Transtech Optelecom Science Holdings Limited
高科橋光導科技股份有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8465

GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator

ICBC 工银国际

Joint Bookrunners

ICBC 工银国际

CLC SECURITIES LIMITED
創 僑 證 券 有 限 公 司

IMPORTANT

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

Transtech Optelecom Science Holdings Limited
高科橋光導科技股份有限公司

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LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**65,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**6,500,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**58,500,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	**:**	**Not more than HK$2.45 per Offer Share and not less than HK$1.68 per Offer Share, (payable in full on application in Hong Kong dollars) plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%**
Nominal value	**:**	**HK$0.01 each**
Stock code	**:**	**8465**

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CLC SECURITIES LIMITED 創僑證券有限公司

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

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

The Offer Price is expected to be fixed by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Wednesday, 12 July 2017 or such later date as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The Offer Price will not be more than HK$2.45 per Offer Share and is expected to be not less than HK$1.68 per Offer Share. If our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by 5:00 p.m. on Tuesday, 18 July 2017, the Global Offering will not become unconditional and will lapse.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the Offer Price range below to that stated in this prospectus at any time prior to the Price Determination Date. If this occurs, notice of reduction of the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and the website of our Company at transtechoptel.com.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Global Offering should note that the obligations of the Underwriters under the Underwriting Agreements to subscribe for, and to procure placees for the subscription for the Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the paragraph headed "Grounds for termination" in the "Underwriting" section of this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Global Coordinator (for itself and on behalf of the Underwriters) terminate their obligations under the Underwriting Agreements in accordance with the terms of the Underwriting Agreements, the Global Offering will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S). The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S.

30 June 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM listed issuers.

*If there is any change in the following expected timetable of the Hong Kong Public Offer, we will issue an announcement on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **transtechoptel.com**.*

Hong Kong Public Offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Friday, 30 June 2017
Application lists of the Hong Kong Public Offer open[(2)]	11:45 a.m. on Tuesday, 11 July 2017
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Tuesday, 11 July 2017
Latest time to give **electronic application instructions** to HKSCC[(3)]	12:00 noon on Tuesday, 11 July 2017
Application lists of the Hong Kong Public Offer close	12:00 noon on Tuesday, 11 July 2017
Expected Price Determination Date[(4)]	Wednesday, 12 July 2017

(1) Announcement of:

- the final Offer Price;
- an indication of the level of interest in the International Offering;
- the level of applications in the Hong Kong Public Offer; and
- the basis of allocation of the Hong Kong Offer Shares

to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **transtechoptel.com** on or before[(5),(6)]	Wednesday, 19 July 2017
(2) Announcement of results of allocations in the Hong Kong Public Offer (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **transtechoptel.com** (see the section headed "How to Apply for Hong Kong Offer Shares—10. Publication of results" in this prospectus) from	Wednesday, 19 July 2017
(3) A full announcement of the Hong Kong Public Offer containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **transtechoptel.com** from[(5),(6)]	Wednesday, 19 July 2017
Results of allocations for the Hong Kong Public Offer will be available at **www.ewhiteform.com.hk/results** with a "search by ID Number/Business Registration Number" function from	Wednesday, 19 July 2017

Despatch/Collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer on or before(7),(8)	Wednesday, 19 July 2017
Despatch/Collection of refund cheques on or before(9)	Wednesday, 19 July 2017
Dealings in Shares on GEM to commence on	Thursday, 20 July 2017

The application for the Hong Kong Offer Shares will commence on Friday, 30 June 2017 through Tuesday, 11 July 2017, being longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Hong Kong Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Wednesday, 19 July 2017. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 20 July 2017.

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

(2) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Tuesday, 11 July 2017, the application lists will not open on that day. See the section headed "How to Apply for Hong Kong Offer Shares—9. Effect of bad weather on the opening of application lists" in this prospectus.

(3) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares—5. Apply by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

(4) The Price Determination Date is expected to be on or around Wednesday, 12 July 2017 and, in any event, not later than 5:00 p.m. on Tuesday, 18 July 2017. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and our Company by 5:00 p.m. on Tuesday, 18 July 2017, the Global Offering will not proceed and will lapse.

(5) The announcement will be available for viewing on the "Growth Enterprise Market—Allotment of Results" page on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **transtechoptel.com.**

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required in their Application Forms that they may collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 19 July 2017 or any other date notified by us as the date of despatch of Share certificates/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who have applied on **YELLOW** Application Forms may collect their refund cheque (if applicable) in person but may not collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for Hong Kong Offer Shares—13. Despatch/ Collection of Share Certificates and Refund Monies" in this prospectus.

(8) Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects; and (ii) none of the Underwriting Agreements has been terminated in accordance with its terms.

(9) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before

encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

You should read carefully the sections headed "Underwriting", "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details relating to the structure and conditions of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and Share certificates.

IMPORTANT NOTICE TO INVESTORS

This prospectus is used by our Company solely in connection with the Global Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Global Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or invitation in any other jurisdiction or in any other circumstances.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Underwriters, any of our or their respective directors, employees or advisers, or any other person or party involved in the Global Offering. Information contained in our website, located at transtechoptel.com, does not form part of this prospectus.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There may be greater risks associated with investment in companies listed on GEM than companies listed on the Main Board. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the largest optical fibre cable provider in Thailand and one of the leading optical fibre cable providers in the ASEAN in terms of revenue and market share as of 31 December 2016, according to the CIC Report. The market share of our Group in optical fibre cable market in Thailand was 24.8% in terms of revenue as of 31 December 2016, ranking first in Thailand market, while the second and third largest optical fibre cable providers in Thailand had a market share of approximately 18.2% and 9.3% in terms of revenue, respectively, according to the CIC Report. According to the CIC Report, as of 31 December 2016, the market share of our Group in the optical fibre cable market in the ASEAN was 10.0% in terms of revenue, ranking second in the ASEAN market, while the largest optical fibre cable provider in the ASEAN had a market share of approximately 12.1% in terms of revenue.

We manufacture and sell optical fibre cables with various standard specifications that are widely used in the telecommunications industry. We also design and manufacture specialty optical fibre cables pursuant to requests from our customers, including rodent resistant optical fibre cable, flame-retardant optical fibre cable and non-metallic optical fibre cable. In addition, we manufacture optical fibres for our production of optical fibre cables, as well as for sale to third parties. Furthermore, we sell optical cable cores and other related products, including power cable and other auxiliary products. We have two major operating subsidiaries, namely, Transtech and Futong Thailand. Transtech is principally engaged in the manufacturing and sales of optical fibres, and its production facilities are located in Hong Kong. Futong Thailand is principally engaged in the manufacturing and sales of optical fibre cables, optical cable cores and other related products, and its production facilities are located in Thailand. For the key business milestones of our Group, please refer to the "History and Development" for details.

Our total revenue increased from HK$252.7 million for FY2014 to HK$395.5 million FY2015, and further increased to HK$599.8 million for FY2016. Our gross profit increased from HK$20.5 million for FY2014 to HK$37.0 million for FY2015, and further increased to HK$109.1 million for FY2016.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and will continue to help us strengthen our leadership position:

- leading enterprise in optical fibre cable market in Thailand and the ASEAN with growth potential;
- localisation provides us with advantages in Thailand and other ASEAN markets;
- manufacturing efficiency in the production of optical fibres and achieving economies of scale to reduce production costs;

- high quality products with international certifications and strict quality control;
- long-term relationship with well-known telecommunications operators as our end users;
- strong support from our Parent Group which has extensive knowledge and experience in the industry; and
- experienced and prudent management team.

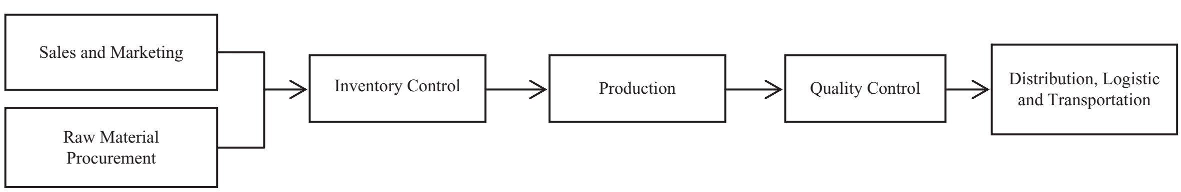
BUSINESS STRATEGIES

We intend to implement a business strategy with the following key aspects:

- implementing the expansion plan of our new production facility in Thailand, including the construction of a factory in Thailand with a view to further integrating the production of optical fibres and optical fibre cables within our Group;
- strengthening our research and development capabilities and expanding our range of products; and
- enhancing the relationship with existing customers and exploring new customers in Hong Kong and the ASEAN.

OUR BUSINESS MODEL

The following flow chart depicts a simplified production flow of our Group:



CUSTOMERS, SALES AND MARKETING

During the Track Record Period, customers for our optical fibre cable products were primarily Independent Third Parties in Thailand and in other ASEAN markets, namely, Malaysia, the Philippines, Singapore, Indonesia and Vietnam, through which telecommunications operators make their procurements. The number of our optical fibre cable customers was six, 13 and 15 for FY2014, FY2015 and FY2016, respectively, most of which were Independent Third Parties.

During the Track Record Period, Independent Third Party customers for our optical fibre products were primarily in Hong Kong and the PRC. We had three, three and seven optical fibre customers for FY2014, FY2015 and FY2016, respectively, among which one, one and six were Independent Third Parties.

During the Track Record Period, we sold optical cable cores and other related products to our Parent Group and Independent Third Party customers.

Due to the nature of our industry, we derive a substantial portion of our revenue from a limited number of customers. For FY2014, FY2015 and FY2016, sales to our top five customers accounted for approximately 96.8%, 96.7% and 94.3%, respectively, of our total revenue, and sales to our largest customer accounted for approximately 44.9%, 38.2% and 30.0%, respectively, of our total revenue, while we believe that our Company remains suitable for listing. Please refer to "Business—Customers, Sales and Marketing—Our Customers" of this prospectus for information. For risks and uncertainties associated with the limited number of our customers, please refer to "Risk Factors—We sell our products to a limited number of customers. If our major customers discontinue their business relationship with us, reduce purchase orders or purchase price for our products, our sales and profitability may decrease" of this prospectus.

The table below is the breakdown of revenue of different products of our Group derived from our Parent Group and Independent Third Parties at the time of the relevant transactions on a combined basis for the Track Record Period:

		FY2014		FY2015		FY2016	
Customer	Product(s)	Sales amount	% of total sales	Sales amount	% of total sales	Sales amount	% of total sales
		(HK$ million)		(HK$ million)		(HK$ million)	
Parent Group	Optical fibre	58.4	23.1	35.0	8.8	76.3	12.7
	Optical cable core	10.1	4.0	2.0	0.5	29.8	5.0
	Other related products	—	—	2.0	0.5	—	—
	Sub-total	**68.5**	**27.1**	**39.0**	**9.8**	**106.1**	**17.7**
Independent Third Parties at the time of the transaction	Optical fibre cable	144.6	57.2	247.3	62.5	266.1	44.4
	Optical fibre	32.2	12.7	106.3	26.9	161.7	27.0
	Optical cable core	—	—	—	—	64.7	10.7
	Other related products	7.4	3.0	2.9	0.8	1.2	0.2
	Sub-total	**184.2**	**72.9**	**356.5**	**90.2**	**493.7**	**82.3**
	Total	**252.7**	**100.0**	**395.5**	**100.0**	**599.8**	**100.0**

For FY2014, FY2015 and FY2016, after excluding the sales contributed from our Parent Group, its associates and its business partners, namely, Olex, Shenzhen King Task and New-Olex, which are also customers referred to us by our Parent Group, our revenue amounted to HK$152.1 million, HK$250.3 million and HK$427.2 million, accounting for 60.2%, 63.3% and 71.2% of our total revenue, respectively. Our Group's revenue generated from our Parent Group's associates and business partners during the Track Record Period amounted to HK$90.6 million, HK$126.2 million and HK$66.5 million for FY2014, FY2015 and FY2016, respectively, of which HK$32.1 million, HK$103.2 million, and HK$66.5 million for FY2014, FY2015 and FY2016, respectively accounted for sales to Independent Third Parties at the time of the transaction as contained in the table above. According to our Parent Group and to the knowledge of our Directors, the target market of our Parent Group, its associates and business partners, namely, Olex, Shenzhen King Task and New-Olex, is the PRC. Please refer to "Business—Customers, Sales and Marketing—Our Customers" of this prospectus for further details.

The table below sets forth the average selling price, being our revenue generated from the sales of the relevant product divided by the sales volume of the product for the periods indicated, and the sales volume of our optical fibre cables and optical fibres for the periods indicated:

	FY2014	FY2015	FY2016
Average selling price (per fkm)			
Optical fibre cables	US$20.8	US$17.6	US$18.6
Optical fibres	HK$56.9	HK$50.3	HK$55.5
Optical cable cores	HK$101.0	HK$95.9	HK$88.0
Sales Volume (thousand fkm)			
Optical fibre cables	894	1,810	1,853
Optical fibres	1,591	2,807	4,292
Optical cable cores	100	19	1,073

For the sale of our optical fibre cables, our in-house sales team makes contact with our customers, which are primarily Independent Third Parties in Thailand and in other ASEAN markets, namely, Malaysia, the Philippines, Singapore, Indonesia and Vietnam, through which telecommunications operators make their procurements. As of 31 December 2016, Futong Thailand had an in-house sales team of seven employees, of which five were responsible for the sales and marketing activities in Thailand, one was responsible for the sales and marketing activities in Malaysia and one was responsible for the sales and marketing activities in the Philippines. For the sale of our optical fibres, we used the referral services provided by our Parent Group during the Track Record Period and paid sales commissions to our Parent Group. The sales commission payable to our Parent Group during the Track Record Period was calculated based on a commission rate of 5.3% of the sales attributable to such customers referred by our Parent Group. We have already ceased paying such sales commissions to our Parent Group following the cessation of the referral arrangement due to our ability to independently source new customers, and we independently sourced 14 new Independent Third Party customers since then and up to 30 April 2017. Those new Independent Third Party customers, in aggregate, accounted for HK$284.9 million of our Group's revenue during such period, according to our management account and preliminary assessment of our Group. Given our ability to continue to drive our sales and record the aforesaid strong revenue, our Directors believe the cessation of such referral service will not have any material impact on our Group's operational and financial performance going forward. We do not intend to rely on our Parent Group's referral services going forward as we have our in-house sales personnel. As of 31 December 2016, Transtech had an in-house sales team of three employees.

RAW MATERIALS, INVENTORIES AND SUPPLIERS

The table below sets forth the major raw materials for our products:

Products	Raw materials
Optical fibres	Optical fibre preforms and ultraviolet curing coating
Optical fibre cables	Optical fibres, polybutylene terephthalate, non-metallic strength member, steel tape, aluminium tape and yarn filler
Optical cable cores	Optical fibres, non-metallic strength member and yarn filler

During the Track Record Period, we primarily purchased raw materials and optical fibre cables from the PRC, Japan, Hong Kong and Thailand. For FY2014, FY2015 and FY2016, the cost of purchase related to our five largest suppliers on a combined basis was HK$150.4 million, HK$258.9 million and HK$377.3 million, respectively, accounting for 81.6%, 85.8% and 88.8% of our total cost of raw materials and optical fibre cables purchased for the respective periods. For the same periods, the cost of raw materials and optical fibre cables purchased from our largest supplier on a combined basis was HK$47.9 million, HK$115.1 million and HK$133.5 million, respectively, accounting for 26.0%, 38.1% and 31.4% of our total cost of raw materials and optical fibre cables purchased for the respective periods.

KEY FINANCIAL AND OPERATIONAL DATA

You should read this subsection in conjunction with our combined financial information for the three years ended 31 December 2016, included in the Accountants' Report set out in Appendix I to this prospectus, as well as the "Financial Information" section and other relevant sections of the prospectus. Our consolidated financial information has been prepared in accordance with HKFRSs.

According to the GEM Listing Rules, the track record period of the Company for the purpose of this prospectus should consist of the FY2015 and FY2016. Taking into account the movements in our Group's historical financial results, our Group has voluntarily included FY2014 as part of the Track Record Period in this prospectus for reference purposes. Nevertheless, our historical results and growth may not be indicative of our future performance, please refer to the section headed "Risk factors—Our historical results of operations and financial performance may not be indicative of future performance and our results of operations, and our results of operations may be affected by various factors, including our non-recurring Listing expenses, and we may not be able to achieve or sustain the historical level of growth for revenue and profitability".

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

	FY2014	FY2015	FY2016
	HK$'000	HK$'000	HK$'000
Revenue	252,677	395,515	599,772
Cost of sales	(232,169)	(358,471)	(490,699)
Gross profit	20,508	37,044	109,073
Other income	5,033	1,550	1,409
Other gains and losses(1)	1,589	(8,142)	3,305
Selling and distribution expenses(2)	(9,224)	(10,996)	(4,064)
Administrative expenses	(19,853)	(19,842)	(20,721)
Finance costs	(2,356)	(2,539)	(3,322)
Listing expenses	—	—	(11,703)
(Loss) profit before taxation	(4,303)	(2,925)	73,977
Income tax expense	(206)	—	(6,744)
(Loss) profit for the year	(4,509)	(2,925)	67,233

Notes:

1. Other gains and losses consist of (i) foreign exchange gains/losses and (ii) gain/loss on disposals of property, plant and equipment, and (iii) bad debt written off.
2. Selling and distribution expenses primarily consist of sales commission expense, which represents the sales commission we paid to our Parent Group for the sales of optical fibres to customers referred by it in the PRC, staff costs, transportation expense, export cost and other selling and distribution expenses.

The following table sets forth a breakdown of our cost of sales by nature of expenses for the periods indicated:

	FY2014	FY2015	FY2016
	HK$'000	HK$'000	HK$'000
Raw material consumed	184,587	280,623	384,506
Manufacturing overhead incurred during the year	33,309	42,232	45,954
Direct labour cost incurred during the year	16,925	17,017	19,164
Changes in inventories of finished goods and work in progress	(2,652)	18,599	41,075
Total	232,169	358,471	490,699

The following table sets forth a breakdown of our Group's total cost of sales by nature for the periods indicated:

	FY2014	FY2015	FY2016
	HK$'000	HK$'000	HK$'000
Fixed cost	20,253	24,987	26,161
Variable cost	214,568	314,885	423,463
Changes in inventories of finished goods and work in progress	(2,652)	18,599	41,075
Total cost of sales	232,169	358,471	490,699

Note:
Fixed cost consists of factory rent, government rent and rates, depreciation charge, factory and other facilities' maintenance fee, machineries' maintenance fee and factory insurance and licence fees. Variable cost consists of costs other than such fixed cost and without taking into account of changes in inventories of finished goods and work in progress.

The following table sets forth a breakdown of our Group's raw material costs by key raw materials for the periods indicated:

	FY2014	FY2015	FY2016
	HK$'000	HK$'000	HK$'000
Optical fibre preforms	74,196	98,579	127,065
Optical fibres	88,508	145,744	218,334
Others	21,883	36,300	39,107
Total raw material cost	184,587	280,623	384,506

We recorded net loss for FY2014, primarily because (i) historically since 2011, we paid sales commission to our Parent Group for our optical fibre sales to PRC customers which were referred by our Parent Group. However, such arrangement was then temporarily suspended due to Transtech's then sluggish performance prior to the Track Record Period. The relatively large amount of sales commission expense of HK$4.9 million was recorded for FY2014 following a resumption of such arrangement in 2014. The resumption was coupled with a slightly increased commission rate which negatively affected our Group's gross profit for FY2014; and (ii) Futong Thailand recorded net loss mainly due to increased cost of sales, primarily attributable to Futong Thailand's expansion in 2014, which increased our depreciation expenses. Our net loss for FY2014 was partially offset by the foreign exchange gain of HK$1.6 million mainly attributable to the fluctuations in other foreign currencies against THB.

We recorded net loss for FY2015, primarily because (i) we had relatively low average selling price of HK$50.3 per fkm for optical fibres and US$17.6 per fkm for optical fibre cables for FY2015 as compared to 2014, resulting in a low gross profit margin for FY2015; (ii) our sales commission paid to our Parent Group for the sale of optical fibres increased to HK$7.0 million, mainly due to the then increased sales of optical fibres to customers in the PRC which were referred by our Parent Group, and (iii) the foreign exchange loss of HK$8.0 million mainly attributable to the fluctuations in THB, which partially offset Futong Thailand's net profit. Our net loss for FY2015 was partially offset by Futong Thailand's net profit recorded for the year, which was mainly attributable to increased production volume primarily as a result of the 2014 expansion, and increased market demand which we believe was primarily resulted from favourable Thai government policies. Similar to FY2014, we still recorded a net loss for FY2015 and the total gross profit margin only rose slightly from 8.1% for FY2014 to 9.4% for FY2015. Specifically, the gross profit margin for optical fibres dropped from 9.2% for FY2014 to 6.7% for FY2015 despite the slight increase in the segment gross profit. The drop was mainly attributed to the then drop in average selling price of optical fibres for FY2015. Moreover, the gross profit margin for optical fibre cables, optical cable cores and other related products rose from 7.5% for FY2014 to 10.9% for FY2015, which is in line with the then increase in the segment gross profit and was contributed by the increased production volume allowed by the then major increase in overall production capacity of optical fibre cables from 2.4 million fkm for FY2014 to 3.3 million fkm for FY2015 and the resulting lower cost of sales per unit benefitting from the economies of scale.

We recorded net profit for FY2016, primarily due to (i) the boost in revenue from HK$395.5 million for FY2015 to HK$599.8 million for FY2016, attributable to the increased demand for our products from our customers, together with the increased average selling price of certain of our main products, namely optical fibres and optical fibre cables of HK$55.5 per fkm and US$18.6 per fkm, respectively, in 2016; (ii) we have already ceased paying sales commissions to our Parent Group during 2016 and we only recorded sales commission expense of HK$1.3 million for FY2016; (iii) the economies of scale achieved by our Group were primarily as a result of the expansion of production capacities in both Transtech and Futong Thailand during the Track Record Period, in which, each of Futong Thailand and Transtech achieved a lower cost of sales per unit primarily resulting from the increased overall production volume allowed by the increased capacities for optical fibre cables and optical fibres, respectively; and (iv) the foreign exchange gains of HK$3.9 million due to the appreciation of THB in 2016. Our net profit for FY2016 was partially offset by our substantial one-off listing expenses of HK$11.7 million recorded for the year, which was mainly incurred in connection with the Global Offering. We recorded a turnaround from net loss for FY2015 to a net profit for FY2016 when the total gross profit margin leaped from 9.4% for FY2015 to 18.2% for FY2016. Specifically, the segment gross profit margin for optical fibres jumped from 6.7% for FY2015 to 26.3% for FY2016, which is in line with the then increase in the segment gross profit and was contributed by the increased production volume allowed by the then major increase in overall production capacity of optical fibres from 3.8 million fkm for FY2015 to 4.8 million fkm for FY2016 and the resulting lower cost of sales per unit benefitting from the economies of scale. Moreover, the gross profit margin for optical fibre cables, optical cable cores and other related products rose from 10.9% for FY2015 to 12.9% for FY2016, which is in line with the then rise in the segment gross profit, the rise was mainly attributed to the aforesaid increased demand for optical fibre cables in Thailand supported by our greater production capacity of optical fibre cables in FY2016 and the increase in average selling price of optical fibre cables for FY2016.

Please refer to "Financial Information" of this prospectus for further details about our financial performances during the Track Record Period.

Revenue by Business Segments

Our operating and reporting segments are (i) optical fibre cables, optical cable cores and other related products, which is located in Thailand; and (ii) optical fibres, which is located in Hong Kong.

The tables below set out a detailed breakdown of the segment revenue and results of our Group during the Track Record Period:

FY2014

	Optical fibre cables, optical cable cores and other related products	Optical fibres	Elimination	Combined
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue				
External sales	162,117	90,560	—	252,677
Inter-segment sales	—	26,678	(26,678)	—
Segment revenue	162,117	117,238	(26,678)	252,677
Segment results	(2,102)	(1,095)	(280)	(3,477)
Other income				1,530
Finance costs				(2,356)
Loss before taxation				(4,303)

FY2015

	Optical fibre cables, optical cable cores and other related products	Optical fibres	Elimination	Combined
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue				
External sales	254,231	141,284	—	395,515
Inter-segment sales	—	48,317	(48,317)	—
Segment revenue	254,231	189,601	(48,317)	395,515
Segment results	3,521	(3,781)	(126)	(386)
Finance costs				(2,539)
Loss before taxation				(2,925)

FY2016

	Optical fibre cables, optical cable cores and other related products	Optical fibres	Elimination	Combined
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue				
External sales	361,792	237,980	—	599,772
Inter-segment sales	—	25,598	(25,598)	—
Segment revenue	361,792	263,578	(25,598)	599,772
Segment results	38,151	50,587	304	89,042
Unallocated corporate expense				(40)
Finance costs				(3,322)
Listing expenses				(11,703)
Profit before taxation				73,977

The table below sets forth our gross profit and gross profit margin by business segments for the periods indicated:

	FY2014		FY2015		FY2016	
	(HK$ in thousands, except for percentages)					
Segment gross profit and gross profit margin						
Optical fibre cables, optical cable cores and other related products	12,158	7.5%	27,619	10.9%	46,591	12.9%
Optical fibres	8,350	9.2%	9,425	6.7%	62,482	26.3%
Total gross profit and gross profit margin	20,508	8.1%	37,044	9.4%	109,073	18.2%

Note: The cost of sales related to optical fibre cables, optical cable cores and other related products is associated with Futong Thailand while the cost of sales of optical fibres is related to Transtech, and therefore they are presented as different segments.

Please refer to "Financial Information—Description of Major Components of Our Results of Operations—Revenue—Revenue by Business Segment" of this prospectus for further details about fluctuations and changes in our financial results by business segment during the Track Record Period.

