision of work; production, sales and maintenance of electromechanical products, mechanical equipment, instruments and accessories; sales of professional operating vehicles; industrial investment; technology transfer, consulting, services; import and export business. (The enterprise shall select and commence business and operation at its discretion in accordance with the law; approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws; it is not allowed to engage in business classified as prohibited or restricted business by industrial policies of the city where it is located.)
Company Name:	Chengdu PUTIAN Telecommunications Cable Company Limited
Unified social credit code:	9151010020193968XY
Company Address:	No. 18, Xinhang Road, the West Park of Hitech Development Zone, Chengdu, Sichuan Province, the PRC
Legal representative:	Wu Changlin
Registered capital:	RMB400 million only
Nature of company:	Joint stock limited company (Sino-foreign joint venture, listed)
Stock code:	HK01202

Scope of business:	Technological research and development, product manufacturing, sales and services of wires and cables, optical fibers and optical cables, specialized materials used for cables, irradiation processing, cable accessories, specialized facilities and equipment and the equipment and facilities for various information industry products (excluding products restricted and prohibited by the State); electrical technology development, transfer, consulting and related ancillary services; design and installation: city and road lighting engineering, building decoration and decoration engineering, fire protection facilities engineering, mechanical and electrical equipment installation engineering, residential building weak electricity system engineering, computer network engineering, communication engineering and equipment (except for the installation, repair, testing of electrical facilities); wholesale and retail: communication equipment (excluding radio transmitters), lighting equipment, electrical equipment, instrumentation, electronic measuring instruments, electronic components, transmission and distribution and control equipment, hardware products and electronic products, plastic products, mineral products, building materials and chemical products (except dangerous chemical products and precursor chemicals), groceries; commission agents (excluding auctions) Import and export of self-operated commodities and their similar products; own real estate, machinery equipment leasing, property management. (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws)

(II) Overview of the Appraised Entity

Company Name:	Putian Fasten Cable Telecommunication Co. Ltd. (“**Appraised Entity**” or “**the Company**”)
Unified social credit code:	91320281053497313F
Nature of company:	Limited liability company
Business Establishment:	No. 165 Chengjiangzhonglu, Jiangyin City, Jiangsu Province
Legal representative:	Zhou Zhenhua
Registered capital:	RMB500 million only
Date of establishment:	10 September 2012

Business Period:	10 September 2012 to 9 September 2062
Scope of business:	production, sale and installation of communication optical fibers, optical cables and related products; general cargo transportation; import and export of all kinds of goods and technologies either own-manufactured or as agent, with the exception of those restricted or forbidden by the state on enterprises. (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws)

1. Company History and Shareholder Structure

(1) Incorporation and initial capital contribution

Putian Fasten Cable Telecommunication Co. Ltd. was established on 10 September 2012 with a registered capital of RMB500 million, and is formed by way of joint investment of China Potevio Company Limited (中國普天信息產業股份有限公司), Chengdu PUTIAN Telecommunications Cable Company Limited, Jiangsu Fasten Hongsheng Group Co., Ltd., and Jiangsu Fasten Company Limited. According to the Articles of Association, the shareholders' capital contribution was paid up in two installments with a first installment of RMB100 million, the shareholder structure and shareholding proportion after the first installment of capital contribution are as follows:

No.	**Name of shareholder**	**Capital contribution committed** *(RMB in ten thousand)*	**Capital contribution paid** *(RMB in ten thousand)*	**Proportion of contribution** *(%)*
1	China Potevio Company Limited (中國普天信息產業股份有限公司)	2,500.00	500.00	5.00
2	Chengdu PUTIAN Telecommunications Cable Company Limited	22,500.00	4,500.00	45.00
3	Jiangsu Fasten Hongsheng Group Co., Ltd.	15,500.00	3,100.00	31.00
4	Jiangsu Fasten Company Limited	9,500.00	1,900.00	19.00
	Total	50,000.00	10,000.00	100.00

The above-mentioned capital contribution has been verified by Jiangyin Jiyang Certified Public Accountants Co., Ltd. and Capital Verification Report "Jihuiyanzi [2012] No.38" was issued.

(2) First change in shareholding

In December 2012, pursuant to Amendments (I) and (II) to the Articles of Association and the Supplemental Agreement on the Integration of Assets of Optical Communications (《關於光通信資產整合的補充協議》), the original capital contributor, Jiangsu Fasten Hongsheng Group Co., Ltd., is changed into Jiangyin Enterprise Technology Investments Co. Ltd. (江陰創業科技投資有限公司) and Fasten Group Co. Ltd. (法爾勝集團有限公司), in which Jiangyin Enterprise Technology Investments Co. Ltd. (江陰創業科技投資有限公司) made a capital contribution of RMB31 million by way of cash and held 6.2% equity interest, while Fasten Group Co. Ltd. (法爾勝集團有限公司) contributed RMB124 million by way of its 82.00% equity interest in Jiangsu Fasten Photonics Co. Ltd., and held 24.8% equity interest. After this change of shareholding, the shareholder structure and shareholding proportion of Putian Fasten Cable Telecommunication Co. Ltd. are as follows:

No.	Name of shareholder	Capital contribution committed	Capital contribution paid	Proportion of contribution
		(RMB in ten thousand)	*(RMB in ten thousand)*	*(%)*
1	China Potevio Company Limited (中國普天信息產業股份有限公司)	2,500.00	500.00	5.00
2	Chengdu PUTIAN Telecommunications Cable Company Limited	22,500.00	4,500.00	45.00
3	Fasten Group Co. Ltd. (法爾勝集團有限公司)	12,400.00	0.00	24.80
4	Jiangsu Fasten Company Limited	9,500.00	1,900.00	19.00
5	Jiangyin Enterprise Technology Investments Co. Ltd. (江陰創業科技投資有限公司)	3,100.00	3,100.00	6.20
	Total	50,000.00	10,000.00	100.00

(3) First capital contribution of the second installment

In December 2012, pursuant to Amendment I to the Articles of Association of the company, the paid-in registered capital of the company was increased from RMB100 million to RMB196 million, for the additional capital contribution of RMB96 million, RMB20 million was contributed by China Potevio Company Limited(中國普天信息產

業股份有限公司) and RMB76 million was contributed by Jiangsu Fasten Company Limited. After this capital increase, the shareholder structure and shareholding proportion of Putian Fasten Cable Telecommunication Co. Ltd. are as follows:

No.	Name of shareholder	Capital contribution committed *(RMB in ten thousand)*	Capital contribution paid *(RMB in ten thousand)*	Proportion of contribution *(%)*
1	China Potevio Company Limited (中國普天信息產業股份有限公司)	2,500.00	2,500.00	5.00
2	Chengdu PUTIAN Telecommunications Cable Company Limited	22,500.00	4,500.00	45.00
3	Fasten Group Co. Ltd. (法爾勝集團有限公司)	12,400.00	0.00	24.80
4	Jiangsu Fasten Company Limited	9,500.00	9,500.00	19.00
5	Jiangyin Enterprise Technology Investments Co. Ltd. (江陰創業科技投資有限公司)	3,100.00	3,100.00	6.20
	Total	50,000.00	19,600.00	100.00

The above-mentioned capital contribution has been verified by Jiangyin Jiyang Certified Public Accountants Co., Ltd. and Capital Verification Report "Jihuiyanzi [2012] No.58" was issued.

(4) Second capital contribution of the second installment

In February 2013, pursuant to Amendment III to the Articles of Association of the company, the paid-up registered capital of the company was increased from RMB196 million to RMB320 million, and the additional capital contribution of RMB124 million was contributed by Fasten Group Co. Ltd.(法爾勝集團有限公司) by way of equity contribution. After this capital increase, the shareholder structure and shareholding proportion of Putian Fasten Cable Telecommunication Co. Ltd. are as follows:

No.	Name of shareholder	Capital contribution committed *(RMB in ten thousand)*	Capital contribution paid *(RMB in ten thousand)*	Proportion of contribution *(%)*
1	China Potevio Company Limited (中國普天信息產業股份有限公司)	2,500.00	2,500.00	5.00
2	Chengdu PUTIAN Telecommunications Cable Company Limited	22,500.00	4,500.00	45.00
3	Fasten Group Co. Ltd. (法爾勝集團有限公司)	12,400.00	12,400.00	24.80
4	Jiangsu Fasten Company Limited	9,500.00	9,500.00	19.00
5	Jiangyin Enterprise Technology Investments Co. Ltd. (江陰創業科技投資有限公司)	3,100.00	3,100.00	6.20
	Total	50,000.00	32,000.00	100.00

The above-mentioned capital contribution has been verified by Jiangyin Jiyang Certified Public Accountants Co., Ltd. and Capital Verification Report "Ji Hui Yan Zi [2013] No.5) was issued.

(5) Third capital contribution of the second installment

In June 2013, pursuant to Amendment IV to the Articles of Association of the company, the paid-in registered capital of the company was increased from RMB320 million to RMB410 million and the additional capital contribution of RMB90 million is made by Chengdu PUTIAN Telecommunications Cable Company Limited by way of cash. After this capital increase, the shareholder structure and shareholding proportion of Putian Fasten Cable Telecommunication Co. Ltd. are as follows:

No.	**Name of shareholder**	**Capital contribution committed** *(RMB in ten thousand)*	**Capital contribution paid** *(RMB in ten thousand)*	**Proportion of contribution** *(%)*
1	China Potevio Company Limited (中國普天信息產業股份有限公司)	2,500.00	2,500.00	5.00
2	Chengdu PUTIAN Telecommunications Cable Company Limited	22,500.00	13,500.00	45.00
3	Fasten Group Co. Ltd. (法爾勝集團有限公司)	12,400.00	12,400.00	24.80
4	Jiangsu Fasten Company Limited	9,500.00	9,500.00	19.00
5	Jiangyin Enterprise Technology Investments Co. Ltd. (江陰創業科技投資有限公司)	3,100.00	3,100.00	6.20
	Total	50,000.00	41,000.00	100.00

The above-mentioned capital contribution has been verified by Jiangyin Jiyang Certified Public Accountants Co., Ltd. and Capital Verification Report "Ji Hui Yan Zi [2013] No.26" was issued.

(6) Fourth capital contribution of the second installment

In December 2013, pursuant to Amendments V and VI to the Articles of Association of the company, the paid-in registered capital of the company was increased from RMB410 million to RMB500 million and the additional capital contribution of RMB90 million is made by Chengdu PUTIAN Telecommunications Cable Company

Limited by way of cash. After this capital increase, the shareholder structure and shareholding proportion of Putian Fasten Cable Telecommunication Co. Ltd. are as follows:

No.	Name of shareholder	Capital contribution committed *(RMB in ten thousand)*	Capital contribution paid *(RMB in ten thousand)*	Proportion of contribution *(%)*
1	China Potevio Company Limited (中國普天信息產業股份有限公司)	2,500.00	2,500.00	5.00
2	Chengdu PUTIAN Telecommunications Cable Company Limited	22,500.00	22,500.00	45.00
3	Fasten Group Co. Ltd. (法爾勝集團有限公司)	12,400.00	12,400.00	24.80
4	Jiangsu Fasten Company Limited	9,500.00	9,500.00	19.00
5	Jiangyin Enterprise Technology Investments Co. Ltd. (江陰創業科技投資有限公司)	3,100.00	3,100.00	6.20
	Total	50,000.00	50,000.00	100.00

The above-mentioned capital contribution has been verified by Jiangyin Jiyang Certified Public Accountants Co., Ltd. and Capital Verification Report "Ji Hui Yan Zi [2013] No.62" was issued.

(7) Second change in shareholding

In February 2017, pursuant to Amendment VII to the Articles of Association of the company, Chengdu Putian Telecommunications Cable Company Limited transferred its 22.5% equity interest to Fasten Group Co. Ltd.(法爾勝集團有限公司). After this change in shareholding, the shareholder structure and shareholding proportion of Putian Fasten Cable Telecommunication Co. Ltd. are as follows:

No.	Name of shareholder	Capital contribution committed *(RMB in ten thousand)*	Capital contribution paid *(RMB in ten thousand)*	Proportion of contribution *(%)*
1	China Potevio Company Limited (中國普天信息產業股份有限公司)	2,500.00	2,500.00	5.00
2	Chengdu PUTIAN Telecommunications Cable Company Limited	11,250.00	11,250.00	22.50
3	Fasten Group Co. Ltd. (法爾勝集團有限公司)	23,650.00	23,650.00	47.30
4	Jiangsu Fasten Company Limited	9,500.00	9,500.00	19.00
5	Jiangyin Enterprise Technology Investments Co. Ltd. (江陰創業科技投資有限公司)	3,100.00	3,100.00	6.20
	Total	50,000.00	50,000.00	100.00

(8) Third change in shareholding

In July 2018, pursuant to Amendment VIII to the Articles of Association of the company, Jiangyin Enterprise Technology Investments Co. Ltd.(江陰創業科技投資有限公司) transferred its 6.2% equity interest to Jiangsu Fasten Cable Telecommunication

Co., Ltd. (江蘇法爾勝光通信科技有限公司). After this change in shareholding, the shareholder structure and shareholding proportion of Putian Fasten Cable Telecommunication Co. Ltd. are as follows:

No.	**Name of shareholder**	**Capital contribution committed** *(RMB in ten thousand)*	**Capital contribution paid** *(RMB in ten thousand)*	**Proportion of contribution** *(%)*
1	China Potevio Company Limited (中國普天信息產業股份有限公司)	2,500.00	2,500.00	5.00
2	Chengdu PUTIAN Telecommunications Cable Company Limited	11,250.00	11,250.00	22.50
3	Fasten Group Co. Ltd. (法爾勝集團有限公司)	23,650.00	23,650.00	47.30
4	Jiangsu Fasten Company Limited	9,500.00	9,500.00	19.00
5	Jiangsu Fasten Cable Telecommunication Co., Ltd. (江蘇法爾勝光通信科技有限公司)	3,100.00	3,100.00	6.20
	Total	50,000.00	50,000.00	100.00

(9) Fourth change in shareholding

In August 2018, pursuant to Amendment IX to the Articles of Association of the company, Fasten Group Co. Ltd.(法爾勝集團有限公司) transferred its 19% equity interest to Jiangsu Fasten Cable Telecommunication Co., Ltd. (江蘇法爾勝光通信科技

有限公司). After this change of shareholding, the shareholder structure and shareholding proportion of Putian Fasten Cable Telecommunication Co. Ltd. are as follows:

No.	Name of shareholder	Capital contribution committed *(RMB in ten thousand)*	Capital contribution paid *(RMB in ten thousand)*	Proportion of contribution *(%)*
1	China Potevio Company Limited (中國普天信息產業股份有限公司)	2,500.00	2,500.00	5.00
2	Chengdu PUTIAN Telecommunications Cable Company Limited	11,250.00	11,250.00	22.50
3	Fasten Group Co. Ltd. (法爾勝集團有限公司)	14,150.00	14,150.00	28.30
4	Jiangsu Fasten Company Limited	9,500.00	9,500.00	19.00
5	Jiangsu Fasten Cable Telecommunication Co., Ltd. (江蘇法爾勝光通信科技有限公司)	12,600.00	12,600.00	25.20
	Total	50,000.00	50,000.00	100.00

After the completion of this change, the shareholding structure of Putian Fasten Cable Telecommunication Co. Ltd. remained unchanged until the valuation benchmark date.

2. Company profile (business management structure, main product or service use, business model, industry position, etc.)

Putian Fasten Cable Telecommunication Co. Ltd. is a privately-owned enterprise integrating research and development, production and sales of optical fiber preforms, optical fibers and optical cables, specialty optical fibers and cables, with an annual production capacity of 15 million core kilometers. Its products are mainly used in core areas of the communication field, metropolitan area network, access network, television broadcast, power, railway, national defense and oil pipeline signaling systems, and its major customers are telecom operators in China.

The company has invested in the setup of production bases in Jiangyin in Jiangsu, Houma in Shanxi and Chengdu in Sichuan. The company is principally engaged in the sales of products, and its three wholly-owned subsidiaries, Jiangsu Fasten Photonics Co. Ltd., Jiangsu Fasten Optical Cable Co., Ltd. and Houma Putian Optical Cable Co., Ltd. (侯馬普天光通信有限公司) are responsible for product manufacturing. The Chengdu branch of Putian Fasten Cable Telecommunication Co. Ltd., which is part of the company's Chengdu base, has ceased production and is in the process of liquidation. Currently, the operational office premise of the company's headquarters is provided free of charge by its wholly-owned subsidiary, Jiangsu Fasten Optical Cable Co., Ltd.

Putian Fasten Cable Telecommunication Co. Ltd. operates a general managerial system under the leadership of the Board of Directors, and its corporate departments include: production department, fuel department, quality inspection department, safety and environment department, finance department, general office, etc.

As of 31 October 2019, the valuation benchmark date, the company had a total of 4 management personnel. The business model of the enterprise is as follows:

(1) Main products of the enterprise

Putian Fasten Cable Telecommunication Co. Ltd. and its subsidiaries are mainly engaged in the research and development, production and sales of optical fiber preforms, optical fibers and optical cables. The company's products are widely used by China Mobile, China Unicom, China Telecom and other telecommunication operators, as well as in communication trunk line and local area networks, access networks and power, railway, petroleum, national defense and other fields.

Details of the company's specific operating (business) model is described below:

① Research and development model

The company has established a technology innovation committee to coordinate the overall planning and management of technology innovation work, including the formulation of medium and long-term strategy of the company's technological development and annual technology innovation goals, the development of new processes and equipment oriented to market needs, and TQM activities for general junior employees. Innovation projects are under the centralized management of the science and technology management section, and are divided into three stages: project planning, project evaluation and signing of task letters. Once approved and released, the project can be implemented and a project file can be created for tracking and management. The company will reward project team members according to the level of achievement for projects that have passed the inspection, and continuously strengthen the intellectual property rights and standardization work. Through the all-round innovation work, the company fully recognizes that high-quality talents are the fundamental guarantee for technological innovation, and has established a professional channel to closely link the remuneration, promotion and relegation of professional technicians with their performance assessment.

② Purchasing model

Putian Fasten's current purchasing model: Tender with standardized pricing is adopted for generic materials of three optic cable bases with annual purchase amount of over RMB1 million, other petty sum of materials are mainly freely purchased by the base and supplemented by relevant information by the headquarters.

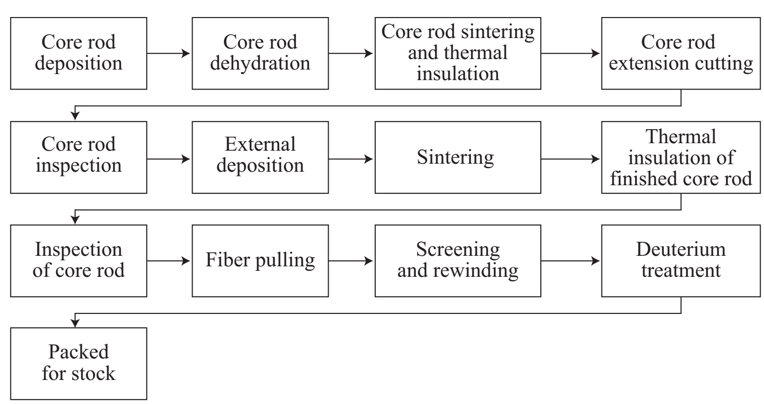
③ Production model

At present, the company and its subsidiaries have formed a comprehensive industrial chain of optical cable products with the following production and processing processes:

A. Optical fibers

The main raw material for optical fiber is optical fiber preforms. In addition to Jiangsu Fasten Photonics Co., Ltd., which is partly self-manufactured, the upstream customers are mainly optical fiber preforms manufacturers such as Shin-Etsu of Japan, while the downstream customers are domestic optical cable manufacturers, which are relatively scattered.

The optic fiber production process is shown in the following diagram:



In respect of production technology of optical fiber preform, the company has developed the production technology and complete equipment of AFHD SOOT optical fiber preform based on the existing MCVD+OVD preform technology. Mother rod produced is able to produce optical fiber with a length of nearly 3,000 km. The performance of our products is relatively stable.

B. Optical cable

The main raw material for optical cable is optical fiber, which is basically produced and supplied by Jiangsu Fasten Photonics Co., Ltd., and its customers are mainly users from China Mobile, China Unicom, China Telecom, as well as domestic broadcasting, private networks.

④ Sales model

A. Operator's Customers

Major customers include China Mobile, China Telecom, China Unicom, China Tower and other operators.

Group tendering model: Each group company is invited to bid for procurement centrally each year. After winning the tender, the supply provinces and quantities are determined based on the ranking of the successful bidders, and an annual supply framework agreement will be signed between the Group and the target supply provinces, under which the supply is carried out on a yearly basis. Accordingly, the company set up an office in Beijing. The office is responsible for the annual tendering process, coordination and communication with various operators, and has set up offices in each province and city (a combination of stationing and travelling) to provide pre-sales, sales and after-sales services to the operators in each province.