Revenue by Products

We generate revenue primarily from three types of products, namely (i) optical fibre, (ii) optical fibre cable and (iii) optical cable core. We also generate revenue from the sale of other related products, including power cable and other auxiliary products. The table below sets forth our revenue by types of products for the periods indicated, by amount and as a percentage of total revenue:

	FY2014		FY2015		FY2016	
	(HK$ in thousands, except for percentages)					
Optical fibre cables(Note):	144,631	57.2%	247,330	62.5%	266,124	44.4%
Optical fibres:	90,560	35.8%	141,284	35.7%	237,980	39.7%
Optical cable cores(Note):	10,079	4.0%	1,951	0.5%	94,434	15.7%
Other related products(Note)	7,407	3.0%	4,950	1.3%	1,234	0.2%
Total	**252,677**	**100%**	**395,515**	**100%**	**599,772**	**100%**

Note: Our Group produces and customises optical fibre cables, optical cable cores and other related products according to respective customers' request.

Please refer to "Financial Information—Description of Major Components of Our Results of Operations—Revenue—Revenue by Products" of this prospectus for further details about fluctuations and changes in our financial results by products during the Track Record Period.

Revenue by Geography

We sell our products to customers whose places of domicile include Thailand, the PRC, Hong Kong and other ASEAN countries. The table below sets forth our revenue by customers' geographical location, which is based on billing address, and as percentage of total revenue for the periods indicated:

	FY2014	FY2015	FY2016
	HK$'000	HK$'000	HK$'000
PRC (excluding Hong Kong)	100,551	128,151	96,279
Hong Kong(Note)	—	17,073	233,366
Thailand	144,131	240,802	255,341
The Philippines	7,995	8,827	8,799
Malaysia	—	662	2,907
Others	—	—	3,080
	252,677	395,515	599,772

Note: This includes our Group's sales to Futong Group (Hong Kong), a Hong Kong company engaged in, among others, trading business. According to Futong Group (Hong Kong), certain products sold to Futong Group (Hong Kong), which amounted to HK$14.3 million and HK$75.3 million for FY2015 and FY2016, respectively, were on-sold to its PRC customers, which included our Parent Group.

As an effort to expand our Group's customer base, our Group expanded its sales regions in ASEAN in 2015. Moreover, our Group experienced a major increase in its sales in Thailand for FY2015 primarily due to the then increased market demand which was caused by, as we believe, the Thai government's efforts to promote the development of the country's telecommunications networks. Our Group's sales in Hong Kong leaped in 2016 mainly due to our voluminous sales of optical fibres to an Independent Third Party customer commencing in the second-half of 2016. Our Group's drop in sales in the PRC is consistent with our strategy to focus our sales in Hong Kong and the ASEAN, and our further sales to customers in the PRC will be conducted through our Parent Group.

Summary Consolidated Statements of Financial Position

	As of 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Total non-current assets	137,395	151,986	142,035
Total current assets	237,607	341,068	397,578
Total current liabilities	(90,524)	(227,203)	(204,920)
Non-current liabilities	(6,785)	(3,495)	(5,934)
Total equity	277,693	262,356	328,759

Assets by Geography

Our operations are located in Hong Kong and Thailand. The table below sets forth our non-current assets by the geographical location of the assets:

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Hong Kong	9,364	44,886	39,740
Thailand	128,031	107,100	102,295
	137,395	151,986	142,035

Summary Consolidated Statements of Cash Flow

The following summarises our cash flows during the Track Record Period:

	FY2014	FY2015	FY2016
	HK$'000	HK$'000	HK$'000
Operating cash flows before movements in working capital	9,732	16,111	95,407
Net cash from (used in) operating activities	17,675	(21,502)	34,505
Net cash from (used in) investing activities	8,902	(7,348)	11,896
Net cash (used in) from financing activities	(46,180)	49,012	(38,727)
Net (decrease) increase in cash and cash equivalents	(19,603)	20,162	7,674

Key Financial Ratios

The following table sets forth certain of the key financial ratios of our Group for the period or as of the dates indicated:

	As of/For the year ended 31 December		
	2014	2015	2016
Rates of return:			
Return on total assets(1)	-1.2%	-0.1%	12.4%
Return on equity(2)	-2.2%	-0.2%	24.3%
Liquidity:			
Current ratio (times)(3)	2.6	1.5	1.9
Quick ratio (times)(4)	1.8	1.2	1.6
Capital adequacy:			
Gearing ratio(5)	5.4%	16.1%	Net cash position
Interest coverage ratio (times)(6)	-0.8	-0.2	23.3

Notes:

(1) Calculated using net profit/loss attributable to the owner of the Company for the year divided by average total assets.

(2) Calculated using net profit/loss attributable to the owner of the Company for the year divided by average total equity attributable to the owner of the Company.

(3) Calculated using current assets divided by current liabilities as of the end of year.

(4) Calculated using the result of current assets less inventory divided by current liabilities as of the end of year.

(5) Calculated using net debt (all bank loans net of cash and cash equivalents) divided by total equity as of the end of each year.

(6) Calculated using the sum of profit/loss before taxation and interest on bank loans for the period divided by interest on bank loans for the year.

Production Capacity and Utilisation Rate

The following table sets forth the overall production capacity, the actual production volume and the utilisation rate for optical fibres, optical fibre cables and optical cable cores for the periods indicated:

	FY2014			FY2015			FY2016		
	Overall production capacity	Actual production volume	Utilisation rate(3)	Overall production capacity	Actual production volume	Utilisation rate(3)	Overall production capacity	Actual production volume	Utilisation rate(3)
			%			%			%
	(fkm, in thousands, except for percentages)								
Optical fibres (fkm)	2,863(1)	2,331	81.4	3,838(1)	3,331	86.8	4,813(1)	4,648	97.4
Optical fibre cables and optical cable cores (fkm)	2,402(2)	947	39.4	3,310(2)	1,842	55.6	3,559(2)	2,580	72.5

Notes:

(1) Overall production capacity is calculated by us based on the production of standardised products and the production facilities operating 15.5 or 19.8 hours a day, as applicable, and 28.5 days a month.

(2) Overall production capacity is calculated by us based on the production of standardised products and the production facilities operating 18 hours a day and based on 26 days a month. There are multiple manufacturing processes involved in the production of optical fibre cables and optical cable cores, each of which may have different production capacity. The overall production capacity is calculated by us based on the manufacturing process with the lowest production capacity. As we use similar facilities for the production of optical fibre cables and optical cable cores, optical fibre cables and optical cable cores share the same overall production capacity.

(3) Utilisation rate is arrived at by dividing the actual production volume by the overall production capacity.

Please refer to "Business—Production—Production Facilities and Capacities" for further details.

SHAREHOLDING AND CORPORATE STRUCTURE

For shareholding and corporate structure, and our major development milestones, please refer to the section headed "History and Development" in this prospectus for details.

GLOBAL OFFERING STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option would not be exercised:

	Based on the Offer Price of HK$1.68 per Offer Share	**Based on the Offer Price of HK$2.45 per Offer Share**
Market capitalisation of the Shares *(Note 1)*	HK$436.8 million	HK$637 million
Unaudited pro forma adjusted net tangible asset value per Share *(Note 2)*	HK$1.62	HK$1.80

Notes:

1. *The calculation of the market capitalisation is based on 260,000,000 Shares expected to be in issue following the completion of the Capitalisation Issue and the Global Offering.*
2. *The unaudited pro forma adjusted consolidated net tangible asset value per Share has been arrived at after making the adjustments referred to in the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus and on the basis of 260,000,000 Shares (being the number of Shares in issue, Shares in issue as at the date of this prospectus, the Capitalisation Issue and Shares to be issued upon Listing).*

LISTING EXPENSES

In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares will be deducted from equity upon the Listing and the remaining of which will be charged to profit or loss. Assuming the Over-allotment Option is not exercised and assuming the Offer Price is HK$2.07 per Offer Share, being the mid-point of the indicative Offer Price range stated in this prospectus, we expect the total estimated amount of listing related fees, including underwriting commissions, would be approximately HK$29.4 million, of which (i) approximately HK$11.2 million will be deducted from equity upon the Listing, (ii) approximately HK$11.7 million was charged to the consolidated statements of profit or loss for FY2016, and (iii) approximately HK$6.5 million will be charged to the consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2017.

Prospective investors should note that the financial performance of our Group for the year ending 31 December 2017 is expected to be affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past. Please refer to "Financial Information—Listing Expenses" for further details.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), our Company will be owned as to 75% by Futong HK, which is directly wholly owned by Futong Optical Communication. As at the Latest Practicable Date, Futong Optical Communication was a wholly owned subsidiary of Futong China, which was owned as to 10%, 80% and 10% by Kang Yin Si Te, Futong Investments and Futong Information Industry, respectively. Mr. Wang was interested in 45.2% of the issued share capital of Kang Yin Si Te and 100% of the issued share capital in Futong Investments.

Accordingly, Futong HK, Futong Optical Communication, Futong China, Futong Investments and Mr. Wang are our Controlling Shareholders under the GEM Listing Rules.

Please refer to "Relationship with Controlling Shareholders" of this prospectus for further details of our relationship with our Controlling Shareholders.

CONTINUING CONNECTED TRANSACTIONS

Immediately upon the Listing, a number of our business transactions which we have carried on from time to time with our Parent Group will constitute continuing connected transactions of our Group under Chapter 20 of the GEM Listing Rules when those counterparties become, for the purpose of the GEM Listing Rules, our connected persons immediately upon the Listing, including a continuing connected transaction that has a term of more than three years. Our Directors and the Sole Sponsor have, pursuant to Rule 20.103 of the GEM Listing Rules, sought waivers from the Stock Exchange from strict compliance from the announcement requirement, or announcement and independent shareholders' approval requirements in respect of those continuing connected transactions immediately following the Listing and the Stock Exchange has granted to us the waivers sought. Please refer to "Continuing Connected Transactions" and "Waivers from Strict Compliance with the GEM Listing Rules" of this prospectus for further details.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors estimate that the net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses payable by our Group in connection with the Global Offering) will be approximately HK$104.79 million based on an Offer Price of HK$2.07 per Offer Share (being the mid-point of the Offer Price range between HK$1.68 and HK$2.45 per Offer Share), assuming the Over-allotment Option is not exercised. It is at present intended that the net proceeds will be applied as follows:

- approximately HK$83.83 million, representing approximately 80% of the net proceeds will be used for implementing the expansion plan of our new production facility in Thailand, including the construction of a factory in Thailand;
- approximately HK$5.23 million, representing approximately 5% of the net proceeds will be used for strengthening our research and development capabilities and expanding our range of products;
- approximately HK$5.23 million, representing approximately 5% of the net proceeds will be used for enhancing our relationship with existing customers and exploring new customers in Hong Kong and the ASEAN; and

- approximately HK$10.48 million, representing approximately 10% of the net proceeds will be used as our general working capital and for general corporate purposes.

Please refer to "Future Plans and Use of Proceeds" of this prospectus for further details.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We believe some of the significant risks relating to our business include, among other things, the following:

- we rely on a limited number of key suppliers for certain of our raw materials. If our suppliers fail to supply quality raw materials in sufficient volumes at commercially acceptable prices, our business and reputation could be adversely affected;
- we sell our products to a limited number of customers. If our major customers discontinue their business relationship with us, reduce purchase orders or purchase price for our products, our sales and profitability may decrease;
- we have historically leveraged on the support from our Parent Group in a variety of areas. If we are unable to operate and develop our business independently, our prospects will be adversely affected. We cannot guarantee that our reliance on our Parent Group will be reduced going forward despite the implementation of various measures;
- there can be no assurance that the measures as set out in the Deed of Non-Competition will effectively prevent competition against us;
- if the preferential policies and tax treatments we currently receive from the Thai government become unavailable or otherwise change or terminate, it could adversely affect our business and profitability;
- if we experience delays in collecting, or fail to collect, payment from our customers, it could materially and adversely affect our cash flow;
- if any uncertainties or adverse changes in government investments, initiatives and policies affect the telecommunications industry in Thailand, other ASEAN markets, China and Hong Kong, preventing the industry from sustaining its current pace of growth, our growth, profitability and future prospects could be materially and adversely affected;
- if we suffer substantial disruption to any of our production facilities, our business could be materially and adversely affected;
- we may face competition from players that provide competing transmission media platforms for the telecommunications industry. If we are unable to develop and introduce new communication products, applications or services, our business could be materially and adversely affected; and
- our historical results of operations and financial performance may not be indicative of future performance and our results of operations, and our results of operations may be affected by various factors, including our non-incurring Listing expenses, and we may not be able to achieve or sustain the historical level of growth for revenue and profitability.

According to Futong HK, our Controlling Shareholder, it currently intends to transfer not more than 5,200,000 Shares (assuming that the Over-allotment Option is not exercised) or not more than

5,395,000 Shares (assuming that the Over-allotment Option is exercised in full), representing not more than 2% of the total issued share capital of our Company immediately after the Capitalisation Issue and the Global Offering, to our senior management, for nil consideration, on a date not less than six months after the Listing Date. As such, it is estimated that approximately HK$10.2 million will be charged to our Group's consolidated statement of profit or loss and other comprehensive income upon the transfer of such Shares in connection with such share-based payment. In view of the above, we anticipate that our net profit margin and net profit for the year ending 31 December 2017 may be adversely affected.

Please refer to the section headed "Risk Factors" in this prospectus for the risks associated with an investment in our Company.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to 31 December 2016, being the latest date of the combined financial information of our Group as set out in the Accountants' Report included in Appendix I to this prospectus and up to the Latest Practicable Date, we continued our focus on the manufacture and sale of optical fibre cables. Our business model, revenue structure and cost structure remained substantially unchanged since 31 December 2016 and up to the Latest Practicable Date. Our business continues to grow along with our sales recognised and expanded customer base during the five months ended 31 May 2017, and is generally in line with our expectation given our Group's effort in sourcing new customers and our plan to further our regional business in the ASEAN. Transtech entered into framework agreements in March 2017 with two customers in Hong Kong in relation to the proposed sale of G.652 single mode optical fibres in 2017. So far as our Directors are aware, based on the orders we received during the four months ended 30 April 2017, prices of certain of our major products, namely, optical fibres and optical fibre cables, are generally higher than the relevant average selling price of 2016.

Futong Thailand had four new Thailand-based customers and three new customers from other ASEAN countries for the sale of optical communication products. Based on our Group's management accounts and preliminary assessment of our Group, the revenue contributed by such customers during the four months ended 30 April 2017 accounted for approximately 1% of our Group's total revenue in the corresponding period.

As of 31 December 2016, the total balances of trade receivables, trade and bills payables and inventories amounted to HK$253.1 million, HK$134.8 million, HK$79.7 million respectively. Our Directors confirm that HK$212.7 million, representing approximately 84.0%, of such trade receivables and HK$119.9 million, representing approximately 89.0%, of such trade and bills payables have been subsequently settled, and HK$72.0 million, representing approximately 90.3%, of such inventories have been subsequently charged to cost of sales respectively as of 31 May 2017.

As of 31 December 2016, the balance of trade receivables that were past due but not impaired amounted to HK$55.0 million, primarily due to delay in payment by certain customers of our Group in Thailand. Our Directors confirm that: (i) among the balance of HK$55.0 million, HK$41.7 million had been settled as of 31 May 2017, representing approximately 75.8% of such total balance as of 31 December 2016; and (ii) we have received a payment schedule from each of the relevant customers for the trade receivables that were past due but not impaired as of 31 December 2016.

We expect that the listing expenses would affect our profit for the year ending 31 December 2017. For the relevant risk, please see the paragraph headed "Risk Factors—Risks Relating To Our

Business And Industry—Our historical results of operations and financial performance may not be indicative of future performance and our results of operations, and our results of operations may be affected by various factors, including our non-recurring Listing expenses, and we may not be able to achieve or sustain the historical level of growth for revenue and profitability.” in this prospectus.

As far as we are aware, there have not been any material changes in the general economic and market conditions in the regions or the industry in which we operate that materially and adversely affected our business operations or financial condition since 31 December 2016 and up to the Latest Practicable Date. Please refer to “Financial Information—Recent Development and No Material Adverse Change” for further details.

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since 31 December 2016, being the date on which our latest audited combined financial information was prepared and there had been no event since 31 December 2016 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

DIVIDEND

No dividend was declared or proposed by the directors of the companies comprising our Group for the Track Record Period nor has any dividend been proposed since the end of the Track Record Period.

Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Law, and our Articles which requires also the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. Currently, we do not have any predetermined dividend distribution ratio. There will be no assurance that our Company will be able to declare or distribute any dividend. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

In this prospectus, unless otherwise indicated, the following expressions have the following meanings:

"Accountants' Report"	the accountants' report of our Group prepared by the Reporting Accountants set out in Appendix I to this prospectus
"Application Form(s)"	**WHITE** and **YELLOW** application form(s) or, where the context so requires, any of them, which is used in relation to the Hong Kong Public Offer
"Articles" or "Articles of Association"	the articles of association of our Company, which were conditionally adopted on 23 June 2017 as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
"ASEAN"	Association of Southeast Asian Nations, whose membership consists of Thailand, Malaysia, Indonesia, the Philippines, Singapore, Brunei, Vietnam, Lao P.D.R., Myanmar and Cambodia
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of our Company
"Business Day"	a day (other than a Saturday, Sunday or public holiday) in Hong Kong on which licenced banks in Hong Kong are generally open for normal banking business
"BVI"	British Virgin Islands
"Capitalisation Issue"	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in "History and Development—Our Reorganisation—(6) Changes to our authorised share capital and Capitalisation Issue"
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CIC"	China Insights Consultancy Limited (灼識企業管理諮詢(上海)有限公司), a consulting firm incorporated in Shanghai in June 2015 under the laws of the PRC
"CIC Report"	a report prepared by CIC on the optical fibre cable market in ASEAN and Thailand and the optical fibre market in China and ASEAN, among other things, which was commissioned by our Company
"Companies Law" or "Cayman Islands Companies Law"	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance" or "Companies (WUMP) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company"	Transtech Optelecom Science Holdings Limited (高科橋光導科技股份有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 6 September 2016 under the Companies Law
"Company S"	a Japan-based company with principal businesses in cables, mechanical materials and energy, an Independent Third Party
"Company S Subsidiary"	a limited liability company incorporated in Hong Kong on 11 February 1977, a subsidiary of Company S and an Independent Third Party
"Controlling Shareholders"	has the meaning ascribed to it under the GEM Listing Rules and unless the context otherwise requires, means Futong HK, Futong Optical Communication, Futong China, Futong Investments and Mr. Wang

"Director(s)"	the director(s) of our Company
"Deed of Indemnity"	a deed of indemnity dated 23 June 2017 entered into by our Controlling Shareholders in favour of our Company to provide certain indemnities, particulars of which are set out in "D. Other Information—2. Tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-Competition"	a deed of non-competition dated 13 October 2016 as amended by a supplemental deed dated 23 June 2017 entered into by our Controlling Shareholders in favour of our Company, particulars of which are set out under the section headed "Relationship with Controlling Shareholders—Non-competition Undertakings" in this prospectus
"electronic application instruction"	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares
"Futong China"	富通集團有限公司 (Futong Group Co., Ltd.*), a company incorporated in the PRC and one of our Controlling Shareholders
"Futong China Group" or "Parent Group"	Futong China and its subsidiaries from time to time (which, depending on the context where it is described in this prospectus, excludes our Group)
"Futong Group (Hong Kong)"	Futong Group (Hongkong) Co., Limited (富通集團 (香港) 有限公司), a company incorporated in Hong Kong on 22 November 2007 and owned as to approximately 33.1% and approximately 66.9% by Futong Group (H.K.) Holding Limited and Futong China, respectively
"Futong Group International"	Futong Group International Limited, a company incorporated in the BVI on 13 March 2003 which is owned by Mr. Wang, one of our Controlling Shareholders, and Mr. He, one of our executive Directors, as to 90% and 10%, respectively
"Futong HK"	Hong Kong Futong Optical Fiber Company Limited (富通光纖 (香港) 有限公司), a company incorporated in Hong Kong on 18 February 2014 and one of our Controlling Shareholders
"Futong Information Industry"	杭州富通信息產業有限公司 (Hangzhou Futong Information Industry Co., Ltd.*), a company established in PRC on 14 July 2006 and owned as to 36.0% by Mr. Hu, Mr. Wei, Mr. Pan and Mr. Xu, and 64% by other 32 individual shareholders, and a substantial shareholder of Futong China

"Futong Investments"	杭州富通投資有限公司 (Hangzhou Futong Investments Co., Ltd.*), a company established in PRC on 27 February 2012 and one of our Controlling Shareholders
"Futong Optical Communication"	杭州富通光通信投資有限公司 (Hangzhou Futong Optical Communication Investments Co., Ltd.*), a company established in PRC on 25 September 2010 and one of our Controlling Shareholders
"Futong Photonics"	Futong Photonics Limited (高科橋光纖有限公司), a company incorporated in Hong Kong on 23 February 2000 and dissolved on 1 August 2008, an Independent Third Party
"Futong Thailand"	Futong Group Communication Technology (Thailand) Co., Ltd., a company incorporated in Thailand and is wholly beneficially owned by our Company
"FY2014", "FY2015" and "FY2016"	financial years ended 31 December 2014, 2015 and 2016, respectively
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as amended, supplemented or otherwise modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Global Offering"	the Hong Kong Public Offer and the International Offering
"Great Sign"	Great Sign Technologies Limited (偉景科技有限公司), a company incorporated in the BVI on 2 September 2016 and a wholly-owned subsidiary of our Company
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$" and "cents"	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong

"HKFRSs"	Hong Kong Financial Reporting Standards, which include the Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants
"HKICPA"	Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants)
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of the Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	the HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong Branch Share Registrar"	Boardroom Share Registrars (HK) Limited, the branch share registrar and transfer office of our Company in Hong Kong
"Hong Kong Offer Shares"	the 6,500,000 newly issued Shares offered by our Company for subscription under the Hong Kong Public Offer, representing 10% of the initial number of the Offer Shares subject to adjustment as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Hong Kong Public Offer"	the offer of the Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong (subject to adjustment as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus), and subject to the terms and conditions stated herein and in the Application Forms
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offer listed in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 29 June 2017 relating to the Hong Kong Public Offer entered into among our Company, our Controlling Shareholders, the Sole Sponsor, ICBCI Securities and CLC Securities Limited, particulars of which are set forth in the section headed "Underwriting" in this prospectus
"Independent Third Party(ies)"	party(ies) which is/are independent of and not connected with any of the directors, chief executive, or substantial shareholders of our Company or any of our subsidiaries or any of their respective associates

"International Offer Shares"	the 58,500,000 Shares being offered by our Company for subscription under the International Offering subject to adjustment and together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Offering"	the conditional placing of the International Offer Shares for and on behalf of our Company outside the United States (including to professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S, subject to adjustment and exercise of the Over-allotment Option as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Underwriters"	the underwriters named in the International Underwriting Agreement, being the underwriters of the International Offering
"International Underwriting Agreement"	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date, between, amongst others, our Company, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the International Underwriters in respect of the International Offering, particulars of which are set forth in the section headed "Underwriting" in this prospectus
"Joint Bookrunners"	ICBC International Capital Limited and CLC Securities Limited
"Kang Yin Si Te"	杭州康因斯特網絡有限公司 (Hangzhou Kang Yin Si Te Network Co., Ltd.*), a company established in PRC on 24 July 2000 and owned as to 55.2% by Mr. Wang, our Controlling Shareholder, and Mr. Hu, our executive Director and the chairman of the Board, and 44.8% by six other individual shareholders, and a substantial shareholder of Futong China
"Latest Practicable Date"	23 June 2017, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus
"Listing"	the listing and commencement of dealings of the Shares on GEM

"Listing Date"	the date on which dealings in the Shares on GEM first commence, which is expected to be on or about 20 July 2017
"Listing Division"	the listing division of the Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange prior to the establishment of GEM, which is independent from and operated in parallel with GEM
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company adopted on 6 September 2016, as amended from time to time
"MOFCOM"	Ministry of Commerce of the PRC
"Mr. He"	Mr. He Xingfu (何興富), an executive Director and the chief executive officer of our Group
"Mr. Hu"	Mr. Hu Guoqiang (胡國强), an executive Director and the chairman of the Board
"Mr. Pan"	Mr. Pan Jinhua (潘金華), an executive Director
"Mr. Wang"	Mr. Wang Jianyi (王建沂), one of our Controlling Shareholders
"Mr. Wei"	Mr. Wei Guoqing (魏國慶), an executive Director
"Mr. Xu"	Mr. Xu Muzhong (徐木忠), an executive Director
"Nomination Committee"	the nomination committee of the Board
"Offer Price"	the final price for each Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK$2.45 per Offer Share and is expected to be not less than HK$1.68 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at its sole and absolute discretion, subject to the terms and

	conditions of the International Underwriting Agreement to require our Company to allot and issue up to an aggregate of 9,750,000 additional new Shares (representing 15% of the initial number of the Offer Shares) at the Offer Price as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Pan South"	Pan South Industries Limited (泛南實業有限公司), a company incorporated in the BVI on 2 September 2016 and a wholly-owned subsidiary of our Company
"PBOC"	People's Bank of China
"PRC" or "China"	the People's Republic of China which shall, for the purpose of this prospectus, exclude Hong Kong, the Macau and Taiwan
"PRC Legal Advisers"	Zhejiang T&C Law Firm
"Price Determination Date"	the date, expected to be on or around Wednesday, 12 July 2017 or such later date as the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company may agree, on which the Offer Price is fixed for the purposes of the Global Offering
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the corporate reorganisation arrangements undergone by our Group in preparation for the Listing, details of which are set out in the paragraph headed "5. Corporate reorganisation" in Appendix IV to this prospectus
"RMB"	Renminbi, the lawful currency of China
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stabilising Manager" or "ICBCI Securities"	ICBC International Securities Limited

"Sole Sponsor", "Sole Global Coordinator" or "ICBCI Capital"	ICBC International Capital Limited
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Sole Global Coordinator and Futong HK, pursuant to which the Sole Global Coordinator may borrow up to 9,750,000 Shares from Futong HK for the purpose of covering any over-allocations under the International Offering
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Showa Holdings"	SWCC Showa Holdings Co., Ltd., a limited liability company incorporated in Japan and an Independent Third Party
"SWCC"	SWCC Showa Cable Systems Co., Ltd., a Japan-based company and engages in production and sale of electric wire and cable, electric power products, optical fibre cable, a subsidiary of SWCC Showa Holdings Co., Ltd. and an Independent Third Party
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Thai Legal Advisers"	Tilleke & Gibbins International Ltd.
"THB"	Thai baht, the lawful currency of Thailand
"Track Record Period"	the three years ended 31 December 2016
"Transtech"	Transtech Optical Communication Company Limited (高科橋光通信有限公司), a company incorporated in the BVI and a wholly-owned subsidiary of our Company
"Underwriters"	The Hong Kong Underwriters and International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended supplemented or otherwise modified from time to time, and the rule and regulations promulgated thereunder
"US$"	United States dollars, the lawful currency of the United States

"**WHITE** Application Form(s)"	the application form(s) for use by the public who requires such Hong Kong Offer Shares to be issued in the applicants' own names
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who requires such Hong Kong Offer Shares to be deposited directly into CCASS
"%"	per cent

In this prospectus, the terms "associate(s)", "close associate(s)", "connected person(s)", "connected transaction(s)", "core connected person(s)", "subsidiary(ies)" and "substantial shareholder(s)" have the same meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

Unless otherwise stated and for illustration purpose only, the following foreign exchange rates are adopted:

RMB1 = HK$1.1537

US$1 = HK$7.746

THB1 = HK$0.2198

Such conversions shall not be constructed as representations that amounts in Hong Kong dollars will be or may have been converted into such foreign currencies at such rates or any other exchange rates.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail.