B. Industrial and private network customers

The company's products are mainly targeted at customers in the radio and television network, petroleum industry, petrochemical industry and so on.

Adopt group admission system: such as CNPC and Sinopec. Access is granted after the annual group audit and quotation. The company supply goods to the Group's oilfields and companies during the year. Specialized personnel are in place to be responsible for CNPC and Sinopec group tenders, and the Beijing office assists in daily maintenance. The GFG network adopted annual tender of each provincial company to select the supply city. Each provincial and municipal office is responsible for pre-sales, sales and after-sales services.

⑤ Settlement Model

A. The payment settlement model of Jiangsu Fasten Photonics Co. Ltd.:

Purchasing: domestic raw materials are paid within two months after inspection and acceptance, and international raw materials are settled by three-month L/C; Sales: according to the contract.

B. The payment settlement model of Optic Cable Base (Jiangsu Fasten Optical Cable Co., Ltd., Putian Fasten Cable Telecommunication Co. Ltd. and Houma Putian Optical Cable Co., Ltd. (侯馬普天光通信有限公司)):

Purchasing: Payment within three months after delivery of domestic raw materials.

Sales: Domestic sales are settled according to the contract.

⑥ Internal Management System

In August 2018, the company promulgated the implementation of the "Fasten Award Optical Systems, Methods and Processes Compendium" (《法爾勝獎光科制度、辦法、流程彙編》), which covers a total of 87 management systems and workflows for personnel administration, financial management, technology management, equipment management, procurement management, sales and commerce, safety and environmental protection, etc., to provide support for the company's production operations.

⑦ Manpower situation

At present, Putian Fasten Cable Telecommunication Co. Ltd. and its subsidiaries have a total of 651 employees, including 320 production and sales personnel, 142 administrative personnel, 149 employees with bachelor's degree or above, 206 employees with college diploma; 234 employees with junior college/vocational high school education; 23 employees with high-rank titles, 46 employees with middle-rank titles, and 42 employees with primary-rank titles.

(2) Major asset allocation and production capacity

The company has a relatively complete industrial chain in the optical communication industry, and owns its propriety intellectual property in the production of optical rods and equipment research and development. At present, the company"s headquarter is investment-managed and its main assets are subordinated to its wholly-owned subsidiaries, namely, Jiangsu Fasten Photonics Co. Ltd. and Jiangsu Fasten

Optical Cable Co., Ltd. The two wholly-owned subsidiaries have annual production capacity of 100 tons of optical rods, 7 million cores of optical fibers and 15 million cores of optical cables.

(3) *Major competitive advantages and disadvantages in the industry*

① competitive advantages

Jiangsu Fasten Photonics Co. Ltd. began operating in full scale in 2001 with main products of optical fiber preforms, communication optical fibers and specialty optical fibers, and is a major partner of the three major operators in China.

Jiangsu Fasten Optical Cable Co., Ltd. began operating in full scale in 2003, mainly engaged in the research and development and production of various indoor and outdoor optical cables for communications. The company has a team of highly qualified and energetic personnel with advanced management concepts. It can produce various types of stranded cables, central tube optical cables, ADSS (all dielectric self-supporting) cables, ribbon optical cables, butterfly drop cables, photoelectric compound cables, blowing microduct cables and other communication optic cables and indoor optic cables.

Houma Putian Optical Cable Co., Ltd. (侯馬普天光通信有限公司) is officially listed for operation in December 2013, with an annual production capacity of 3 million core-km of optical cables. The main structure types are loose tube stranded type, skeleton type and central-tubed type; for protection layers, there are aluminum-PE, steel-PE, steep tape armoured sheathing, and steep wire sheathing, which are suitable for aerial, duct, direct burial and underwater installation and meet the requirements of flame retardant, ant and rodent bite resistant, lightning and strong electricity protection.

The Chengdu branch of Putian Fasten Cable Telecommunication Co. Ltd. began production in December 2012, and was mainly engaged in production of various types of stranded cables, central tube optical cable, ADSS (all dielectric self-supporting) cables, ribbon optical cables, butterfly drop cables and other communication optic cables and various indoor optic cables. Due to fierce market competition and various factors, the company was now cancelled.

② Industry barriers

The main industry barriers the company faces are core technology barriers. The technical barrier for optical fiber production is the production and preparation of optical fiber preforms. The performance of optical fiber mainly depends on the design and manufacturing of core rods. The company possesses the capability to produce optical fiber preforms. In recent years, some Chinese enterprises have mastered some technologies through cooperation with foreign enterprises, bringing certain impact to the industry.

③ Market disadvantages

The optical communication industry is facing low-cost product competition and monopoly of high-end products and raw materials by foreign enterprises, and the economies of scale effect is not obvious. Although it owns propriety intellectual property and core technologies of optical fiber preforms, its products are relatively high-end and have certain competitive advantages, and its main competitors include Yangtze Optical Fiber and Cable Joint Stock Limited Company in Wuhan, FiberHome Technologies Group Ltd., Jiangsu Hengtong Optic-Electric Company Limited, Futong Group Co., Ltd. (富通集團有限公司), Jiangsu Zhongtian Technology Co., Ltd.(江蘇中天科技股份有限公司), etc. In terms of market share, the company does not enter the top 10. 90% of the market share are monopolized by the top companies and there is certain market competition risk. At present, industry supply is still greater than demand, and there is no rebound in the short term. 5G demand will take five to seven years to release, and the time for rapid volume realization has yet to come, and the downturn will continue. How to win quality customers and safely transition to the upswing phase of the industry is the near-term development plan.

(4) Development Plan

At present, the enterprise overall facing industry supply is still greater than demand, and there is no rebound in the short term, 5G demand has a release process, need 5 to 7 years, and now has not yet reached a rapid quantitative realization of the process, the downturn will continue. Operator tender price dropped to RMB30/core-km. According to industry research, the fiber production costs of mainstream optic fiber and cable production enterprises range between RMB30-40/core-km. Therefore, it is the company's near-term development plan to reduce cost and raise efficiency, open up new sources of income, reduce expenditure and win quality customers to safely transition to the upswing phase of the industry.

3. Assets, liabilities and financial position of the company

(1) As of the valuation benchmark date, the total assets, total liabilities and shareholders' equity of the parent company are approximately RMB1,249,251,300, RMB799,008,700 and RMB450,242,600 respectively. The assets, liabilities and financial position of the company in recent years are as follows:

Assets, liabilities and financial position of the parent company

Unit: RMB'0,000

Item	31 December 2017	31 December 2018	31 October 2019
Total assets	91,432.45	110,658.40	124,925.13
Total liabilities	43,332.02	62,446.94	79,900.87
Shareholders' equity (net assets)	48,110.43	48,211.46	45,024.26

Item	2017	2018	January-October 2019
Operating revenue	66,812.53	62,417.12	35,959.51
Total profit	222.39	101.03	(3,187.20)
Net profit	222.39	101.03	(3,187.20)

(2) Consolidated statement of assets, liabilities and financial position:

Consolidated assets, liabilities and financial position

Unit: RMB'0,000

Item	31 December 2017	31 December 2018	31 October 2019
Total assets	122,138.81	151,843.41	158,107.48
Total liabilities	70,854.99	100,521.59	113,812.20
Shareholders' equity (net assets)	51,283.83	51,321.82	44,295.28
Equity attributable to owners of the parent company	51,283.83	51,321.82	44,295.28

Item	2017	2018	January-October 2019
Operating revenue	101,339.90	81,232.57	50,879.47
Total profit	4,338.81	42.02	(7,062.60)
Net profit	3,874.29	37.99	(7,026.54)
Net profit attributable to shareholders of the parent company	3,874.29	37.99	(7,026.54)

The information for 2017, 2018 and as of the valuation benchmark date is extracted from this special audit report (Tian Zhi Ye Zi [2020] No. 34250) issued by Baker Tilly China Certified Public Accountants LLP (天職國際會計師事務所(特殊普通合夥)).

The company implements corporate accounting standards. The value-added tax (VAT) rate is 13%, the urban construction tax, education surcharge and local education surcharge are 5%, 3% and 2% of the transfer tax, respectively, and the income tax rate is 25%.

4. Equity investment

As of the valuation benchmark date, Putian Fasten Cable Telecommunication Co. Ltd. had a total of three external equity investments, the breakdown of which are as follows:

Name of investee	Type of company	Place of register	Registered Capital (RMB in ten thousand)	Percentage of shareholding (%)	Proportion of voting rights (%)
Jiangsu Fasten Photonics Co. Ltd.	Limited liability company	Jiangyin City, Jiangsu Province	23,380.00	100.00	100.00
Jiangsu Fasten Optical Cable Co., Ltd.	Limited liability company	Jiangyin City, Jiangsu Province	11,058.61	100.00	100.00
Houma Putian Optical Cable Co., Ltd. (侯馬普天光通信有限公司)	Limited liability company	Houma City, Shanxi Province	6,000.00	100.00	100.00

(I) Basic information of Jiangsu Fasten Photonics Co. Ltd., a wholly-owned subsidiary, are as follows:

Name: Jiangsu Fasten Photonics Co. Ltd.

Unified social credit code: 913202817168349598

Type: Limited liability company (legal person sole investment)

Address: 1 Wen Hua Dong Lu, Jiangyin

Legal Representative: Zhou Zhenhua

Registered Capital: RMB233.80 million only

Date of establishment: 26 November 1999

Business Period: 26 November 1999 to 25 November 2039

Scope of business: Production of optical fibers, optical fiber preforms and optical fiber apparatus; import and export of all kinds of goods and technologies either own-manufactured or as agent, with the exception of those restricted or forbidden by the state on enterprises. (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws)

1. Shareholding structure of the company and changes

(1) Incorporation and initial capital contribution

Jiangsu Fasten Photonics Co. Ltd. was established on 26 November 1999 with a registered capital of US$17.14 million, and was invested and established jointly by Jiangsu Fasten Company Limited and Australia Redfern Photonics Pty Ltd. Among which, Jiangsu Fasten Company Limited contributed US$11,998,000 and held 70%; Australia Redfern Photonics Pty Ltd contributed US$5,142,000 and held 30%. The shareholder structure and shareholding proportion after the first installment of capital contribution are as follows:

No.	Name of shareholder	Capital contribution Committed (RMB ten thousand)	Capital contribution paid (RMB ten thousand)	Proportion of contribution (%)
1	Jiangsu Fasten Company Limited	1,199.80	1,199.80	70.00
2	Australia Redfern Photonics Pty Ltd	514.20	514.20	30.00
	Total	1,714.00	1,714.00	100.00

The above-mentioned capital contribution has been verified by Wuxi Yixiu Certified Public Accountants Co., Ltd. (無錫宜信會計師事務所有限公司) and Capital Verification Report "Xi Hui Shi Bao Yan Zi [2000] No.053" was issued.

(2) First capital contribution

In December 2005, pursuant to the amendments to articles of association of the company, the registered capital of the company was increased from US$17.14 million to US$29.14 million. Of the additional capital contribution of US$12 million, US$8.4 million was contributed by

Jiangsu Fasten Company Limited and US$3.6 million was contributed by Australia Redfern Photonics Pty Ltd. The contribution was completed within two years.

①As of 14 December 2005, Jiangsu Fasten Company Limited contributed US$4.2 million. After this capital injection, the shareholder structure and shareholding proportion of the company are as follows:

No.	Name of shareholder	Capital contribution committed (RMB in ten thousand)	Capital contribution paid (RMB in ten thousand)	Proportion of contribution (%)
1	Jiangsu Fasten Company Limited	2,039.80	1,619.80	70.00
2	Australia Redfern Photonics Pty Ltd	874.20	514.20	30.00
	Total	2,914.00	2,134.00	100.00

The above-mentioned capital contribution has been verified by Jiansu Gongzheng Certified Public Accountant Ltd. and Capital Verification Report "Su Gong W [2005] No. B161" was issued.

②As of 25 October 2006, Jiangsu Fasten Company Limited contributed US$4.2 million. After this capital injection, the shareholder structure and shareholding proportion of the company are as follows:

No.	Name of shareholder	Capital contribution committed (RMB in ten thousand)	Capital contribution paid (RMB in ten thousand)	Proportion of contribution (%)
1	Jiangsu Fasten Company Limited	2,039.80	2,039.80	70.00
2	Australia Redfern Photonics Pty Ltd	874.20	514.20	30.00
	Total	2,914.00	2,554.00	100.00

The above-mentioned capital contribution has been verified by Jiansu Gongzheng Certified Public Accountant Ltd. and Capital Verification Report "Su Gong W [2006] No. B168" was issued.

(3) First change in shareholding

In March 2009, pursuant to an equity transfer agreement among shareholders of the company, Jiangsu Fasten Company Limited and Australia Redfern Photonics Pty Ltd, both being former shareholders, transferred their equity interest in the amount of US$20.398 million and US$5.1422 million to Fasten Group Co. Ltd. (法爾勝集團有限公司), respectively. The company became a domestic company after such transfer. At the same time, pursuant to a resolution of the board of directors and amendments to the articles of association of the company, the remaining unpaid capital contribution were made up by Fasten Group Co. Ltd. (法爾勝集團有限公司). The company's registered capital was changed to RMB233.8 million. After this change of shareholding, the shareholder structure and shareholding structure of Jiangsu Fasten Photonics Co. Ltd. are as follows:

No.	Name of shareholder	Capital contribution committed (RMB in ten thousand)	Capital contribution paid (RMB in ten thousand)	Proportion of contribution (%)
1	Fasten Group Co. Ltd. (法爾勝集團有限公司)	23,380.00	23,380.00	100.00
	Total	23,380.00	23,380.00	100.00

The above-mentioned capital contribution has been verified by Wuxi Wende Zhixin United Certified Public Accountants Firm (General Partnership) and Capital Verification Report "Wende Hui Yan Zi [2009] No.076".

(4) Second change in shareholding

On 21 December 2012, pursuant to a resolution of the second interim board of directors' meeting of the company in 2012, Fasten Group Co. Ltd. (法爾勝集團有限公司) transferred its 82.003% equity interest to Putian Fasten Cable Telecommunication Company Limited (普天法爾勝光通信有限公司). After this change of shareholding, the shareholder structure and shareholding structure of the company are as follows:

No.	Name of shareholder	Capital contribution committed (RMB in ten thousand)	Capital contribution paid (RMB in ten thousand)	Proportion of contribution (%)
1	Fasten Group Co. Ltd. (法爾勝集團有限公司)	4,207.70	4,207.70	17.997
2	Putian Fasten Cable Telecommunication Company Limited (普天法爾勝光通信有限公司)	19,172.30	19,172.30	82.003
	Total	23,380.00	23,380.00	100.00

(5) Third change in shareholding

In September 2014, pursuant to the amendments to the articles of association, Fasten Group Co. Ltd. (法爾勝集團有限公司) transferred its 17.997% to Putian Fasten Cable Telecommunication Company Limited (普天法爾勝光通信有限公司). After this change of shareholding, the shareholder structure and shareholding structure of the company are as follows:

No.	Name of shareholder	Capital contribution committed (RMB in ten thousand)	Capital contribution paid (RMB in ten thousand)	Proportion of contribution (%)
1	Putian Fasten Cable Telecommunication Company Limited (普天法爾勝光通信有限公司)	23,380.00	23,380.00	100.00
	Total	23,380.00	23,380.00	100.00

After the completion of this change, the shareholding structure of Jiangsu Fasten Photonics Co. Ltd. remained unchanged until the valuation benchmark date.

2. *Financial conditions of the company in recent years*

(1) The assets, liabilities and financial position of the company in recent years are as follows

Unit: RMB'0,000

Item	31 December 2016	31 December 2017	31 December 2018	31 October 2019
Total assets	43,588.50	58,862.49	79,191.26	59,674.89
Total liabilities	24,007.96	35,398.68	54,725.18	35,180.82
Shareholders' equity (net assets)	19,580.54	23,463.81	24,466.08	24,494.08

Item	2016	2017	2018	January – October 2019
Operating revenue	32,958.75	35,840.73	29,548.70	22,824.38
Total profit	5,174.32	3,348.56	1,048.04	27.84
Net profit	4,594.57	2,843.43	1,002.27	28.00

The information for 2016 is extracted from the unqualified audit opinion (Zhongxingcai Guanghua (Hu) Shen Hui Zi [2017] No.02337) issued by the Shanghai Branch of Zhongxingcai Guanghua Certified Public Accountants LLP; the information for 2017 and as of the valuation benchmark date is extracted from this special audit report (Tian Zhi Ye Zi [2020] No. 34250) issued by Baker Tilly China Certified Public Accountants LLP (天職國際會計師事務所(特殊普通合夥)).

The company implements corporate accounting standards. The value-added tax (VAT) rate is 13%, the urban construction tax, education surcharge and local education surcharge are 7%, 3% and 2% of the transfer tax, respectively, and the enterprise income tax rate is 15%.

(II) Basic information of Jiangsu Fasten Optical Cable Co., Ltd., a wholly-owned subsidiary, are as follows:

Name: Jiangsu Fasten Optical Cable Co., Ltd.

Unified social credit code: 91320281733298676D

Type: Limited liability company (legal person sole investment)

Address: Chang Jiang Dong Lu, Jiangyin Economic Development Zone, Jiangyin

Legal Representative: Zhou Zhenhua

Registered Capital: RMB110.58614009 million

Date of establishment: 26 December 2001

Business Period: 26 December 2001 to 25 December 2026

Scope of business: Production of communications optical fiber; self-operation and agency of different goods and technology import and export business, except for goods and technology to be operated by enterprises designated by the State or prohibited from import and export. (items subject to approval in accordance with the law shall only commence operation upon approval by relevant authorities)

1. Shareholding structure of the company and changes

(1) Incorporation and capital contribution

Jiangsu Fasten Optical Cable Co., Ltd. was established on 26 December 2001 with a registered capital of US$5 million, and was invested and established jointly by Jiangsu Fasten Company Limited and Hong Kong Silver Dragon Optical Communication Technology Co., Ltd. Among which, Jiangsu Fasten Company Limited contributed US$3.75 million and held 75%; Hong Kong Silver Dragon Optical Communication Technology Co., Ltd. contributed US$1.25 million and held 25%. Pursuant to the articles of association, the registered capital were paid up in four installments. After the third capital contribution on 30 December 2004, the shareholder structure and shareholding proportion are as follows:

No.	Name of shareholder	Capital contribution committed (US$)	Capital contribution paid (US$)	Proportion of contribution (%)
1	Jiangsu Fasten Company Limited	3,750,000.00	3,750,000.00	75.00
2	Hong Kong Silver Dragon Optical Communication Technology Co., Ltd.	1,250,000.00	319,501.75	25.00
	Total	5,000,000.00	4,069,501.75	100.00

The above-mentioned capital contribution has been verified by Jiansu Gongzheng Certified Public Accountant Ltd. and Capital Verification Reports "Su Gong W [2002] No. B028", "Su Gong W [2004] No. B067" and "Su Gong W [2004] No. 206" were issued.

(2) First change in shareholding

On 29 November 2007, pursuant to the amendments to the articles of association and an equity transfer agreement, Hong Kong Silver Dragon Optical Communication Technology Co., Ltd., the original capital contributor, changed to 中國香港怡明國際有限公司. After this change of shareholding, the shareholder structure and shareholding structure of the company are as follows:

No.	Name of shareholder	Capital contribution committed (US$)	Capital contribution paid (US$)	Proportion of contribution (%)
1	Jiangsu Fasten Company Limited	3,750,000.00	3,750,000.00	75.00
2	中國香港怡明國際有限公司	1,250,000.00	319,501.75	25.00
	Total	5,000,000.00	4,069,501.75	100.00

(3) Fourth installment of capital contribution

On 10 December 2007, the fourth installment of capital contribution in the amount of US$930,498.25 was paid up by 中國香港怡明國際有限公司 by way of cash. The company's paid-in capital changed to US$5 million. Among which, Jiangsu Fasten Company Limited contributed US$3.75 million and 中國香港怡明國際有限公司 contributed US$1.25 million. As such, the shareholder structure and shareholding structure of the company are as follows:

No.	Name of shareholder	Capital contribution committed (US$)	Capital contribution paid (US$)	Proportion of contribution (%)
1	Jiangsu Fasten Company Limited	3,750,000.00	3,750,000.00	75.00
2	中國香港怡明國際有限公司	1,250,000.00	1,250,000.00	25.00
	Total	5,000,000.00	5,000,000.00	100.00

The above-mentioned capital contribution has been verified by Jiansu Gongzheng Certified Public Accountant Ltd. and Capital Verification Report "Su Gong W [2008] No. B025" was issued.