GLOSSARY

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

"CAGR"	compound annual growth rate
"fkm"	fibre kilometre, the length of total fibre optics in a cable
"FTTH"	fibre to the home
"FTTx"	FTTx is the abbreviation of "fibre to the x" which is a generic term for any broadband network architecture
"kbps"	kilobits per second, a unit of data transfer rate
"LTE"	LTE is the abbreviation of Long Term Evolution, which is a standard for wireless communication of high-speed data for mobile phones and data terminals
"Mbps"	megabits per second, a unit of data transfer rate
"sq.m."	square metres
"m^3"	cubic metres
"xDSL"	refers collectively to all types of digital subscriber lines, the two main categories of which are asymmetric digital subscriber line (ADSL) and symmetric digital subscriber line (SDSL)

This prospectus contains forward-looking statements with respect to our business strategies, competitive positions, growth opportunities for existing operations, plans and objectives of management and other matters. Our Directors confirm that these forward-looking statements are made after due and careful consideration.

The words "anticipate", "believe", "could", "predict", "potential", "continue", "endeavour", "expect", "intend", "may", "plan", "target", "aim", "seek", "will", "would", "should", "going-forward", "envisage" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, amongst others, those relating to our future business prospects, capital expenditures, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgement of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed "Risk Factors" in this document. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

Potential investors of the Offer Shares should carefully consider all of the information set out in this prospectus and, in particular, the following risks and special considerations associated with an investment in our Company before making any investment decision in relation to our Company. If any of the possible events as described below materialises, our Group's business, financial position and prospects could be materially and adversely affected and the market price of the Offer Shares could fall significantly.

This prospectus contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results may differ materially from those as discussed in this prospectus. Factors that could contribute to such differences are set out below as well as in other parts in this prospectus.

An investment in our Offer Shares involves a high degree of risk. You should carefully consider the following information about risks, together with the other information contained in this prospectus, including our combined financial statements and related notes, before you decide to buy our Offer Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition and prospects would likely suffer. In any such case, the market price of our Offer Shares could decline and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward looking statements as a result of many factors, including the risks described below.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We have historically leveraged on the support from our Parent Group in a variety of areas. If we are unable to operate and develop our business independently, our prospects will be adversely affected. We cannot guarantee that our reliance on our Parent Group will be reduced going forward despite the implementation of various measures.

Our Parent Group is a leading enterprise in the information and communications industry in the PRC with integrated research and development, production and sales capacities, according to the CIC Report. Our Parent Group has business operations in the PRC and its customers include major PRC telecommunications operators. Leveraging on its extensive knowledge and experience in the industry, we have historically leveraged on the support from our Parent Group in a variety of areas, including the sales of our optical fibres, the sources of certain raw materials, as well as technical support, the license of the premises for our production facilities in Hong Kong and our use of the "Futong" trademark. We cannot guarantee that our reliance on our Parent Group will be reduced going forward despite the implementation of various measures. We do not intend to rely on our Parent Group after the Listing and if we are unable to operate and develop our business independently, our business, prospects financial condition and results of operations may be materially and adversely affected.

Sales to our Parent Group

We have historically sold a large amount of products to our Parent Group. Transtech sold a portion of its optical fibres to our Parent Group during the Track Record Period. In FY2014, FY2015 and FY2016, sales to our Parent Group accounted for approximately 27.1%, 9.8% and 12.7% of our total revenue, respectively, and the sales amounted to HK$68.5 million, HK$39.0 million and HK$76.3 million, respectively. We intend to continue to sell the optical fibres manufactured by Transtech to our

Parent Group until the end of 2018, but intend for such sales to account for a decreasing portion in our total sales of optical fibres. For our arrangement with our Parent Group for such sale of optical fibres after the Listing, please refer to "Continuing Connected Transactions—Non-exempt Continuing Connected Transactions" of this prospectus.

We expect that, to the extent practicable, in early 2019, the majority of the optical fibres manufactured by our Group will be consumed by Futong Thailand for the manufacturing of optical fibre cables and the remaining will be sold to third party customers. We also expect that the optical fibres to be manufactured by Futong Thailand will be processed into optical fibre cables and supplied to the ASEAN markets in 2019 after production plant expansion of Futong Thailand. During the Track Record Period, we sold optical cable core to our Parent Group and an Independent Third Party customer. We intend that our sale of optical cable cores will be primarily for Independent Third Party customers going forward. There is no assurance that we will be able to implement our expansion plan in sales and marketing. If we are unable to implement such plans, our business, financial condition and results of operations may be materially and adversely affected.

Historical referral of customers by our Parent Group, procurement by our Group and technical support from our Parent Group

Transtech paid certain fees to our Parent Group for facilitating the sales of its products to external customers in the PRC during the Track Record Period but has ceased paying such fees to our Parent Group from 1 June 2016 following Transtech becoming a wholly-owned subsidiary of our Parent Group. In addition, we purchased certain optical fibre preforms from our Parent Group since prior to the Track Record Period but had ceased such purchases in 2015. During the Track Record Period, Transtech obtained production technology support and maintenance services for software developed by our Parent Group in its optical fibre production. Please refer to "Relationship with Controlling Shareholders—Independence from Our Controlling Shareholders and Their Respective Close Associates" for further details.

Licensing of premises for our production facilities in Hong Kong

Our optical fibre production facilities in Hong Kong are under a licence agreement entered into with Futong Group International as the licensor for a term of five years from 1 July 2016 to 30 June 2021, which may be terminated outside of our control. Please refer to "Business—Our Properties—Leased Properties" of this prospectus for further details. If the licence agreement is terminated outside of our control or is not renewed upon its expiry, we may be required to identify and relocate to another premises and the production of our optical fibres in Hong Kong may be substantially interrupted. Our relocation plan is subject to uncertainties outside of our control and may not be implemented or contemplated or at all.

Our Group's use of the "Futong" trademark

We currently sell our optical fibre cables under the "Futong" trademark which will be licensed to us by our Parent Group after Listing. We believe that "Futong" is a well-established brand name in our industry, which is a result of our track record, considerable marketing efforts and the market recognition of our Parent Group. We or our Parent Group may not be able to protect the "Futong" trademark and may need to defend against infringement claims, which could reduce the value of goodwill associated with the "Futong" trademark, resulting in the loss of competitive advantage and materially harming our business and profitability. If any third party that uses the “Futong” trademark to carry out similar business of us or sell similar products, or there are negative news in relation to the “Futong” brand or our Parent Group, our reputation and brand recognition could be harmed, which, in turn, could have an adverse impact on our prospects.

There can be no assurance that the measures as set out in the Deed of Non-Competition will effectively prevent competition against us.

Our Parent Group supplies optical communication products to its customers which include, among others, authorised distributors, trading agents or manufacturers of the optical fibres, optical fibre cables, optical cable cores and other similar products. Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has undertaken to the Company that, with respect to any proposed sales of such optical communication products to customers which are authorised distributors or trading agents or manufacturers, the Controlling Shareholder shall include a clause in the relevant contract with such customer to the effect that such customer shall not on-sell the relevant products to others in Hong Kong and the ASEAN. Please refer to the section headed “Relationship With Controlling Shareholders—Non-Competition Undertaking” of this prospectus for details of the Deed of Non-Competition. While such measures aim to ensure that the customers of our Parent Group will not compete with us by on-selling the optical communication products purchased from our Parent Group in Hong Kong and the ASEAN, there can be no assurance that such measures will effectively prevent competition. Any competition from such customers of our Parent Group may materially and adversely affect our business, prospects, financial condition and results of operations.

We rely on a limited number of key suppliers for certain of our raw materials. If our suppliers fail to supply quality raw materials in sufficient volumes at commercially acceptable prices, our business and reputation could be adversely affected.

Key raw materials used for the production of our optical fibres are optical fibre preforms and ultraviolet curing paint. Key raw materials used for the production of our optical fibre cables are, among others, optical fibres, polyethylene and other polymers sheathing materials, steel and aluminium band. We place a large percentage of our orders for certain raw materials with a limited number of key suppliers. During the Track Record Period, we purchased optical fibre preforms principally from Company S Subsidiary for the production of optical fibres. We also purchased certain optical fibre preforms from our Parent Group in 2014 but had ceased such purchases in 2015. We produced part of the optical fibres by ourselves at Transtech and purchased the rest from our Parent Group or third party supplier for the production of optical fibre cables. For the other auxiliary raw materials, we purchased from our Parent Group in the PRC or from third party suppliers in the PRC or overseas. For FY2014, FY2015 and FY2016, the cost of purchase related to our five largest suppliers on a combined basis was HK$150.4 million, HK$258.9 million and HK$377.3 million, respectively, accounting for 81.6%, 85.8% and 88.8% of our total cost of raw materials and optical fibre cables purchased for the respective periods.

In particular, we relied on Company S Subsidiary for the supply of optical fibre preforms. Company S Subsidiary was one of our five largest suppliers during the Track Record period. During the Track Record Period, in terms of cost of purchase, over 80% of our optical fibre preforms were purchased from Company S Subsidiary. Please refer to “History and Development—Corporate History and Development—Strategic cooperation between Futong China Group and Company S” for further details of the historical relationship with Company S. We entered into a sale agreement with Company

S and Company S Subsidiary in August 2016 in respect of our purchases of optical fibre preforms for a term of three years. We cannot assure you that Company S Subsidiary will continue to supply optical fibre preforms to us at our desired prices or at all, that the quantity or quality of the optical fibre preforms Company S Subsidiary supply to us will meet our needs, or that Company S Subsidiary will continue to provide the relevant technical support to us. If Company S Subsidiary decides to terminate its cooperation with us, significantly increases the price or reduces the supply of its optical fibre preforms, we may be unable to find an alternative supplier for optical fibre preforms in time or at all and our production of optical fibres and optical fibre cables may decrease in quality or quantity. As a result, our business, financial condition and results of operations may be materially and adversely affected.

If any of our other key suppliers decide to terminate or not to renew the supplier contract with us, significantly increase the price of the relevant raw materials, unable to supply us sufficient raw materials due to their own capacity constraints, or fail to perform its obligations pursuant to the supplier contract in time or at all, we may have difficulties finding an alternative supplier, delay the delivery of products to our customers, incur additional costs on the production of our products or product liabilities or suffer losses to our reputation. As a result, our business, financial condition and results of operations may be materially and adversely affected.

In addition, we have limited control over the production process of our suppliers. These suppliers may fail to maintain the necessary licences, permits and certificates to carry out production of our raw materials, breach their obligations to produce our raw materials on a timely basis, or fail to abide by quality control requirements. Any quality issues related to our raw materials may affect the quality of our final products and damage our reputation. Any significant disruption in the manufacturing operations of our raw materials for any reason, including regulatory requirements that the manufacturing facility is not in compliance with, the loss of certifications, power interruptions, fires, hurricanes, war or other force of nature, labour strikes could disrupt our supply of raw materials, and adversely affect our sales.

We sell our products to a limited number of customers. If our major customers discontinue their business relationship with us, reduce purchase orders or purchase price for our products, our sales and profitability may decrease.

Due to the nature of our industry, we derive a substantial portion of our revenue from a limited number of customers. For FY2014, FY2015 and FY2016, sales to our top five customers accounted for approximately 96.8%, 96.7% and 94.3%, respectively, of our total revenue, and sales to our largest customer accounted for approximately 44.9%, 38.2% and 30.0%, respectively, of our total revenue. During the Track Record Period, customers for our optical fibre cables were primarily Independent Third Parties in Thailand and in other ASEAN markets, namely, Malaysia, the Philippines, Singapore, Indonesia and Vietnam, through which telecommunications operators make their procurements, and, as confirmed by our Directors, we generally did not have direct sales relationships or enter into agreements with such end users. Customers for our optical fibres during the Track Record Period were primarily optical fibre cable companies in the PRC including our Parent Group and customers located in Hong Kong engaged in optical communication products trading. For risks relating to the historical support from our Parent Group, please refer to the paragraph above headed "We have historically leveraged on the support from our Parent Group in a variety of areas. If we are unable to operate and develop our business independently, our prospects will be adversely affected. We cannot guarantee that our reliance on our Parent Group will be reduced going forward despite the implementation of various measures." in this section.

If our major customers decide not to continue the business relationship with us, reduce purchase orders or purchase price for our products, experiences difficulties in making payments for its orders from us in time or at all, our sales and profitability may decrease. In addition, since our customers for optical fibre cables are primarily third party companies through which telecommunications operators make their procurements and, as confirmed by our Directors, we generally do not have direct sales relationships or enter into agreements with such end users, any change of procurement channels by the relevant telecommunications operators may adversely affect our sales, and it could be time consuming for us to establish business relationships with the new third party companies they purchase from.

Exchange rate fluctuations could negatively affect our financial condition and results of operations.

Our transactions for Futong Thailand are primarily denominated in THB, while a portion is denominated in RMB, and part of the sales of Transtech are denominated in RMB. We make purchases of raw materials from one of our largest suppliers, Company S Subsidiary, using US$. Our purchase of raw materials also involves other currencies such as RMB. Consequently, our Group's foreign currency exposures arise mainly from the exchange rate movements of the US$ and Renminbi ("RMB") against THB.

The value of THB depreciated significantly during the period from July 1997 to 1998, and has fluctuated since 1998. During the Track Record Period, we recorded HK$1.6 million in foreign exchange gains for FY2014, HK$8.0 million in foreign exchange losses for FY2015 and HK$3.9 million in foreign exchange gains for FY2016, which were mainly attributable to the fluctuation of THB during the Track Record Period. It is uncertain that THB will not be subject to future depreciation, appreciation or volatility, or that the Thai government's current exchange rate policy will not change in the future. In addition, any depreciation of THB will reduce the amount of revenue we generate in Thailand in terms of our reporting currency. As a result, our financial condition and results of operations may be materially and adversely affected.

If the preferential policies and tax treatments we currently receive from the Thai government become unavailable or otherwise change or terminate, it could adversely affect our business and profitability.

We currently benefit from a number of preferential policies and tax treatments granted by Thailand's Board of Investment, including:

(1) Tax privileges:

a) exemption on paying of corporate income tax on the net profit derived from the promoted activities for the period of eight years from the date that the income is firstly derived from such activities (which will expire in March 2021);

b) 50% reduction of the normal rate of corporate income tax on the net profit derived from the promoted activities for a period of five years commencing from the expiry date of the exemption on corporate income tax specified above (which will expire in March 2026);

c) exemption from the payment of withholding tax on dividend paid to tax holiday (8 years), provided that such dividend must be paid from the profits generated from the BOI promoted activity only (which will expire in 25 March 2021);

d) exemption on paying of import duty on machinery as approved by the BOI throughout the period of investment promotion;

e) exemption on paying of import duty on raw and essential materials which are imported for producing for further export for a period of five years from the date of first import (which will expire in 22 May 2019); and

f) exemption on paying of import duty on items imported for re-export for a period of five years from the date of first import (which will expire in 22 May 2019).

(2) Non-tax privileges:

a) visa and work permit privileges for expatriate of the Futong Thailand;

b) permission to have ownership of land in the proportion that the BOI deems appropriate; and

c) permission to take out or remit abroad money in foreign currency.

Please refer to "Regulatory Overview—Thailand Regulatory Overview" for further details. The current or future preferential tax treatments and preferential policies applicable to our business in Thailand may be changed, terminated, or otherwise become unavailable due to many factors, including changes in government policy or administrative decisions by relevant government authorities. Our post-tax profitability may be materially and adversely affected as a result of one or more of these or other factors, and our ability to conduct our existing business and to expand our presence in Thailand may be materially and adversely affected.

If we experience delays in collecting, or fail to collect, payment from our customers, it could materially and adversely affect our cash flow.

Our trade receivables were HK$72.9 million, HK$191.1 million and HK$253.1 million as of 31 December 2014, 2015 and 2016, respectively. Our trade receivables turnover days were 125 days, 122 days and 136 days for the years ended 31 December 2014, 2015 and 2016, respectively. As of 31 December 2014, 2015 and 2016, the balance of trade receivables that were past due but not impaired amounted to HK$25.7 million, HK$61.2 million and HK$55.0 million. Our Directors confirm that, among the balance of HK$55.0 million, HK$41.7 million, representing approximately 75.8% of such total balance as of 31 December 2016, had been settled as of 31 May 2017. If the cash flow, working capital, financial condition or results of operations of our customers deteriorate, or for other reasons out of our control, they may be unable, or they may otherwise be unwilling, to pay receivables owed to us promptly or at all. Any substantial defaults or delays could materially and adversely affect our cash flow, and we could be required to terminate our relationships with our customers in a manner that impairs the sales of our products.

We had negative net cash flows from operating activities in FY 2015. If we continue to have negative operating cash flows in the future, our liquidity and financial condition may be materially and adversely affected

We had negative net cash flows from operating activities of HK$21.5 million in FY 2015, primarily consisting of HK$16.1 million of cash generated from operating activities before movements in working capital and negative movement in working capital of HK$37.6 million. The negative working capital adjustments were primarily attributable to an increase in trade receivables of HK$126.7 million, an increase in inventories of HK$6.7 million and a decrease in other payables and accrued charges of HK$3.5 million, which were partially offset by an increase in trade and bills payables of HK$97.2 million. Please refer to "Risk Factor—Risks Relating to Our Business and Industry—If we experience delays in collecting, or fail to collect, payment from our customers, it could adversely affect our cash flow" for the risks associated with our trade receivables.

We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected by the negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

If any uncertainties or adverse changes in government investments, initiatives and policies affect the telecommunications industry in Thailand, other ASEAN markets, China and Hong Kong, preventing the industry from sustaining its current pace of growth, our growth, profitability and future prospects could be materially and adversely affected.

We derive a substantial portion of our revenue by providing optical fibres, optical fibre cables and other related products used in a variety of applications in the telecommunications industry, some of which are customised for the specific need of our customers. During the Track Record Period, a majority of the revenue was generated from customers in Thailand, with others generated from other ASEAN, China and Hong Kong. The continued growth of the telecommunications industry in or around these jurisdictions is essential to our business growth prospects and future success.

We believe government investments, initiatives, incentives and other favourable policies have been one of the major growth drivers for the telecommunications industry in these jurisdictions. There can be no assurance, however, that government support will continue at the same present level or at all. Any decrease or delay of government investments or incentives currently available to industry participants may result in reduction of demand from our current and new customers or increasing operating costs incurred by our current customers, which in turn, will materially and adversely affect our business and results of operations. Although the industry in which we operate has experienced significant expansion in recent years in line with the growth of the telecommunications industry, we cannot assure you that such growth will be sustained in the future. If the growth of the telecommunications industry in any of these jurisdictions slows down or continues at a rate lower than we anticipate, or if local or central governments' policies and regulations are perceived to discourage the development of or investment in the telecommunications industry, the market demand for our products may decrease, and our profitability and future prospects could be materially and adversely affected.

If we suffer substantial disruption to any of our production facilities, our business could be materially and adversely affected.

Our revenue was primarily derived from sales of products produced at our production facilities in Hong Kong and Thailand. As of 31 December 2016, we had main production facilities with a total gross floor area of 5,000 square metres for the production of optical fibres and 20,000 square metres for the production of optical fibre cables. The continued operation of our production facilities can be substantially interrupted due to a number of factors, many of which are outside of our control, including fire, flood, earthquakes, power outages, fuel shortages, mechanical breakdowns, terrorist attacks and wars, political unrests or other natural disasters, as well as the loss of licences, certifications and permits, changes in governmental planning for the land underlying these facilities and regulatory changes. Moreover, the premises relating to our optical fibre production facilities in Hong Kong are licensed from Futong Group International, for risks relating to the historical support from our Parent Group, please refer to the paragraph above headed "We have historically leveraged on the support from our Parent Group in a variety of areas. If we are unable to operate and develop our business independently, our prospects will be adversely affected. We cannot guarantee that our reliance on our Parent Group will be reduced going forward despite the implementation of various measures" in this section.

If the operation of any of our facilities is substantially disrupted, we may not be able to replace the equipment or inventories at such facility, or may not be able use a different facility or a third party contractor to continue our production in a legal, timely and cost-effective manner or at all. In addition, we do not maintain business interruption insurance and the amount of our insurance coverage may not be sufficient to cover our losses in the event of a significant disruption to any of our production facilities. As a result of disruption to any of our facilities, we may all fail to fulfil contract obligations or meet market demand for our products, and our business, revenue and profitability could be materially and adversely affected.

We may face competition from players that provide competing transmission media platforms for the telecommunications industry. If we are unable to develop and introduce new communication products, applications or services, our business could be materially and adversely affected.

We compete with players in the telecommunications industry by manufacturing and selling, among others, optical fibre cables with various standard specifications that are widely used in the telecommunications industry. We may lose market share to competitors offering competing transmission media platforms for the telecommunications industry. For example, alternative means of transmission utilising different technologies, such as wireless transmission and data compression technologies, may replace or change the use of optical fibre as a transmission media generally, and we may lose market demand for our products as a result. Our failure in such or other related factors could decrease our product demand, threaten our ability to generate revenues and adversely impact our business, financial condition and results of operations.

The communications industry is characterised by rapidly changing technologies, evolving industry standards and continuing improvements. Accordingly, our future success will largely depend upon our continuing ability to adapt to customers' needs and technological developments in a timely manner. Should we be unable to develop and introduce new communication products, applications or services in a timely manner in anticipation of or in response to changing technologies, market conditions and/or customers' requirements, or if our products do not achieve market acceptance, our business, financial position and prospects, including the profitability of our products, and our plants and equipments, may be damaged. There can be no assurance that we will be successful in using new technologies and adapting our products to emerging industry needs and standards, or that we will not experience difficulties which could delay or prevent the successful development or marketing of these products, or that any such new products will adequately meet the requirements of the market and receive market acceptance.

Our historical results of operations and financial performance may not be indicative of future performance and our results of operations, and our results of operations may be affected by various factors, including our non-recurring Listing expenses, and we may not be able to achieve or sustain the historical level of growth for revenue and profitability.

According to the GEM Listing Rules, the track record period of the Company should consist of FY2015 and FY2016. However, taking into account the movements in our Group's historical financial results, for reference purpose, our Group has voluntarily included FY2014 as part of the Track Record Period in the prospectus.

Our financial performance fluctuated during the Track Record Period. While our revenue increased during the Track Record Period, we recorded a net loss of HK$4.5 million and HK$2.9 million for FY2014 and FY2015, respectively, while a net profit of HK$67.2 million in FY2016. Our historical results may not be indicative of our future performance. For instance, during the Track Record Period, we had a number of sale and purchase transactions with our Parent Group as part of our ordinary course of business, some of which will not continue after Listing. Our revenue, expenses and operating results may vary from period to period in response to a variety of factors, some of which are beyond our control, and accordingly, our results of operations and financial performance may not meet the expectations of market analysts or investors, which could cause the future price of our Company's Shares to decline.

The financial results of our Group are affected by certain non-recurring expenses incurred by our Group related to the Global Offering. We have incurred one-off expenses in connection with the Global Offering for FY2016, and we expect to further recognise one-off expenses in connection with the Global Offering for the financial year ending 31 December 2017. Assuming the Over-allotment Option is not exercised and based on the mid-point of the indicative Offer Price range stated in this prospectus, we expect the total estimated amount of listing related fees, including underwriting commissions, would be approximately HK$29.4 million, of which (i) approximately HK$11.2 million will be deducted from equity upon listing, (ii) approximately HK$11.7 million was charged to the consolidated statements of profit or loss for FY2016, and (iii) approximately HK$6.5 million will be charged to the consolidated statements of profit or loss for the year ending 31 December 2017. These non-recurring Listing expenses will have a negative impact on our financial performance and results of operations.