(4) Second change in shareholding

In June 2010, pursuant to the amendments to the articles of association and an equity transfer agreement, 中國香港怡明國際有限公司 transferred it 25% equity interest to Jiangsu Fasten Company Limited. At the same time, pursuant to the amendments to the articles of association, Jiangsu Fasten Company Limited changed from a Sino-foreign joint venture to a domestic enterprise. Its registered capital is equivalent to RMB40,586,140.09. After this change in shareholding, the shareholder structure and shareholding proportion are as follows:

No.	Name of shareholder	Capital contribution committed (RMB in ten thousand)	Capital contribution paid (RMB in ten thousand)	Proportion of contribution (%)
1	Jiangsu Fasten Company Limited	4,058.61	4,058.61	100.00
	Total	4,058.61	4,058.61	100.00

The above-mentioned capital contribution has been verified by Pan-China Certified Public Accountants Co., Ltd. and Capital Verification Report "Pan-China Yan [2010] Zong Zi No. 190020" was issued.

(5) First capital increase

In July 2018, pursuant to the amendments to the articles of association, the company's registered capital increased from RMB40.5861 million to RMB110.5861 million. The increase of RMB70 million was paid up by Jiangsu Fasten Company Limited. After this capital increase, the shareholder structure and shareholding proportion of the company are as follows:

No.	Name of shareholder	Capital contribution committed (RMB in ten thousand)	Capital contribution paid (RMB in ten thousand)	Proportion of contribution (%)
1	Jiangsu Fasten Company Limited	11,058.61	11,058.61	100.00
	Total	11,058.61	11,058.61	100.00

The above-mentioned capital contribution has been verified by Jiangsu GongZheng Tianye Certified Public Accountants Co., Ltd. and Capital Verification Report "Su Gong W [2010] No. B118" was issued.

(6) Third change in shareholding

In November 2012, pursuant to the resolution of the fifteen meeting of the seventh session of the board of directors of Jiangsu Fasten Company Limited, Jiangsu Fasten Company Limited transferred its 100% equity interest to Putian Fasten Cable Telecommunication Company Limited. After this change in shareholding, the shareholder structure and shareholding proportion of Jiangsu Fasten Optical Cable Co., Ltd. are as follows:

No.	Name of shareholder	Capital contribution committed (RMB in ten thousand)	Capital contribution paid (RMB in ten thousand)	Proportion of contribution (%)
1	Putian Fasten Cable Telecommunication Company Limited	11,058.61	11,058.61	100.00
	Total	11,058.61	11,058.61	100.00

After the completion of this change, the shareholding structure of Jiangsu Fasten Optical Cable Co., Ltd. remained unchanged until the valuation benchmark date.

2. *Financial conditions of the company in recent years*

(1) The assets, liabilities and financial position of the company in recent years are as follows

Unit: RMB'0,000

Item	31 December 2016	31 December 2017	31 December 2018	31 October 2019
Total assets	38,217.59	34,771.24	33,225.05	35,639.99
Total liabilities	30,890.56	25,500.02	24,057.54	27,672.51
Shareholders' equity (net assets)	7,327.04	9,271.22	9,167.51	7,967.48

Item	2016	2017	2018	January – October 2019
Operating revenue	35,263.61	32,754.51	25,469.29	18,758.90
Total profit	(1,183.39)	385.22	(145.45)	(1,235.93)
Net profit	(1,183.39)	425.82	(103.71)	(1,200.03)

The above information for 2016 is extracted from the unqualified audit opinion (Zhongxingcai Guanghua (Hu) Shen Hui Zi [2017] No.02338) issued by the Shanghai Branch of Zhongxingcai Guanghua Certified Public Accountants LLP; the information for 2017 and as of the valuation benchmark date is extracted from this special audit report (Tian Zhi Ye Zi [2020] No. 34250) issued by Baker Tilly China Certified Public Accountants LLP (天職國際會計師事務所(特殊普通合夥)).

The company implements corporate accounting standards. The value-added tax (VAT) rate is 13%, the urban construction tax, education surcharge and local education surcharge are 7%, 3% and 2% of the transfer tax, respectively, and the enterprise income tax rate is 25%.

(III) Basic information of Houma Potevio Optical Telecommunication Company Limited, a wholly-owned subsidiary, is as follows:

Name: Houma Potevio Optical Telecommunication Company Limited

Unified social credit code: 911410817319007665

Type: Limited liability company (solely owned by a legal person, not invested or controlled by natural persons)

Registered address: 258 Xin Tian Lu, Houma City, Shanxi Province

Legal Representative: Zhou Zhenhua

Registered Capital: RMB sixty million only

Date of establishment: 25 October 2001

Business Period: 25 October 2001 to 25 October 2021

Scope of business: Production of communications optical fiber. Sales of optical fiber, fiber optic cable and its ancillary products and provide after-sales maintenance services. (Items subject to approval in accordance with the law shall only commence operation upon approval by relevant authorities).

1. History and shareholder structure of the company

Houma Putian Rongsheng Cable Co., Ltd. was established on 25 October 2001, and was invested and established jointly by Hong Kong Rong Sheng Technology Limited, China Putian Houma Communications Co., Ltd. (侯馬普天通信電纜有限公司) and Hong Kong Hang Shan Trading Company Limited. Its registered capital is RMB90 million. Among which, Hong Kong Rong Sheng Technology Limited, China Putian Houma Communications Co., Ltd. (侯馬普天通信電纜有限公司) and Hong Kong Hang Shan Trading Company Limited contributed RMB45.9 million, RMB43.2 million and RMB0.9 million, representing 51%, 48% and 1% of the registered capital, respectively.

In accordance with the Capital Verification Report Hou Shu Yan Bao Zi [2002] No. 13 issued by Shangxi Houmashuguang CPA Co., Ltd., as of 1 February 2002, actual registered capital secured for Houma Putian Rongsheng Cable Co., Ltd. was RMB52,321,321.43. Among which, Hong Kong Rong Sheng Technology Limited contributed RMB15,153,710.00 by way of cash and China Putian Houma Communications Co., Ltd. (侯馬普天通信電纜有限公司) contributed RMB37,167,611.43 in the form of tangible assets.

In accordance with the Capital Verification Report Houmashuguang Yan [2003] No. 0039 issued by Shangxi Houmashuguang CPA Co., Ltd., as of 27 March 2002, China Putian Houma Communications Co., Ltd. (侯馬普天通信電纜有限公司) injected capital in the form of cash and intangible assets, and the paid-in registered capital after the capital injection was RMB58,353,710.00.

On 18 November 2003, pursuant to the Agreement on the Amendments of Articles of Association of Houma Putian Rongsheng Cable Co., Ltd., its registered capital thereafter was changed to RMB60 million. Among which, Hong Kong Rong Sheng Technology Limited, China Putian Houma Communications Co., Ltd. (侯馬普天通信電纜有限公司) and Hong Kong Hang Shan Trading Company Limited contributed RMB12 million, RMB45 million and RMB3 million, representing 20%, 75% and 5% of the registered capital, respectively.

In accordance with the Capital Verification Report Houmashuguang Yan [2003] No. 0123 issued by Shangxi Houmashuguang CPA Co., Ltd., as of 1 December 2003, the paid-in registered capital of the company's shareholders was RMB60 million.

On 23 December 2011, pursuant to the Equity Transfer Agreement, Hong Kong Hang Shan Trading Company Limited and Hong Kong Hang Shan Trading Company Limited transferred their 20% and 5% shares in Houma Putian Rongsheng Cable Co., Ltd., respectively, to China Putian Houma Communications Co., Ltd. (侯馬普天通信電纜有限公司) and the business registration was changed on 5 June 2012.

In January 2013, China Putian Houma Communications Co., Ltd. (侯馬普天通信電纜有限公司), the former shareholder of the company, transferred its 100% equity interest in Houma Putian Rongsheng Cable Co., Ltd. to Putian Fasten Cable Telecommunication Company Limited (普天法爾勝光通信有限公司) through Shanghai United Asset and Equity Exchange. After the completion of such equity transfer, Putian Fasten Cable Telecommunication Company Limited (普天法爾勝光通信有限公司) contributed RMB60 million, representing 100% of the registered capital.

On 20 March 2013, as approved by the State Administration for Industry and Commerce of Houma City, the company's name was changed from Houma Putian Rongsheng Cable Co., Ltd. to Houma Putian Fasten Optical Cable Co., Ltd. (侯馬普天法爾勝光纜有限公司).

On 14 May 2015, as approved by the State Administration for Industry and Commerce of Houma City, the company's name was changed from Houma Putian Fasten Optical Cable Co., Ltd. (侯馬普天法爾勝光纜有限公司) to Houma Potevio Optical Telecommunication Company Limited.

As of 31 October 2019, the valuation benchmark date, the shareholders' capital contribution and shareholding proportion of Houma Potevio Optical Telecommunication Company Limited are as follows:

Name of shareholder	Capital contribution committed and paid (RMB in ten thousand)	Shareholding proportion (%)
Putian Fasten Cable Telecommunication Company Limited (普天法爾勝光通信有限公司)	6,000.00	100.00
Total	6,000.00	100.00

The above-mentioned registered capital is equal to the paid-in capital.

2. *Company profile*

Houma Potevio Optical Telecommunication Company Limited is mainly engaged in the production and sales of telecommunication optical cables.

Houma Potevio Optical Telecommunication Company Limited operates a general managerial system under the leadership of the Board of Directors, and its corporate departments include: finance department, production department, sales department, operation department, commerce department, technical department, quality department and general department.

As of 31 October 2019, the valuation benchmark date, the company had a total of 158 employees, including 101 production staff and 57 administrative staff; 16 employees with bachelor's degrees, 70 employees with college diploma and 72 employees with junior college education; 2 employees with high-rank titles, 17 employees with middle-rank titles and 8 employees with primary-rank titles.

3. *Operation conditions of the company in recent years*

Assets and financial position of the enterprise in recent years are as follows:

Unit: RMB0'000

Item	31 December 2016	31 December 2017	31 December 2018	31 October 2019
Total assets	16,486.05	15,158.03	9,957.73	11,893.93
Total liabilities	15,742.92	14,054.45	9,318.93	11,969.82
Net assets	743.13	1,103.58	638.80	(75.89)

Item	2016	2017	2018	January – October 2019
Operating revenue	17,368.34	20,361.83	15,108.22	6,372.27
Net profit	40.14	360.45	(464.78)	(599.39)

Item	2016	2017	2018	January – October 2019
Net cash flow from operating activities	1,339.05	(750.12)	(55.27)	0.00
Net cash flows from investing activities	(140.21)	(233.49)	(140.31)	0.00
Net cash flow from financing activities	0.00	0.00	0.00	0.00
Net increase in cash and cash equivalents	1,198.84	(983.62)	(195.58)	0.00

The above-mentioned information for 2016-2018 is extracted from the unqualified audit opinion issued by the Shanghai Branch of Zhongxingcai Guanghua Certified Public Accountants LLP. The information as at the benchmark date is extracted from the audited statement issued by the Sichuan Branch of Baker Tilly China Certified Public Accountants LLP (天職國際會計師事務所(特殊普通合夥)).

Houma Potevio Optical Telecommunication Company Limited implements corporate accounting standards. The enterprises income tax rate is 25%. The value-added tax (VAT) rate is 16%. The urban construction tax, education surcharge and local education surcharge are 7%, 3% and 2% of the transfer tax, respectively.

(III) Relationship between the Appointer and the Appraised Entity

The Appointer, Chengdu PUTIAN Telecommunications Cable Company Limited (成都普天電纜股份有限公司), is one of the shareholders of the Appraised Entity, Putian Fasten Cable Telecommunication Company Limited (普天法爾勝光通信有限公司) and one of the transferors of this equity transfer.

(IV) Other users of the Asset Valuation Report

According to the asset valuation entrustment contract, the users of this Asset Valuation Report shall be the Appointer, the relevant management and supervisory units, other users of the Asset Valuation Report as agreed in the entrustment contract, and users of the Asset Valuation Report as required by national laws and administrative regulations. No other third party can become a lawful user of this Asset Valuation Report by virtue of receiving it.

II. PURPOSE OF VALUATION

Pursuant to the Reply to Matters Concerning the Transfer of 12.5% State-owned Equity in Putian Fasten Cable Telecommunication Company Limited (Zhong Pu Zi Ben [2020] No. 81) of China PUTIAN Corporation (中國普天信息產業集團有限公司) and the Resolution of the Second Meeting of the Second Board of Directors of Putian Fasten Cable Telecommunication Company Limited (普天法爾勝光通信有限公司), Chengdu PUTIAN Telecommunications Cable Company Limited and China Potevio Company Limited (中國普天信息產業股份有限公司), proposed to jointly transfer their 17.5% equity interest in Putian Fasten Cable Telecommunication Co. Ltd. The purpose of this valuation is to reflect the market value of the entire shareholders' equity of Putian Fasten Cable Telecommunication Co. Ltd. as of the valuation benchmark date and to provide a value reference for this economic activity.

This economic activity has been approved by the boards of directors of Chengdu PUTIAN Telecommunications Cable Company Limited (成都普天電纜股份有限公司) and China Potevio Company Limited (中國普天信息產業股份有限公司).

III. VALUATION SUBJECT AND SCOPE

(I) Valuation subject

The valuation subject is the value of all shareholders' equity of Appraised Entity, and the economic activity to be implemented is the transfer of part of the equity interest. The valuation object has been confirmed as the value of all shareholders' equity of the Appraised Entity by communication with the Appointer.

(II) Valuation scope

The scope of valuation is all assets and liabilities of the Appraised Entity, including current assets, non-current assets and liabilities, etc. The total carrying value of all assets declared\by the Appraised Entity is RMB1,249,251,315.81, the total carrying value of liabilities is RMB799,008,699.57, and the shareholders' equity is RMB450,242,616.24. Net assets attributable to owners of the parent company under the consolidated financial statements was RMB442,952,803.03. The scope of the valuation commissioned is consistent with the scope of the valuation involved in the proposed economic activity.

The carrying value of assets and liabilities within the scope of valuation has been audited by Baker Tilly China Certified Public Accountants LLP (天職國際會計師事務所(特殊普通合夥) and a special audit report(Tian Zhi Ye Zi [2020] No. 34250) has been issued. The auditor expressed a standard unqualified audit opinion.

(III) Major assets within the scope of valuation

The appraised assets in the scope of this valuation are mainly current assets and non-current assets, of which non-current assets mainly include long-term equity investments, fixed assets, other intangible assets, etc. Details are as follows:

1. Current assets

Current assets consist primarily of monetary funds, notes and accounts receivable, payments in advance, other receivables, inventories and other current assets, etc.

2. Long-term equity investments

There are a total of 3 long-term equity investments, which are listed as follows:

Name of investee	Type of company	Place of register	Registered Capital (RMB in ten thousand)	Percentage of shareholding (%)	Proportion of voting rights (%)
Jiangsu Fasten Photonics Co. Ltd.	Limited liability company	Jiangyin City, Jiangsu Province	23,380.00	100.00	100.00
Jiangsu Fasten Optical Cable Co., Ltd.	Limited liability company	Jiangyin City, Jiangsu Province	11,058.61	100.00	100.00
Houma Putian Optical Cable Co., Ltd. (侯馬普天光通信有限公司)	Limited liability company	Houma City, Shanxi Province	6,000.00	100.00	100.00

3. Equipment

The company has 483 sets of equipment with a net carrying value of RMB13,801,504.16. According to its different uses, the equipment is divided into three categories: machinery equipment, vehicles, and electronic equipment. There are 141 sets of machinery equipment, including mainly coloring machines, strip welding machines, coating production lines, stranding machines, filler production lines, sheathing production lines, optical impact testing machines, optical cable twisting testing machines, cable extension testing machines, ink jet printers, greasing devices, electric fork lift trucks, etc., which are purchased between 2013 and 2019 and distributed in the company's plants. There is one vehicle, a Buick GL8 compact passenger car, which is purchased in 2013. The company has 341 sets of electronic equipment, including mainly office equipment such as printers, computers, office desks and chairs, etc., test and inspection equipment such as dispersion characteristic testers, geometric characteristic testers, electric heating blast dryers, ultra-high pressure testers, etc., and living facilities such as air conditioners, drinking fountains and water purifiers, which are purchased between 2012 and 2019 and distributed in the company's office premises and production workshops.

(IV) Other intangible assets declared by Appraised Entity

Other intangible assets declared by the Appraised Entity mainly include the right to the use of a trademark owned by the company, as well as patents and registered trademarks not recorded in the books.

The intangible assets not reflected in the books of the Appraised Entity as of the valuation benchmark date involved six patents and two registered trademark, the holder of which is the Appraised Entity and will be included in the valuation scope. Details of which are as follows:

1. Patent No.

Country	Patent	No.	Name	Patent Category	Application Date	Announcement Date
1	PRC	CN201420414059.0	Anti-rodent and anti-electro-optic cable	utility models	2014/7/25	2014/12/17
2	PRC	CN201420395352.7	Electro-optic hybrid cable	utility	2014/7/17	2014/12/17
3	PRC	CN201420395367.3	Beam tube consistency maintenance device	models	2014/7/17	2014/12/17
4	PRC	CN201420395366.9	GYXTW type optical cable for better performance	utility	2014/7/17	2014/12/17
5	PRC	CN201420395344.2	Fiber optic strip slitting mold	models	2014/7/17	2014/12/17
6	PRC	CN201420395973.5	Large duct bulge monitoring device	utility	2014/7/17	2014/12/17

2. *Trademarks*

(1) Right to the use of a trademark

No.	Trademark owner	Registration Number	Name	Validity period	Goods/Services List	Announcement Date
1	China Potevio Company Limited (中國普天信息產業股份有限公司)	1189584	普天	Permanent	Optic fiber and cable products/ service area	December 2012
2	China Potevio Company Limited (中國普天信息產業股份有限公司)	4648836	Potevio	Permanent	Optic fiber and cable products/ service area	December 2012

(2) Registered Trademark

No.	Country	Registration Number	Announcement Date	Validity period	International Classification	Type of Trademark
1 PRC	14217725A	PFOC	2015/6/21	10 years	9- scientific Apparatus	ordinary trademark
2 PRC	14217667	PFOC	2015/4/28	10 years	38- telecommunication services	ordinary trademark

(V) Type and number of off-the-book assets declared by the Appraised Entity

No off-the-book assets have been declared by the Appraised Entity.

(VI) Types, quantity and carrying amount of assets in reports issued by other organizations

This Asset Valuation Report does not include references to the conclusions of reports issued by other organizations.

IV. TYPE AND DEFINITION OF VALUE

The type of value of the valuation subject is determined to be the market value.

Market value refers to the estimated value of the valuation object in an arm's-length transaction made in the ordinary course of business on the valuation benchmark date between a willing buyer and a willing seller who has each acted rationally and without compulsion.

An "arm's length transaction" is a transaction between parties who have no specific or special relationship, that is, a transaction between parties who are assumed to be unrelated and acting independently of each other.

V. VALUATION BENCHMARK DATE

The valuation benchmark date of this project is 31 October 2019.

The valuation benchmark date is determined by the asset appraiser in consultation with the Appointer after taking into account the need for the implementation of the economic activity, the advantages provided by the information at the end of the accounting period and changes in interest rates and exchange rates before and after the valuation benchmark date.

VI. BASIS OF VALUATION

This valuation is conducted in accordance with the below valuation bases:

(I) Basis of economic activity

1. Reply to Matters Concerning the Transfer of 12.5% State-owned Equity in Putian Fasten Cable Telecommunication Company Limited (Zhong Pu Zi Ben [2020] No. 81) of China PUTIAN Corporation (中國普天信息產業集團有限公司);

2. Resolution of the Second Meeting of the Second Board of Directors of Putian Fasten Cable Telecommunication Company Limited

3. Asset valuation entrustment contract.

(II) Legal basis

1. Asset Appraisal Law of the People's Republic of China (Adopted at the 21st Meeting of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China on 2 July 2016);

2. Company Law of the People's Republic of China (Amended at the 6th Session of the Standing Committee of the Thirteenth National People's Congress of the People's Republic of China on 26 October 2018);

3. Financial Supervision and Management Measures of Assets Evaluation Industry (Order No. 86 of Ministry of Finance, as amended by Order No. 97 of Ministry of Finance);

4. Land Administration Law of the People's Republic of China (Amended at the 12rd Meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);

5. Urban Real Estate Administration Law of the People's Republic of China (Amended at the 12rd Meeting of the Standing Committee of the Thirteenth National People's Congress on 26 August 2019);

6. Law of the People's Republic of China on State-owned Assets of Enterprises (Adopted at the 5th Meeting of the Standing Committee of the Eleventh National People's Congress of the People's Republic of China on 28 October 2008);

7. Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378of the State Council, as amended by Order No. 588 of the State Council);

8. Measures for the Administration of State-owned Assets Appraisal (Order No. 91 of the State Council);

9. Notice on Publication and Distribution of the Detailed Rules for the Implementation of the Measures for the Administration of State-owned Assets Appraisal (Guo Zi Ban Fa [1992] No. 36);

10. Interim Measures on the Administration of State-owned Assets Appraisal of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);

11. Notice on Strengthening the Administration of State-owned Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274);

12. Measures for the Supervision and Administration of State-owned Equities of Listed Companies (Order No. 36 of the State-owned Assets Supervision and Administration Commission of the State Council, China Securities Regulatory Commission, and the Ministry of Finance);

13. Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941);

14. Guidelines on the Filing of State-owned Assets Appraisal Projects for Enterprises (Guo Zi Fa Chan Quan [2013] No. 64);

15. Enterprise Income Tax Law of the People's Republic of China (Amended for the second time at the 7th Meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);

16. Decision of the State Council on Repealing the Interim Regulation of the PRC on Business Tax and Amending the Interim Regulations of the PRC on Value-Added Tax (Order No. 691 of the State Council);

17. Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value Added Tax (Order No. 50 of the Ministry of Finance and the State Administration of Taxation, as amended by Order No. 65 of the Ministry of Finance and the State Administration of Taxation in 2011);

18. Notice on Carrying out Pilot Operation of Change from Business Tax to Value-added Tax (Cai Shui [2016] No. 36);

19. Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (No. 32 [2018] of the Ministry of Finance);

20. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs);

21. Trademark Law of the People's Republic of China (Amended for the fourth time at the 10th Meeting of the Standing Committee of the Thirteenth National People's Congress on 23 April 2019);

22. Patent Law of the People's Republic of China (Amended for the third time at the 6th Meeting of the Standing Committee of the Eleventh National People's Congress on 27 December 2008);

23. Copyright Law of the People's Republic of China (Amended for the second time at the 13rd Meeting of the Standing Committee of the Eleventh National People's Congress on 26 February 2010);

24. Other laws and regulations relating to the valuation practice.

(III) Basis of Valuation Standards

1. Basic Standards on Assets Valuation (Cai Zi [2017] No. 43);

2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);

3. Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);

4. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);

5. Practice Guidelines for Asset Valuation – Asset Valuation Entrustment Contract (Zhong Ping Xie [2017] No. 33);

6. Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);

7. Practice Guidelines for Asset Valuation — Asset valuation methods (Zhong Ping Xie [2019] No. 35);

8. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);

9. Guiding Opinions on Legal Ownership of the Asset Valuation Object (Zhong Ping Xie [2017] No. 48);

10. Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);

11. Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38);

12. Practice Guidelines for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 39);

13. Practice Guidelines for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);

14. Practice Guidelines for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);

15. Guidelines for Valuation of Intellectual Property Rights (Zhong Ping Xie [2017] No. 44);

16. Guiding Opinions on Valuation of Patent Assets (Zhong Ping Xie [2017] No. 49);

17. Guiding Opinions on Valuation of Trademark Assets (Zhong Ping Xie [2017] No. 51);

18. Guiding Opinions on Valuation of Copyright Assets (Zhong Ping Xie [2017] No. 50);

19. Practice Guidelines for Asset Valuation — Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);

20. Practice Guidelines for Asset Valuation – Asset Valuation File (Zhong Ping Xie [2018] No. 37).

(IV) Basis of asset ownership

1. Real Estate Ownership Certificate, building ownership certificate, real estate certificate;

2. Contract for Grant of State-owned Land Use Rights or State-owned Land Use Certificate;

3. patent certificate or notice of patent application;

4. copyright certificate;

5. certificate of trademark registration;

6. vehicle registration certificate;

7. purchase contracts or certificates of major assets;

8. ledgers for fixed assets, books, etc.;

9. other title-related certificates.

(V) Pricing basis of valuation

1. Prevailing deposit and lending benchmark interest rates schedules of the People's Bank of China effective on the valuation benchmark date;

2. middle rates of exchange published by the Administration of Foreign Exchange under the People's Bank of China effective on the valuation benchmark date;

3. Machinery and electrical instrument quotation handbook published by China Machine Press;

4. online vehicle price information from www.chinacar.com.cn;

5. available online price information of equipment;

6. Measurement Specification of Quantity List Project (Jiangsu) (2013);

7. Pricing Quota of Construction and Decoration Engineering of Jiangsu Province(2014);

8. price information of materials published by http://www.jszj.com.cn/ and the competent government departments;

9. relevant requirements for construction-related fees published by http://www.jszj.com.cn/ and the competent government departments;

10. Land Grading and Updated Benchmark Land Premium of Jiangyin City published by the People's Government of Jiangyin City;

11. Information on land transactions issued on http://www.landjs.com/;

12. Rating Standard for the Condition of Houses issued by the Ministry of Construction;

13. Website of China Urban Land Price Dynamic Monitor;

14. accounting statements, books and vouchers and asset valuation returns provided by the Appraised Entity and its management as of the valuation benchmark date;

15. historical annual financial statements and auditor's reports of the Appraised Entity;

16. current and future annual market forecasts for the Appraised Entity's major products;

17. table of projected future income, costs and expenses provided by management of the Appraised Entity;

18. information on contracts on hand, orders and target customer provided by management of the Appraised Entity;

19. data and information about the capital market from the RoyalFlush (Wind) Securities Investment Analysis System;

20. on-site survey records and other relevant valuation information collected by the asset appraiser.

(VI) Other references

1. Common Methods and Parameters for Assets Appraisal (China Machine Press, 2011 edition);

2. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (2012 Order No. 12 of the Ministry of Commerce, National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection);

3. statistics and analysis on the PRC macroeconomy, industries, regional markets and enterprises;

4. technical statistics of Shanghai Orient Appraisal Co., Ltd.;

5. other references.

VII. VALUATION METHODOLOGY

(I) Overview of valuation methodology

In accordance with the Basic Standards on Assets Valuation, the valuation methods used to determine the value of assets include the three basic approaches and their derivatives, namely the market approach, the income approach and the cost approach.

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value, there are three basic approaches that can be used to perform a valuation on enterprise value: the income approach, the market approach, and the cost approach (also known as the asset-based approach).

The income approach refers a valuation method that determines the valuation object through capitalisation or discounting of expected income. The adoption of income approach in appraising enterprise value emphasizes the overall expected profitability of the enterprise.

The market approach refers to a valuation method that compares the valuation subject with a comparable listed company or comparable transaction case to determine the value of the valuation object. The adoption of market approach in appraising enterprise value is characterized by the direct selection of valuation data from the market and strong persuasiveness of the valuation results.

The cost approach (also known as the asset-based approach) refers to a valuation method that uses the balance sheet as of the Appraised Entity's valuation benchmark date as the basis for determining the value of the valuation object by reasonably appraising the value of the enterprise's on-balance sheet and identifiable off-balance sheet assets and liabilities. The adoption of asset-based approach in appraising enterprise value may lead to situations where not every asset and liability can be fully identified and appraised individually.

(II) Selection of valuation methods

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any valuation of enterprise value, the suitability of the three basic asset valuation methods, namely the income approach, the market approach and the asset-based approach, shall be analyzed based on the purpose of valuation, the valuation object, the type of value, the collected information, etc., so as to ensure selection of appropriate valuation methods. If different valuation methods are suitable for valuation of enterprise value, asset appraising professionals should adopt two or more valuation methods for their valuation.

The basic idea of the asset-based approach is to rebuild or replace the asset being appraised in its current condition, with the potential investor being willing to pay no more than the current acquisition cost of the asset at the time he or she decides to invest in the asset. The valuation project satisfies the requirements of the asset-based approach, i.e., the appraised asset is in continuing use or is assumed to be in continuing use, and historical operating information is available. The adoption of the asset-based approach for consideration satisfies the requirements of the type of value of this valuation.

With 4G in place, market demand is weak. 2018 and 2019 saw significant declines in optic fiber and cable production. Three major operators have reduced capital expenditure on fixed network construction. With good market expectations, optic fiber and cable companies have embarked on new and expansion projects over the past few years, with capacity to be successively released since 2018. As a result, under the influence of multiple factors, there are signs of an oversupply in China's optic fiber and cable market. Entering 2019, the prices of products in the industry continued to plummet, resulting in companies' profits being eaten up. With the leading enterprises holding a dominant market share, while the revenue of optic fibers and cables business of other enterprises are relatively small. The enterprise is not on the top ten enterprises in the industry and future competition in the market will be a serious concern. Under the influence of multiple negative factors, the enterprise has recorded decline in profit and even recorded losses. According to the forecast of the enterprise, and based on the market condition, in the coming years, the optical fiber and cable market will continue to linger at the bottom line, and the enterprise's operation may not be improved and may remain in a loss position. It is impossible to make a reasonable forecast of its profit forecast. Therefore, the income approach is not applied for this evaluation.

The market approach refers to a valuation method that compares the valuation subject with a comparable listed company or comparable transaction case to determine the value of the valuation object. The adoption of market approach in appraising enterprise value is characterized by the direct selection of valuation data from the market and strong persuasiveness of the valuation results. At present, there are a large number of listed companies in the same industry as the Appraised Entity, with similar product types, business structures and business models. Therefore, it is suitable to adopt the market approach for considering the valuation.

In summary, it is determined that the asset-based approach and the market approach will be adopted for consideration for the valuation.

(III) Introduction to the asset-based approach

The asset-based approach specifically refers to the method of adding up the appraised value of the various elemental assets that make up a business and subtracting the appraised value of the liabilities to arrive at the value of the total shareholders' equity of the enterprise.

The valuation of each major asset and liability category is as follows.

1. Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, other cash and cash equivalents. Cash and bank deposits in RMB are valued at their verified amounts. The value of cash and bank deposits in foreign currencies are determined by multiplying the carrying amount in the foreign currency by the exchange rate between the Renminbi and foreign currency on the valuation benchmark date.

2. Notes receivable

For the valuation of notes receivable, the appraised value is determined by verifying that the carrying amount after verifying that the original bill information, books and records, and some of the original vouchers and other relevant information match the accounts, statements and bills.

3. Account receivables

Receivable specifically include trade receivables, prepayments and other receivables, etc. On the basis of verification of the account receivables, the appraised value is determined on the basis of the estimated probable recoverable amount of each item, net of appraised risk of loss. The appraised risk losses are 0% for full collection of account receivables from related parties based on good reasons. For those accounts that cannot be collected with solid proofs or with extra-long aging, the risk losses are appraised to be 100%. If it is probable that a portion of receivables is unrecoverable and the unrecoverable amount is hard to determine, we have analysed the amount, period of and reason for overdue, recovery status, the financial position, creditworthiness and operation and management of the debtor based on historic information and on – site investigation and estimated the portion that is probably unrecoverable using accounting methods of calculating provisions for bad debts and calculated its appraised value after deducting the risk loss. The "provision for bad debts" item in the statement is calculated as zero.

4. Inventories

Inventories include raw materials, finished goods and products-in-progress. The specific valuation methods are as follows.

(1) Raw materials

For raw materials, valuation is mainly carried out using the market price, which is equivalent to the purchase price at non-taxable market and other reasonable costs.

(2) Finished goods

The appraised unit price is determined on the basis of the non-VAT price at which the enterprise's products can actually be sold after deducting fees and taxes (including income tax) related to the sales, and the appraised value is determined after deducting reasonable profit according to the actual sales situation and verifying the quantity. The formula is listed below:

Appraised value of finished goods = quantity×tax-exclusive unit selling price – fees and taxes related to the sales – reasonable profit

Appraised value of finished goods = Appraised unit value of finished goods×quantity

Of which:

Tax-exclusive unit selling price: determined based on the corresponding contract or recent sales order;

Fees and taxes related to the sales: The rates of fees and taxes are calculated based on the relevant financial information in the audited report.

Income tax rate: determined based on the actual income tax rate applicable for the year on the valuation benchmark date of the Appraised Entity.

Reasonable profit deduction: calculated using an estimated net profit discount rate based on expected sales of finished goods.

(3) Products-in-progress

For products in-process of an Appraised Entity that have not been completed on the valuation benchmark date. On the basis of the reported book value and the determined quantity, the appraised value of products-in-progress is determined by taking into account the corresponding cost-profit ratio, and deducting the corresponding income tax and net profit reduction rate.

5. Other current assets

The appraised value is determined on the basis of its surviving beneficial rights or recoverable value of the asset, mainly VAT to be deducted by the enterprise, which we have determined their appraised values according to their verified carrying values.

6. Long-term equity investments

For wholly-owned and majority-owned long-term equity investments, where an overall asset valuation can be performed in accordance with relevant practice guidelines, the appraised value of each long-term equity investment is calculated separately by using appropriate valuation methods and taking into account the proportion of ownership in the investee.

7. Real estate

According to Practice Guidelines for Asset Valuation – Real Estate, real estate is defined as land, buildings, and other fixtures attached to land. Real estate is usually accounted for under investment property, fixed assets, construction in progress and intangible assets.

When performing real estate valuation, the valuation method should be selected based on the specific circumstances by analyzing the applicability of the three basic valuation methods, namely the market approach, the income approach and the cost approach, as well as the derivative methods, such as the hypothetical development approach and the base land price factor correction approach.

Effective from 1 May 2016, business tax will be replaced by VAT nationwide, and the construction industry, real estate industry, financial industry and living service industry will be subject to VAT instead of business tax. As VAT is a tax excluded in price, the appraised value of the real estate involved in the this valuation object do not include VAT.

▲Market Approach: Following the principle of comparability, comparable transaction cases are selected as the reference object, and the market value of the valuation subject real estate is obtained by adjusting the transaction conditions, transaction dates and real estate conditions of the reference object.

Of which: The adjustment to the trading condition is to adjust the price of the reference object under actual trading conditions to the value under normal trading conditions. The adjustment to the transaction date is to adjust the price of the reference object on the transaction date to the value on the valuation benchmark date. The adjustment to the real estate condition is to adjust the price of the reference object to the value of the valuation object, which can be divided into adjustment to location condition, adjustment to ownership condition and adjustment to physical condition.

▲Income Approach: The market value of valuation object real estate is determined by discounting the net rental income over the future income period of the real estate to its present value using an appropriate discount rate.

Of which: The future income period is determined based on the remaining economic life of the building, the remaining useful life of the corresponding land use right, and relevant laws and regulations; the net rental income is future net income determined based on the objective and fair market rent, less fees and taxes. Where there is a lease restriction, the agreed rental rate is used during the term of the lease and the normal objective rental rate is used outside the term of the lease.

▲Cost Approach: The market value of the valuation object real estate is obtained by appraising the buildings, structures and the corresponding land use rights separately and adding the total value.

The cost approach is generally adopted for buildings, while the market approach, cost approximation approach, and the base land price factor correction approach are the main valuation methods for land use rights. An appropriate valuation method is selected for valuation based on the specific conditions of the valuation object and the availability of information on the valuation data.

(1) Cost approximation approach: The market value of the land is determined primarily on the basis of the sum of objective costs incurred in developing the land in the area in which the land is to be appraised, plus certain interest, profits, taxes and fees payable and land appreciation income.

(2) Base land price factor correction approach: The market value of the valuation object real estate is obtained by using the results of the town's benchmark land premium and base land price correction system announced by government departments, and by adjusting the content, including adjustment to the transaction date, adjustment to regional factor, adjustment to individual factor, adjustment to service life and adjustment to development level, provided that the land grading, use and nature of rights other elements are consistent.

Buildings:

Buildings include buildings, structures and other ancillary facilities, pipes and drains, etc. The counterparty has adopted the cost approach in appraising the types of buildings.

The cost approach is an asset valuation method that determines the value of valuation object by deducting the relevant depreciation (physical, functional, and economic depreciation) from the reconstruction or replacement of the buildings or structures of the valuation object under current conditions, i.e., on the basis of the reconstruction or replacement cost. The formula is listed below:

Appraised value = replacement cost – physical devaluation – functional devaluation – economic devaluation

= Replacement cost x newness rate

(1) Determination of replacement cost

The replacement cost of a building (structure) is the renewal or replacement cost, which generally consists of: the replacement value of the construction and installation works (excluding VAT), the amortised investment and other fees (excluding VAT) and the capital cost.

A. Replacement value of construction and installation works

For large, high value and important buildings (structures), the re-budgeting method is used to determine the replacement value of the construction and installation works of the buildings based on the volume of the construction works settled, various local and industry charging standards, relevant charging documents and adjusted by reference to the prices of labour and major materials at the valuation benchmark date.

For general buildings (structures), the unit cost adjustment approach is mainly used, which refers to the determination of the replacement unit cost of a unit area (or length) based on the cost of the construction and installation works of the buildings concerned as published by the relevant departments, or the construction and installation cost of an appraised example, corrected and adjusted by adding the amortized investment cost.

B. Amortised investment

The amortized investment mainly includes management fees of project construction units, investigation and design fees, project supervision fees and environmental impact assessment fees, etc., which are determined in accordance with the valuation files valid on the valuation benchmark date issued by the state ministries.

C. Capital cost

The cost of capital is calculated based on the reasonable construction period of the Appraised Entity's investment in fixed assets or the reasonable construction period of the building (structure) with reference to the benchmark interest rate for RMB loans of the same periods from financial institutions announced by the People's Bank of China in force on the valuation benchmark date, assuming that the construction funds are evenly invested during the construction period of the project.

(2) Determination of integrated newness rate

We apply different weighting between the straight line method and the technology inspection method to determine the integrated newness rate.

(3) Determination of the appraised value

appraised value = replacement cost×integrated newness rate

Intangible Assets – Land Use Rights

The land use rights of the subsidiaries, Jiangsu Fasten Optical Cable Co., Ltd. and Jiangsu Fasten Photonics Co. Ltd., are appraised using the market approach and the base land price approach.

8. Equipment assets

In accordance with Practice Guidelines for Asset Valuation – Machinery Equipment, For the purpose of appraising machinery equipment, the suitability of the three basic valuation approaches, namely the cost approach, the market approach and the income approach, must be analysed based on such relevant conditions as the valuation purpose, the valuation object, the type of value and the data collection process, etc., before selecting the valuation approach. In this valuation, the cost approach is mainly adopted through the analysis of the characteristics and uses of the various types of equipment involved and the data collection.

The valuation is carried out mainly using the replacement cost approach through an analysis of the characteristics, usage and data collection of the various types of equipment involved in the Appraised Entity.

▲The cost approach: determines the value of valuation object by deducting the relevant depreciation (physical, functional, and economic depreciation) from the reconstruction or replacement of the equipment of the valuation object under current conditions, i.e., on the basis of objective necessary cost based on the general productivity level of the society.

Replacement cost is generally the renewal or replacement cost, includes direct costs, indirect costs, capital costs, taxes and reasonable profit.

appraised value = replacement cost – physical depreciation – functional depreciation – economic depreciation

= replacement cost × integrated newness rate

(1) Machinery equipment and other electronic equipment

A. Determination of replacement cost

The replacement cost of machinery equipment consists of equipment purchase price, transportation costs, installation and testing fees, advance works, other fees and capital cost, etc. For electronic and other equipment of lower value without installation requirement (or where the seller is responsible for installation) and lower transportation costs, the replacement cost is determined with direct reference to prevailing non-taxable market purchase price.

In accordance with relevant requirements including the Interim Regulation of the People's Republic of China on Value Added Tax (Order No. 538 of the State Council), the Detailed Rules for the Implementation of the Interim Regulation of the People's Republic of China on Value Added Tax (Order No. 50 of the Ministry of Finance and State Administration of Taxation), Circular of the Ministry of Finance and the State Administration of Taxation on Certain Issues regarding the Implementation of Conversion of Business Tax into Value-added Tax in the PRC (Cai Shui [2008] No.170), the Circular of the Ministry of Finance and the State Administration of Taxation on the Deduction of Value-added Tax for Fixed Assets (Cai Shui [2009] No. 113) which came into effect on 1 January 2009, with effect from 1 January 2009, the VAT tax incurred by general taxpayers or on self-built fixed assets can be deducted from the output tax by evidence of the special VAT invoice, customs special bill of payment of import VAT and freight settlement voucher. Therefore, VAT is not included in the replacement cost of equipment meeting the above conditions in this valuation.

Formula of full replacement cost:

Full replacement price of equipment (excluding VAT) = Purchase price of equipment (excluding VAT) + transportation cost (excluding VAT) + installation and testing fees (excluding VAT) + advance works and other fees (excluding VAT) + capital costs

For lower value electronic and other equipment without installation requirement (or where the seller is responsible for installation) and lower transportation costs, the replacement cost is determined with reference to prevailing non-taxable market purchase price.

① Determination of purchase price of equipment

Large critical equipment shall be determined by consulting with manufacturers, agents and distributors of the equipment on the market price in effect on the valuation benchmark date or by reference to recent contract prices for similar equipment on the valuation benchmark date; small and medium-sized equipment shall be determined by the equipment quotation information on the valuation benchmark date; equipment with no available direct market quotation information shall be determined by mainly by reference to the prevailing market purchase price of similar equipment.