In addition, we understand from Futong HK, our Controlling Shareholder, that Futong HK currently intends to transfer not more than 5,200,000 Shares (assuming that the Over-allotment Option is not exercised) or not more than 5,395,000 Shares (assuming that the Over-allotment Option is exercised in full), representing not more than 2% of the total issued share capital of our Company immediately after the Capitalisation Issue and the Global Offering, to our senior management, for nil consideration, on a date not less than six months after the Listing Date. Please refer to "History and Development—Our Reorganisation" for further details. The proposed post-listing transfer of the Company's Shares from Futong HK to the Company's senior management constitutes share based payment under HKFRS 2. It is estimated that approximately HK$10.2 million will be charged to our Group's consolidated statement of profit or loss and other comprehensive income upon the transfer of such Shares in connection with such share-based payment. Please refer to "Financial Information—Related Party Transactions" of this prospectus for further details. In view of the above, we anticipate that our net profit margin and net profit for the year ending 31 December 2017 may be adversely affected.

If we are unable to enhance our production capabilities and capacities, our continued growth and expansion plans may be adversely affected.

Our future success, in part, depends on our ability to enhance our production capabilities, which include improving our production efficiency, acquiring and upgrading manufacturing or testing equipment and production facilities and modifying our existing production processes. In order to achieve the desired level of economies of scale in operations and to deliver a larger amount of high quality products at a competitive cost level, we are required to continue to expand our existing production capacity. For FY2016, our utilisation rate for the production of optical fibres reached 97.4%. Our continuous expansion plans on enhancing our production capabilities and capacities require substantial capital expenditure and dedicated management attention. We intend to fund such purchases and expansions by using cash generated from our operations and from the proceeds of the Global Offering. Nevertheless, we may require additional financing to achieve our expansion plans.

For FY2016, we purchased optical fibre cables from our Parent Group for on-selling to customers, primarily because we received a large amount of purchase orders mainly as a result of increased demand in the Thai market and were under time constraints to deliver the relevant products to our customers. We do not intend to engage in such on-sell business substantially or at all in the future. With the future expansion of our optical fibre cable production capacities in Thailand, we believe that we will be better equipped to meet customer demand with self-manufactured optical fibre cables. That being said, there is no assurance that we will be able to meet customer demand with self-manufactured products.

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

Our ability and efforts to enhance our production capabilities are also subject to other significant risks and uncertainties, including but are not limited to:

- unexpected delays and cost overruns resulting from a number of factors, many of which may be beyond our control, including increases in the prices of raw materials and utilities, shortages of skilled employees, transportation constraints, disputes with customers or raw material suppliers as well as equipment malfunctions;
- our ability to obtain the required permits, licences and approvals from relevant government authorities;
- availability of the necessary technology or equipment from third parties or our internal research and development department;
- diversion of management attention and other resources; and
- interruptions caused by natural disasters or other unforeseen events.

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

We intend to increase the production of optical fibres, and there is no assurance that we will be able to achieve our goal.

We plan to expand our production capacity of optical fibres and to establish new facilities for the production of optical fibres in Thailand to meet our needs for optical fibres as a raw material and to supply to our customers overseas. We expect that to the extent practicable, the majority of the optical fibres manufactured by our Group will be consumed by Futong Thailand for the production of optical fibre cables and the remaining will be consumed by the third party customers in early 2019. We also expect that the optical fibres manufactured by Futong Thailand will be processed into optical fibre cables and supplied to the ASEAN markets in 2019 after the Thailand production plant expansion. Our ability to successfully increase the production of optical fibres are subject to significant risks and uncertainties, many of which may be beyond our control. Please refer to "—If we are unable to enhance our production capabilities and capacities, our continued growth and expansion plans may be adversely affected." above for risks relating to our production capabilities and capacities. There is also no assurance that we will be able to successfully implement our sales plan. Our contemplated business expansion plan may be adversely affected if we fail to achieve our goal.

If we are unable to continuously enhance our product portfolio and offer high quality new products and/or services, our growth prospects will be adversely affected.

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

We may not be able to implement our international expansion strategy efficiently.

As part of our expansion strategy, we intend to grasp the opportunities arising from the development of the telecommunications market in the ASEAN by further expanding our production capacity of optical fibres and optical fibre cables and by developing new markets. We also intend to further develop the Thailand market and explore additional markets in the ASEAN and other regions.

Expanding into new markets involves uncertainties and challenges as we may be less familiar with, among others, local regulatory practices and customs, customer preferences and behaviour, the reliability of local suppliers, business practices and business environments. Countries in Southeast Asia may impose various regulatory requirements applicable to our business, some of which could create additional hurdles or cause extra compliance costs for our contemplated expansion plans.

In addition, expanding our business into new markets would entail competition with optical fibre and cable companies which have a better-established local presence or greater access to local resources, including customer base, labour, expertise and knowledge than we do. Our expansion plan requires significant managerial, operational, technical, capital and other resources. We also need to recruit, train and retain qualified management personnel as well as other administrative and sales and marketing personnel as we expand into new markets. If we fail to recruit qualified and experienced sales and marketing personnel, or our sales and marketing team fails to effectively attract new customers in the newly entered markets, our expansion strategy may not generate the economic benefit as we expect. Furthermore, tapping into new markets also requires us to allocate more capital and human resources to enhance our customer services, catering to the needs of customers in those new regions.

We cannot guarantee that we will be able to effectively and efficiently manage the growth of our operations, or integrate new overseas operations in a cost effective manner. Any failure to effectively and efficiently manage our international expansion may adversely affect our ability to capitalise on new business opportunities, to achieve our operation objectives and to further advance our market leading position.

We are exposed to potential product liability claims and we may be unable to obtain sufficient compensation from suppliers for defective raw materials used in our products.

Most optical fibres and optical fibre cables offered by us are products with standardised specifications. We are subject to prescribed industry technical standards in relation to the production and sale of our products. We are also exposed to product liability as provided in the sales contracts with our customers. Although we have implemented quality control measures, we cannot assure you that any defect or malfunction in our products or the failure of our products to meet our customers' specifications will not occur, which could lead to delays in installation that in turn may result in losses to our customers. We could be required to replace or repair the defective products at our own cost and compensate our customers and their customers for such losses or damages caused by our defective products. We may also have to spend certain amount of resources to defend ourselves in the event where claims or legal proceedings are instituted against us. Furthermore, our reputation and brand may be materially and adversely damaged as a result.

Despite our own quality control efforts, the quality of our final products is highly dependent on the quality of the raw materials we purchase from third parties. In the event that we become subject to product liability or warranty claims as a result of defective raw materials from third party suppliers, we may not be able to assert a claim against a supplier, or fully recover the desired amounts from the supplier, in which case, to the extent the relevant claims are not fully covered by our insurance or at all, we may be required to bear the damages to our customers or replace the products at our own costs and expenses and our reputation, business, financial condition and results of operations may be materially and adversely affected.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material product liability claim against us nor experienced any material loss or product recall nor were we aware of any potential product liability claims or investigations against us. However, any successful product liability claim against us or any product recall in the future could, nevertheless, have a material adverse effect on our business, prospects, financial condition and results of operations.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales, either of which could negatively affect our business.

We implement inventory control management in order to avoid under- or over-stocking. We adjust our raw material procurement according to our production process, taking into account lead time required for each type of raw materials, so as to minimise and maintain our inventory of raw materials at an appropriate level. We typically maintain raw materials to support about two weeks to one month of production needs. We may temporarily increase the inventory of raw materials if we estimate the demand for our products will increase significantly in the near future. For optical fibres, we generally maintain an inventory that equals to two months of our production volume; for optical fibre cables and optical cable cores, we generally do not keep an inventory of finished goods as we generally start the manufacturing process upon receiving customer orders. Forecasts are inherently uncertain. If our forecasted demands are lower than actual purchase orders we receive, we may not be able to maintain an adequate inventory level of our products or manufacture our products in a timely manner, and may lose sales and market share to our competitors. Given that we generally do not keep an inventory of optical fibre cables and optical cable cores, we may not be able to manufacture sufficient amount in a timely manner and may lose sales and market share to our competitors. On the other hand, we may also be exposed to increased inventory risks due to accumulated excess inventory of our products or raw materials. Over-stock may increase our inventory holding costs, risk of inventory obsolescence, markdown allowances or write-offs, which could have a material adverse effect on our business, financial condition and results of operations.

If we lose the service of any key senior management or skilled and experienced experts, our ability to effectively manage and execute our operations and meet our strategic objectives could be harmed.

Our success has been, and will continue to be, dependent, in large part, on the continued service of our key senior management, such as Mr. Hu Guoqiang (an executive Director and a director of Transtech who joined us in 2003), Mr. He Xingfu (an executive Director and the chief executive officer of our Group who joined us in 2003), Mr. Wei Guoqing (an executive Director and the chief executive officer of Futong Thailand, who joined our Group in 2013), Mr. Pan Jinhua (an executive Director and a director of Futong Thailand, who joined us in 2013) and Mr. Xu Muzhong (an executive Director and a director of Futong Thailand, who joined our Group in 2012). Any loss or interruption of the service of our key senior management could significantly affect our ability to effectively manage our operations and to meet our strategic objectives. In addition, we could incur additional expenses and devote significant time and resources to recruit and train replacement personnel, which could further disrupt our business and growth.

Our success also depends, to a significant extent, on our ability to attract, train and retain our technical experts, such as our Directors, namely, Mr. He Xingfu, Mr. Wei Guoqing and Mr. Xu Muzhong, research and development personnel, sales and marketing personnel and customer service personnel. Recruiting and retaining capable personnel, particularly those with expertise and experience in our industry, are vital to our success. There is substantial competition for research and development personnel, qualified technical experts, sales and marketing professionals and post-sales providers, and there can be no assurance that we will be able to continuously attract or retain these individuals to achieve our business objectives. If we fail to attract and retain valuable employees, to keep pace with our expected growth, our competitiveness, business, financial condition and results of operations may be materially and adversely affected.

We have limited insurance coverage. If we experience uninsured losses, it could adversely affect our financial condition and results of operations.

So far as we are aware, insurance companies in Hong Kong and Thailand offer limited business insurance products and do not offer business liability insurance. While business disruption insurance is available to a limited extent in Hong Kong and Thailand, we have determined that the risks of disruption, cost of such insurance and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. As a result, except for transport accident insurance, vehicle insurance and property casualty insurance, we do not have any business liability, disruption or litigation insurance coverage for our operations in Hong Kong and Thailand, which we believe is in line with the industry practice in Hong Kong and Thailand. The occurrence of certain incidents including severe weather, earthquake, fire, war, power outages, flooding and the consequences resulting from them may not be covered by our insurance policies adequately, or at all. If we were subject to substantial liabilities that were not covered by our insurance, we could incur costs and losses that could materially and adversely affect our results of operations.

We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our raw material suppliers, third party agents and customers.

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

We may need additional capital but may not be able to obtain it in a timely manner and on favourable terms or at all.

Our operations and continued growth need additional capital or financing from time to time. During the Track Record Period, we had outstanding bank borrowings of HK$46.5 million, HK$93.0 million and HK$58.5 million as of 31 December 2014, 2015 and 2016, respectively. We may require additional cash resources due to future growth and development of our business. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities or entering into additional factoring arrangements. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows and liquidity of international capital and lending markets. In addition, our existing loan agreements contain financial covenants that may restrict our ability to incur additional indebtedness. Any indebtedness that we may incur in the future may also contain operating and financing covenants that could further restrict our operations. There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to us, or at all. Any failure to raise needed funds on terms favourable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing Shareholders.

The industry we operate in is subject to evolving laws and regulations, which may subject us to increased costs of compliance, and failure to comply with the relevant laws and regulations could subject us to severe penalties.

The industry in which we operate is required to comply with laws and regulations such as those regulating our operations in Hong Kong and Thailand. Please refer to "Regulatory Overview" for further details of certain applicable laws and regulations related to our business operations. In addition, the parties on whom we rely, such as our suppliers, are also regulated by the relevant laws and regulations in their respective jurisdictions.

For example, we may be subject to regular inspections, examinations, inquiries or audits by the regulatory authorities, and any adverse outcome of such inspections, examinations, inquiries or audits may result in the loss or non-renewal of the relevant permits, licences and certificates. We may also be subject to certain regulatory requirements or restrictions in various aspects of our operations in the relevant jurisdictions. Ongoing regulatory requirements may result in increased costs of compliance and cause disruptions to our business or the business of the parties on whom we rely.

In addition, the criteria used in reviewing applications for, or renewals of permits, licences and certifications may change from time to time, and there can be no assurances we or the parties whom we rely on or work with will be able to meet the criteria that may be imposed to obtain or renew the necessary permits, licences and certifications. Many of such permits, licences and certificates are material to the operation of our business and the business of the parties whom we rely on or work with, and if we or such parties fail to maintain or renew material permits, licences and certifications, it could materially impair our ability to conduct our business.

Moreover, the interpretation or implementation of existing laws and regulations change, or new regulations come into effect, so as to require us or parties upon whom we rely to obtain any additional permits, licences or certifications that were previously not required to operate our business, there can be no assurances that we or parties upon whom we rely will successfully obtain such permits, licences or certifications.

We are subject to economic, political, legal and other risks associated with Thailand, other ASEAN markets, China and Hong Kong. Adverse changes to any of these market may negatively affect our business.

Our operation is based in Hong Kong and Thailand, which include the production of our optical fibres, optical fibre cables, optical cable core and related products. We also expect to commence production of optical fibres in Thailand. We sell our products to customers primarily in Thailand, and also in other ASEAN markets, Hong Kong and the PRC. Accordingly, our business, financial condition and results of operations are affected by economic, political, legal and other developments in these jurisdictions. There is no assurance that there will not be adverse changes to the economic, political and legal environment in any of these jurisdictions in the future. Any of the adverse changes to any of these jurisdictions may negatively affect our production, sales and our financial prospects.

We operate in a highly competitive environment.

We operate in a highly competitive environment, and our outlook depends on our market position based on our ability to compete with other optical fibre and optical fibre cable companies in the marketplace. We believe we compete on the basis of various factors, including product variety, product performance, customer service, quality, price, new product innovation, timely delivery, global presence and brand recognition. Our market share could be reduced due to aggressive pricing or product strategies pursued by competitors, unanticipated product or manufacturing difficulties, our failure to price our products competitively, our failure to produce our products at a competitive cost or unexpected, emerging technologies or products. We expect that we will face continuous competition from existing domestic and international competitors and new entrants. In particular, we may face severe competition in the ASEAN market, given that China's Belt and Road Initiative which includes policies on infrastructure projects in the field of telecommunications in ASEAN countries, including Thailand (being our key market and the base of Futong Thailand) may directly or indirectly engage Chinese investors, who may be our competitors, to look for opportunities in Thailand. There can be no assurance that our products will be able to compete successfully, in which case our business, financial condition and results of operations may be materially and adversely affected.

We face pricing pressures that could adversely affect our financial performance.

We face pricing pressure in each of our product types as a result of intense competition, strong market position and bargaining power of certain customers or alternative technologies. While we work consistently toward reducing our costs to offset pricing pressures, we may not be able to achieve proportionate reductions in costs or sustain our current rate of cost reduction. During the Track Record Period, our optical fibre cables were primarily sold in Thailand. For FY2014, FY2015 and FY2016, the average selling price of our optical fibre cables, being our revenue generated from the sales of optical fibre cables divided by the sales volume of optical fibre cables for the respective periods, was approximately US$20.8 per fkm, US$17.6 per fkm and US$18.6 per fkm, respectively. For FY2014, FY2015 and FY2016, the average selling price of our optical fibres, being our revenue generated from the sales of optical fibres divided by the sales volume of optical fibres for the respective periods, was HK$56.9 per fkm, HK$50.3 per fkm and HK$55.5 per fkm, respectively, reflecting a noticeable fluctuation during FY2015. We may consider changing our pricing policies in response to the intensified competition but we may still not be successful in retaining our customers and market positions. Any broad-based change as to our prices and pricing policies may reduce our profitability. Furthermore, under the centralised procurement policies implemented by the major telecommunications network operators in Thailand, the prices for the optical fibre cables to be sold are fixed in the tender, which may affect the prices the third party agents are willing to pay for our products. We anticipate pricing pressures will continue in the future for all of our products. Downward pressures on our pricing levels may adversely affect our margins and our profitability.

While our Group has established a foreign currency risk management policy to monitor and manage foreign currency risks, such policy may not be sufficient or effective. In the event of any fluctuations in the exchange rates of RMB, US$ or any other currencies relevant to our operations, our financial condition and results of operations may be negatively affected.

We conduct our operations primarily in Hong Kong and Thailand, which may create logistical and communications challenges for us and exposes us to other risks that could harm our business, financial condition and operating results.

The vast majority of our operations, including our production facilities, are located in Thailand and Hong Kong. The distances between Thailand and Hong Kong may create a number of logistical and communication challenges for us, including directing the manufacture and delivery of products across significant distances, coordinating the procurement of raw materials and their delivery to multiple locations, coordinating the activities and decisions of our management team, the members of which may be based in different jurisdictions, and supervising the employees located in different jurisdictions.

Our customers for optical fibre cables are primarily located in the ASEAN. Our customers may also depend on international sales, which may further expose us to the risks associated with operations in multiple jurisdictions. In addition, our international operations and sales may subject us to a variety of domestic and foreign trade regulatory requirements.

Epidemics, natural disasters, acts of terrorism and other political and economic developments could harm our business, financial condition and operating results.

Potential outbreaks of infectious diseases such as the H1N1 influenza virus, severe acute respiratory syndrome (SARS) or bird flu in the regions we operate could disrupt our manufacturing operations, reduce demand for our products and increase our costs. Natural disasters, such as floods or earthquakes, could severely disrupt manufacturing operations and increase our costs.

Increased international political instability, evidenced by the threat or occurrence of terrorist attacks, enhanced national security measures, conflicts in the Middle East and Asia, strained international relations arising from these conflicts and the related decline in consumer confidence and economic weakness, may hinder our ability to do business. Any escalation in these events or similar future events may disrupt our operations and the operations of our customers and suppliers, and may affect the availability of materials needed for our manufacturing services. Such events may also disrupt the transportation of materials to our manufacturing facilities and finished products to our customers. These events have had, and may continue to have, an adverse impact on the world economy in general, and customer confidence and spending in particular, which in turn could adversely affect our total revenues and operating results. The impact of these events on the volatility of the world financial markets also could increase the volatility of the market price of our Shares and may limit the capital resources available to us, our customers and our suppliers.

The future capital expenditure of our Group for the construction of factory and the planned purchase of equipment and machinery may result in an increase in the depreciation expenses of our Group.

As we intend to apply approximately 80% of the net proceeds from the Global Offering to implement the expansion plan of our new production facility in Thailand, including the construction of a factory in Thailand, our depreciation expense may increase due to the additional property, and the relevant planned acquisition of equipment and machinery.

During FY2014, FY2015 and FY2016, our Group's depreciation in property, plant and equipment amounted to HK$14.9 million, HK$16.4 million and HK$17.6 million, respectively. We may incur significant expenditure in implementing our expansion plan, and our depreciation expenses associated with additional property and planned acquisition of additional equipment and machinery, if successfully constructed and purchased (as the case may be), may significantly increase in the future, and our financial performance may be adversely affected. Furthermore, any unexpected requirement for the acquisition of additional property, plant and machinery would have a negative impact to the cash level of our Group and the relevant depreciation expenses may adversely affect our Group's financial performance in the future.

If we fail to maintain an effective internal control system, we may not be able to accurately report our financial results or prevent fraud, and our business, results of operations, financial condition and reputation may be adversely affected.

Our ability to maintain an effective internal control system will be essential to the integrity of our business and financial results, in particular when we become a public company upon Listing. Please refer to "Business—Legal Compliance and Risk Management" for further details of our internal control policies. Our public reporting obligations are expected to place a strain on our management, operational and financial resources in the future. Our management may need to invest significant time and resources and we may incur additional costs if we encounter any difficulty in maintaining or improving our internal control system. Effective internal control is necessary for us to produce reliable financial reports and prevent fraud. If we are unable to maintain effective internal control, investors may lose confidence in the reliability of our financial statements, which in turn may materially and adversely affect our business, results of operations, financial condition and reputation.

RISKS RELATING TO OUR OPERATIONS IN THAILAND

Uncertainties in the economic condition and regulatory environment in Thailand may adversely affect our business.

Our operations in Thailand are subject to political, legal and regulatory conditions in Thailand that differ in certain significant respects from those prevailing in other countries with more developed economies. Our business and operations are subject to the changing economic and political conditions prevailing from time to time in Thailand. The Thai government has implemented policies to manage the Thai economy and has occasionally made significant policy changes. The Thai government's policies have included, among other things, wage and price controls and limits on imports. Our business, financial condition, results of operations and prospects may be adversely affected by changes in Thai government's policies and political stability in Thailand.

The growth rate of Thailand's GDP fluctuated over the past few years. Factors that may adversely affect the Thai economy include:

- government spending;
- historical and potential future outbreaks of avian influenza, Severe Acute Respiratory Syndrome or other contagious diseases;
- exchange rate fluctuations;
- a prolonged period of inflation or increase in regional interest rates;
- changes in taxation;
- natural disasters, including tsunamis, earthquakes, fires, floods, drought and similar events;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the region;
- fluctuation in oil prices;
- political tension and public protests against the government;
- other regulatory, political or economic developments in or affecting Thailand; and

- recent and threatened terrorist activities in the ASEAN, including continued violence in the southern parts of Thailand.

We cannot assure you that the Thai economy will maintain or grow in the future. Any downturn in the Thai economy may have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, any subsequent change in the prevailing laws and regulations in Thailand which prohibit us from operating our existing business in Thailand may have a material adverse impact on our overall operations.

Political unrest and demonstrations, as well as changes in the political, social, business, legal, regulatory or economic conditions in Thailand, could harm our business, financial condition and operating results, and the passing away of the King of Thailand could directly or indirectly lead to new or increased political instability and unrest in Thailand.

A portion of our assets and manufacturing operations are located in Thailand. Therefore, political, social, business and economic conditions in Thailand have a significant effect on our business. Any changes to tax regimes, laws, regulations, exchange controls or political action in Thailand may harm our business, financial condition and operating results.

In recent years, there occurred certain political events causing political tension and instability in Thailand. In September 2006, Thailand experienced a military coup that overturned the existing government, and in 2008, political unrest and demonstrations in Bangkok sparked a series of violent incidents that resulted in several deaths and numerous injuries. Most of the casualties occurred around the Government House compound and the two Bangkok airports, which were temporarily closed after being occupied by anti-government protestors at the end of November 2008. In April 2009, anti-government demonstrations in Bangkok caused severe traffic congestion and numerous injuries, and in March 2010, protestors again held demonstrations calling for new elections. These demonstrations in Bangkok and other parts of Thailand, which escalated in violence through May 2010, resulted in the country's worst political violence in nearly two decades with numerous deaths and injuries, as well as destruction of property. Certain hotels and businesses in Bangkok were closed for weeks as the protestors occupied Bangkok's commercial centre, and governments around the world issued travel advisories urging their citizens to avoid non-essential travel to Bangkok.

The King of Thailand passed away on 13 October 2016. Any succession crisis in Thailand could directly or indirectly lead to new or increased political instability and unrest, as well as exchange rate fluctuations in THB. In the event that a violent coup were to occur or the current political unrest were to continue or worsen, such activity could prevent shipments from entering or leaving the country or otherwise disrupt our ability to manufacture products in Thailand, and we could be forced to transfer our manufacturing activities to more stable and potentially more costly regions. Further, a new Thai government might repeal existing laws and regulations and implement new ones, which could prevent us from engaging in our current or anticipated activities or subject us to higher tax rates. There can be no assurance that the political environment in Thailand will be stable or that the current or any future government will adopt economic policies conducive to sustained economic growth or which do not adversely impact the current regulatory environment related to our business. Future political instability could harm our business, financial condition and operating results.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares, and the liquidity, market price and trading volume of the Shares may be volatile.

Prior to the Global Offering, there was no public market for the Shares. The Offer Price for the Offer Shares was the result of negotiations among our Company and the Underwriters and may differ significantly from the market price of our Shares following the completion of the Global Offering. The listing of, and the permission to deal in, the Shares on the Stock Exchange does not guarantee the development of an active public market or the sustainability thereof following the completion of the Global Offering. Factors such as our revenues, earnings and cash flows could cause the market price of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors outside our Group's control that are unrelated to the performance of our Group's business, especially if the financial markets in Hong Kong experience a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

Investors may experience dilution if our Company issues new equity or equity-linked securities in the future.

Our Group may need to raise additional funds in the future to finance expansion of new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Group other than on a pro-rata basis to our existing Shareholders, the percentage ownership of such Shareholders in our Group may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

Any sales by our Controlling Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the market price of our Shares.

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Controlling Shareholders will hold 75% of our Company's Shares. There is no assurance that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after completion of the Global Offering. We cannot predict the effect, if any, of any future sales of Shares by any Controlling Shareholders, or the availability of Shares for sale by any Controlling Shareholders may have on the market price of our Shares. Sales of substantial amounts of Shares by any Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of our Shares.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Controlling Shareholders will hold 75% of the total issued Shares. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and its position on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. We cannot assure you the our Controlling Shareholders will fully comply with the Deed of Non-competition Undertaking or at all. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

There is no guarantee that dividends will be declared in the future.

Subject to the Cayman Islands Companies Law, our Company may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by our Board. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles, applicable laws and other relevant factors. There can be no assurance that we will be able to declare or distribute any dividend or at all in the future. Any dividend policy is subject to review by our Directors at any time and our Company may determine not to pay any dividends as a result of such review.

Certain facts and statistics in this prospectus are derived from various sources which may not be reliable.

Certain facts, forecasts and statistics in this prospectus including those relating to the telecommunications industry have been derived from various industry-related sources prepared by government officials or Independent Third Parties. Our Group believes that the sources of such facts and statistics are appropriate sources for such facts, forecasts and statistics and have taken reasonable care in extracting and reproducing such facts and statistics in this prospectus. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Underwriters, any of our or their respective affiliates, or any of our or their respective directors, officers, employees, agents and advisers, and any of the parties involved in the Global Offering have independently verified, or make any representation as to, the accuracy of such information and statistics, as such these statistics and data should not be unduly relied upon. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or statistics as they are so stated in this prospectus.

We strongly caution you not to place any reliance on any information contained in press articles or media regarding our Group or the Global Offering.

Prior to the publication of this prospectus, there may be press and media coverage regarding our Group, our Controlling Shareholders or the Global Offering, which may include certain financial information, financial projections and other information in relation to our Group that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness or reliability of any such information. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we expressly disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

For the purpose of the Listing, our Company has sought the following waivers from the Stock Exchange in relation to certain of the requirements of the GEM Listing Rules.

NON-EXEMPT AND NON-FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Immediately upon the Listing, a number of our business transactions which we have carried on from time to time with certain counterparties will constitute continuing connected transactions of our Group under Chapter 20 of the GEM Listing Rules when those counterparties become, for the purpose of the GEM Listing Rules, our connected persons immediately upon the Listing.

Among those continuing connected transactions, (1) licensing of certain premises by our Group from Futong Group International is a non-fully exempt continuing connected transaction that are subject to the reporting, announcement, annual review but exempt from circular (including independent financial advice) and independent shareholders' approval requirements; and (2) our sales of optical fibres to Futong China Group are non-exempt continuing connected transaction that are subject to the reporting, announcement, annual review and independent shareholders' approval requirements, as applicable to continuing connected transactions under Chapter 20 of the GEM Listing Rules immediately upon the Listing.

Our Directors and the Sole Sponsor have, pursuant to Rule 20.103 of the GEM Listing Rules, sought waivers from the Stock Exchange from strict compliance from the announcement requirement, or announcement and independent shareholders' approval requirements in respect of those continuing connected transactions immediately following the Listing and the Stock Exchange has granted to us the waivers sought.

Please refer to the ''Continuing Connected Transactions'' section for details of those non-exempt continuing connected transactions as well as the waivers sought and granted.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility for the accuracy of information contained in this prospectus, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this prospectus is accurate and complete in all material respects and is not misleading or deceptive; (ii) there is no other matter, the omission of which would make any statement in this prospectus misleading; and (iii) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are based on fair and reasonable assumptions.

GLOBAL OFFERING AND THE HONG KONG PUBLIC OFFER

This prospectus is published solely in connection with the Hong Kong Public Offer, which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer. See "How to Apply for Hong Kong Offer Shares" and the Application Forms for details of the procedures for applying for the Hong Kong Offer Shares.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information in connection with the Global Offering or make any representations other than those contained in this prospectus and the Application Forms and, any information or representations not contained herein or therein must not be relied on as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, any of our or their respective affiliates or any of their respective directors, officers, employees, agents or advisers or any other party involved in the Global Offering. Neither the publication of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us.

The Offer Shares are being offered at the Offer Price, which is expected to be fixed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date, which is currently scheduled to be on or around Wednesday, 12 July 2017 or such later date as the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company may agree. If, for whatever reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to agree on the Offer Price by 5:00 p.m. on Tuesday, 18 July 2017, the Global Offering will not become unconditional and will lapse.

See "Structure and Conditions of the Global Offering" for details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilisation.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and on the relevant Application Forms and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON GEM

Our Company has applied to the GEM Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and as otherwise described herein on GEM. Pursuant to Rule 11.23(7) of the GEM Listing Rules, at least 25% of the total issued share capital of our Company must at the time of Listing and at all times thereafter be held by the public. Assuming that the Over-allotment Option is not exercised, a total of 65,000,000 Offer Shares representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Global Offering, and upon Listing.

No part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. As at the Latest Practicable Date, our Company was not seeking or proposing to seek a listing of, or permission to deal in, any part of its Shares or loan capital on any other stock exchange other than the Stock Exchange.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if permission for the listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the GEM Listing Division, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the tax implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights attaching thereunder under the laws of the place of the operations, domicile, residence, citizenship or incorporation. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, any of our or their respective affiliates, any of their respective directors, officers, employees, agents and advisers and any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or the exercise of their right attaching thereunder.

HONG KONG SHARE REGISTER AND STAMP DUTY

All issued Shares upon completion of the Global Offering are freely transferable and will be registered on our Company's branch register of members to be maintained in Hong Kong by the branch share registrar and transfer office of our Company, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong. Our Company's principal register of members will be maintained by the principal share registrar and transfer office of our Company Estera Trust (Cayman) Limited at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KYI-1108, Cayman Islands.

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

THE SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their licenced securities dealers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in Shares on GEM are expected to commence at 9:00 a.m. on Thursday, 20 July 2017. Shares will be traded in board lots of 2,000 Shares each. The stock code for the Shares is 8465.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Hu Guoqiang (胡國强)	No. 58 Guihua Road, Fuchun Street, Fuyang, Hangzhou, China	Chinese
Mr. He Xingfu (何興富)	Flat 2210, 22 Floor, Block A, Kornhill 29 Hong Shing Street, Quarry Bay, Hong Kong	Chinese
Mr. Wei Guoqing (魏國慶)	No. 40, West Jianpu Road, Fuchun Street, Fuyang, Hangzhou China	Chinese
Mr. Pan Jinhua (潘金華)	No. 12 First Zhubi Lane, Xiacheng District, Hangzhou, China	Chinese
Mr. Xu Muzhong (徐木忠)	No. 12 Tianfan Village, Changkou Street, Fuyang, Hangzhou, China	Chinese
Independent non-executive Directors		
Mr. Leong Chew Kuan (梁昭坤)	Flat D, 20 Floor, Block 1, Roca Centre, 18 Shu Kuk Street Hong Kong	Chinese
Mr. Lau Siu Hang (劉少恒)	73, Third Street, Section 1, Fairview Park Yuen Long, N.T. Hong Kong	Chinese
Mr. Li Wei (李煒)	Flat B 2/F, Block 5, The Paramount, 23 Shan Tong Road, Tai Po, NT., Hong Kong	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator	**ICBC International Capital Limited** 37/F ICBC Tower 3 Garden Road Hong Kong
Joint Bookrunners	**ICBC International Capital Limited** 37/F ICBC Tower 3 Garden Road Hong Kong
	CLC Securities Limited 13/F Nan Fung Tower 88 Connaught Road Central Hong Kong

Auditor and reporting accountants	**Deloitte Touche Tohmatsu** Certified Public Accountants 35th Floor, One Pacific Place 88 Queensway, Hong Kong
Legal advisers to our Company	*As to Hong Kong law:* **Deacons** 5th Floor, Alexandra House 18 Chater Road Central, Hong Kong *As to Thailand law:* **Tilleke & Gibbins International Ltd.** Supalai Grand Tower 26th Floor, 1011 Rama 3 Road Chongnonsi, Yannawa Bangkok 10120 Thailand *As to Cayman Islands law:* **Appleby** 2206-19, Jardine House 1 Connaught Place Central, Hong Kong *As to PRC law:* **Zhejiang T&C Law Firm** 11/F, Block A Dragon Century Square No. 1 Hangda Road Hangzhou PRC
Legal advisers to the Sole Sponsor, Sole Global Coordinator and ICBCI Securities	*As to Hong Kong law:* **Allen & Overy** 9th Floor, Three Exchange Square Central Hong Kong
Legal advisers to the Sole Sponsor, Sole Global Coordinator, Joint Bookrunners and Underwriters	*As to PRC law:* **King & Wood Mallesons** 17th Floor, One ICC Shanghai International Commerce Center 999 Middle Huai Hai Road Xuhui District Shanghai 200031 PRC

Registered Office	PO Box 1350, Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	No. 3 Dai Kwai Street Tai Po Industrial Estate Tai Po New Territories Hong Kong
Authorised representatives	He Xing Fu (何興富) No. 3 Dai Kwai Street Tai Po Industrial Estate Tai Po New Territories Hong Kong
	Ho Cheuk Wai (何焯偉) *CPA* No. 3 Dai Kwai Street Tai Po Industrial Estate Tai Po New Territories Hong Kong
Company secretary	Ho Cheuk Wai (何焯偉) *CPA* No. 3 Dai Kwai Street Tai Po Industrial Estate Tai Po New Territories Hong Kong
Compliance officer	He Xing Fu (何興富) No. 3 Dai Kwai Street Tai Po Industrial Estate Tai Po New Territories Hong Kong
Members of the Audit Committee	Mr. Leong Chew Kuan (Chairman) Mr. Lau Siu Hang Mr. Li Wei
Members of the Remuneration Committee	Mr. Lau Siu Hang (Chairman) Mr. He Xingfu Mr. Wei Guoqing Mr. Leong Chew Kuan Mr. Li Wei

Members of the Nomination Committee	Mr. Hu Guoqiang (Chairman) Mr. Pan Jinhua Mr. Leong Chew Kuan Mr. Li Wei Mr. Lau Siu Hang
Compliance adviser	Innovax Capital Limited Room 2002, 20/F Chinachem Century Tower 178 Gloucester Road, Wan Chai Hong Kong
Principal banks	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower, 3 Garden Road Central Hong Kong Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong
Principal share registrar and transfer office in Cayman Islands	Estera Trust (Cayman) Limited PO Box 1350, Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar and transfer office	Boardroom Share Registrars (HK) Limited 31/F, 148 Electric Road, North Point, Hong Kong
Company's website	transtechoptel.com (information contained in this website does not form part of this prospectus)

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

SOURCE OF INFORMATION

We commissioned CIC to research, analyse and report on the optical fibre market in China and the optical fibre cable market in the ASEAN and in particular Thailand. Certain information set forth in this section has been extracted from the CIC Report. CIC is an investment consulting firm providing services including industry consulting, commercial due diligence, and strategic consulting, among others. We paid a total amount of RMB665,000 to CIC for preparing the CIC Report. The payment was not conditional on the success of the Global Offering or on the research findings of the CIC Report.

CIC has advised that in preparing the CIC Report, it conducted both primary and secondary research. The primary research involved interviewing key industry experts and leading industry participants. The secondary research involved analysing data from various publicly available data sources, such as the International Monetary Fund, National Bureau of Statistics of the People's Republic of China, the National Statistical Office of Thailand and the International Telecommunication Union. All information about our Company was obtained from interviews with our Company's management. In addition, certain government agencies, industry associations and market participants have provided some of the information on which the analysis or data was based. All statistics used in the CIC Report were based on information available as of the date of the report.

ASSUMPTIONS USED IN THE CIC REPORT

The market projections in the CIC Report were based on the following key assumptions:

- the economic and industrial development in the ASEAN and China is likely to maintain a steady growth in the next decade;
- related industry key drivers are likely to drive the growth of the optical fibre cable market in the ASEAN and the optical fibre market in China – these drivers include (i) the increasing amount of investment in the construction of fibre-optic networks in both the ASEAN and China; (ii) promulgation of strategies of expanding broadband networks in both the ASEAN and China; and (iii) improvement in the optical fibre drawing and optical fibre preform manufacturing technologies; and
- there will be no extreme unforeseen circumstances or industry regulation in which the market may be affected dramatically or fundamentally.

RELIABILITY OF INFORMATION IN THE CIC REPORT

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

THE OPTICAL FIBRE CABLE MARKET IN THE ASEAN AND THAILAND

Overview

Optical fibre cables are manufactured using optical fibres as one of the raw materials, and are supplied to telecommunications operators for use in fixed broadband, fixed telephone, 3G/4G/LTE, among other applications.

In ASEAN countries, optical fibre cable shipment increased from 7.8 million fkm in 2012 to 17.1 million fkm in 2016, representing a CAGR of 21.8%. The growth momentum in the ASEAN market was primarily provided by the large amount of shipment in Thailand, Myanmar, Indonesia and Philippines, which together accounted for 73.9% of the total market in terms of shipment volume in 2016. Stimulated by extensive investment in optical fibre telecommunications networks, Vietnam has been gaining market share of optical fibre cable market in the ASEAN. Singapore is a much more mature market, it has high levels of cable consumption per capita, limited local wire and cable production with high import volume.

The market size of optical fibre cables in terms of shipment value in the ASEAN increased from US$167.3 million in 2012 to US$349.0 million in 2016. Due to the intensified competition in the market, the price has been reduced consequently, with the market value growing at a CAGR of 20.2% from 2012 to 2016, slower than the growth of volume.

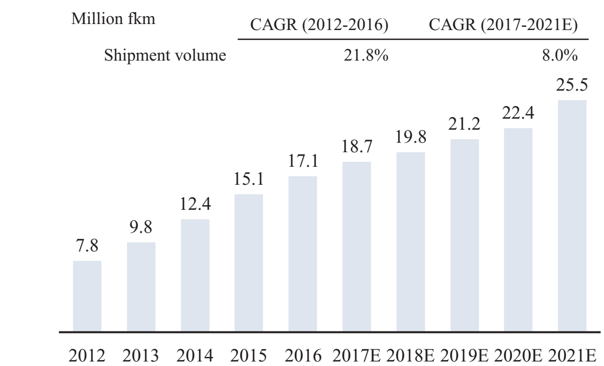
The demand in the ASEAN is expected to be propelled by network operators' efforts to improve connectivity and to cater to the demands arising from 3G/4G and FTTH usage. The optical fibre cable shipment volume and value are expected to increase to 25.5 million fkm and US$465 million respectively in 2021, representing CAGRs of 8.0% and 6.8%, respectively, from 2017 to 2021.

In Thailand specifically, since broadband service providers in the country started the FTTx strategy around 2011, the size of optical fibre cable market in Thailand, as measured by sales volume, grew substantially at a CAGR of 30.9%, from approximately 2.2 million fkm in 2012 to approximately 6.5 million fkm in 2016. Meanwhile, the size of Thailand's optical fibre cable market in terms of sales revenue increased from approximately US$48.8 million in 2012 to US$132.5 million in 2016, representing a CAGR of approximately 28.4%.

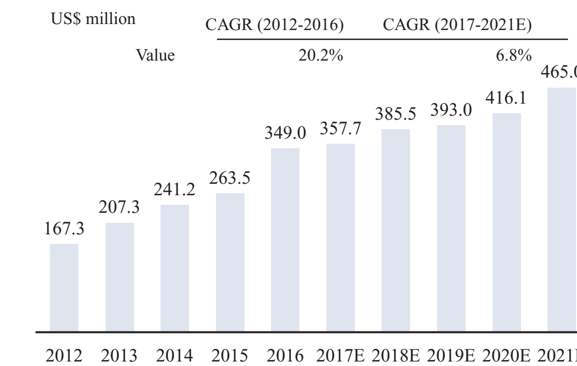
According to the National Broadband Policy launched in 2014, Thailand's broadband networks should provide access to 95% of Thailand's population and high-speed fibre-optic networks should cover all economic and regional hub cities by 2020. In addition, the Thai government granted new licences to two telecommunications operators in December 2015 and May 2016 for the construction of 4G networks. The size of Thailand's optical fibre cable market in terms of sales volume and sales revenue, therefore, is expected to continue to benefit from such policies, both growing respectively at CAGRs of approximately 8.6% and 6.1% between 2017 and 2021, and reaching 9.8 million fkm and US$175 million by 2021, respectively.

The charts below set out the historical and estimated market size of optical fibre cables in the ASEAN, in terms of shipment volume and value, for the period as indicated:

Market size of optical fibre cable in terms of shipment volume, ASEAN, 2012-2021E



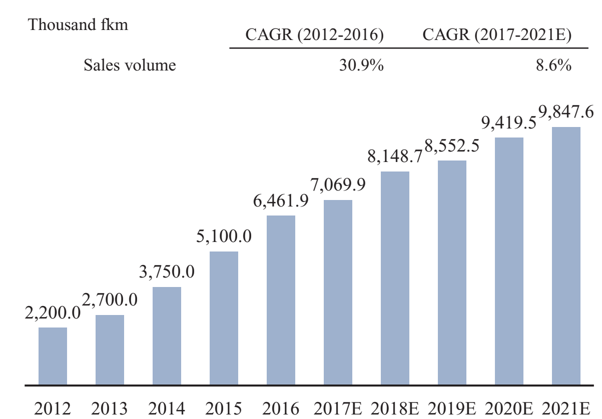
Market size of optical fibre cable in terms of value, ASEAN, 2012-2021E



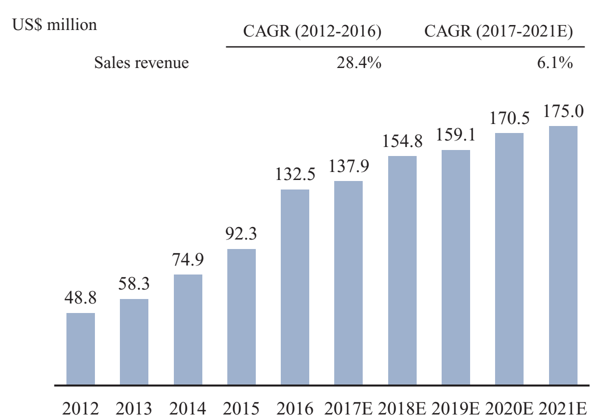
Source: CIC Report

The charts below set out the historical and estimated market size of optical fibre cables in Thailand, in terms of sales volume and sales revenue, for the period as indicated:

Market size of optical fibre cable market in terms of sales volume, Thailand, 2012-2021E



Market size of optical fibre cable market in terms of sales revenue, Thailand, 2012-2021E



Source: CIC Report

Key drivers of the optical fibre cable markets in the ASEAN and Thailand

Increasing income level in less developed ASEAN countries

The per capita nominal GDP has grown at a fast pace in less developed ASEAN countries from 2012 to 2016, for instance, Laos and Vietnam grew at a CAGR of 10.0% and 6.5% respectively from 2012 to 2016. The proportion of broadband subscribers are expected to increase as income rises. With the rising income level, the demand for Internet access and basic broadband access will be boosted, which will provide a solid basis for the growth of the optical fibre cable market.

Increasing demand in the ASEAN for improvement of underdeveloped infrastructure and upgrading of existing infrastructure

The telecommunications markets in the ASEAN economies are underdeveloped, with the exception of Singapore. Most fixed-broadband subscribers are connected via ADSL, and for mobile-cellular subscribers, 4G/LTE is commonly unavailable. Infrastructure upgrading enables consumers to have access to Internet with higher transmission speed and larger throughput, which has shown increasing popularity among consumers. Such demand would accelerate the construction of fibre-optic networks.

Adoption of National Broadband Plans (NBPs) and the ASEAN cross-border plan

NBPs play an important role in coordinating public and private sector actions and in prioritising and promoting national broadband network development. Most ASEAN economies have started the progress of adopting their own NBPs since 2010 and seven nations have issued NBPs by 2016, indicating strong commitment to the roll-out of broadband.

Moreover, policies have also been adopted on the community level, such as the ASEAN ICT Master Plan, aiming to create a well-connected ASEAN economic community. Consequently, there will be more submarine and terrestrial fibre networks to be deployed in order to achieve cross-border and interconnectivity within the ASEAN.

The opening up of the ASEAN telecommunications market and the support from China's "Belt and Road" Initiative

Chinese operators have increased their investments in the ASEAN's telecommunications industry since 2010. In June 2014, China Mobile invested US$881 million in the acquisition of 18% stake in True, a leading telecom carrier in Thailand. Later in 2014, China Unicom also invested approximately US$50 million in the construction of the China-Myanmar optical cable transmission system, in order to support the construction of the China-ASEAN Information Harbour. Such investment and cooperation between telecom operators of China and the ASEAN will increase the involvement of Chinese optical fibre cable manufacturers in the infrastructure construction in the ASEAN to a greater extent.

Certain ASEAN countries have undergone reforms in the telecommunications market, including opening up the market to foreign operators. Such competition fosters the growth of stable and high-speed transmission networks.

The Belt and Road Initiative represents China's official policy for enhancing global supply chains, primarily through infrastructure projects throughout 65 countries, including countries within the ASEAN, and covering developing and parts of the developed world. Infrastructure projects of the Belt and Road Initiative are expected to focus on the field of transportation and telecommunications, providing immediate opportunities and a wide range of projects that underpin higher value-added products. Telecommunications product is the fundamental sector for the value chain of telecommunications industry, which represents a huge potential investment and sales opportunities from the Belt and Road Initiative.

Thailand's 3G/4G networks construction and upgrading of the access mode of Thailand's Internet users from xDSL to FTTx

Thailand is now in the development stage of informatisation, with the steady increase in the 3G coverage rate and the launch of tendering of 4G licenses. However, approximately 50% of Internet access modes are still xDSL, whose bandwidth is 10Mbps. In contrast, the bandwidth of FTTx, which is an access mode based on the fibre-optic network, is able to reach 100Mbps. The further adoption of FTTx by Thailand's Internet users will form a favourable environment for Thailand's optical fibre cable market.

Intensifying competition in Thailand's telecommunications industry

There were six telecommunications operators, and approximately 40 broadband network service providers (i.e. Internet service providers) in Thailand in 2016. Internet service providers compete for the right to use fixed line systems from such limited number of telecommunications operators. In order to cope with the fierce competition, the participants in Thailand's telecommunications industry have begun to improve their services, and certain telecommunications operators have invested in the construction of FTTx networks and high-speed 4G networks. It is believed that this will generate a large demand for optical fibre cables.

Supportive policies from the Thai government

As the existing network in Thailand is under pressure from the rapid growth of Internet data traffic, the Thai government has shown their resolution to upgrade the Internet infrastructure. The improvement in the Internet infrastructure will bring opportunities to the optical fibre cable providers in the country.

Competitive landscape

ASEAN's optical fibre cable market is relatively concentrated. There were approximately 5 to 10 local optical fibre cable manufacturers each in Malaysia, Indonesia and Vietnam in 2016. Nevertheless, importers and foreign invested optical fibre cable manufacturers still represented a dominant position in most ASEAN countries in 2016.

In Thailand, there were approximately 15 optical fibre cable providers in 2016. Thailand's optical fibre cable market was highly concentrated with the top ten companies accounting for an aggregate market share of approximately 68.1% in terms of sales revenue in 2016. Futong Thailand was the largest optical fibre cable provider in Thailand, with a revenue of approximately US$32.9 million in 2016, gaining a market share of approximately 24.8%.

The table below sets out the leading suppliers in Thailand for optical fibre cables in 2016 in terms of sales revenue and fibre length sold:

Ranking	Company	Market share by revenue	Market share by fibre length sold
1	Our Group	24.8%	27.4%
2	Company A(1)	18.2%	19.0%
3	Company B(2)	9.3%	9.8%
4	Company C(3)	4.4%	4.5%
5	Company D(4)	4.3%	4.5%

Source: CIC Report

Notes:

(1) Company A is a leading product manufacturer founded in Wuhan, China in 1999.

(2) Company B is a company founded in Shenzhen, China focusing on the research and development, manufacture, and the distribution selling of optical fibres.

(3) Company C is an optical and electrical cable manufacturer founded in Jiangsu, China in the 1992.
(4) Company D is an optical fibre preform and optical fibre cable supplier founded in Wuhan, China in 1988.

The table below sets out the leading suppliers in the ASEAN for optical fibre cables in 2016 in terms of sales revenue and fibre length sold:

Ranking	Company	Market share by revenue	Market share by fibre length sold
1	Company A	12.1%	14.5%
2	Our Group	10.0%	10.6%
3	Company C	5.7%	6.8%
4	Company D	4.8%	5.8%
5	Company B	3.6%	4.2%

Source: CIC Report

The entry barriers of the optical fibre cable market in the ASEAN and Thailand include the following:

- *Standards and regulatory barriers*: Optical fibre cable manufacturers in ASEAN countries have to follow certain industry standards, such as those issued by ITU-T (International Telecommunication Union-Telecommunication Standardisation Sector) and IEC (International Electrotechnical Commission). In Thailand, all optical fibre cable manufacturers must pass quality cheques by the Thai Industrial Standards Institute ("**TISI**"). TISI will conduct cheques on the quality of optical fibre cable products to ensure that relevant technical standards and the environmental regulations in Thailand are met. Only optical fibre cable products with TISI certificates can be sold in Thailand.

- *Committed capital investment*: Optical fibre cable manufacturers require a large amount of capital to purchase manufacturing equipment, employ skilled workers, pay the land rentals and ongoing operating expenses. More importantly, as the revenue of optical fibre cable companies is often project-driven, mass production of optical fibre cables with stable quality within a certain time period is required. It is difficult for new entrants to carry on production at a large scale, expand their business and gain market share without sufficient cash flow to build production capacities.

- *Business relationship with telecommunications operators and optical fibre manufacturers*: The network investment in the ASEAN and Thailand is led by telecommunications operators, and operators select optical fibre cable companies based on their business relationship, price, quality and other aspects. Mature optical fibre cable market participants have established good reputations and business relationships to maintain cooperation with clients. It is expected to take new entrants, who do not have an established brand nor distribution network, a considerable amount of time and capital to approach major telecommunications operators.

  Most ASEAN countries have no local production capacity of optical fibres and rely heavily on import. In order for optical fibre cable manufacturers in ASEAN countries to maintain demand for their products to sustain a large production capacity and gain market share, a stable business relationship with optical fibre manufacturers and importers to ensure timely supply of raw material at a stable quality remains a crucial factor, which new entrants often do not possess.

Please refer to "—Competitive advantages" below for our Group's competitive advantages in the optical fibre cable market in the ASEAN and Thailand.

Future trends

Increasing penetration of FTTx in the ASEAN and Thailand

Due to the superior properties of FTTx comparing to xDSL, there has been an increasing trend of replacing xDSL with FTTx in major cities in most ASEAN countries. As governments have begun to initiate policies and projects to bridge the gap between urban and rural area, more deployment of optical fibre cables in rural area is expected in the ASEAN.