② Determination of transportation costs, installation and testing fees, advance works and other fees

△Transportation costs and installation and testing fees are reasonably determined with reference to the relevant provisions of the Method for the Establishment of Budget Estimates and Various Budget Estimates Indicators for Mechanical Industry Construction Projects, the Handbook of Commonly Used Data and Parameters for Asset Appraisal and relevant installation quotas.

△If the corresponding equipment foundation is independent or inseparable from the building, the equipment foundation cost is considered in the asset valuation of buildings and structures, and in other cases, the equipment foundation cost is considered in the equipment installation and testing fees.

△For small equipment without installation requirement, installation and testing fees are not considered.

△Advance work and other fees are determined in accordance with the quotations in effect on the valuation benchmark date issued by the state ministries.

③ Determination of the capital costs

The cost of capital is calculated based on the reasonable construction period of the installation, testing and construction of the equipment, with reference to the benchmark interest rate for RMB loans of the same periods from financial institutions announced by the People's Bank of China in force on the valuation benchmark date, assuming that the capital funds are evenly invested during the construction period.

B. Determination of integrated newness rate

△integrated newness rate = theoretical newness rate × adjustment coefficient K

Of which: theoretical newness rate = remaining useful life ÷ (used life + remaining useful life)×100%

adjustment coefficient $K=K_1\times K_2\times K_3\times K_4\times K_5$

The adjustment coefficients are determined after conducting survey on the original manufacturing quality of the equipment, the operating status and failure frequency of the equipment, the maintenance (including major repairs), the utilization rate of the equipment, and the environmental conditions of the equipment.

△In general, the integrated newness rate of simple equipment is determined directly by the theoretical newness rate or observed value.

△For equipment with economic depreciation, the formula for integrated newness rate is calculated as follows:

integrated newness rate = remaining useful life/(used life+remaining useful life) × (1 – economic depreciation rate) x 100%

Economic depreciation of an asset, also known as an external loss, is a loss in value due to an external influence on the asset itself. For economic depreciation, the valuation is determined by using the economic depreciation rate, which is specifically measured using the scale and efficiency index method:

$$\text{Economic depreciation} = 1 - \left(\frac{\text{Quantity}}{\text{Design Capacity}}\right)^{\text{Scale economy index}}$$

C. Determination of appraised value

Appraised value = full replacement cost × integrated newness rate

(2) Transport vehicle equipment

A. Determination of replacement cost

The replacement cost of transportation vehicle equipment is determined based on its market price as of the valuation benchmark date, taking into account vehicle purchase tax and new vehicle registration fees in accordance with the Interim Regulations of the People's Republic of China on Vehicle Purchase Taxes and relevant local documents.

B. Determination of integrated newness rate

Pursuant to the relevant requirements of the Provisions on the Standards for Compulsory Retirement of Motor Vehicles (2012 Order No. 12 of the Ministry of Commerce, National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection), the integrated newness rate of the equipment is reasonably determined by combining the economic useful life and economic mileage of motor vehicles as estimated and determined in the Reference Table of Economic Useful Life of Motor Vehicles of the Common Parameter Handbooks of Assets Valuation, with the year newness rate as the basic newness rate of the vehicle and the actual mileage as the correction factor of the utilisation rate of the vehicle, and correcting the basic newness rate based on other different factors.

C. Determination of appraised value

Appraised value = replacement cost × integrated newness rate

(3) Valuation of the estimated net recoverable value of retired equipment

9. Construction in progress

Collecting relevant approval documents for the project, inspecting the progress of the project on site, understanding the progress of payment and the composition of account value. Verify the reasonableness of the preliminary expenses and other expenses; analyze and estimate the cost of construction and safety works by comparing project settlement data submitted by the project supervision, the current local construction cost estimates, charging standards and the market price of construction materials on the valuation benchmark date; and calculate the cost of capital based on the sum of preliminary expenses and construction cost with a reasonable construction period.

For projects with a relatively short period of time between the commencement of construction and the valuation benchmark date, the remaining value of unreasonable expenditures is excluded as the appraised value based on the reported amount of construction in progress after verification of accounts.

10. Intangible assets – other intangible assets

Intangible assets are mainly patents, trademarks and names of functional variables, etc. In accordance with the Standards of Practice on Asset Valuation – Intangible Assets, the valuation methods determining the value of intangible assets include the market approach, the income approach and the cost approach, as well as their derivative methods. A reasonable valuation method is selected after a thorough understanding of the relevant circumstances of the valuation object and the information collected and an analysis of the applicability of the above three basic methods.

▲The income approach: On the basis of information obtained from the intangible asset of the valuation object, the expected income generated from the intangible asset or similar intangible asset based on the historical implementation and future prospects of the intangible asset and the business operations of the enterprise where the intangible asset has been implemented or is proposed to be implemented, and the expected change in income, the period of income, the costs and expenses related to the income, ancillary assets, cash flows, and risk factors, the market value of the valuation object is estimated using a discount rate that is consistent with the expected income.

▲The market approach: Based on the knowledge that an active market exists for the intangible asset or similar intangible asset of the valuation object, the market value of the intangible asset of the valuation object is obtained by collecting transaction information such as market trading prices, trading hours, and trading conditions of comparable transactions of similar intangible assets on a comparable basis, and making necessary adjustments to the transaction information.

▲The cost approach: Based on all the inputs used to create an intangible asset, we consider the extent to which the value of the intangible asset is related to its cost, determine its replacement cost by calculating its reasonable cost, profit, and related taxes, and take into account depreciation factors to obtain the market value of the valuation object intangible asset.

The patents included in the valuation scope are all developed by the enterprises themselves, and after understanding the implementation of these patents, some of the patents are developed relatively early, and with the continuous upgrade of technology, they are relatively backward and unsophisticated, and are rarely used in the production of products by enterprises. At the same time, due to fierce competition in the market, the technical content of the enterprise's products is not high enough to bring the enterprise excessive income, and it is not appropriate to use the income approach for valuation. Since it is difficult to obtain similar transaction cases in the market and it is inappropriate to use the market approach. As the enterprise could provide the costs of related patents, the cost approach is used in this valuation. For trademarks and names of functional variables, the cost approach is also adopted in this valuation.

Regarding trademarks, after analysis, the trademarks owned by the enterprise are only logos that distinguish the enterprise from the services of other enterprises, which provide convenience for the enterprise to carry out business activities and are not well-known trademarks. As the contribution to the enterprise is small and cannot be quantified, the income approach is not applicable for the evaluation. As the enterprise provides related costs of the trademark registration and design, the cost approach is applicable for the evaluation. At present, due to the difficulty to access similar transaction cases in the market, the market approach is not applicable for the evaluation.

The rights to use trademarks is obtained by the enterprise with the authorization of the owner. The appraisers reviewed the relevant contracts and the amortization process. The rights to use trademarks are amortized over 50 years. After inspection, the amortization of the enterprise is normal. The rights to use trademarks are evaluated based on the book value after verification.

The names of functional variables, after analysis, are the website registered by the enterprise on the Internet, which are platform windows to show visitors the company profile. As such, it is appropriate to adopt the replacement cost approach for evaluation.

11. Long term unamortized expenses

The valuation officer reviewed the relevant contracts, reviewed the amortization process, and cleared the business for normal amortization. It is appraised at its carrying amount.

12. Deferred income tax assets

Deferred income tax assets are deductible temporary differences arising from differences between the accounting standards and tax laws of an enterprise in the subsequent measurement of its accounting assets. This valuation has recalculated the appraised value of deferred income tax assets according to the valuation treatment of the corresponding accounts based on the investigation of the contents and formation process of deferred income tax assets.

13. Liabilities

Liabilities mainly comprise current and non-current liabilities. On the basis of verification, the appraised value of each liability is determined based on the number of debtors and amount of liabilities that the Appraised Entity would actually be required to assume after the economic activity for which the liabilities are appraised has been conducted.

(IV) Overview of market approach

1. Overview

Pursuant to the Practicing Standards for Asset Valuation — Enterprise Value, the market approach adopted in appraisal of enterprise value refers to the method to appraise the value of an appraisal target by comparing it to comparable listed companies or comparable transaction cases. Two common methods used by the market approach are the listed company comparison method and the transaction case comparison method.

The listed company comparison method determines the value of the appraisal target by obtaining and analysing the operational and financial information of comparable listed companies, calculating the value ratios and comparing them to the data of the appraised entity.

The transaction case comparison method determines the value of the appraisal target by obtaining and analysing the information of the trading and merger and acquisition cases of comparable enterprises, calculating the value ratios and comparing them to the data of the appraised entity.

2. Calculation Formula

The target enterprise of this valuation is a cable and optical fiber manufacturing enterprise, which is an asset-heavy enterprise, and its enterprise value is affected by various factors, such as the remaining economic life of main equipment, scale of assets and financial leverage. The EBITDA (earnings before interest, taxes, depreciation and amortization) in the enterprise value multiple ratio (EV/EBITDA) fully takes into account the influence of the above-mentioned various factors. Given its strong comprehensibility and applicability to this valuation, the enterprise value multiple ratio (EV/EBITDA) was chosen as the value ratio using the market approach for this valuation.

Value of entire equity interests = EV/EBITDA of the target company × EBITDA (earnings before interest, taxes, depreciation and amortization) of the target company attributable to the parent company − Interest-bearing debt of the target company

Where: EV/EBITDA of the Company = weighted average of the revised EV/EBITDA of the comparable companies

= EV/EBITDA of the comparable companies × EV/EBIT revised coefficient of the comparable companies × weights

EV/EBIT revised coefficient of the comparable companies = ∏adjustment coefficient of influence Factor Ai

Adjustment coefficient of influence Factor Ai = coefficient of the target company/ coefficient of the comparable companies

3. Valuation procedures

(1) Identification of comparable enterprises

Comparable transaction cases or listed company cases in the same industry or are affected by the same economic factors as the Appraised Entity, with the same or similar businesses and same transaction type, in close periods are analyzed and selected in an appropriate trading market. Such comparable enterprises are screened based on applicability and an appropriate number of enterprises comparable to the Appraised Unit are eventually selected taking into account factors such as business structure, business model, enterprise size, allocation and utilization of assets, operational stage, growth potential, operational risks and financial risks. The comparable enterprises selected are exhaustive samples as there is a limited number of comparable listed companies in the PRC principally engaged in the manufacture of optical cables and fibres and ancillary products.

The three comparable listed companies selected in this valuation all engage in the business of manufacturing optical fibers and cables, which are of the same industry nature. Upon enquiry, the Valuer was informed that the percentage of revenue attributable to the principal business is: 97.28% for Futong Xinmao; 96.07% for Tianyi Comheart, 67.07% for Huamai Technology, and 99.18% for the target enterprise. There are differences between the proportions of the optical fiber and cable business accounted in the principal business of each company. The main reason is that listed companies are relatively large in size and have a wide range of product layouts. The proportion is dynamic as listed companies have a high degree of flexibility to adjust their production schedules appropriately according to the market conditions for their products. Due to the relatively small number of domestic listed companies that mainly engages in manufacturing optical fiber and cable and the large differences in financial data between individual companies, if adjustments are made to financial indicators, the adjustment range will be large and there will be a large degree of subjectivity, and the results may not reasonably reflect the valuation. Therefore, the range of selection of cases for this valuation is broadened appropriately. Companies operating in the same industry with similar scale of assets, financial risk and enterprise value multiple ratio (EV/EBITDA) are selected for comparison, and appropriate adjustments are made to the indicators. Generally speaking, the smaller the adjustment, the better the valuation results can reflect the market value.

Three comparable enterprises which are (i) principally operated in the optical communication industry and engaged in the manufacture of optical fibers and optical cable business and ancillary products similar to the target company; (ii) listed on a stock exchange in the PRC for over two years. The three comparable enterprises selected are namely: Tianjin Futong Xinmao Science & Technology Co., Ltd* (天津富通鑫茂科技股份有限公司) (stock code: 000836.SZ), Nanjing Huamai Technology Co., Ltd.* (南京华脉科技股份有限公司) (stock code: 603042.SH), and Sichuan Tianyi Comheart Telecom Co., Ltd* (四川天邑康和通信股份有限公司) (stock code: 300504.SZ).

Tianjin Futong Xinmao Science & Technology Co., Ltd. (stock code: 000836.SZ)

It is a major supplier of optical fiber preforms, optical fibers and optical cables in China, with quality products and services serving the national information network construction, backbone information networks, metropolitan area networks, access networks, base stations and indoor distribution.

Consolidated Financials (RMB0'000)

Items/Year	31 December 2018	31 December 2019
Total Assets	306,144.94	257,278.41
Total Liabilities	137,629.53	127,570.11
Total owners' equity attributable to parent	131,969.29	124,524.23
Total equity interest	168,515.40	129,708.30

Item/Year	31 December 2018	31 December 2019
Sales Revenue	266,372.02	113,795.36
Total Profit	14,170.90	5,462.82
Net Profit	10,826.33	4,823.81
Net profit attributable to parent	6,666.92	4,095.10

Sichuan Tianyi Comheart Telecom Co., Ltd (stock code: 300504.SZ)*

Its business is dedicated to optical communication and mobile communication industry and it specialises in the field of physical connection and protection of communication network, mobile communication network optimization system and broadband network terminal equipment research and development, production, sales, and service.

Consolidated Financials (RMB0'000)

Item/Year	31 December 2018	31 December 2019
Total Assets	295,039.97	250,767.91
Total Liabilities	119,434.01	69,631.00
Total owners' equity attributable to parent	175,605.95	181,136.91
Total equity interest	175,605.95	181,136.91

Item/Year	31 December 2018	31 December 2019
Sales Revenue	277,500.59	213,773.88
Total Profit	17,235.04	11,615.61
Net Profit	15,217.87	10,767.99
Net profit attributable to parent	15,217.87	10,767.99

Nanjing Huamai Technology Co., Ltd. (stock code: 603042.SH)*

It is a company dedicated in the field of communication physical connection, and focuses on the manufacturing, research and development of telecommunication cable equipment, fiber optical communications, wireless communications, IOT, etc.

Consolidated Financials (RMB0'000)

Item/Year	**31 December 2018**	**31 December 2019**
Total Assets	212,681.10	223,804.82
Total Liabilities	124,070.31	131,870.73
Total owners' equity attributable to parent	78,370.32	80,750.46
Total equity interest	88,610.78	91,934.09

Item/Year	**31 December 2018**	**31 December 2019**
Sales Revenue	103,014.61	115,354.97
Total Profit	(11,679.54)	2,689.33
Net Profit	(10,613.19)	2,807.64
Net profit attributable to parent	(11,034.36)	2,365.74

(2) Necessary adjustment for the difference between the Appraised Unit and comparable enterprises.

Information of the comparable enterprises, including their operation and financial position, obtained from public and legal channels, are compared and analyzed against the actual situation of the Appraised Unit. Necessary adjustments are made for differences.

Financial Indicators Analysis for Comparable Enterprises

Items/Enterprise		Target Company	Comparable Enterprise 1	Comparable Enterprise 2	Comparable Enterprise 3
		Putian Fasten	Tianjin Futong Xinmao	Nanjing Huamai Technology	Sichuan Tianyi Comheart
EV as of Valuation Benchmark Date (RMB0'000)		TBD	553,227.09	275,006.00	624,130.27
Comparable EBITDA (RMB0'000)		42.02	16,493.10	8,390.88	14,634.49
EV/EBITDA Multiple		TBD	31.92	31.79	39.70
Valuation Benchmark Date		31 December 2019	31 December 2019	31 December 2019	31 December 2019
Business Scale	Sales Revenue (RMB0'000)	81,681.51	113,795.36	115,354.97	213,773.88
	Total Assets (RMB0'000)	139,027.73	257,278.41	223,804.82	250,767.91
Operating Capacity	Current Assets Turnover (times)	0.17	0.78	0.87	0.86
	Total Assets Turnover (times)	0.14	0.40	0.53	0.78
Repayment Capacity	Interest Bearing Debts (RMB0'000)	38,863.90	69,845.00	59,990.00	–
	Assets Liabilities Ratio %	63.09	49.58	58.92	27.77
Profitability	Ratio of Profits to Cost%	(0.04)	4.57	2.59	5.65
	Gross Profit Margin%	0.45	19.05	24.21	19.03
Growth Capacity	Operating Income YoY growth rate%	0.55	(57.28)	11.98	(22.96)

Factor Condition Comparison and Score Chart

Items/Enterprise			Target Company	Comparable Enterprise 1	Comparable Enterprise 2	Comparable Enterprise 3
			Putian Fasten	**Tianjin Futong Xinmao**	**Nanjing Huamai Technology**	**Sichuan Tianyi Comheart**
Trading time correction *(Note)*	Weighting 100%	Valuation Benchmark Date/ Time	31 October 2019	31 October 2019	31 October 2019	31 October 2019
		Score	**100.0**	**100.0**	**100.0**	**100.0**
Revised coefficient for business scale capacity	Weighting 50%	Sales Revenue (RMB0'000)	81,681.51	113,795.36	115,354.97	213,773.88
		Score	100	103.00	103.00	113.00
	Weighting 50%	Total Assets (RMB0'000)	139,027.73	257,278.41	223,804.82	250,767.91
		Score	100	112.00	108.00	111.00
	Subtotal		**100**	**107.5**	**105.5**	**112**
Revised coefficient for operating capacity	Weighting 50%	Current Assets Turnover (Times)	0.17	0.78	0.87	0.86
		Score	100	106.00	107.00	107.00
	Weighting 50%	Total Assets Turnover (Times)	0.14	0.40	0.53	0.78
		Score	100	103.00	104.00	106.00
	Subtotal		**100**	**104.5**	**105.5**	**106.5**
Revised coefficient for repayment capacity	Weighting 50%	Interest Bearing Debts (RMB0'000)	38,863.90	69,845.00	59,990.00	–
		Score	100	97.00	98.00	104.00
	Weighting 50%	Asset liabilities ratio %	63.09	49.58	58.92	27.77
		Score	100	103.00	101.00	107.00
	Subtotal		**100**	**100**	**99.5**	**105.5**
Revised coefficient for profitability	Weighting 50%	Profits to Cost Ratio %	(0.04)	4.57	2.59	5.65
		Score	100	109.00	105.00	111.00
	Weighting 50%	Gross Profit Margin%	0.45	19.05	24.21	19.03
		Score	100	109.00	112.00	109.00
	Subtotal		**100**	**109**	**108.5**	**110**
Revised coefficient for growth capacity	Weighting 100%	Operating Income YoY growth rate%	0.55	(57.28)	11.98	(22.96)
		Score	**100.0**	**94.0**	**101.0**	**98.0**

Note: Trading time correction is used to ensure the comparative figures are reflected as of valuation benchmark date rather than transaction date.

The revisions are explained as follows:

(1) Transaction date revision

The price of an asset varies from time to time, and the transaction date of comparable cases is usually different from the time of valuation. Therefore, it is necessary to adjust the price of the comparable case on the transaction date to the price at the time of valuation. This adjustment to the transaction price of comparable cases is called "market condition adjustment" or "transaction date revision". After such adjustment or revision, the price of the comparable cases on the transaction date is changed to the price at the time of valuation.

As the valuation benchmark date is 31 October 2019 instead of a complete annual data, some indicators may be affected to a certain extent and do not accurately and reasonably reflect the overall value of the enterprise. In view of this, when adopting the listed company comparison method in this valuation, the market value of comparable listed companies is determined using the closing price and the number of shares at the benchmark date. For some indicators, data from annual reports for 2019 are derived. Indicator caliber of the valuation subject are also derived from the annual report. No transaction date revision is required.

(2) Transaction condition revision

The transaction price of the comparable case actually occurs. It may be a normal and fair market value, or it may be the price under specific conditions and transaction terms. Since the value of the valuation subject is required to be objective and fair, the transaction price of the comparable case should be revised to make it normal if it appears to be abnormal. Such revision of transaction price of comparable cases is called transaction condition revision.

To modify the transaction condition, deviations in transaction price of the comparable case caused by the special factors in the transaction should be excluded, and the transaction price of the comparable case should be adjusted to the normal level. Transaction conditions to be verified are as follows:

① Transactions between interested parties – from spouses, parents, children, etc., or certain transactions under the same de facto control or transactions between management teams, etc.;

② Transactions that is imminent disposal or acquisition;

③ Transactions in which the parties or any one of them have little understandings of the market;

④ Transactions in which the parties or any one of them have special purpose or preference;

⑤ Abnormal transactions in a special way, such as inflating prices or panic selling;

⑥ Transaction tax are abnormally borne, for example, the seller settles the tax payable by the purchaser, or the purchaser settles the tax payable by the seller, as agreed between the purchaser and the seller;

⑦ Transactions affected by creditor rights and debts.

After verification, the valuers are of the opinion that the transaction prices of listed companies are open and normal market prices in an active market, and therefore no transaction condition revision is required.