Compared with the mobile Internet industry, the broadband network market in Thailand is less developed with only 6.8 broadband subscriptions per 100 inhabitants in 2012 and grew to 10.4 broadband subscriptions per 100 inhabitants in 2016, which remains relatively low owing to the high cost of personal computers and the poor quality of local access and backbone infrastructure provided by state utilities TOT and CAT, and this demonstrated Thailand offers considerable potential from an optical fibre investment perspective. Some leading mobile Internet operators have started their FTTx strategy in order to enter the underdeveloped market. The new market participants, together with traditional broadband service providers, have made significant investment in constructing fibre-optic networks. Since the FTTx strategy is yet to be finished, it is expected that the demand from FTTx projects will keep expanding in at least the forthcoming three years. Moreover, TOT has plan to roll out a nationwide optical fibre network. At the same time, mobile network operators AIS and DTAC are expected to invest in broadband infrastructure to bolster their core businesses and address the perceived shortfall in access to higher-speed broadband services in Thailand.

Improvement of cable properties to make advanced online services possible and results of the adoption of NBPs

Many countries in the ASEAN, such as Myanmar, Malaysia and Vietnam, have included cross-sector considerations such as e-education, e-health and e-government in their development plans. In order to make these advanced online services possible, properties of optical fibre cables will be improved to realise higher speed, larger throughput, more secured and reliable data transmission, which may result in an increased demand in the ASEAN for improvement of underdeveloped infrastructure and upgrading of existing infrastructure. Innovative solutions such as smaller dimensions of fibres, ultra-compact fibre-dense cables, and ultra-high fibre count cables would also be developed to achieve higher capacities.

For Malaysia, with most optical fibre companies in Malaysia only operating in one market, the overall industry is very fragmented, with the largest regional manufacturer only accounts for approximately 5% of Malaysia's total production volume in 2016. Telekom Malaysia has deals with the Malaysian government to boost the country's high-speed broadband Internet connections. Those projects entail the planning, design, operation and maintenance of a high-speed broadband network providing improved coverage to a large number of premises from 2017 and such projects will involve upgrading the existing network to deliver connection speeds of up to 100 megabits per second in areas with optical fibre cable access. A large number of households and commercial and public premises will benefit from the projects from 2019.

According to the Indonesian government, there are more than 500 cities and districts in Indonesia that have no broadband access to the Internet in December 2015. The Palapa Ring project is intended to bring optical fibres to Indonesia by 2018. Palapa Ring Barat is to deploy a 2,000km cable connecting Sumatra's Riau Province with small nearby islands.

For Vietnam, the boosting e-commerce market is expected to facilitate the connectivity of high speed Internet in Vietnam, as a result, will drive the consumption on optical fibre cable market.

Increasing collaboration among ASEAN countries in both public and private sectors

As the ASEAN community aims to build an information superhighway across the ASEAN, commonly adaptable standards have been aligned across the region. In order to achieve intra-ASEAN connectivity effectively, information sharing and streamlining the communication channels among member countries are crucial. In view of the adoption of NBPs by ASEAN countries, more collaboration among parties, including governments, telecommunications operators, optical fibre cable manufacturers and other stakeholders is foreseeable, to reduce dependence on the submarine cable networks and to deploy broadband infrastructure at a more reasonable cost.

Optical fibre cable manufacturers from China will keep dominating Thailand's optical fibre cable market and the support of China's "Belt and Road" Initiative

Compared with leading optical fibre cable manufacturers from developed countries, those from China generally are able to offer lower prices. As telecommunications operators in Thailand tend to reduce as much as possible the cost of network construction, nearly all of the major bidders of major optical fibre tenders between 2012 and 2016 in Thailand were Chinese optical fibre cable manufacturers. With the enhancement of business relationship between Chinese manufacturers and local customers, and the expansion of supply of optical fibre cables, it is expected that Futong Thailand and other Chinese optical fibre cable manufacturers will keep dominating Thailand's optical fibre cable market from 2017 to 2021. Moreover, China's Belt and Road Initiative included policies on infrastructure projects in the field of telecommunications in ASEAN countries, including Thailand, which may directly or indirectly encourage Chinese investors to look for opportunities in Thailand.

Intensifying competition in the ASEAN and Thailand

It is expected that the business environment for telecommunications operators in the ASEAN and mobile Internet service providers in Thailand will remain competitive. For the ASEAN, the market competitiveness is increasing with the growing number of non-government-controlled competitors, which will result in relevant investments as competitors may compete in terms of service quality, and they will endeavour to improve the telecommunications infrastructure, such as the optical communication network.

OVERVIEW OF THE OPTICAL FIBRE MARKET IN CHINA, HONG KONG AND ASEAN

Optical fibres are one of the raw materials for optical fibre cables, which are widely used in the telecommunications industry.

China and Hong Kong

The entry into China's optical fibre market is subject to a number of barriers including the difficulty to obtain the necessary technology, the high requirement of committed capital investment, and the requirement of track record and brand recognition. As a result, China's optical fibre market is highly concentrated with the top ten optical fibre manufactures accounting for a market share of over 70%. In 2016, there were approximately 20 optical fibre manufacturers in China. Most of them are located in Wuhan, Jiangsu and Zhejiang.

Due to the universal access to 3G and 4G networks and the tremendous improvement of the bandwidth of broadband networks, which increased from approximately 1.6 Mbps in 2012 to approximately 11.9 Mbps in 2016, copper-made cables are not able to satisfy the demand of high transmission speed and large throughput. A large quantity of optical fibres has been applied in the construction of mobile and broadband networks.

The size of China's optical fibre market, as measured by sales volume, increased from 129.2 million fkm in 2012 to 240.3 million fkm in 2016, representing a CAGR of approximately 16.8%. The size of China's optical fibre market in terms of sales revenue grew at a CAGR of approximately 15.9% between 2012 and 2016, increasing from RMB8.7 billion in 2012 to RMB15.6 billion in 2016. The substantial growth of China's optical fibre market in 2015 was driven by the promulgation of the Broadband China Strategy in August 2013, the construction of FTTH, 3G and 4G network by telecommunications operators, and China Mobile's high purchasing volume of optical fibres amounting to 94.5 million fkm between 2015 and 2016.

China's optical fibre market is expected to continue to grow, driven by (i) the upgrade of China's broadband networks as operators continue to expand the coverage of fibre-optic networks; (ii) strong growth of 3G/4G subscriptions and the expected construction of 5G networks; and (iii) the continuous improvement in optical fibre preform manufacturing technology of local optical fibre manufacturers.

The market size of Hong Kong's optical fibre market is relatively small in terms of sales volume and sales revenue, since there is limited local demand from optical fibre cable manufacturers for production, and the market trends are similar to that of China due to its geographical proximity to mainland China.

Please refer to "—Competitive advantages" below for our Group's competitive advantages in China's optical fibre market.

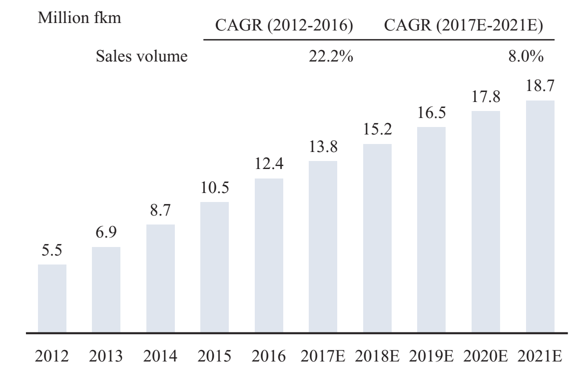
ASEAN

The growth of the ASEAN's optical fibre market has been mainly driven by the increasing demand for high-speed internet services. The shipment volume and value of optical fibre in the ASEAN increased from approximately 5.5 million fkm and US$52.9 million in 2012 to approximately 12.4 million fkm and US$110.1 million in 2016, representing CAGRs of approximately 22.2% and 20.1%, respectively.

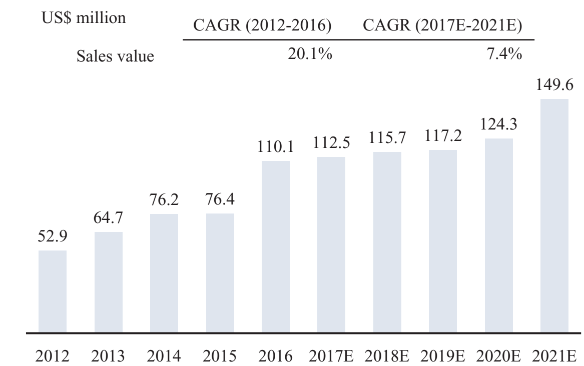
The pursuit for high-speed transmission is expected to continue. This will facilitate the development of the ASEAN's optical fibre market. Moreover, with the expected establishment of new optical fibre cable production plants in the ASEAN in the forecast period, the size of the ASEAN's optical fibre market, as measured by shipment volume, will retain its strong growth, reaching approximately 18.8 million fkm by 2021, representing a CAGR of approximately 8.0% between 2017 and 2021. Nevertheless, since the intensified competition in the market has resulted in the downward trend in the price of optical fibre, the market value is expected to grow at a slower pace with a CAGR of approximately 7.4% between 2017 and 2021, reaching approximately US$149.6 million by 2021.

The charts below set out the historical and estimated market size of optical fibres in the ASEAN, in terms of sales volume and sales revenue, for the period as indicated:

Market size of optical fibre in terms of shipment volume, ASEAN, 2012-2021E



Market size of optical fibre in terms of value, ASEAN, 2012-2021E



Source: CIC Report

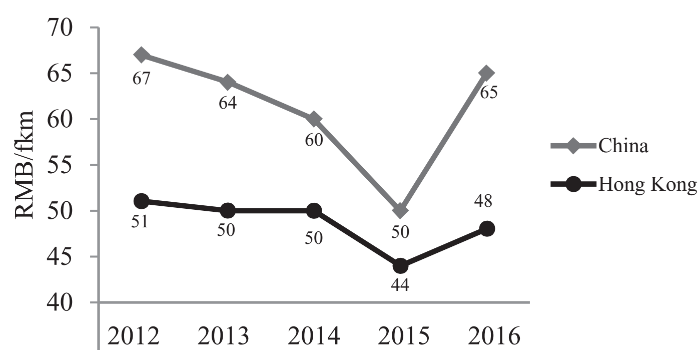
PRICE TRENDS OF OPTICAL FIBRES, OPTICAL FIBRE CABLES AND THEIR RAW MATERIALS

Optical fibres in China and Hong Kong

The improvement of manufacturing technology and the expansion of local capacity together facilitated the downward trend of optical fibre prices in China, with the price decreasing from approximately RMB67.0 per fkm in 2012 to approximately RMB50.0 per fkm in 2015.

However, anti-dumping investigations of optical fibre preforms produced in Japan and the U.S. have resulted in the shortage of optical fibre preforms in China. Since optical fibre preforms are the most important raw material of optical fibres, the price of optical fibres increased to RMB65.0 per fkm in 2016. Although there was an increase in the optical fibre price in 2016, nevertheless, with the improvement in the quality of domestic-made optical fibre preforms, the production cost of optical fibres in China is expected to decrease gradually between 2018 and 2020.

The chart below sets forth the price trends of optical fibres in China and Hong Kong for the period as indicated:



Source: CIC Report

Notes:

1. *Since Transtech is the only optical fibre manufacturer in Hong Kong, its average selling price of optical fibres represents that of the Hong Kong optical fibre industry.*
2. *Information on average optical fibre prices in Hong Kong are denominated in HK$ but translated to RMB for comparison purposes.*

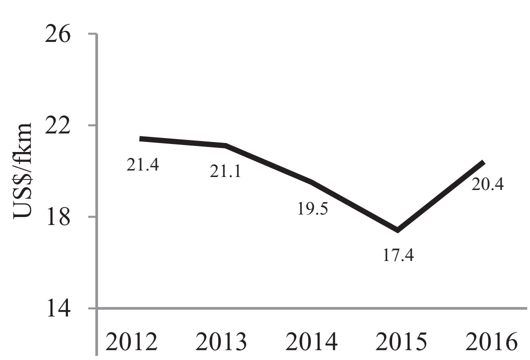
Optical fibre cable manufacturers in Thailand have to import optical fibres from other countries (mostly from China), because there is no optical fibre manufacturer in Thailand, and there is no custom duty for optical fibres imported into Thailand. The price of optical fibres in Thailand is slightly higher than that in China, considering the cost of transport. As a result, the price trend of optical fibres in Thailand is similar to that in China, with the price decreasing from US$11.0 per fkm in 2012 to US$7.1 per fkm in 2015. The price increased to approximately US$8.1 per fkm in 2016.

Regarding the correlation of optical fibre prices in Hong Kong and the PRC, since optical fibre preform is the most important raw material of optical fibre, and PRC optical fibre manufacturers mainly utilise optical fibre preforms produced in the PRC as their raw material, the price of optical fibres in the PRC started to experience a strong growth momentum from third quarter of 2016 due to strong demand from local PRC customers, and this resulted in a substantially high price of RMB65.0 per fkm in 2016. While the optical fibre prices in Hong Kong remained relatively competitive compared to that of the PRC in light of the dramatic increase in optical fibre prices in the PRC in 2016, optical fibre manufacturer in Hong Kong, namely Transtech, was able to source optical fibre preforms from overseas such as Japan, and this assisted Hong Kong optical fibre manufacturer to maintain its pricing at a competitive level.

Optical fibre cables in the ASEAN

In the ASEAN, the average price of optical fibre cables decreased from approximately US$21 per fkm in 2012 to approximately US$17 per fkm in 2015. The price level for Singapore, Malaysia, Philippines, Thailand, Indonesia and Vietnam has been relatively stable, with sustainable profit margin for manufacturers in the market. While for Cambodia, Myanmar and Laos, where the competition is less intense and market is less transparent, the price of optical fibre cables is expected to decrease due to intensifying competition.

The chart below sets forth the price trends of optical fibre cables in the ASEAN for the period as indicated:



Source: CIC Report

The market share of Thailand accounts for more than 30% of the ASEAN's optical fibre cable market in terms of sales revenue in 2016, therefore, the average price of optical fibre cable in the ASEAN is generally in line with the average price of optical fibre cable in Thailand. Due to Thailand's proximity to China, which is the largest manufacturing base of optical fibre cables, Chinese manufacturers have entered Thailand's optical fibre cable market to fully utilise their optical fibre cable production capacities. The price of optical fibre cable in Thailand is correlative with the price of optical fibre cable in China due to Thailand's reliance on imported optical fibres from China. Therefore, the price of optical fibre cables in Thailand is similar to, but slightly higher than that in China, considering the cost of transport and the relatively high standard of optical fibre cables applied in Thailand. The average price of optical fibre cables showed a decreasing trend between 2012 and 2015, from approximately US$22.2 per fkm in 2012 to approximately US$18.1 per fkm in 2015. Similarly for Thailand, due to an increase in the price of optical fibres (being one of the raw materials of optical fibre cables) in China resulting from the anti-dumping investigations, the price of optical fibre cables in Thailand increased to approximately US$20.5 per fkm in 2016.

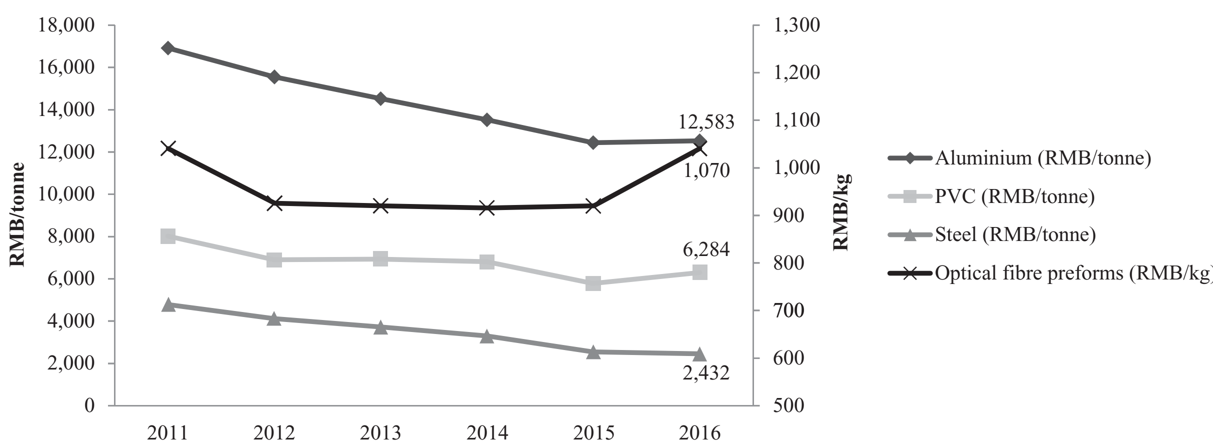
Raw materials

As leading local optical fibre preform manufacturers started to expand the production capacity of optical fibre preforms in China in 2011, the price of optical fibre preforms in China dropped from approximately RMB1,040 per kilogramme in 2011 to approximately RMB920 per kilogramme in 2015.

However, along with the general increase in demand for optical fibre preforms given the drivers as stated in this section, the price of optical fibre preforms increased to approximately RMB1,070 per kilogramme in 2016. Despite the increase of optical fibre preform price in 2016, meanwhile, local optical fibre preform manufacturers are trying to obtain the key manufacturing technologies of optical fibre preforms. Thus, it is expected that the localisation of the manufacture of optical fibre preforms after 2017 will lower the price of optical fibre preforms.

The price of other minor raw materials such as aluminium, PVC, and steel, showed a downward trend between 2011 and 2015.

The chart below sets out the price trends of certain raw materials in China for the period as indicated:



Source: CIC Report

Competitive advantages

According to the CIC Report, our Group has the following two key competitive advantages.

Geographical advantages

Our Group is based in Hong Kong, where tariff or non-tariff barriers do not exist for almost all goods. Our Group is able to benefit from Hong Kong's open business environment to expand to international markets.

With manufacturing facilities in Thailand and with geographic proximity to our core target market, our Group is able to supply optical fibre cables to and communicate with customers in Thailand and the ASEAN directly. This lowers our costs such as logistic costs and time costs.

Solid and stable business relationship with leading raw material and equipment providers

In October 2008, our Parent Group began cooperation with Company S. The two companies have maintained to a stable and long-term relationship. Since then, Company S has been providing us with its advanced technology and manufacturing equipment.

In addition, since 2009, Company S has been our Group's major optical fibre preform supplier. As a result, our Group's production cost can be well-managed. The stable and quality optical fibre preforms supplied by Company S also enable our Group to produce high-quality optical fibres which are more competitive in the market.

The principal business of our Group is the supply of optical fibre cables. This section sets out summaries of certain aspects of the Hong Kong and Thailand laws and regulations which are relevant to our Group's operation and business.

HONG KONG REGULATORY OVERVIEW

Laws and Regulations Governing Dangerous Goods

Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) ("DGO"), Dangerous Goods (Application and Exemption) Regulations (Chapter 295A of the Laws of Hong Kong) ("DG(A&E)R") and Dangerous Goods (General) Regulations (Chapter 295B of the Laws of Hong Kong) ("DGGR")

Pursuant to the DGO, storage of dangerous goods in excess of the prescribed exempted quantity shall require a dangerous goods licence.

The DGO applies to, among others, all explosives, compressed gases, petroleum and other substances giving off inflammable vapours, substance giving off poisonous gas or vapour, corrosive substances, substances which become dangerous by interaction with water or air, and substances liable to spontaneous combustion or of a readily combustible nature. Substances falling within the meaning of dangerous goods under the DGO are set out under the Schedule to the DG(A&E)R. Since our operations involve the storage of, among others, compressed gases, acetone and ethyl alcohol, which fall within the definition of dangerous goods under the DG(A&E)R, we are subject to the regulation of the DGO.

Under section 6 of the DGO, no person shall store any dangerous goods in excess of exempted quantity in any premises or places without a licence issued by the director of the Fire Services Department. The DGGR provides the exempted categories and quantity of the dangerous goods for which a licence is not required for the conveyance, storage and use of the dangerous goods. Section 14 of the DGO provides that any person who contravenes section 6 of the DGO shall be guilty of an offence, and shall be liable to a fine of HK$25,000 and to imprisonment for 6 months.

The DGGR also stipulates certain requirements in relation to the storage of dangerous goods. For instance, regulation 73 of the DGGR states that no container containing liquid oxygen or liquid nitrogen shall be stored otherwise than in a place approved by the director of Fire Services Department under the care of a person having reasonable experience of the handling of liquid oxygen and liquid nitrogen. In addition, under regulations 63 and 78 of the DGGR, as part of the conditions on which the director of Fire Services Department may grant a licence for the storage of any compressed gas, the director of Fire Services Department has to be specified that satisfactory fire extinguishing devices are installed.

Laws and Regulations Governing Labour, Health and Safety

Our Group is subject to the labour laws and regulations which are generally applicable to all employers in Hong Kong, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong).

Employment Ordinance (Chapter 57 of the Laws of Hong Kong) ("Employment Ordinance")

The Employment Ordinance provides for, among others, the protection of the wages of employees, to regulate general conditions of employment, and for connected matters. Pursuant to the Employment Ordinance, all employees covered, irrespective of their hours of work, are entitled to basic protection including payment of wages, restrictions on wage deductions and granting of statutory holidays. Employees who are employed under a continuous contract are further entitled to benefits such as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

Under section 25 of the Employment Ordinance, where a contract of employment is terminated, any sum due to the employee shall be paid to him/her as soon as practicable and in any case not later than seven days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the Employment Ordinance commits an offence and is liable to a maximum fine of HK$350,000 and to imprisonment for a maximum of three years. Further, under section 25A of the Employment Ordinance, if any wages or any sum referred to in section 25(2)(a) are not paid within seven days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who wilfully and without reasonable excuse contravenes section 25A of the Employment Ordinance commits an offence and is liable on conviction to a maximum fine of HK$10,000.

Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) ("ECO")

The ECO establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under section 40 of ECO, all employers are required to take out insurance policies to cover their liabilities both under the ECO and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the ECO to secure an insurance cover is liable on conviction to a fine of HK$100,000 and imprisonment for two years.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) ("MWO")

The MWO provides for a prescribed minimum hourly wage rate (currently at HK$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance.

Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the MWO is void.

Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("MPFSO")

The MPFSO provides for an employment-based retirement protection system, the Mandatory Provident Fund ("MPF") scheme, a defined contribution retirement scheme administered by independent trustees.

Under the MPFSO, employers are required to enrol their regular employees (except for certain exempt persons) aged between 18 and 65 and employed for 60 days or more in a MPF scheme with the first 60 days of employment. Under the MPF scheme, an employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. The maximum level of relevant income for contribution purposes is currently HK$30,000 per month or HK$360,000 per year.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) ("OSHO")

The OSHO provides for the protection of health and safety of employees in workplaces, both industrial and non-industrial.

Employers must, as far as reasonably practicable, ensure the safety and health at work of all employees by:

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- as regards any workplace under the employer's control, maintaining the workplace in a condition that is safe and without risks to health and providing and maintaining means of access to and egress from the workplace that are safe and without risks to health; and
- providing and maintaining a work environment that is safe and without risks to health.

Failure to comply with any of the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for six months.

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) ("FIUO") and Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations (Chapter 59J of the Laws of Hong Kong) ("FIU(LALG)R")

The FIUO provides for the safety and health protection to workers in an industrial undertaking, which includes a factory. Since one of our production facilities are located in Hong Kong, we are subject to the regulation of the FIUO. Under the FIUO, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by, as far as reasonably practicable:

- providing and maintaining plant and work systems that are safe and without risks to health;
- making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instruction, training, and supervision for ensuring safety and health;

- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a work environment that is safe and without risks to health.

A proprietor who contravenes any of these duties commits an offence and is liable to a fine of HK$500,000. A proprietor who contravenes any of these duties wilfully and without reasonable excuse commits an offence and is liable to a fine of HK$500,000 and to imprisonment for six months.

A person who owns a lifting appliance in Hong Kong must ensure that such appliance is examined by a competent examiner before it is used. As we own cranes and forklift trucks, which are lifting appliances under the FIU(LALG)R, we are subject to the regulation of the FIU(LALG)R. Under regulation 5(1) of the FIU(LALG)R, an owner of a lifting appliance shall ensure that it is not used unless it has been thoroughly examined by a competent examiner at least once in the preceding 12 months. Moreover, the owner of a lifting appliance other than a crane, crab or winch shall ensure that it is not used unless it has been tested and thoroughly examined by a competent examiner in the manner prescribed in the First Schedule to the FIU(LALG)R, and a certificate in the approved form in which the competent examiner has made a statement to the effect that it is in safe working order has been obtained.

In addition, the owner must obtain a certificate in the approved form in which the competent examiner has made a statement to the effect that it is in safe working order. A competent examiner must be a registered professional engineer registered under the Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong) within a relevant discipline specified by the Commissioner of Labour, and by reason of his qualifications, training and experience, competent to carry out the test and examination. The certificate does not have an expiration date.

Any owner who contravenes any of the provisions of regulation 5 of the FIU(LALG)R shall be guilty of an offence and be liable to a fine of HK$200,000.

Laws and Regulations Governing Fire Safety

Factories and Industrial Undertakings (Fire Precautions in Notifiable Workplaces) Regulations (Chapter 59V of the Laws of Hong Kong) ("FIU(F)R")

The FIU(F)R ensures that the proprietor of every notifiable workplace shall maintain a means of escape from the workplace in case of fire in good condition and free from obstruction. According to the FIUO, a notifiable workplace includes an industrial undertaking involving the use of any dangerous goods. As we make use of dangerous goods in our production facilities in Hong Kong in our operations, we are subject to the regulation of the FIU(F)R. The FIU(F)R sets out various requirements that a notifiable workplace must adhere to. For instance, regulation 4 of the FIU(F)R requires that every door leading out of a notifiable workplace shall be maintained in such condition that it can be readily opened and closed at any time, and that the doors shall not be locked when people are working inside the notifiable workplace. Under regulation 5(1) of the FIU(F)R, the proprietor of every notifiable workplace shall maintain in good condition and free from obstruction every doorway, stairway and passageway within the workplace which affords a means of escape from the workplace in case of fire. Regulation 14(5) of the FIU(F)R stipulates that the proprietor of any notifiable workplace who contravenes regulations 4 or 5(1) without reasonable excuse commits an offence and is liable to a fine of HK$200,000 and to imprisonment for six months.

Laws and Regulations Governing Electrical Safety

Electricity Ordinance (Chapter 406 of the Laws of Hong Kong) ("EO") and Electricity (Wiring) Regulations (Chapter 406E of the Laws of Hong Kong) ("EWR")

The EO is to provide for the registration of electrical workers, contractors and generating facilities, to provide safety requirements for electricity supply, electrical wiring and products, to provide powers for electricity suppliers and the government of Hong Kong respecting electrical accidents and enforcement of the EO, and to provide for measures designed to ensure that activities carried out in the vicinity of electricity supply lines do not prejudice safety or the continuity of the electricity supply.

Pursuant to regulation 20(1)(b) of the EWR, an owner of a fixed electrical installation located in premises for the storage of dangerous goods listed in the DG(A&E)R have to have the fixed electrical installation located therein inspected, tested and certified at least once every 12 months. In addition, under regulation 20(2) of the EWR, for typical industrial premises, electrical installations with an approved loading exceeding 200 amperes shall be inspected, tested and certified at least once every five years. As our operations involve the storage of dangerous goods and that the electrical wiring for the entire factory premises used by us in Hong Kong falls within the definition of "low voltage fixed electrical installation" under regulation 20(2) of the EWR, we are subject to the regulation of the EWR.

According to regulation 24 of the EWR, a person who contravenes regulation 20 of the EWR commits an offence and is liable to a fine of HK$10,000.

Laws and Regulations Governing Goods Importation and Exportation

Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) ("IEO") and Import and Export (Strategic Commodities) Regulations (Chapter 60G of the Laws of Hong Kong) ("IE(SC)R")

According to section 6A(2) of the IEO, a person cannot import or export an article specified in Schedule 1 to the IE(SC)R except with a licence granted by the Director-General of the Trade and Industry Department. A person who fails to obtain the import and export licence pursuant to section 6A of the IEO commits an offence and is liable on summary conviction to a fine of HK$500,000 and imprisonment for 2 years; and on conviction on indictment to an unlimited fine and imprisonment for 7 years.

Optical fibres of more than 500 metre in length and specified by the manufacturer as being capable of withstanding certain "proof test" tensile stress are one of the articles specified in Schedule 1 to the IE(SC)R. Our operations involve the import and export of optical fibres of more than 500 metre in length. However, since the tensile strength of the optical fibres dealt with by us is less than the maximum stated in Schedule 1 to the IE(SC)R, we do not need to obtain a licence under section 6A(2) of the IEO for the purpose of the optical fibres that we currently import and/or export.

Laws and Regulations Governing Taxation

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) ("IRO")

The IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the date of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As at the Latest Practicable Date, the standard profits tax rate for corporations was at 16.5%. The IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation. As we carry out business in Hong Kong, we are subject to the profits tax regime under the IRO.

Section 20(2) of the IRO provides that where a resident person conducts transactions with a "closely connected" non-resident person in such a way that if the profits arising in Hong Kong are less than the ordinary profits that might be expected to arise, the business performed by the non-resident person in pursuance of his or her connection with the resident person shall be deemed to be carried on in Hong Kong, and the non-resident person shall be assessable and chargeable with tax in respect of his or her profits from such business in the name of the resident person. Section 20A of the IRO gives the Inland Revenue Department (the "**IRD**") wide powers to collect tax due from non-residents.

The IRD may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO.

Laws and Regulations Governing Intellectual Property

Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) ("TMO") and Trade Marks Rules (Chapter 559A of the Laws of Hong Kong) ("TMR")

The TMO provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under the TMO and the TMR.

Under section 10 of TMO, a registered trademark is a property right acquired through due registration under such ordinance. The owner of a registered trademark is entitled to the rights provided by the TMO.

Our Group is the registered owner of the trademark as set out in the paragraph headed "B. Further Information about our Business—2. Material intellectual property rights—(a) Trademarks" in Appendix IV to this prospectus.

Pursuant to section 14 of the TMO, the owner of a registered trademark is conferred exclusive rights in the trademark. The rights of the owner in respect of the registered trademark come into existence from the date of the registration of the trademark. According to section 48 of the TMO, the registration date is the filing date of the application for registration.

Subject to the exceptions in section 19 to section 21 of TMO, any use of the trademark by third parties without the consent of the owner is an infringement of the trademark. Conducts which amount to infringement of the registered trademark are further specified in section 18 of the TMO. The owner of the registered trademark is entitled to remedies under the TMO once any infringement by third parties occurs, such as infringement proceedings provided for in section 23 and section 25 of the TMO.

Trademarks which are not registered under the TMO and the TMR may still obtain protection by the common law action of passing off, which requires proof of the owner's reputation in the unregistered trademark and that use of the trademark by third parties will cause the owner damage.

THAILAND REGULATORY OVERVIEW

Private Company Law

Under Thai law, the principal forms of business organisations are:

- Sole proprietorship
- Ordinary partnership (unregistered)
- Ordinary partnership (registered)
- Limited partnership
- Representative office
- Regional office
- Branch office of foreign company
- Private company limited
- Public company limited
- Joint venture

Futong Thailand was incorporated as a private company limited. The formation of a private company is governed by the Civil and Commercial Code (the "**CCC**"). According to the CCC, private limited companies are required to have a minimum of three shareholders at all times. The initial step in forming a private limited company is to reserve a name with the Department of Business Development (the "**DBD**") and, if approved, file a memorandum of association.

After the memorandum has been approved and full subscription of shares has taken place, the promoters are required to call a statutory meeting of the share subscribers to formally bring the company into existence. After the statutory meeting has been held, the promoters shall hand over the business to the director(s). The directors shall then cause the promoters and subscribers to pay forthwith upon each share payable in money such amount not less than 25%. The company is then registered as a legal entity (or juristic person). As advised by the Thai Legal Advisers, Futong Thailand was duly incorporated with limited liability and is validly and duly existing in accordance with the laws of Thailand and has legal capacity to sue and be sued in its own name.

A Thai limited company is managed by a board of directors, which is appointed by its shareholders. Meetings of shareholders and directors must conform to the requirements set forth in the CCC or the articles of association of the company. Provided below is the summary of company law of Thailand:

(i) Board of directors

The director of the private company limited is appointed by the shareholders. There is no requirement on the minimum member of the board of directors or the nationality of the director. A director has power to manage a company by all lawful means necessary, within the bounds of the company's memorandum of association, articles of association, resolution of shareholders' meetings, and applicable Thai laws. As long as directors act within such scope, their actions are legally binding on the company and they shall not be held personally liable to the third party. The general role of directors is setting goals, policies, and strategies, overseeing, and decision making. Directors' legal position is representatives of the company. In addition, the directors may delegate their powers to any manager(s), who may then exercise powers according to what has been delegated to him/her/them by the directors.

(ii) Shareholder

The private company limited is required to have a minimum of three shareholders at all times. Principally, the rights of the shareholder include the right to attend and vote in the shareholders' meeting, the right to nominate and appoint the director, the right to receive dividend, the right to call the shareholders' meeting. Certain matters of the company must be approved by the shareholders only, such as, the amendment of the articles of association and memorandum of association, the amendment of company's objectives, the appointment of new director and authorised signatories, the decrease and increase of the registered capital, the amalgamation and the dissolution.

(iii) Shares

The capital of the company must be divided into shares, each with an equal par value of at least THB 5. Minimum paid-up amount on the shares issued is 25%, which can be used as working capital. The transfer of the shares in the company must be made in writing and signed by the transferor and the transferee in the presence of at least one witness. The transfer of the shares is invalid against the company and the third party until such share transfer is recorded in the company's register of shareholder. The register of shareholders is the prima facie evidence of the shareholders of the company, including whether the shares are subject to any pledge or encumbrance.

(iv) Dividend and legal reserve

According to the CCC, the dividend may be distributed to the shareholders only by the resolution of the shareholders. However, the director of the company may distribute the interim dividend from time to time if the company has enough profits to do so. The dividend must be paid from the profits only. In case the company has incurred loss, such company cannot distribute the dividend until such loss has been made good. Every time the company distributes the dividend (either annual dividend or interim dividend), at least 5% of the profit to be distributed as dividend must be appropriated as the legal reserve, until the legal reserve reaches 10% of the registered capital. There is no restriction under the law for the company to use the legal reserve for business purpose but such legal reserve or other reserves cannot be distributed as the dividend. Pursuant to the CCC, there is no requirement on the minimum amount of the dividend to be distributed. The company has the discretion on the amount of dividend to be distributed as long as it has enough profits and such dividend distribution has no effect to its financial status and investment plan.

Limitation of Foreign Business Participation in Thailand

The most important law governing foreign direct investment in Thailand is the Foreign Business Act B.E. 2542 (A.D. 1999) (the "**FBA**"). The FBA reserves certain business activities for Thai nationals and limits the ability of foreigners to engage in those activities. Under the FBA, a company is considered as a "foreigner" if half or more of its shares are held by non-Thai natural persons or juristic persons. Based on this definition of the FBA, Futong Thailand is regarded as a "foreigner" under the FBA as 100% of the shares in Futong Thailand are currently held by foreign shareholders.

The FBA has prescribed the categories of restricted businesses for foreigners into three schedules as follows.

- **Schedule 1** covers nine businesses that are strictly prohibited to foreigner, for example, newspaper business, radio broadcasting, or television station business, rice farming, farming, or gardening.
- **Schedule 2** covers businesses that are prohibited to foreigners unless they receive permission to operate from the Cabinet. Foreigners wishing to engage in one of the activities indicated in List 2 of the FBA must obtain permission from the Minister of Commerce with the approval of the Cabinet. Samples of the restricted businesses under List 2 are the businesses related to national safety or security, the business affecting arts and culture including traditional and folk handicraft and the businesses affecting natural resources or the environment.
- **Schedule 3** covers the businesses that are prohibited to foreigners unless permission is granted by the Director-General of the DBD. Foreigners seeking to perform a Schedule 3 activity must apply for permission in accordance with the requirement prescribed under the FBA. The Director-General will issue a permit within 15 days after permission has been granted. Samples of the businesses under Schedule 3 are retail, wholesale, engineering service and all kinds of service.

The main business of Futong Thailand is the manufacture and sales of optical fibre cable, communication cable, telephone wire, coaxial cable and the relevant products, such business is not the restricted business under the FBA. As such, Futong Thailand is currently not subject to the licencing requirement under the FBA.

Thailand's Board of Investment (the "BOI")

Thailand was the first country in Asia to introduce investment promotion laws (tax and non-tax incentives) to encourage investors to invest in Thailand. Investment Promotion laws were first enacted in 1954 and have been revised several times since then.

Under the Investment Promotion Act B.E. 2520 (A.D. 1977), the BOI, a policy-making body, was established to promote domestic and foreign investments considered important and useful to the country's economic and social development.

The privileges that the BOI offers are not absolute. The BOI still retains the right to stipulate certain conditions, such as the amount and the source of capital, the nationality and number of shareholders, the training of manpower, and the distribution of products, all of which the investors must comply with in order to qualify for privileges.

The BOI has also published a list of activities that are eligible for promotion. The list covers mainly manufacturing and agricultural activities, but also includes mineral exploration, mining, service sectors, etc.

The BOI offers two kinds of benefits as follows:

(i) tax based incentives, such as corporate income tax holiday or reduction for a specified period, as well as certain tax exemptions or import duties exemptions; and

(ii) non-tax privileges such as guarantees against nationalisation, and permissions to foreign majority owned companies to own land, visa and work permit privileges for expat or engage in industries and services normally reserved for Thai nationals under the FBA.

Futong Thailand has duly obtained the investment promotion privileges granted by the BOI for the business of manufacture and sale of optical fibre cable, communication cable, telephone wire, coaxial cable and the relevant products. The tax privileges granted to Futong Thailand include the exemption on paying of corporate income tax for the period of eight years expiring in March 2021, 50% reduction of the normal rate of corporate income tax for a period of five years commencing from the expiry date of the tax holiday, exemption on withholding tax on dividend distribution and the exemption on import duties for the machinery and raw materials used in the BOI promoted project.

Industrial Estate Authority of Thailand (the "IEAT")

The Industrial Estates Authority of Thailand (the "**IEAT**") is a state enterprise under the Ministry of Industry. The IEAT is responsible for the establishment and development of industrial estates in Thailand. The industrial estates established and developed by the IEAT offer the basic infrastructure, public utilities, waste management systems, and other facilities as necessary for the operations of factory in various industries. Other than these benefits, the IEAT provides tax incentives (free zone) and the exemption on land ownership of the foreign enterprises is also granted by the IEAT. Currently, there are 49 industrial estates located throughout Thailand.

Other than the regulations prescribed by the IEAT, a person who wishes to operate a factory in an industrial estate must comply with the requirements on the establishment of a factory and the construction of the factory under the Building Control Act and the Factory Act. However, in granting an approval or a licence(s), it will be subject to the authority of the IEAT, not the Department of Industrial Works, Ministry of Industry, like other factories that operate outside the IEAT. The construction permit is also required for the operator in the industrial estate, as a factory is a controlled building under the Building Control Act. The factory's floor plan, layout and facilities must be in accordance with the factory's specifications prescribed under the Building Control Act. The application for the construction permit must be submitted to the IEAT after the license to operate in the IEAT is issued.

Futong Thailand's factory is also located in the IEAT zone, i.e. Amata City Industrial Estate, and the licence to operate in the IEAT and the construction permit were duly obtained by Futong Thailand. Since Futong Thailand's factory is located in the general zone, additional tax-based incentives under the IEAT's privileges are not available for Futong Thailand. Those additional tax-based incentives are only available to the operators whose factory is located in the Free Zone of the IEAT only.

Industrial Standard

The Thai Industrial Standards Institute ("**TISI**") has been established as a department under the Ministry of Industry by virtue of the Industrial Product Standards Act B.E. 2511 (A.D. 1968). Its principal responsibility is to promote the development of Thai industrial products to the acceptable quality, to increase the competitiveness of Thai industry in the world market, and to preserve the environment as well as to protect consumers by ensuring safety in lives and property. According to the Industrial Product Standards Act, any person who wishes to manufacture the industrial product which requires the industrial standard as prescribed under this Act, must obtain the license to manufacture industrial products which require the industrial standard from the TISI.

The products manufactured by Futong Thailand, i.e. optical fibre cable, communication cable, are classified as the products that require the certification of the industrial standard under this Act. Licenses to manufacture industrial products which require the industrial standard have been granted to Futong Thailand by TISI to certify the standard of its products. After the license is granted, the TISI has the authority to inspect the manufacturing facility, collect the product sample to ensure that the product is still in the standard prescribed by TISI.

Land Ownership

Foreigners (individuals or companies) are generally not allowed to buy or hold land in Thailand unless they obtain permission from the concerned governmental authorities. This permission will not be given unless the foreigners obtain promotion from the BOI or the IEAT or obtain permission under other specific laws. A foreigner may obtain the rights to the land under the privileges granted by the BOI or the IEAT under the following conditions:

1. Investment Promotion Act B.E. 2520 (A.D. 1977), Section 27:

   - A BOI promoted entity is permitted to own land required for the promoted business in such size as the BOI may prescribe, even though it exceeds the limit prescribed under other laws.

   - In case a BOI promoted entity that is a foreigner under the Land Code dissolves or transfers the promoted business, the BOI promoted entity shall dispose of the land which it has been permitted to own within one year from the date of the dissolution or transfer thereof. Otherwise, the Director-General of the Land Department shall have the power to dispose of said land under the Land Code.

2. Industrial Estate Authority of Thailand Act B.E. 2522 (A.D. 1979), Section 44:

   - Industrial operators in the industrial estate may be permitted to hold land ownership in an industrial estate for the operation of business in an area deemed reasonable by the Board of IEAT, even though it may exceed the limit fixed under other laws.

   - In the event of an industrial operator in the industrial estate who is a foreigner having dissolved its business or having transferred its business to other persons, the industrial operator shall sell the land over which it was permitted to hold ownership and the land's appurtenances to the IEAT or the transferee, whichever the case may be, within three years from the date of dissolution or transfer of business. Otherwise, the Director-General of the Land Department shall sell the land and appurtenances to the IEAT or any other person under the Land Code.

Futong Thailand (which is deemed as foreign company) is currently the registered owner of two (2) plots of land and the constructions thereon, located in Amata City Industrial Estate by using the privilege granted by the IEAT. Both plots of land have been used as the business premises of Futong Thailand. In addition, Futong Thailand is also the registered owner of another six (6) plots of land including six (6) houses constructed on such lands, located in Chonburi Province. Futong Thailand used the privilege granted by the BOI to own those six (6) plots of land including six (6) houses constructed thereon.

Overview of Contract Laws

Thai law allows persons to freely enter into contractual agreements which establish the rights and obligations of the parties involved. The principle of freedom of contract is recognised under the CCC and by the Thai courts, provided that the terms and conditions agreed upon by the contracting parties are not contrary to the public order or good morals of Thailand and are not otherwise illegal. The general legal requirements for contracts are contained in the CCC. Restrictions on certain types of contracts or certain terms can be found in both the CCC and the Unfair Contract Terms Act B.E. 2540 (A.D. 1997).

Generally, a contract is an act made by two or more parties expressing their intention to have legally binding effect between themselves. An act is void under the CCC if its object is expressly prohibited by law or it is impossible or is contrary to public order or goods morals. In addition, acts do not have to be in a particular form, unless the law provides otherwise. As such, an act which is not in a form prescribed by law is void (e.g., the sale of immovable property or certain properties, the sale with right of redemption, a share transfer document, a hire-purchase, etc.). Therefore, a contract which is prohibited by law, is impossible, is contrary to public order or good morals, or is not in the form prescribed by law will be void.

The law regarding most contract types can be found in the CCC. The CCC provides requirements and formalities for several specific types of contracts. As a general proposition, an act or juristic act does not have to be in a particular form unless the law provides otherwise. As such, an act or juristic act which is not in the form prescribed by law is void. Samples of the contracts with the requirements on the contractual formality are the mortgage contract and sale and purchase of the immovable property contract.

The mortgage contract and sale and purchase of the immovable property contract must be made in the standard form of agreement and registered with the competent authority, i.e. the Land Department. Additional terms of the contract which the parties agree beyond the standard form may be included as the addendum to the standard form of the contract registered with the authority, provided that such additional agreement is not expressly in contradiction to the law. Failure to comply with these requirements, such agreements shall be void and unenforceable. Futong Thailand has entered into the mortgage contract (as the mortgagor) and the sale and purchase of the land contracts and they were made in accordance with the formalities as required by law.

Taxation

(i) Corporate income tax

The companies and juristic partnerships organised under Thai law (Thai companies) are subject to taxation on their worldwide income. Companies and juristic partnerships organised under foreign laws (foreign companies) are subject to taxation only on income from sources within Thailand. The Revenue Code takes the view that if foreign companies carry on business in Thailand, their income arising from or in consequence of such business constitutes Thai-source income.

Corporate income tax is computed by taking into account all revenue arising from or in consequence of a business carried on in an accounting period and deducting therefrom all expenses, in accordance with the conditions prescribed in the Revenue Code. The tax year for a corporation is its accounting period, which normally has a duration of 12 months. At the present, the corporate income tax rate is 20%, imposed on worldwide net profit received by Thai companies and on Thai source net profit received by foreign companies during the given tax year.

Certain exemptions from corporate income tax are provided under the Revenue Code, Royal Decrees issued under the Revenue Code, and the Investment Promotion Act (privileges granted by the BOI).

Futong Thailand has been granted an exemption on paying of corporate income tax for a period of 8 year since 2012 and it is entitled for 50% corporate income tax reduction after the tax holiday has expired for the additional 5 years. After the period of corporate income tax exemption and reduction granted by the BOI has passed, Futong Thailand shall be subject to the corporate income tax at the normal rate, i.e. 20% of net profits (subject to change by the Thai Revenue Department).

(ii) Withholding Tax

Withholding taxes apply to various categories of income paid to juristic entities. The amount of tax to be withheld depends on the category of income and the tax status of the recipient. The withholding tax rates on some important categories of income are as follows:

- The rate on dividends is 10% on dividends paid to domestic and foreign corporations. Futong Thailand is exempted from withholding the withholding tax from the dividend distributed to its shareholders throughout the period of the tax holiday granted by the BOI (8 years), provided that such dividend must be paid from the profits generated from the BOI promoted activity only. After the tax holiday period has passed, Futong Thailand is liable to withhold 10% on dividends paid to its shareholders and remit the same to the local district office.
- Rates on interest:
  - 1% on interest paid by financial institutions (banks, finance or credit foncier companies) to domestic companies that are not financial institutions
  - 10% on interest paid by financial institutions to associations and foundations
  - 15% on interest paid to foreign corporations (final tax payment)
- Rates on royalties:
  - 3% on royalties paid to domestic companies and partnerships (juristic partnerships)
  - 10% on royalties paid to associations and foundations
  - 15% on royalties paid to foreign corporations (final tax payment)

- 15% on capital gains, service fees, professional fees, and rent paid to foreign corporations (final tax payment)
- 3% on service fees and professional fees paid to domestic corporations or permanent branch offices of foreign corporations
- 5% on service fees and professional fees paid to non-permanent branch offices of foreign corporations

Tax withheld must be remitted to the local district office within seven days from the last date of the month in which the payment is made. The tax withheld will then be credited against the final tax liability of the domestic corporations or branches of foreign corporations.

(iii) Value Added Tax ("VAT")

VAT is an indirect tax collected upon consumption (i.e., at each stage of production, distribution of goods, or provision of services).

Generally, the operator charges VAT on the sale of goods or provision of services to the consumer. The VAT paid by the operator to other operators for the purchase of goods or services is then deducted and the balance remitted to the Revenue Department. Thus, tax will accrue at each stage only on the "value added" to the goods or services at that stage. Under the VAT system, the tax will ultimately be borne by the consumer. The operator is therefore regarded as a collector of tax for the Revenue Department.

The VAT is imposed on the following:

a. Sale of goods

b. Provision of services by an operator

c. Importation of goods by an importer

The VAT is generally imposed at a standard rate of 10%. This rate includes municipal tax, charged at the rate of one-ninth of the VAT rate. All sales of goods, provision of services, and importation of goods are subject to this rate, except the businesses or transactions stated below. The 10% VAT is currently imposed at a reduced rate of 7%. The reduction of VAT rate will expire on 30 September 2017, unless it is further extended by the government.

An operator must apply for VAT registration within 30 days after its annual revenue exceeds Baht 1.8 million. However, an operator still has the right to apply for VAT registration before commencing business. An application for VAT registration must be filed with the local district office where the place of business is located. Futong Thailand has duly registered VAT for its head office and branch office.

As an investment promoted company, Futong Thailand is granted with the exemption on paying of VAT for the machinery and raw materials imported under the BOI's privileges, provided that such raw material is imported for the products to be exported. Such privilege is not prescribed in Futong Thailand's BOI Certificate but Futong Thailand is eligible for VAT exemption on machinery and raw materials imported under the BOI's privileges according to the Announcement of the Director-General of Revenue Department concerning VAT No. 20 dated 27 December 1994.

Transfer pricing

The transfer pricing is defined by the Thai Revenue Department as the price set between related parties for goods or services which may deviate from the market price. Under the Revenue Department's transfer pricing regulation (Revenue Department's Instruction No. Paw. 113/2545 dated 16 May 2002), the term **"market price"** (or arm's length's price) is defined as the price of the remuneration, service fees, or interest which each independent party shall set fairly in ordinary business practice, when transferring assets, providing services, or providing loans of the same type and on the same date of such transfer of assets, provision of services, or provision of loans. The term **"independent party"** means a party to a contract that has no relationship with the other party in the aspects of management, control, or joint investment, directly or indirectly.

In determining market price, the calculation methods may be the Comparable Uncontrolled Price (CUP) Method, Resale Price Method, Cost Plus Method, or other internationally accepted methods. In practice, the determination of market price is complex and time consuming, because it is hard to find a reference for the price or profit margin of transactions between non-related parties (independent parties) under similar circumstances. In determining market price, many factors must be taken into consideration including the kind of business function performed by the company, the contractual arrangements, the company's business strategy, and other legally relevant considerations that govern the financial, commercial, and other conditions between independent parties. In most cases, taxpayers retain the services of specialised appraisal firms to conduct transfer-pricing study for them.

Under the transfer pricing regulation, the company is required to maintain documents related to the determination of market price for audit by the Revenue Department as follows:

(1) Structure and relationship of the businesses within the same group, including the structure and the nature of business of each enterprise;

(2) Budget, business plan, and financial forecast;

(3) Business strategy of the company and the reasons for using such strategy;

(4) Volume of revenue, financial statements of the company, and the nature of transactions between businesses in the same group;

(5) Reasons for conducting international transactions with businesses in the same group;

(6) Pricing policy, capability of making profit on each product, marketing information, and profit contribution of each business wherein the role, assets, and risk of each related business shall be taken into consideration;

(7) Reasons for choosing such pricing method;

(8) In case of multiple pricing methods, a document describing the methods used other than the method under (7) and the reasons for not choosing such method, which was prepared while making the decision to choose the method under (7);

(9) Fundamental principles and the course of negotiation of the company for transactions done with businesses in the same group; and

(10) Other documents relating to the price setting (if any).