(3) Development stage revision

The enterprise in the cases may be at different stages of development. Under normal circumstances, the development stage of an enterprise can be divided into the following stages:

① Start-up period: The characteristics of a start-up enterprise is generally small in scale and just commence simple business, with unstandardized internal management process, difficulty in corporate financing and greater uncertainty about survival (companies established by shareholders for the purpose of increasing assets and cooperation with others based on existing businesses are not included in this category).

② Growth period (rapid growth stage): After the accumulation in the start-up stage, an enterprise gradually determines their market position, business model and profit model. Operating income enters a period of rapid growth. Enterprise scale starts to expand. Number of personnel and premises increases significantly. Reinvestment of capital is often relatively large. The company enters a stage of rapid development and is relatively optimistic about the future.

③ Stable period (mature development stage): After rapid growth, industry technology matures. Industry characteristics, industry competition and user characteristics are very clear and stable, and profit model has been established. However, at the same time, it is more difficult to develop new products and new applications and to further expand the business and significantly expand market share.

Operating income increases but number of employees and premises no longer increase significantly, and capital reinvestment decreases. The enterprise enters a stage of mature development.

④ Recession period (continuous development period): Enterprises at this stage generally strive for excellence in management and reduce operational consumption to increase profitability. Market share is almost certain and is difficult to change. Capital reinvestment amount is relatively small. Enterprises are basically in the intensive cultivation of market segments with little growth. Without diversified investments and changes, the enterprises will gradually decline as the industry declines.

Through research on the appraised company and comparable listed companies and collecting relevant information on the development of the overall industry, the valuers understand that there is an oversupply of optical fiber and optical cables. Due to the price of optical fiber procurement has fallen sharply, and the market environment has deteriorated, this resulted in a decline in the output of the optical fiber and cable industry and a drop in revenue for the cable industry and the entire industry has entered into a period of reorganising and reshuffling. Based on the above characteristics, the industry is in a stage of recession (continuous development period). As the above-mentioned enterprises are all in the fourth stage, i.e. recession period (continuous development period), development stage revision is not required.

(4) Business scale revision

Business scale varies from case to case at local, national and transnational levels. In terms of measuring market position and market share, operating income and total assets are two very important indicators. If other conditions are the same, the purchaser will have greater incentives to purchase for companies with higher operating income and total assets. Therefore, "operating income" and total assets indicators are selected for the revision factor of the business scale.

The revisions to operating income and total assets are positive. If operating income and total assets are higher, upward revision will be made, or otherwise, downward revision will be made. For difference of every RMB100 million of operating income, revision of 1% will be made. For difference of every RMB100 million of total assets, revision of 1% will be made. For the purpose of business size revision, weighting of revisions of operating income and total assets are 50% each.

(5) Operating capacity revision

Operation capacity refers to the ability of an enterprise to achieve its financial goals through allocation and combination of internal human resources and production data based on the constraints of the external market environment. Generally speaking, it is the ability of an enterprise to use its assets to make profits.

Financial analysis ratios of an enterprise's operating capacity include: inventory turnover rate, accounts receivable turnover rate, current asset turnover rate and total asset turnover rate etc. These ratios reveal the enterprise's working capital liquidity and reflect the efficiency of the enterprise's management and utilization of economic resources. The faster the turnover of assets and the higher the liquidity, the faster the assets can make profits. In this valuation, current asset turnover and total asset turnover are selected as comparison indicators.

The revisions to current asset turnover and total asset turnover are positive. If the current asset turnover and total asset turnover are higher, upward revision will be made, or otherwise, downward revision will be made. For difference of every 0.1 of current asset turnover, revision of 1% will be made. For difference of every 0.1 of total asset turnover, revision of 1% will be made. For the purpose of operating capacity revision, weighting of revisions of current asset turnover and total asset turnover are 50% each.

(6) Repayment capacity revision

The repayment capacity of an enterprise refers to the ability of an enterprise to use its assets to repay long-term debts and short-term debts. It is the key to the healthy survival and development of an enterprise and an important indicator of the enterprise's financial status and operating risks. Statically speaking, it is the ability to use corporate assets to pay off corporate debts; dynamically speaking, it is the ability to repay debts with corporate assets and income generated from operation.

The indicators of repayment capacity include current ratio, quick ratio, gearing ratio, equity multiplier, equity ratio, interest-bearing debt, etc. In this valuation, interest-bearing debt and the gearing ratio, which reflect long-term repayment capacity, are selected as the indicators of repayment capacity.

The revision to interest-bearing debt is reverse. If the interest-bearing debt is in larger amount, downward revision will be made, or otherwise, upward revision will be made. For difference of every RMB100 million of interest-bearing debt, revision of 1% will be made. The revision to assets liabilities ratio is reverse. If the assets liabilities ratio is higher, downward revision will be made, or otherwise, upward revision will be made. For difference of every 5% of assets liabilities ratio, revision of 1% will be made. For the purpose of repayment capacity revision, weighting of revisions of interest-bearing debt and assets liabilities ratio are 50% each.

(7) Profitability revision

Profitability indicator refers to the indicator that measures the profitability of an enterprise's operations. The frequently used profitability indicators include gross sales margin, net profit margin of total assets and return on net assets, etc. After comprehensive analysis, in this valuation, two indicators, namely ratio of profits to cost and gross profit margin, are used as financial indicators to measure the profitability of an enterprise's operations.

The revisions to ratio of profits to cost and gross profit margin are positive. If the ratio of profits to cost and gross profit margin are higher, upward revision will be made, or otherwise, downward revision will be made. For difference of every 0.5% of ratio of profits to cost, revision of 1% will be made. For difference of every 2.0% of gross profit margin, revision of 1% will be made. For the purpose of profitability revision, weighting of revisions of ratio of profits to cost and gross profit margin are 50% each.

(8) Growth capacity revision

Growth capacity revision refers to the indicator that measures the growth capacity of the appraised enterprise's business development. After comprehensive analysis, in this evaluation, year-on-year growth rate of operating income is selected as the indicator to measure the growth capacity of the appraised enterprise's business development.

The revision to year-on-year growth rate of operating income is positive. If the year-on-year growth rate of operating income is higher, upward revision will be made, or otherwise, downward revision will be made. For difference of every 10% of year-on-year growth rate of operating income, revision of 1% will be made.

(3) Selection and determination of value ratio.

Value ratio normally includes earning ratio, asset ratio, income ratio and other specific ratios, such as equity ratios including price earning ratio (P/E ratio), price-to-book ratio (P/B ratio) and price-to-sales ratio (P/S ratio), or enterprise value multiple ratio (EV/EBITDA). In the course of selection, the following factors are fully considered: the chosen value ratio is beneficial to the reasonable determination of the value of the appraisal target; the range of information and method used for calculating the value ratio are consistent; reasonable adjustments are made on the differences between the comparable enterprises and the appraised entity whenever possible while using the value ratio. P/E ratio is generally applicable to enterprises with continuous profitability, but loses economic significance if the earnings-based capital indicator is negative. The net profit of the target company is RMB -36,536,100, and using P/E value ratio for comparison is unreasonable. Income value ratio P/S is generally applicable to service enterprises with low sales cost ratio or traditional industry with stable cost and sales profit level. However, this value ratio cannot reflect the difference in manufacturing and sales costs. The target enterprise is a manufacturer of optical fiber and optical cable, and the cost and sales profit level is greatly influenced by market supply and demand. Thus, the income value ratio P/S is not applicable. Asset value ratio P/B is generally applicable to the financial industry or enterprises such as steel industry and infrastructure industry, so it is not applicable as well.

The target enterprise and comparable listed companies are asset-heavy companies, and the amount of cost such as interest, depreciation and amortization in their financial statements are generally very large, which will have a significant impact on the their current operating results. In view of this, EV/EBITDA is selected as the value ratio for comparison, eliminating the influence of these two factors. The reason is: interest varies depending on the financing decisions of the companies' management, so it is excluded from EBIT. Taxation is also excluded because it depends heavily on the company's profit and loss in previous years, and such changes may distort current net profit. Amortization expenses is excluded because it measures the tangible assets acquired in the previous period rather than cash expenditure in the current period. Depreciation, which is an indirect review of capital expenditure, is also excluded.

For the valuation ratio calculation table, please refer to the table showing the revised coefficient of different factors of the target company's EV/EBITDA multiple.

Value Ratio Calculation Table

Items/Enterprise	**Target Company**	**Comparable Enterprise 1**	**Comparable Enterprise 2**	**Comparable Enterprise 3**
	Putian Fasten	**Tianjin Futong Xinmao**	**Nanjing Huamai Technology**	**Sichuan Tianyi Comheart**
EV/EBITDA Multiple	/	31.92 *(Note 1)*	31.67 *(Note 2)*	39.70 *(Note 3)*
Trading time correction	100.00	100.00	100.00	100.00
Revised coefficient for business scale capacity	100.00	107.50	105.50	112.00
Revised coefficient for operating capacity	100.00	104.50	105.50	106.50
Revised coefficient for repayment capacity	100.00	100.00	99.50	105.50
Revised coefficient for profitability	100.00	109.00	108.50	110.00
Revised coefficient for growth capacity	100.00	94.00	101.00	98.00
EV/EBITDA Multiple post-adjustment	/	27.73	26.09	29.27
Target Company EV/ EBITDA Multiple	27.70			

Note 1: Enterprise value of Tianjin Futong Xinmao is RMB5,532,270,000, and its non-operating assets amount to RMB267,165,700. Excluding the non-operating assets, its value will be RMB5,265,105,200, and thus the EV/EBITDA multiple = 526,510.52/16,493 = 31.92.

Note 2: Enterprise value of Nanjing Huamai Technology is RMB2,750,060,000 and its non-operating assets amount to RMB 92,947,300. Excluding the non-operating assets, its value will be RMB 2,657,112,700, and thus EV/EBITDA multiple = 265,711.27/ 8,390.88 = 31.67

Note 3: Enterprise value of Sichuan Tianyi Comheart is RMB6,241,302,700 and its non-operating assets amount to RMB431,230,100. Excluding the non-operating assets, its value will be RMB 5,810,072,600, and thus EV/EBITDA multiple = 581,007.26/ 14,634.49 = 39.70

The target enterprise of this valuation is a cable and optical fiber manufacturing enterprise, which is an asset-heavy enterprise, and its enterprise value is affected by various factors, such as the remaining economic life of main equipment, scale of assets and financial leverage. The EBITDA (earnings before interest, taxes, depreciation and amortization) in the enterprise value multiple ratio (EV/EBITDA) fully takes into account the influence of the above-mentioned various factors. Given its strong comprehensibility and applicability to this valuation, the enterprise value multiple ratio (EV/EBITDA) was chosen as the value ratio using the market approach for this valuation.

(4) Estimation of enterprise value.

After adjustments and calculations, the value ratios of the comparable enterprises were combined with the corresponding financial information or indicators of the appraised entity to arrive at the value of operating assets of the Appraised Unit. The value of the entire equity of the shareholders of the Appraised Unit was arrived at after assessing the value of surplus assets and value of non-operating assets and liabilities of the Appraised Entity.

The appraised value of entire shareholder's equity interest

① Value of operating assets

= Target company EV/EBITDA× Target company EBITDA (Profit before interest and tax)-Interest-bearing debt of the target company

= 3,243.71×27.70-38,863.90

= RMB50,980.38 ten thousand

The breakdown of interest-bearing debt is as follows:

No.	Items	Currency	Carrying value (RMB0'000)
1	Short-term borrowings	RMB	19,500.00
2	Non-current liabilities due within one year	RMB	1,613.90
3	Long-term borrowings	RMB	17,750.00

② Value of non-operating assets (liabilities)

Upon asset inspection, the appraised values of the enterprise's non-operating assets and liabilities are as follows:

Unit: RMB0'000

Items	Amount (RMB)	Appraised value (RMB)	Remarks
Non-operating Assets:	**626,288,609.07**	**626,288,609.07**	
Other receivables	4,501,147.75	4,501,147.75	Interest receivable
Other receivables	606,674,922.26	606,674,922.26	Current account
Other current assets	1,079,928.19	1,079,928.19	Input tax to be deducted
Deferred tax assets	12,934,665.87	12,934,665.87	
Other non-current assets	1,097,945.00	1,097,945.00	Advance payment for construction
Non-operating liabilities:	**241,603,363.38**	**241,228,363.38**	
Accounts payable	724,632.11	724,632.11	Interest payable
Other payables	233,478,442.20	233,478,442.20	Current account
Deferred income	500,000.00	125,000.00	
Deferred income tax liabilities	6,900,289.07	6,900,289.07	
Net non-operating assets	**384,685,245.69**	**385,060,245.69**	

③ Value of surplus assets

Upon inspection: the cash account balance has a face value of RMB103,069,300. Upon analysis by the valuers based on historical data, the enterprise needs to have a cash flow that is sufficient to cover two months of operating cost. The enterprise has no surplus cash as at the assessment benchmark date.

④ Value of entire shareholders' equity

Value of entire shareholders' equity = value of operating assets + value of non-operating assets (liabilities) + value of surplus assets

= RMB89,486.40 ten thousand

(5) Determination of valuation conclusion.

In adopting listed company comparison method for this valuation, given that the comparable companies are listed companies while the Appraised Unit is a non-listed company, the lack of liquidity discount was taken into account when assessing the value of the entire equity of shareholders of the Appraised Unit, that is, to arrive at the appraised value of the entire equity of shareholders of the Appraised Unit by deducting the lack of liquidity discount, on the basis of considering the market value before the lack of liquidity discount.

Based on the research statistics (as set out below as Lack of Liquidity Discount Table) and considering the target company's industry and principal business, the lack of liquidity discount of 40.2% for the electrical machinery and equipment manufacturing has been selected as reference.

Lack of Liquidity Discount Table

No.	Industry	Mergers of Non-listed Companies		Listed Companies		Lack of Liquidity Discount
		Sample size	Average P/E	Sample size	Average P/E	
1	Mining	6	21.44	49	24.26	**11.6%**
2	Electricity, thermal power production and supply	33	16.94	51	26.92	**37.1%**
3	Water production and supply	10	18.28	14	23.03	**20.6%**
4	Property and Real Estate	25	13.66	94	19.27	**29.1%**
5	Construction	16	17.34	76	21.90	**20.8%**
6	Warehouse	3	18.99	5	39.68	**52.1%**
7	Transport	18	19.63	65	25.20	**22.1%**
8	Loading and Unloading transportation agency	4	12.57	5	19.69	**36.2%**
9	Education	3	43.08	2	80.61	**46.6%**
10	Currency financial services	17	12.26	28	7.16	**-71.3%**
11	Other financial services	18	18.64	8	32.10	**41.9%**
12	Capital markets services	12	22.18	33	37.38	**40.7%**
13	Scientific research and technological services	13	40.69	3	65.55	**37.9%**
14	Professional, technical services	18	31.33	37	40.78	**23.2%**
15	Agriculture, Forestry, Livestock, Fishery	8	29.04	20	40.49	**28.3%**
16	Retail	26	21.29	64	28.15	**24.3%**
17	Wholesale	48	22.23	59	27.31	**18.6%**
18	Ecological protection and environmental governance	5	18.91	29	26.56	**28.8%**
19	Health and social work	10	16.90	8	52.33	**67.7%**

No.	Industry	Mergers of Non-listed Companies		Listed Companies		Lack of Liquidity Discount
		Sample size	Average P/E	Sample size	Average P/E	
20	Culture, sports, and entertainment	7	33.84	18	42.24	**19.9%**
21	Internet and related services	9	26.25	42	33.20	**20.9%**
22	Software and information technology services	48	28.49	131	48.68	**41.5%**
23	Electric and Electronic machinery and equipment manufacturing	22	20.14	155	33.68	**40.2%**
24	Textile	5	15.85	53	30.91	**48.7%**
25	Non-metal mineral products	7	18.90	59	22.91	**17.5%**
26	Ferrous metal smelting and rolling processing industry	5	6.29	28	8.54	**26.4%**
27	Chemical raw materials and chemical products manufacturing	39	21.44	205	29.72	**27.9%**
28	Computer, telecommunication, and other electronic equipment manufacturing	32	31.47	220	41.89	**24.9%**
29	Metal products manufacturing	11	20.02	42	32.51	**38.4%**
30	Vehicle manufacturing	11	16.74	88	27.00	**38.0%**
31	Food production	14	25.95	32	36.43	**28.8%**
32	General equipment manufacturing	9	18.02	89	36.21	**50.2%**
33	Rubber and plastic manufacturing	9	13.65	52	33.11	**58.8%**
34	Pharmaceutical manufacturing	17	27.17	187	33.56	**19.1%**
35	Instrument and devices manufacturing	3	36.28	36	41.63	**12.8%**
36	Non-ferrous metal smelting and rolling processing	10	22.26	44	33.09	**32.7%**
37	Specialized equipment manufacturing	24	24.98	131	35.77	**30.2%**
38	Corporate services	50	25.09	34	29.06	**13.7%**
39	Leasing	3	25.97	3	39.84	**34.8%**
40	**Total/Average**	**622**	**22.42**	**2,299**	**33.55**	**29.3%**

Source: Wind Data Service, an independent service provider providing financial information services, including information on Chinese stocks, bonds, funds, futures, RMB rate and macroeconomy.

CVSource, an independent online database system providing professional information and data solutions, including analysis of equity investment trends, records and analysis of investments and mergers and acquisitions activities, industry research, company analysis, analysis of funds and fund managers, breakdown of investment terms and conditions and studies on regulations on fundraisings and investments.

Considering the lack of liquidity discount and the entire equity interest of the enterprise, the appraised value for the market approach is set out in the table below:

Market Approach Valuation Table

(RMB0'000)

Items/Enterprise	Target Company	Comparable Enterprise 1	Comparable Enterprise 2	Comparable Enterprise 3
	Putian Fasten	**Tianjin Futong Xinmao**	**Nanjing Huamai Technology**	**Sichuan Tianyi Comheart**
EV/EBITDA Multiple	/	31.92	31.67	39.70
Trading time correction	100.00	100.00	100.00	100.00
Revised coefficient for business scale capacity	100.00	107.50	105.50	112.00
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Revised coefficient for repayment capacity	100.00	100.00	99.50	105.50
Revised coefficient for profitability	100.00	109.00	108.50	110.00
Revised coefficient for growth capacity	100.00	94.00	101.00	98.00
EV/EBITDA Multiple post-adjustment	/	27.73	26.09	29.27
Target Company EV/ EBITDA Multiple	**27.70**			
Company EBITDA (Financial Year 2019)	**3,243.71**			
Interest-bearing debt	38,863.90			
Operating asset value	50,980.38			
Non-operating and excess assets	38,506.02			
Appraised value of entire shareholder's equity interest	89,486.40			
Lack of liquidity discount	40.2%			
Appraised value of entire shareholder's equity interest (less lack of liquidity discount)	**53,500.00**			
Valuation Share Ratio	100.00%			
Appraised Value	**53,500.00**			

Listed company comparison method is adopted under the market approach and the valuation benchmark date of this Valuation Report is 31 October 2019, which differs from date of the annual report data by only two months. Prior to the issuance of this report, the Appraised Entity has issued its audited annual data. After checking the comparison between the valuation benchmark date and the annual report data, the data including operating income and net profit have changed significantly. The data of the Appraised Entity can be rolled up to 31 October 2018 using Trailing 12 months (TTM) for comparative analysis. However, as it is not semi-annual or annual, it is not possible to search for relevant data on comparable public companies for comparison. For this reason, in this valuation, the data of comparable indicators are annualized for comparison, and the EBITDA data is from 2019. The market capitalization of comparable listed companies is determined based on the closing price and number of shares at the valuation benchmark date.

Adjustments for EBITDA include net profit, depreciation and amortization, interest expense etc. The interest expense is RMB4,306.41 (in ten thousand), depreciation expense is RMB3,652.58 (in ten thousand), net profit (before tax) is RMB-4,888.04 (in ten thousand) and amortization expense is RMB172.77 (in ten thousand). Accordingly:

EBITDA (back calculation) in ten thousand = RMB4,306.41 + RMB3,652.58 +(-RMB4,888.04)+ RMB172.77= RMB3,243.71

VIII. EXECUTION OF VALUATION PROCEDURE

We have implemented the valuation procedure for this project in accordance with the PRC Asset Valuation Standards and the relevant principles and regulations of the National Asset Valuation Standards. The entire valuation procedure is divided into the following four stages:

(I) Preparation of valuation

1. Upon acceptance of the engagement for this project, discuss and reach an agreement with the Appointer on valuation purpose, valuation benchmark date, valuation scope and other issues, enter into a business entrustment contract, and formulate valuation plan for this project.

2. Collaborate with enterprises in asset stocktaking, guide and assist enterprises with declaration of asset within the valuation scope and prepare documents and information necessary for asset valuation.

(II) On-site survey

Based on the overall schedule of this project, after selecting the appropriate valuation methodology for this valuation, the following on-site survey is conducted:

1. Verification and validation of the assets and related information declared by the enterprise in the scope of valuation

(1) Listen to overall enterprise introduction given by staff of the Appointer and Appraised Entity, together with introduction of history and status of assets to be appraised, so as to have an overall picture about enterprises' internal system, state of operation and configuration of assets;

(2) review statements for asset valuation and declaration provided by enterprises, make reconciliation to relevant financial records and collaborate with enterprises to make adjustment or provide supplemental information when issues are identified;

(3) conduct on-site inspection and test counts on physical assets based on the statements for asset stocktaking, valuation and declaration;

(4) review and collect property right supporting documents of assets to be appraised, check the ownership information provided by the Appraised Entity and verify the ownership of the assets, count the defective assets, ask the Appraised Entity to verify and confirm that the enterprises' ownership of such assets and that there are no property rights disputes;

(5) analyze the specific valuation methods for each type of asset based on the actual conditions and characteristics of the assets under valuation;

(6) for equipment, buildings, and land use rights assets, understand the management system and actual implementation, as well as the corresponding maintenance, alteration and expansion, review and collect relevant technical data, contract files, budget data, completion inspection data, and land planning files, etc; for general-purpose equipment, conduct market research and inquired about price information; for buildings, real estate and land use rights, research and collect information on market conditions, real estate transaction cases and local construction costs;

(7) understand the cost structure, history and future revenue of the intangible assets involved, as well as information on the market conditions of the corresponding products; and

(8) the liabilities in the valuation range are primarily based on an understanding of the actual liability incurred by the Appraised Entity.

2. Judging the likely development trend of the enterprise over a period of time in the future by understanding of the historical operation of the Appraised Entity, its current operating status and the real status of the industry in which it operates, specifically as follows.

(1) understand the legal situation relating to the continued operation of an Appraised Entity, mainly in relation to its articles of association, investment and capital agreements, the place of operation and its ability to operate;

(2) understand the accounting system implemented by the Appraised Entity, depreciation policy for fixed assets, accounting for inventory costing and issue accounting method for inventory, etc., the tax rate implemented and tax status, debt, borrowings and cost of debt in recent years;

(3) understand the Appraised Entity's business type, business model and historical operating results, including the percentage of revenue from its principal operations, the distribution of its major customers, and its connected transactions with connected persons.

(4) obtain financial information such as balance sheets, income statements, cash flow statements and product income and cost breakdowns that have been audited in recent years;

(5) understand the allocation and actual utilization of the enterprise's assets, analyze relevant surplus assets and non-operating assets and liabilities, and obtain consensus with the enterprise's management;

(6) understand the core business strengths and weaknesses of the enterprise through an interview with the management of the Appraised Entity, business plans and operating strategies for the next few years, such as market demand, investment in research and development, pricing strategies, sales plans, cost and expense control, capital raising and projected new investment plans, etc., as well as the future income and cost components of our principal operations and their changing trends, etc.; major market competitors; and business risks faced, such as national policy risks, market (industry) competition risks, product (technology) risks, financial (debt) risks, and exchange rate risks, etc.;

(7) interview with the Appraised Entity's main suppliers and sales customers to understand their business cooperation with the Appraised Entity, the key conditions for cooperation, and future cooperation intentions;

(8) conduct necessary analysis and review of the future revenue forecast information provided by the management of the Appraised Entity, and to discuss with the Appointer and relevant parties various future possibilities, taking into account the Appraised Entity's human resources, technology level, capital structure, operating conditions, historical results, development trends, as well as macroeconomic factors and the current status and development prospects of the industry in which the appraised entity operates, and to analyze the applicability and compatibility of the future revenue forecast information with the valuation assumptions; and

(9) understand the number and underlying circumstances of comparable enterprises and comparable market transactions that are in the same industry as the Appraised Entity, or are affected by the same economic factors.

(III) Valuation result analysis and summary

Analyse, summarise and collate the valuation data collected during the on-site valuation survey stage as necessary to form basis for valuation estimate; select the correct formula and reasonable valuation parameters based on the selected valuation method to form a preliminary valuation result; summarize the preliminary valuation conclusions and conduct an analysis of the reasonableness of the valuation conclusions when it is confirmed that there is no duplication or omission of valuation in the scope of assets under valuation.

(IV) Preparation and submission of the report

Prepare the preliminary asset valuation report based on the above works performed; exchange views with the Appointer on the contents of the preliminary asset valuation report, revise and improve the asset valuation report after taking into account all relevant views communicated; and to submit a formal Asset Valuation Report to the Appointer after completing the enterprise's internal audit procedures.

IX. VALUATION ASSUMPTIONS

Asset appraiser followed the following assumptions and restrictions in this valuation:

(I) Basic Assumptions

1. Transaction assumption

The transaction assumption is that all assets to be evaluated are in the process of transaction, and the asset appraiser will make estimation in a simulated market according to the transaction conditions of assets to be evaluated. The transaction assumption is a most fundamental assumption for the further implementation of the asset valuation.

2. Open market assumption

An open market assumption is an assumption about the market conditions into which an asset is intended to enter and what effects the asset will receive under such market conditions. An open market is a fully developed and comprehensive market condition, a competitive market with willing buyers and sellers, where buyers and sellers are on equal footing and have access to adequate market information, and where transactions between buyers and sellers are conducted under voluntary, rational, non-compulsory or unrestricted conditions. The open market assumption is based on the assumption that assets are publicly tradable in the market.

3. Enterprise going concern assumption

Enterprise going concern assumption is assuming that the Appraised Entity can legally continue its production and operation business according to its current status within the foreseeable future operating period under the existing asset resources conditions and there will be no major adverse changes in the operating conditions.

4. Assumption about the use of an asset for an existing purpose

Assumption about the use of an asset for an existing purpose is assuming that the use of an asset for an existing purpose is an assumption about the conditions under which the asset is to enter the market and the use status of the asset under such market conditions. First, it is assumed that the assets within the scope of valuation are in use. Then it is assumed that the assets will continue to be used for the current purpose and mode of use without considering asset use conversion or optimal utilization conditions.

(II) General Assumptions

1. This valuation assumes that there will be no unforeseen significant adverse changes in the external economic environment, including the relevant laws, macroeconomic, financial and industrial policies prevailing in the country after the valuation benchmark date, and that there will be no significant impact caused by other human force majeure and unforeseen factors.

2. This appraisal does not consider the impact on the Appraised Entity's valuation conclusion of any collateral or guarantee that the Appraised Entity and its assets may assume in the future, or any additional price that may be paid as a result of special transactions.

3. It is assumed that there will be no significant changes in the socio-economic environment in which the Appraised Entity is located or in the fiscal and taxation policies in place, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable.

4. The current and future business operations of the Appraised Entity are and will be legal and in compliance with the relevant provisions of its business license and articles of association.

(III) Special valuation assumptions in the market approach

1. It is assumed that the Appraised Entity strictly follows relevant accounting standards, and the audit reports as at the valuation benchmark date and for the years are true and reliable.

2. It is assumed that the relevant information disclosed by the listed companies for listed company comparison method for this valuation are true and reliable.

3. It is assumed that, unless otherwise specified, all transactions in the capital market are open, equal, voluntary and fair.

4. Impact of natural forces and other force majeure factors or possible impact of special transaction methods on the valuation conclusion are not taken into consideration.

5. Mortgages and guarantees that may undertake in the future are not taken into consideration.

The valuation conclusion of this Asset Valuation Report is established at the valuation benchmark date under the above assumptions, and in the event of a significant change in the above assumptions, the undersigning asset appraiser and this valuation agency shall not be liable for deriving a different valuation conclusion as a result of the change in the assumptions.

X. VALUATION CONCLUSION

In accordance with the national regulations on valuation of assets, we have implemented the necessary valuation procedures based on the principles of independence, impartiality and objectivity to obtain a valuation conclusion of the market value of the shareholders' entire interest of the Appraised Entity as at the valuation benchmark date in accordance with the valuation purpose, valuation assumptions and limitations described in this report.

(I) Relevant valuation results

1. Asset-based approach valuation

The valuation of the value of the entire equity interest of the corporate shareholders using the asset-based approach resulted in the following valuation of the Appraised Entity at the valuation benchmark date:

On the valuation benchmark date, the carrying value of the Appraised Entity's shareholders' equity is RMB4,500,242,600 with an appraised value of approximately RMB540,915,700 and an appraised increase of approximately RMB90,673,100, representing an appreciation rate of 20.14%. Of which: the carrying value of total assets is RMB1,249,251,300 with an appraised value of RMB1,341,540,900 and an appraised increase of RMB92,289,600, representing an appreciation rate of 7.39%. The carrying value of liabilities is RMB79,900,870 with an appraised value of RMB800,625,200 and an appraised increase of RMB1,616,500, representing an appreciation rate of 0.20%.

2. Market approach valuation

The following valuation results are obtained for the Appraised Entity as at the valuation benchmark date using the market approach to appraise the value of the total equity of the enterprise shareholders.

On the evaluation benchmark date, the carrying value of shareholders' equity attributable to the parent company is RMB513,093,400 (consolidated data for the full year of 2019) and the appraised value is RMB535,000,000, representing an appreciation of RMB21,906,600 or 4.27%.

(II) Analysis of differences in valuation results and final valuation conclusions

1. Different analysis of the valuation results by different methods

The value of total shareholders' equity derived from the market approach is RMB535,000,000, representing a decrease of RMB5,915,700, or 1.09%, from the value of total shareholders' equity of approximately RMB540,915,700 derived from the asset-based approach.

The difference in the valuation results between the different valuation methods is mainly due to the different perspectives on asset values considered by the various valuation methods. The asset-based approach estimates the value from the perspective of the current reconstruction of the various assets of the enterprise, while the market approach evaluates the value of an object based on references in the capital market, resulting in the difference in the valuation results of each valuation method.

2. Selection of valuation conclusions

According to Practice Guidelines for Asset Valuation – Enterprise Value, when multiple valuation methods are used for the same valuation object, the conclusion of the appraisal should be formed by combining the valuation purpose, the quality and quantity of data used in different valuation methods, and by using either a qualitative or quantitative approach.

The asset-based approach is a valuation approach that determines the value of the subject of valuation based on reasonable assessment of various assets and liabilities of enterprises. This method derives the value of the shareholders' equity interests by summing up the valuations of all the major assets comprising the entity less the valuation of liabilities. The Appraised Entity is principally engaged in the production and sales of optical fibers and optical cables, and its core assets are production lines for the production of optical fibers and optical cables, properties, and land. Prices of production equipment can be obtained through enquiring with related manufacturers, and prices of properties and land can be easily verified in the market, properly reflecting the value of the existing assets of the enterprise.

Under the listed company comparison approach, listed companies which operate in the same industry where the appraised entity operates and are active in stock trading are chosen as comparable companies. Besides, one or several profitability and asset type parameters of the comparable companies are chosen to calculate the "value ratio" between the market values of the comparable companies and the analytical parameters chosen. The differences are quantified by comparing and analyzing the similarities and differences between the appraised enterprise and the reference enterprises and the value ratio applicable to the appraised enterprise is calculated to obtain the market value of the subject entrusted for valuation. Since the market approach and the asset-based approach have adopt different valuation methods, given that there are certain difference between the scale and efficiency of related business and assets with those of comparable listed companies, it is difficult to remove the impact of the differences of the above factors on valuation result under the market approach, and the valuation conclusions differ. Since the valuation conclusion under the listed company comparison approach is affected to a great extent by fluctuations in stock indices in the capital market and the business structure, business model, enterprise scale and asset allocation of each company is different, it is very difficult objectively to achieve accuracy in quantifying the aforesaid differences.

In view of the above, the result of the asset-based approach is adopted as the main conclusion for this valuation. As at the valuation benchmark date, the value of the entire shareholders' equity of the Appraised Entity, assuming all the above assumptions are met, is RMB540,915,647.01, being RENMINBI FIVE HUNDRED AND FORTY MILLION, NINE HUNDRED AND FIFTEEN THOUSAND, SIX HUNDRED AND SEVENTY FOUR DOLLARS AND ONE CENT ONLY.

The valuation conclusion is based on the above valuation work.

(III) Changes in the comparison of valuation conclusions and carrying value and reasons

The major increase/decrease analyses for this valuation conclusion using the asset-based approach are as follows:

Summary of valuation results by using the asset-based approach

Valuation benchmark date: 31 October 2019 *Unit: RMB0'000*

Item	Carrying value	Appraised value	Increase or decrease	Appreciation rate (%)
Current assets	90,873.64	90,872.47	(1.17)	0.00
Non-current assets	34,051.49	43,281.62	9,230.13	27.10
In which: Available-for-sale financial assets	0.00	0.00	0.00	
Held-to-maturity investments				
Long-term receivables				
Long-term equity investment	30,504.68	39,763.33	9,258.65	30.35
Investment properties	0.00	0.00	0.00	
Fixed assets	1,380.15	1,348.91	(31.24)	(2.26)
Construction-in-progress	0.00	0.00	0.00	
Construction materials				
Disposal of fixed assets				
Productive biological assets				
Oil and gas assets				
Intangible assets	2,166.67	2,169.38	2.72	0.13
Development expenses				
Goodwill				
Long term unamortized expenses				
Deferred tax assets				
Other non-current assets				
Total assets	124,925.13	134,154.09	9,228.96	7.39
Current liabilities	53,000.87	53,162.52	161.65	0.30
Non-current liabilities	26,900.00	26,900.00	0.00	0.00
Total liabilities	79,900.87	80,062.52	161.65	0.20
Net assets (owners' equity)	45,024.26	54,091.57	9,067.31	20.14

Analysis of the reasons of increase/decrease in the appraised value

1. *Current assets*

The carrying value of current assets is RMB908,736,380.88 and the appraised value is RMB908,724,678.15, a decrease of RMB11,702.73. This is mainly due to the valuation of work in progress in inventories, after taking the carrying value as the base while taking into account the corresponding cost-profit ratio, and deducting selling expenses and taxes necessary to realize sales. The valuation is slightly depreciated due to the sluggish sales and high cost of the enterprise's products.

2. *Long-term equity investment*

The carrying value of long-term equity investments is RMB305,046,764.09 with an appraised value of RMB397,633,254.19, representing an increase of RMB92,586,490.10 or an appreciation rate of 30.35%, primarily due to the separate valuation of the wholly-owned subsidiaries. The appreciation in value is mainly attributable to the appreciation of the value of fixed assets and intangible assets. Among which, the appreciation of the value of fixed assets is mainly due to the fact that the life being applied by the enterprise in its calculation of depreciation is shorter than the economic life being applied in the valuation; the appreciation of the value of intangible assets-land use rights is mainly due to the increase in demand for industrial land and also the inclusion of other intangible assets, such as off-account patents, into the scope of valuation.

Increase in appraised value of long-term equity investment

The increase in appraise value of long-term equity investment was mainly due to the increase in value of the buildings and land use rights held by the two subsidiaries of Putian Fasten.

Jiangsu Fasten Photonics Co. Ltd.

No.	Item	Carrying Value	Appraised Value	Increase	Increase%
1	Buildings	7,971,976.99	41,739,121.27	33,767,144.28	423.57
2	Land Use Rights	3,842,859.79	24,296,000.00	20,453,140.21	532.24
3	Summary of Real Estate Appraisal	11,814,836.78	66,035,121.27	54,220,284.49	458.92

Jiangsu Fasten Optical Cable Co., Ltd.

No.	Item	Carrying Value	Appraised Value	Increase	Increase%
1	Buildings	14,463,863.13	36,019,664.87	21,555,801.74	149.03
2	Land Use Rights	2,920,159.38	29,348,600.00	26,428,440.62	905.03
3	Summary of Real Estate Appraisal	17,384,022.51	65,368,264.87	47,984,242.36	276.03

(1) Buildings

For buildings, the asset-based approach is applied for this valuation, that is, based on the benchmark date, by adopting the re-budgeting method, according to the data provided by the enterprise and the results of on-site survey by the valuers, in accordance with the Measurement Specification of Quantity List Project (Jiangsu) (2013), the Pricing Quota of Construction and Decoration Engineering of Jiangsu Province (2014), and the price information of materials published by http://www.jszj.com.cn/ and the competent government departments, replacement unit price per unit area is determined, taking into account the prepaid expenses and capital costs of corresponding projects. Eventually, appraised value is calculated, based on the use of assets, taking into consideration the corresponding residual rate.

The increase in appraised value is mainly due to the fact that: the labor cost for the construction of the buildings owned by the enterprise from the date of completion up to the valuation benchmark date has increased q-o-q, and the price of the main materials used for construction has also increased at a certain rate. These important factors in the replacement price have a direct impact on the construction cost. In addition, the depreciation life used by the enterprise for the buildings (structures) is shorter than the economic durability life used for the asset valuation, which is another main reason for the appreciation in the net appraised value.

(2) Land use rights

Both benchmark land price coefficient revised approach and market approach are adopted for the valuation of land. Finally, the valuation under the market approach was adopted for the main conclusion, as it is more representative of the current market transaction of the land.

The reason for the appreciation: on the one hand, the reason for the appreciation of value of land is that, during the period from the enterprise's acquisition of land use rights to the valuation benchmark date, the local government attracted investment to build industrial parks, and Infrastructure has been built along with the construction of industrial parks, which has significantly improved the traffic conditions and significantly increased the occupancy rate of industrial enterprises. With the continuous advancement of land marketization, the demand for industrial land has increased, which has driven significant appreciation of value of the land.

3. *Fixed assets*

The net carrying value of fixed assets is RMB13,801,504.16 and the net appraised value is RMB13,489,126.00, representing an increase of RMB312,379.16, or a depreciation rate of 2.26%, primarily due to valuation appreciation of equipment, analyzed as follows:

(1) Although the overall price of machinery equipment is on a downward trend as a result of technological advance and market development, in this valuation, the newness rate is determined based on the economic useful life and actual condition of the equipment, which differs from the accounting depreciable life used by the enterprise, resulting in an increase in the net appraised value of machinery equipment;

(2) The original enterprise enjoyed a promotional price when purchasing the vehicle, and the pricing was cheaper. After enquiring with the 4S shop at the time of the benchmark date, the discount offered for such model was not large. As the calculation was based on the sales price at the time of the benchmark date, there is an increase in the original appraised value; the net value of the valuation was caused by the increase in the original value; also, their depreciable lives are significantly shorter than the state-required useful lives of vehicles, causing an increase in the net value.

(3) With technological advance and market development in recent years, the prices of general electronic equipment have been on a downward trend, resulting in a decrease in the original replacement cost and a depreciation in the net appraised value.

4. Intangible assets

Intangible assets – the carrying value of other intangible assets is RMB21,666,666.68 with an appraised value of RMB21,693,820.68, representing an increase of RMB27,154.00, or an appreciation rate of 0.13%. This is mainly due to the appreciation in the valuation of trademarks and patents not reflected in the enterprise's books.

5. Liabilities

The carrying value of the liabilities is RMB799,008,699.57 with an appraised value of RMB800,625,204.01, representing an increase of RMB1,616,504.44, or an appreciation rate of 0.20%. The appreciation of the liability is mainly due to the re-calculation of the unaccrued interest from the balance sheet date of interest payable to the valuation date in other payables as the appraised value.

(IV) Other considerations relating to the valuation conclusions

Given that the Appraised Entity itself is an unlisted company, the valuation object is the value of the entire shareholders' equity, and the impact of control and liquidity is not considered in the valuation by asset-based approach and income approach, and the final valuation conclusion does not consider the impact of control and liquidity.

(V) Validity of the valuation conclusions

In accordance with the current valuation standards, the valuation conclusion revealed in this valuation report is based on the fact that there have been no significant changes in the valuation assumptions set out in this report, and this valuation report conclusion may normally only be used if the period between the implementation date of the economic activity and the valuation benchmark date is not more than one year, i.e. the valuation conclusion is valid from 31 October 2019 to 30 October 2020.

The conclusion of this valuation report may not be used beyond the above validity period of the valuation conclusion.

(VI) Other notes on the valuation conclusion

During the validity period of the valuation conclusion after the valuation benchmark date, if there is a change in the number of assets and the valuation criteria involved in the valuation object, the Appointer may deal with it in accordance with the following principles.

1. when there is a change in the quantity of assets, the amount of assets should be adjusted accordingly according to the original valuation method;

2. the Appointer shall promptly engage a qualified valuation agency to re-determine the appraised value when there is a change in the asset price standard that significantly affects the asset valuation result; and

3. the Appointer shall give due consideration to any changes in the quantity of assets and the price standard after the valuation benchmark date when implementing economic activities.

XI. SPECIAL NOTES

In using this valuation report, the user of the valuation report should pay attention to the following special issues that may affect the valuation conclusion, and give due consideration to them when making their own decisions and implementing economic activities in reliance on this report.

(I) Incomplete or defective key information such as ownership

Subsidiary: Jiangsu Fasten Optical Cable Co., Ltd.

As at the valuation benchmark date, the area of the North Gatehouse included in the scope of the valuation is 20.00 square meters and no certificate had been applied for because the gatehouse is relatively small and it is not the main production room of the enterprise, so the enterprise has not applied for a certificate of real property ownership for it; the enterprise has provided information such as the construction contract, payment receipts and invoices of the above-mentioned property, as well as an explanation of the non-application of the certificate, etc. as evidence that the building is owned by the enterprise and there is no dispute over ownership. The area of the building is confirmed according to the relevant information provided by the enterprise and combined with the information obtained from on-site investigation and simple survey, and if the conditions for certificate issuance to be met in the future and the area recorded in the certificate does not match the declared area, the appraised value of the property would be adjusted accordingly. Since the building is not the main production plant of the enterprise and the failure to obtain a license does not have an impact on the operation of the enterprise, the valuation of the building has not considered the possible impact of the failure to obtain a license.

(II) Other key information not provided by the Appointer

Nil.

(III) Uncertainties such as outstanding issues, legal disputes as at the valuation benchmark date

The asset appraiser is not informed of any outstanding issues, legal disputes or other uncertainties of the enterprise as of the valuation benchmark date. The Appointer and the Appraised Entity have also clearly stated that there are no uncertainties such as unresolved issues and legal disputes.

(IV) Significant use of expert work and relevant report:

1. Use of expert report:

In the course of performing this valuation, we have obtained the following professional reports through lawful means, and have utilized the relevant contents of the professional reports with careful reference:

(1) special audit report (Tian Zhi Ye Zi [2020] No. 34250) issued by Baker Tilly China Certified Public Accountants LLP:

The types and amounts of the carrying assets in this Asset Valuation Report have been audited by Baker Tilly China Certified Public Accountants LLP, and a special audit report is issued (Tian Zhi Ye Zi [2020] No. 34250). The opinion of the audit report is: "We have audited the financial statements of Putian Fasten Cable Telecommunication Co. Ltd. including the balance sheets as of 31 December 2017, 31 December 2018, and 31 August 2019, and the results of its operations, income statement, statement of cash flows, statement of changes in equity for the years ended 31 December 2017, 2018, and January-August 2019 and related notes to the financial statements. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Putian Fasten Cable Telecommunication Co. Ltd. as of 31 December 2017, 31 December 2018, and 31 August 2019, and the results of its operations and cash flows for the years ended 31 December 2017, 2018, and January-August 2019". The asset appraising professionals analyzed and judged the financial statements in accordance with the requirements of the valuation method used, but it is not the responsibility of the asset appraising professionals to express a professional opinion as to whether the relevant financial statements present fairly the financial position and the results of operations and cash flows for the period as at the valuation benchmark date.

(V) Major subsequent events:

In view of the current situation of the novel coronavirus epidemic, the impact of this epidemic on the valuation conclusion cannot be determined as of the date of this report.

In addition, the Appointer and the Appraised Entity have expressly advised that there are no major subsequent events between the valuation benchmark date and the date of this Asset Valuation Report.

(VI) Explanation of the relevant limitations of the valuation procedures, the remedial measures adopted by the valuation agency and the impact on the valuation conclusion:

Nil.

(VII) The nature and amount of guarantees, leases and contingent liabilities (contingent assets) and their relationship to the valuation object:

1. Subsidiary: Jiangsu Fasten Photonics Co. Ltd.

As at the valuation benchmark date, the Appraised Entity entered into the "Maximum Mortgage Contract" (2017 Jiang Yin Zi No. 098) with Jiangyin Sub-branch of Industrial and Commercial Bank of China Limited to create a mortgage over the buildings and land use rights owned by the enterprise. The holder of the mortgage is Jiangyin Sub-branch of Industrial and Commercial Bank of China Limited, and the mortgagee is Jiangsu Fasten Photonics Co. Ltd. and the effective period of the principal debt is from 29 August 2017 to 29 August 2020, and the maximum balance of the borrowings is RMB62,987,700. In accordance with Article 36 of the Guarantee Law of the People's Republic of China: where a property on state-owned land acquired by law is mortgaged, the land use right of the state-owned land within the area occupied by such property is mortgaged at the same time; where a property on state-owned land acquired by way of transfer is mortgaged, the property on such state-owned land at the time of mortgage shall be mortgaged at the same time. It is understood that the enterprise is currently in normal operation and makes normal repayment according to the contract. There has been no breach of contract, and subsequent repayments will be made on schedule, and the mortgage does not have a significant impact on the enterprise's operation. Therefore, the possible impact of the mortgage on the valuation of the property was not taken into account in this valuation.

2. Subsidiary: Jiangsu Fasten Optical Cable Co., Ltd.

As at the valuation benchmark date, the Appraised Entity entered into the "Maximum Mortgage Contract" (2017 Jiang Yin Zi No. 098) with Jiangyin Sub-branch of Industrial and Commercial Bank of China Limited to create a mortgage over the buildings and land use rights owned by the enterprise. The holder of the mortgage is Jiangyin Sub-branch of Industrial and Commercial Bank of China Limited, and the mortgagee is Jiangsu Fasten Optical Cable Co., Ltd. and the effective period of the principal debt is from 29 August 2017 to 29 August 2020, and the maximum balance of the borrowings is RMB62,987,700. In accordance with Article 36 of the Guarantee Law of the People's Republic of China: where a property on state-owned land acquired by law is mortgaged, the land use right of the state-owned land within the area occupied by such property is mortgaged at the same time; where a property on state-owned land acquired by way of transfer is mortgaged, the property on such state-owned land at the time of mortgage shall be mortgaged at the same time. As a mortgage has been placed on the land owned by the enterprise, a mortgage has been placed on all buildings and structures owned by the enterprise in this valuation. It is understood that the enterprise is currently in normal operation and makes normal repayment according to the contract. There has been no breach of contract, and subsequent repayments will be made on schedule, and the mortgage does not have a significant impact on the enterprise's operation. Therefore, the possible impact of the mortgage on the valuation of the property was not taken into account in this valuation.

(VIII) Deficiencies in the economic activity corresponding to the asset valuation that may have a material effect on the valuation conclusion

We have not identified any deficiencies in the economic activity corresponding to the asset valuation that may have a significant impact on the valuation conclusion.

(IX) Other matters requiring explanation

1. In this Asset Valuation Report, all tables or textual expressions denominated in RMB ten thousands, if there is any difference between the total amount and the sum of the individual sub-values is due to rounding off.

   When using this Asset Valuation Report, the user of the valuation report shall pay due attention to the impact of the aforementioned special matters on the valuation conclusion.

XII. RESTRICTIONS ON THE USE OF VALUATION REPORTS

(I) This Asset Valuation Report shall only be used for the purposes of valuation and economic activity as set out herein.

(II) The valuation agency and the asset appraiser shall not be liable if the Appointer or other users of the Asset Valuation Report fails to use this Asset Valuation Report in accordance with the provisions of laws and administrative regulations and the scope of use set out in this Asset Valuation Report.

(III) Except for the Appointer, the other users of the Asset Valuation Report as agreed in the asset valuation entrustment contract and the users of the Asset Valuation Report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of this report.

(IV) The user of the Asset Valuation Report shall correctly understand and use the valuation conclusion. The valuation conclusion is not equivalent to the realizable price of the valuation object, and the valuation conclusion shall not be considered as a guarantee of the realizable price of the valuation object.

(V) If this valuation project involves state-owned assets and is required to comply with the filing and approval procedures of the State-owned Assets Supervision and Administration Department in accordance with the relevant regulations, this valuation report shall be filed with the State-owned Assets Supervision and Administration Department before it can be formally used, and the valuation conclusion shall only apply to the economic activity shown in this report.

(VI) This Asset Valuation Report contains certain annexes and appraisal schedules, all of which also constitute an important part of this report, but shall be valid only when used in conjunction with the body of this report. The valuation agency and the asset appraiser assume no obligation or responsibility for any use other than that for which it is used, such as being shown to the non-Asset Valuation Report user or the non-Asset Valuation Report user who otherwise has access to this report, and do not provide further consultation in connection with this report, nor do they provide testimony, appear in court or otherwise hearings in legal proceedings, and reserve the right to pursue the non-Asset Valuation Report user the losses incurred as a result.

(VII) The right to interpret the contents of this Asset Valuation Report shall rest with the valuation agency, and no other entity or department shall have the right to interpret it, unless otherwise expressly and specifically provided for in national laws and regulations; any extract, quote or disclosure of the whole or part of the contents of the valuation report in the public media shall be subject to the written consent of the valuation agency and the undersigning appraiser of the report after the valuation agency has reviewed the relevant contents. Except for the provisions of laws and regulations and other agreements of the relevant parties.

XIII. DATE OF ISSUANCE OF THE ASSET VALUATION REPORT

The Asset Valuation Report date is the date on which the valuation conclusion is formed and this Asset Valuation Report date is 31 August 2020.

Shanghai Orient Appraisal Co., Ltd.

Shanghai, PRC

31 August 2020

ANNEX OF THE VALUATION REPORT

1. Economic activity document in line with the purpose of valuation

2. Business licenses of the Appointer and the Appraised Entity

3. Property Title Registration Certificates of the Appointer and the Appraised Entity

4. Appraised Entity's financial statements for the previous three years and the valuation benchmark date

5. Audit report of the Appraised Entity

6. Real estate ownership certificate, state-owned land use certificate, patent certificate、name of functional variables certificate, certificate of trademark registration of the Appraised Entity

7. Letters of Undertaking of the Appointer and other relevant parties

8. Asset valuation entrustment contract

9. Business license of Shanghai Orient Appraisal Co., Ltd.

10. License in asset valuation of security business of Shanghai Orient Appraisal Co., Ltd.

11. Certificate in asset valuation of Shanghai Orient Appraisal Co., Ltd.

12. Qualification certificates of the responsible asset appraiser

13. Letter of Commitment of the valuation agency and asset appraiser

14. Explanation of the significant difference between the carrying amount of the asset and the valuation conclusion (for details, please refer to Section X. VALUATION CONCLUSION).

I. BALANCE SHEET OF PUTIAN FASTEN AS AT 2017, 2018 AND 31 OCTOBER 2019 (ON CONSOLIDATION BASIS) IS AS FOLLOWS:

Unit: RMB0'000

Item/year	31 December 2017	31 December 2018	31 October 2019
Current Assets	–	–	–
Monetary Funds	16,288.33	15,788.61	9,755.11
Held-for-trading financial assets	–	–	–
Notes and Accounts receivable	52,822.86	33,360.76	49,647.62
Prepayments	883.96	869.74	341.12
Interests receivable	–	–	–
Dividends receivable	–	–	–
Other receivable	16,879.51	66,840.23	70,535.32
Inventories	9,829.04	11,829.18	7,700.03
Non-current assets due within one year	–	–	–
Other current assets	175.96	147.36	55.48
Total current assets	96,879.67	128,835.43	138,329.28
Non-current assets	–	–	–
Financial assets available for sale	–	–	–
Held-to-maturity investments	–	–	–
Long-term receivable	280.01	303.04	–
Long-term equity investments	–	–	–
Investment properties	–	–	–
Fixed assets	17,461.43	15,352.69	13,004.83
Construction-in-progress	118.50	176.86	576.64
Construction materials	–	–	–
Disposal of fixed assets	–	–	–
Productive biological assets	–	–	–
Oil and gas assets	–	–	–
Intangible assets	6,021.66	5,848.80	5,704.76
Development expenses	–	–	–
Goodwill	–	–	–
Long-term expenditures subject to amortization	1,338.69	1,307.78	482.85
Deferred income tax assets	38.85	18.81	9.13
Other non-current assets	–	–	
Total non-current assets	25,259.15	23,007.98	19,778.21
Total assets	122,138.81	151,843.41	158,107.48

Item/year	31 December 2017	31 December 2018	31 October 2019
Current liabilities:	–	–	–
Short-term borrowings	19,800.00	14,800.00	19,500.00
Held-for-trading financial liabilities	–	–	–
Notes and Accounts payable	43,304.37	34,592.11	42,646.21
Receipts in advance	248.55	8.94	65.59
Staff remuneration payable	847.73	797.80	688.51
Taxes payable	442.29	201.66	169.91
Interests payable	–	–	–
Dividend payable	–	–	–
Other payables	58.61	15,931.71	21,047.19
Non-current liabilities due within one year	1,740.68	1,883.86	1,513.90
Other current liabilities		18,100.00	
Total current liabilities	66,442.22	68,216.07	85,631.32
Non-current liabilities:	–	–	–
Long-term borrowings	–	26,950	26,900.00
Bonds payable	–	–	–
Long-term payable	3,617.76	1,613.90	585.02
Special payable	–	–	–
Anticipated liabilities	–	–	–
Deferred income tax liabilities	795	741.62	695.87
Other non-current liabilities	–	–	–
Total non-current liabilities	4,412.76	32,305.52	28,180.89
Total liabilities	70,854.99	100,521.59	113,812.20
Owner's equity	–	–	–
Paid up capital	50,000.00	50,000.00	50,000.00
Capital surplus	38.98	38.98	38.98
Less: Treasury shares	–	–	–
Additional paid-in capital	–	–	–
Undistributed profit	1,244.85	1,282.84	(5,743.70)
Total owner's equity	51,293.83	51,321.82	44,295.28
Total liabilities and owner's equity	122,138.81	151,843.41	158,107.48

II. THE INCOME STATEMENT OF PUTIAN FASTEN AS AT 2017, 2018 AND JANUARY TO OCTOBER 2019 (ON CONSOLIDATION BASIS) IS AS FOLLOWS:

Unit: RMB0'000

Item/year		2017	2018	January to October 2019
I.	**Operating revenue**	101,339.90	81,232.57	50,849.47
	Less: Operating Cost	88,302.44	74,566.83	50,637.88
	Business tax and surcharges	525.60	392.86	271.66
	Sales expenses	3,572.53	2,660.80	2,138.61
	Administrative expenses	2,320.70	2,156.81	3,834.13
	Research and development expenses	1,371.54	1,148.54	975.02
	Finance expenses	183.06	629.51	(119.14)
	Assets impairment losses	(811.19)	98.61	(234.84)
	Add: Gains on fair value change	–	–	–
	Investment gains	–	–	–
	Asset disposal gains	10.60	3.50	–
	Other gains	41.67	158.76	18
II.	**Operating profit**	4,305.11	(61.92)	(7,075.53)
	Add: Non-operating income	163.21	108.50	31.99
	Less: Non-operating expenses	129.51	4.57	19.06
III.	**Total profit**	4,338.81	42.02	(7,062.60)
	Less: Income tax expenses	464.53	4.02	(36.06)
IV.	**Net profit**	3,874.29	37.99	(7,026.54)

(The unadjusted net asset value calculated above RMB442.9 million is calculated on a consolidated basis. The net value of RMB450.2 million from Appendix II – Valuation Report is the net value of the single parent company. Each unit is valued separately, and the valuation of each unit is aggregated in the long-term equity investment. The valuation result of the parent company is the value of the entire shareholders' equity under the asset-based approach.)

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, none of the Directors or supervisors or chief executives of the Company was interested in any share, underlying share or debenture of the Company or other associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any Director or supervisor or chief executive of the Company are taken or deemed to have under such provisions of the SFO); or had any interest or short position which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. DIRECTORS' INTERESTS IN CONTRACTS

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

6. DIRECTORS' INTEREST IN COMPETING BUSINESS

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

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

8. LITIGATION

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

9. EXPERTS AND CONSENTS

The following is the experts mentioned in this circular and their qualifications:

Name	Qualification
Frontpage Capital	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Shanghai Orient Appraisal Co., Ltd.	An independent qualified PRC valuer

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

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

As at the Latest Practicable Date, each of the experts did not have any interest, directly or indirectly, in any assets which had since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. MATERIAL CONTRACTS

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

11. GENERAL

The registered office of the Company is situated at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, 611731, the PRC. The principal place of business of the Company in Hong Kong is at Unit 406B, 4/F, Mirror Tower, 61 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

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

The company secretary of the Company is Mr. Shum Shing Kei, who is a fellow of The Hong Kong Institute of Certified Public Accountants.

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

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 406B, 4/F, Mirror Tower, 61 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours on any weekday (excluding Saturdays and public holidays) from 9:00 a.m. to 6:00 p.m. from the date of this circular for 14 days:

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

(b) the letter from the Board, the text of which is set out on pages 4 to 16 of this circular;

(c) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 50 of this circular;

(e) the valuation report issued by Shanghai Orient, the text of which is set out on pages 53 to 149 of this circular;

(f) the written consent of the experts referred to in the paragraph headed "9. EXPERTS AND CONSENTS" in this appendix;

(g) the Company's annual reports for the two years ended 31 December 2018 and 2019; and

(h) this circular.

成 都 普 天 電 纜 股 份 有 限 公 司

CHENGDU PUTIAN TELECOMMUNICATIONS CABLE COMPANY LIMITED

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

(Stock Code: 1202)

NOTICE OF THE 2020 FIRST EGM

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the "**EGM**" or "**2020 First EGM**") of Chengdu PUTIAN Telecommunications Cable Company Limited (the "**Company**") will be convened at the conference room of the Company at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the People's Republic of China (the "**PRC**") at 10:00 a.m. on Friday, 16 October 2020 for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution:

ORDINARY RESOLUTION

"**THAT**

the Company be and is hereby authorised to dispose of its 12.5% equity interest in 普天法爾勝光通信有限公司 (Putian Fasten Cable Telecommunication Co. Ltd.*) through an Equity Exchange (as defined in the circular of the Company dated 29 September 2020 (the "**Circular**")) by way of public tender in accordance with the major terms as delineated in the announcements of the Company dated 24 July 2020, 14 August 2020 and 22 September 2020 and the Circular (the "**Disposal**") and the transactions contemplated under the Disposal be and are hereby approved, ratified and confirmed; and the directors of the Company or his/her proxy(ies) be and is/are hereby authorised to proceed with the Disposal and, should there be a successful bidder, to complete the Disposal and to exercise all the powers of the Company and to do all things and acts and execute and deliver all agreements and documents, as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions in connection with the Disposal and where necessary, affix the common seal of the Company on such documents."

By order of the Board
Chengdu PUTIAN Telecommunications Cable Company Limited
Wu Changlin
Chairman

Chengdu, the PRC, 29 September 2020

Notes:

1. Holders of the Company's H Shares "**H Shares**" should note that the H Share register of members of the Company will be closed from 13 October 2020 to 16 October 2020, (both day inclusive) during which no transfer of H Shares will be registered. In order to be qualified for attending at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrars, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. at the close of business on 12 October 2020.

2. Shareholders of the Company whose names appear on the register of members at the close of business on 15 October 2020 are entitled to attend and vote at the EGM (or any adjournment thereof).

3. Each shareholder of the Company who has the right to attend and vote at the EGM is entitled to appoint one or more proxy(ies) to attend and, on a poll, vote on his/her behalf. A proxy need not be a Shareholder of the Company. When a Shareholder of the Company appoints more than one proxy to attend the meeting, each proxy should be appointed in writing and each proxy can only vote in accordance with the authorized number of shares specified on the proxy form. The proxy may only vote in poll. Any shareholder who intends to appoint one or more proxy(ies) should first read the accompanying circular.

4. If a proxy is appointed to attend the EGM on behalf of the shareholder, such proxy should present his identity card and the proxy form with the date of signing stated thereon or documents of authorization duly signed by his authorised representative. If the corporate representative of a corporate shareholder attends the EGM, such corporate representative should present his identity card and a valid document that proves his capacity of the corporate representative. If a corporate shareholder appoints its attorney other than the corporate representative to attend the EGM, then the attorney should present his identity card and the documents of authorization signed under the official seal of such corporate shareholder or duly signed by the corporate representative.

5. If a proxy form is signed by a person authorized by the appointor, the copy of the power of attorney or other authorization document must be notarially certified by lawyers. To be valid, the copy of the power of attorney or other authorization document and the proxy form must be delivered to the Company's H share registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for the holders of H shares or, to the registered office of the Company at No. 18, Xinhang Road, the West Park of Hi-tech Development Zone, Chengdu, Sichuan Province, the PRC (Postal Code: 611731) for the holders of domestic shares not less than 24 hours before the holding of the EGM or the time appointed for taking the poll.

6. The EGM is expected to last for half a day. Shareholders of the Company and their proxies who attend the meeting shall be responsible for their own traveling and accommodation arrangement and expenses.

As at the date of this notice, the Board comprises:

Executive Director：	Mr. Wu Changlin *(Chairman)* Mr. Hu Jiangbing *(Vice-chairman)* Mr. Han Shu Mr. Wang Micheng Ms. Xu Liying Ms. Liu Yun
Independent Non-executive Directors：	Ms. Mao Yaping Mr. Xiao Xiaozhou Mr. Feng Gang

* For identification purposes only