In case the Revenue Department finds that the transactional price between the related parties is not the market price, the Revenue officer will have the authority to adjust the price to be at market price and impose additional income tax (corporate income tax on the non-deductible amount), penalty and surcharge to the party liable to pay the tax.

In May 2015, the Thai Cabinet approved the draft Act to amend the Revenue Code which will include the specific transfer pricing provisions into the Revenue Code (currently, the Revenue Code does not have any specific provision on transfer pricing). According to the draft Act, the following provisions are proposed as the amendments to the Revenue Code:

1. The Revenue Department will have the full authority to adjust or assess the taxable income or deduction in connection with the related party transactions that were not in accordance with the market price or arm's length basis.
2. In order to eliminate the double taxation, if there is a tax refund which is a result of the transfer pricing assessment, the taxpayer is entitled to claim the tax refund within 60 days after receiving the notification of tax assessment or within 3 years from the last day for tax return filing.
3. Taxpayer is required to prepare and submit the disclosure statement to the Revenue Department within 150 days from the end of accounting period. Such disclosure statement must include the explanation on the relationship, management or control of its related parties and the explanation on the calculation of the transfer pricing method for the related party transactions. Failure to comply or submitting incorrect information would be subject to the fine penalty of not exceeding THB400,000.

However, the draft Act is now in the consideration process by the State of Council and it has not been effective yet. As such, the draft Act is subject to change by the State of Council.

Thai Labour Law

Labour matters are generally governed by the Labour Protection Act B.E. 2541 (A.D. 1998), as amended, and the CCC. Other laws concerning labour include Labour Relations Act, Social Security Act and Workmen's Compensation Act. Provided below are the material matters of the labour law:

(i) Standard Conditions of Employment

An employer must provide the minimum standard conditions of employment. Employers cannot stipulate employment conditions which do not comply with the minimum standards set by the Labour Protection Act.

(ii) Work Rules and Regulations

Any employer that has ten or more employees is required to prepare written work rules and regulations (in Thai) and have them submitted to the District Labour Office that governs the region in which the employer's office is located. These work rules must be submitted within seven days from the date they are effective. Futong Thailand has the valid work rules and they were approved by the District Labour Office.

(iii) Working Hours

Maximum working hours are fixed depending on the type of work that is conducted. In general, normal working hours may not exceed 8 hours per day or 48 hours per week.

Work which may be detrimental to an employee's health or body, as prescribed in the Ministerial Regulation, cannot exceed 7 hours per day or 42 hours per week.

If the working hours of any day are less than 8 hours, the employer and the employee may agree to include the remaining working hours with the working hours of any normal working day. The total number of working hours, however, must not exceed 9 hours per day and 48 hours per week. Working overtime is entitled to overtime remuneration at the rate as prescribed by law.

(iv) Holidays and Leave

An employee is entitled to at least a one-day holiday per week. This is usually taken on Sunday. In addition, a minimum of 13 public holidays per year, including National Labour Day, must be granted. After one year of service, employees are entitled to a paid annual vacation of not less than six working days.

(v) Social Security

An employer with one or more employees must register and contribute to the Social Security Fund. Upon registration, employees will become "insured persons" entitled to benefits provided under the Social Security Act.

The Social Security Act requires that the government, employers, and employees contribute to the Social Security Fund at the rates prescribed by law. At present, both employers and employees each make monthly contributions at the rate of 5% of the employees' wages, while the government contributes at a rate of 2.75%. The maximum salary used as a basis for calculation of contribution is Baht 15,000.

Futong Thailand has duly registered and made contribution to the Social Security Fund as required by laws.

(vi) Worker's Compensation

An employee who sustains injury or sickness or who disappears or dies during performance of his or her work-related duties is entitled to receive workmen's compensation. An employer who has one or more employees must register for and contribute to the compensation fund once a year.

The rate of contribution is assessed at 0.2% to 1.0% exactly of employees' annual earnings, depending on the risk classification of the employer.

An employee who suffers injury or illness during performance of his work-related duty is entitled to reimbursement for the cost of medical treatment, funeral expenses, and compensation.

Futong Thailand has duly registered and made contribution to the Worker's Compensation Fund as required by laws.

(vii) Employment Termination

The Termination of employment and the ensuing consequences are governed by general stipulations in the CCC and the labour law.

a) Termination with Cause

Under the Labour Protection Act B.E. 2541 (A.D. 1998), an employee may be dismissed without notice or severance payment under certain circumstances, such as, dishonestly performing his or her duty or intentionally committing a criminal offence against the employer, intentionally causing damage to the employer or negligently causing gross or serious damage to the employer or being imprisoned by a final judgement imprisonment. If it is an offence committed through negligence or a petty offence, it must be a case where it has caused damage to the employer.

b) Termination without Cause

When there is termination without cause, it is compulsory that the employer give a written notice and make severance payment to the employee according to the length of unbroken service, as shown below.

Period of Service	Days
120 days but less than 1 year	30
1 year but less than 3 years	90
3 years but less than 6 years	180
6 years but less than 10 years	240
10 years or more	300

The employer can terminate the services of an employee immediately by making payment in lieu of notice. An employee can bring an action against his or her employer in the Labour Court if the employee thinks the employment was terminated by unfair practices.

Futong Thailand does not have any pending labour dispute in the competent court.

Intellectual Property Law

Intellectual property is generally classified into marks, patents, and copyrights:

- Marks (trademarks, service marks, certification marks, and collective marks) are used as a way to identify a unique product, service, or certification.
- Patents for inventions and product designs grant the patent holder an exclusive right to use an invention or method.
- Copyrights apply to literary works, artistic works, dramatic works, musical works, audio-visual works, cinematographic works, sound and video broadcasting works, and computer software.

(i) Trademarks

Marks (including trademarks, service marks, certification marks, and collective marks) are used as a way to identify a unique product, service, or certification. When a trademark is registered, the proprietor of the trademark shall have the exclusive right to its use with the goods for which the registration was granted. Thailand has adopted the International (Nice) Classification of Goods and Services for the Purposes of the Registration of Marks, which is an international classification of goods and services applied for the registration of marks. This standard system of classification is implemented under the Trademark Act

B.E. 2534 (A.D. 1991). In addition to legal protection for trademarks registered in Thailand, the Act also provides protection for well-known trademarks. Owners of well-known marks who wish to record their marks as well-known marks in Thailand should submit an application together with evidence proving the famous reputation of their marks.

When a trademark is registered, the proprietor of the trademark shall have the exclusive right to its use with goods for which registration was granted. The date on which its application was filed or deemed to be filed shall be its date of registration. The registration of a trademark is valid for a period of ten years from the filing date of the application. Rights to trademark applications or registered trademarks are transferable and inheritable.

The owner of an unregistered trademark is not entitled to institute any legal proceedings in court to prevent use or to recover damages for infringement. Certain protection for the owner of an unregistered trademark is afforded by the Penal Code, which imposes penalties on use of name, figure, artificial mark, or wording in carrying on the trade of another person or causing the same to appear on merchandise, packing, covering, advertisements, price lists, commercial letters, or the like, in order to make the public believe that it is the merchandise or trade of such person.

Trademark Licence Agreements

The owner of a registered trademark may grant a licence to other persons for any or all of the goods for which it is registered. A trademark licence agreement must be in writing and registered with the Department of Intellectual Property. Failure to comply with this requirement, such trademark licence agreement shall be void.

Applications for registration of a trademark licence agreement must be in accordance with the rules and procedures of Ministerial Regulation No. 1, which prescribes the required documents and lays out the process for filing applications. Under current Thai law, a trademark licence agreement must be undertaken in writing, and must at least identify:

1) The conditions and terms of the agreement between a trademark proprietor and a person applying to be an authorised licensee, which enables the former to control the quality of the goods or services;
2) The goods or services for which the licenced trademark is to be used; and
3) A provision specifying that only an authorised licensee has the right to use the trademark, or that such proprietor shall authorise any person, in addition to the authorised licensee, to use it.

There is no requirement on the governing law of the trademark license agreement. The trademark license agreement which is governed by foreign law is permitted to register with the Department of Intellectual Property, provided that contents of such trademark license agreement meet the requirements described above.

(ii) Patents

A patent provides the exclusive right to exploit a particular design method or invention. Under the Patent Act B.E. 2522 (A.D. 1979), as amended, applicants may file for patent protection for inventions, designs, and petty patents. For patent filing purposes, Thailand has its own criteria and procedures for acceptance of patent applications as per the Patent

Act. Patent rights can be acquired through several different registration processes. Thailand is a contracting state of the Patent Cooperation Treaty (PCT). The PCT has established an international procedure for filing patent applications for all countries that are members of the treaty. An international PCT application does not offer universal or worldwide protection for a claimed invention. The application must be filed in Thailand for the patent to have domestic recognition. The foremost procedure is registration under the PCT (which provides some international recognition). Patents can also be registered as a domestic application under the Patent Act. The term of a patent invention is 20 years from the filing date for conventional applications or from the filing date of PCT applications for PCT National Phase in Thailand. The term is not renewable.

(iii) Copyrights

The legal effect of a copyright is to protect the owner's creation or works from infringement by actions such as unauthorised reproduction or public dissemination. Copyright is protected and governed by the Copyright Act B.E. 2537 (A.D. 1994) and the ministerial regulations issued thereunder.

Copyright is not required to be registered in order for protection to exist. An application can, however, be filed with the Department of Intellectual Property for copyright recordation. A record of copyright does not conclusively prove ownership or priority, but it may be used as evidence in court. A copyright notice should also be shown or attached to the copyrighted work, but this is similarly not obligatory for protection.

Thailand is not a signatory to the Rome Convention of 1961 or the Universal Copyright Convention. Therefore, only persons with unpublished works who are nationals, subjects, or residents of a country party to the Berne Convention, and those whose works were first published in such a member country, may claim copyright protection in Thailand, provided certain conditions are met.

A copyright owner has the exclusive right to reproduce, adapt, communicate to the public, or let for hire the copyrighted work. In general, copyright will exist for the life of the author plus an additional period of 50 years after his or her death. If the author is a juristic person, the copyright exists for a period of 50 years after the work is first published or, if unpublished, after its creation.

Futong Thailand does not own or register or in the process of the registration of the patent or the copyright in Thailand.

Environmental Matter

There are numerous Acts and regulatory notifications that address environmental regulatory matters in Thailand which involve a variety of different government bodies. One of the primary acts governing environmental issues is The Enhancement and Conservation of National Environmental Quality Act B.E. 2535 (A.D. 1992) (NEQA). The NEQA provides a framework for protecting the environment by apportioning environmental responsibilities among various government agencies, and establishing committees to deal with environmental issues. Other specific environmental laws which are applicable to Futong Thailand are as follows:

(i) Industrial Estate Authority of Thailand Act B.E. 2522 (A.D. 1979) and the regulations issued thereunder.

The IEAT has the responsibility to perform and conduct the monitoring system in relation to the environmental matters of the factories within the industrial estate under the standards set by the IEAT and the Department of Industrial Works, Ministry of Industry.

According to the above Act and regulations, the operator in the IEAT must dispose of all industrial waste from the production process per the disposal procedure to prevent nuisances, annoyances or danger caused to neighbours. Additionally, the operator in the IEAT must comply with the Regulations of the IEAT Committee regarding criteria, procedures and conditions for conducting business in the industrial estate B.E. 2551 (A.D. 2008) whereby the environmental policies are specified as follows:

a. The primary wastewater treatment system of the capacity and capability sufficient to treat all liquid waste must be effectively installed;

b. The deodorization, anti-dust or toxic substances systems of the capacity and capability must sufficiently be installed to treat such waste; and

c. The suitable system for the disposal of industrial effluents and waste must be available.

(ii) Public Health Act B.E. 2535 (A.D. 1992)

The Ministry of Public Health has stipulated the business activities which are deemed harmful to public health and environment. Most of the businesses under this Act are in industrial sector petroleum and mining. In order operate the business as listed under this Act, a license to operate health hazardous business must be obtained from the local district office where the operator's premises are located. Futong Thailand's business is also subject to the licensing requirement under this Act as its business is deemed to have impact on the public health and the environment. The license to operate health hazardous business in the category of the manufacture of rubber, artificial rubber and plastic products has duly been granted to Futong Thailand.

CORPORATE HISTORY AND DEVELOPMENT

Our Hong Kong business history

Optical fibre manufacturing in Hong Kong originated from Transtech Photonics, which was incorporated in Hong Kong in February 2000 and Sir Charles Kuen Kao, who is known as the "Father of Fibre Optics" was one of the then first directors of Transtech Photonics. Sir Charles Kuen Kao was jointly awarded the 2009 Nobel Prize in Physics for achievements concerning the transmission of light in fibres for optical communication. Transtech Photonics was then the only optical fibre manufacturer in Hong Kong and its primary manufacturing facilities was located at the Tai Po Industrial Estate, Hong Kong.

The history of our Group can be traced back to 2003. In June 2003, Best Sign International Limited ("**Best Sign**"), a company incorporated in the BVI with an issued share capital of US$10 with limited liability beneficially owned by Mr. Wang, our Controlling Shareholder, agreed to acquire certain facilities and machinery of Transtech Photonics from the creditor of Transtech Photonics ("**Transferor**") at a consideration of HK$53,000,000 pursuant to an asset transfer agreement ("**Asset Transfer Agreement**"), determined based on, as confirmed by our Directors, arm's length negotiations between the parties. Completion of the Asset Transfer Agreement took place on 22 October 2003 and the last instalment of the consideration was settled on 22 October 2003. On 3 June 2003, Best Sign entered into a shareholders' agreement ("**Shareholders' Agreement**") in respect of Transtech with two entities ("**Transferor Entity A**" and "**Transferor Entity B**", respectively). Pursuant to the Shareholders' Agreement, Best Sign, Transferor Entity A and Transferor Entity B agreed to operate the business of manufacturing of optical fibre pursuant to a joint venture company. Transtech was the joint venture company incorporated in the BVI and registered in Hong Kong as a non-Hong Kong company. Pursuant to the Shareholders' Agreement, Best Sign agreed to inject certain equipment and machinery acquired pursuant to the Asset Transfer Agreement into Transtech in return for new shares in Transtech, while each of Transferor Entity A and Transferor Entity B agreed to subscribe for new shares of Transtech in cash. Our Directors confirm that each of the Transferor, Transferor Entity A and Transferor Entity B is an Independent Third Party and related to each other. Subsequent to the aforesaid asset injection, Transtech commenced optical fibre manufacturing business at the Tai Po Industrial Estate, Hong Kong, which marked the start of our primary business of optical fibre manufacturing. After certain share transfer, Best Sign became the sole shareholder of Transtech on 24 March 2009. For details of the above allotment and issue and transfer of shares of Transtech and its subsequent development, please refer to "—Key Business Milestones—Corporate development—Our subsidiaries—Transtech" below. Transtech remains one of our Group's key operating subsidiaries and is principally engaging in the manufacture and sales of optical fibres.

Mr. Hu, an executive Director and the chairman of the Board, and Mr. He, an executive Director, were the beginning directors of Transtech since its incorporation in April 2003. Each of Mr. Hu and Mr. He oversaw and participated in the overall management of Transtech since then. Leveraging favourable trade policies in Hong Kong, including the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), and Transtech's optical fibre production facility in Hong Kong, Mr. Hu, who is experienced in enterprise management and financial management, and Mr. He, who has been in the optical communication industry for over 30 years, captured advantages brought along by the non-tariff business environment and geographical convenience, which contributed significantly to Transtech's development over the past years. For further details regarding the experience of Mr. Hu, and Mr. He, and the other executive Directors, please refer to the section headed ''Directors and Senior Management'' in this prospectus.

Strategic cooperation between Futong China Group and Company S

Futong China Group is principally engaging in sales of optical fibre preforms, optical fibre, optical fibre cable as well as metal wires and cable, as well as providing services, including wireless broadband access, Ethernet exchange server, smart optical network, Fibre-To-The-Home (FTTH) network access and overall network solutions to customers in the PRC, Hong Kong and the South-East Asia region. Our Directors consider that Futong China Group is a well-known corporation in the PRC with sound financial background.

Since 2008, Futong China Group began to strategically cooperate with Company S, and Company S has been providing us with its technology and manufacturing equipment, where Company S has then become our Group's major optical preform supplier. To further the cooperation arrangements between Futong China Group and Company S, in March 2009, the entire issued share capital in Transtech was transferred from Best Sign to Futong Group (Hong Kong) and was further transferred from Futong Group (Hong Kong) to Futong Group (H.K.) Holding Limited ("**SFH**"), which was then a joint venture held as to 51% and 49% by Futong Group (Hong Kong) and Company S, respectively.

In February 2014, Futong HK was established by SFH as a holding company. As part of an internal reorganisation for purposes of the joint venture arrangement between Futong China Group and Company S in Transtech, the entire issued share capital in Transtech was transferred from SFH to Futong HK, in consideration of Futong HK's further issuance of its 100 shares, to its then parent company, namely, SFH. Pursuant to the share transfer agreement dated 18 March 2014 entered into between SFH as seller and Company S as buyer, SFH agreed to dispose and Company S agreed to acquire 98 shares in Futong HK, representing 49% of its then entire issued share capital and the relevant indirect interest in Transtech, at a consideration of HK$68 million ("**2014 Consideration**"), which was, as confirmed by our Directors, determined after arm's length negotiation between the parties on normal commercial terms with reference to the net asset value of Transtech as at 31 December 2013, and the corresponding shareholding percentage which such sale share accounted for, and the share transfer was completed on 25 March 2014. Immediately following such transfer, Futong HK was held as to 51% and 49% by SFH and Company S, respectively. So far as the Directors are aware, Company S decided to co-invest with Futong China Group in Transtech taking into account, among other things, the prospect of the optical communication industry in the PRC and Futong China Group's focus in the PRC.

For purposes of Futong China Group's internal corporate reorganisation, pursuant to the share transfer agreement dated 15 January 2015 entered into between SFH and Futong Optical Communication, SFH agreed to sell and Futong Optical Communication agreed to purchase 102 shares in Futong HK, representing 51% of its then entire issued share capital and the relevant indirect interest in Transtech, at a consideration of approximately RMB56 million, which was determined after arm's length negotiation between the parties on normal commercial terms and the share transfer was completed on 26 December 2015. Following such transfer, Futong HK was held as to 51% and 49% by Futong Optical Communication and Company S, respectively.

According to the CIC Report, the shipment volume and value of optical fibre in the ASEAN increased from approximately 4.4 million fkm and US$41.1 million in 2011 to approximately 10.5 million fkm and US$76.4 million in 2015, representing CAGRs of approximately 24.2% and 16.8%, respectively. Our Directors understand that it is Futong China Group's intention to position our Group as its overseas platform for expansion to international markets, including to capture the demand from the growing optical communication market in the ASEAN, and gain access to capital markets for future growth of our Group. On the other hand our Directors understand that Company S wishes to maintain its cooperation with Futong China Group with a focus in the PRC. In light of the above, Futong China Group decided to increase its stake in Transtech with a view to further strengthen its international market with a focus on the ASEAN. Accordingly, following negotiations between Futong China Group and Company S, Company S agreed to sell its indirect interest in Transtech to Futong China Group. On 4 May 2016, Futong Optical Communication and Company S entered into a share transfer agreement, pursuant to which Futong Optical Communication agreed to acquire and Company S agreed to sell the remaining 49% shareholding in Futong HK, representing the relevant indirect interest in Transtech, at a consideration of approximately RMB55 million ("**2016 Consideration**"), which was, as confirmed by our Directors, determined after arm's length negotiations between Company S and Futong HK on normal commercial terms and with reference to the net asset value of Transtech as at 31 December 2015, Company S's 49% shareholding in Futong HK and the then HK$ to RMB exchange rate. Subsequent to the completion of such transfer on 8 May 2016, Futong HK (which held the entire issued share capital of Transtech) became entirely owned by Futong China Group. Taking into account that, as confirmed by the Directors, the 2014 Consideration and the 2016 Consideration were both determined after arm's length negotiation between the parties on normal commercial terms with reference to the net asset value of Transtech as at 31 December of the respective preceding financial year, and based on our Director's understanding of Company S's preference to focus its cooperation with Futong China Group in the PRC, our Directors are of the view that the basis of determining the 2014 Consideration and 2016 Consideration was not unreasonable and the Sole Sponsor concurs with our Directors' view.

Our Thailand business history

In order to capture the demand from the growing optical communication market in the ASEAN, and the benefits that we believe localisation in Thailand will bring to us, our Group established Futong Thailand in August 2010, and it was incorporated as a limited liability company in Thailand. The production facilities of Futong Thailand are located at the Thai-Chinese Rayong Industrial Zone in Rayong, Thailand. We believe our production facilities located in Rayong, Thailand is able to attract customers of close proximity in the ASEAN due to our geographical advantage. Our Group then expanded its brands into the region of optical fibre cable manufacturing when commercial production of optical fibre cables commenced in February 2013 at the Rayong production facilities in Thailand. Futong Thailand is principally engaged in manufacture and sales of optical fibre cables and other related products, including optical cable core, power cable and other auxiliary products. See "Corporate development—Our subsidiaries—Futong Thailand" below for further details.

During the Track Record Period, we principally manufactured optical fibre and optical fibre cables by our respective production facilities located in Hong Kong and Thailand.

KEY BUSINESS MILESTONES

The following table illustrates the key milestones of business development of our Group:

Month, Year	Event
May 2003	Transtech was established in BVI and then registered in Hong Kong as a non-Hong Kong company. Transtech commenced its business in the Tai Po Industrial Estate
February 2006	Transtech first obtained the ISO9001 standard certificate on quality management system for its manufacture of optical fibres

Month, Year	Event
August 2010	Futong Thailand was incorporated in Thailand
December 2012	Completion of the construction of Futong Thailand's production facilities in Thailand
January 2013	Futong Thailand first obtained the ISO9001 standard certificate for quality management system for its manufacture of optical fibre cables, copper wires and cables
March 2013	Commercial production of our optical fibre cable products began
August 2014	Futong Thailand first obtained the ISO14001 standards certificate on environmental management system for its manufacture of optical fibre cables, copper wires and cables
September 2014	Futong Thailand first obtained the OSHAS18001 standards certificate on occupational health & safety management system for its manufacture of optical fibre cables, copper wires and cables
March 2016	Our civil electrical wire of Futong Thailand have passed the TISI certification

Our Company was incorporated on 6 September 2016 in the Cayman Islands, and upon completion of the reorganisation, it has become the holding company of our Group with our business conducted through our subsidiaries.

Corporate development

Our Company

Our Company was incorporated in the Cayman Islands on 6 September 2016 as an exempted company with limited liability. Please refer to the paragraph headed "A. Further Information about Our Group—2. Changes in the share capital of our Company" in Appendix IV to this prospectus for the details of changes in the share capital of our Company.

As a result of the Reorganisation, our Company became the holding company of our Group. As at the Latest Practicable Date, our Group comprised our Company, three BVI subsidiaries and one Thai subsidiary.

Our subsidiaries

Transtech

Transtech is principally engaged in manufacture and sales of optical fibre, and its production facilities are located in Taipo Industrial Estate, Hong Kong.

On 23 April 2003, Transtech was incorporated in the BVI as a limited liability company with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.0, with nine shares allotted and issued to Mr. Hu at par and one share allotted and issued to Mr. He at par, credited as fully paid up. On 28 May 2003, Transtech was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 11 of the then Companies Ordinance. On 29 May 2003, Mr. Hu and Mr. He transferred all the shares they owned in Transtech to Best Sign at a consideration of US$9.0 (at par) and US$1.0 (at par), respectively.

Pursuant to the Shareholders' Agreement, on 3 June 2003, Transtech allotted and issued 50 shares at par to Best Sign, 10 shares at par to Transferor Entity A, and 10 shares at par to Transferor Entity B. Further, on 31 July 2003, Transtech allotted and issued 20 shares at par to Best Sign in consideration of the equipment and machinery injected by Best Sign into Transtech pursuant to the Shareholder' Agreement.

On 7 January 2004, Transferor Entity B transferred 10 shares in Transtech to another entity ("**Transferor Entity C**") which is, as confirmed by our Directors, an Independent Third Party and a related entity of Transferor Entity B, at a consideration of US$10 (at par).

On 14 June 2005, Best Sign transferred 10 shares in Transtech to another entity, which is, as confirmed by our Directors, an Independent Third Party, at a consideration of HK$7,600,000. On 7 March 2009, the said 10 shares were transferred back from such entity to Best Sign at a consideration of HK$8,800,000.

To further the cooperation arrangements between Futong China Group and Company S, a series of share transfers and capital injection in Transtech had taken place in March 2009. On 24 March 2009, 10 shares were transferred from each of Transferor Entity A and Transfer Entity C to Best Sign at a total consideration of HK$27,960,000. On the same day, 100 shares were transferred from Best Sign to Futong Group (Hong Kong) and a loan in the amount of RMB15,000,000 owed by Transtech to Best Sign was assigned from Best Sign to Futong Group (Hong Kong) at a total consideration of HK$44,800,001, which comprised consideration for the share transfer and the assignment of the aforesaid loan. Further, Transtech allotted and issued 74 shares to Futong Group (Hong Kong) at a consideration of RMB15,000,000 by capitalising the loan of RMB15,000,000 owed by Transtech to Futong Group (Hong Kong). On 27 March 2009, Transtech allotted and issued 256 shares to Futong Group (Hong Kong) at a consideration of RMB52,000,000. On 31 March 2009, Futong Group (Hong Kong) transferred 430 shares, being the entire share capital of Transtech, to SFH at a consideration of RMB167,000,000.

As part of an internal reorganisation for purposes of the joint venture arrangement between Futong China Group and Company S, on 18 March 2014, SFH transferred 430 shares, being the entire share capital of Transtech, to Futong HK at a consideration of HK$138,900,000, which were determined by reference to the audited net asset value of Transtech as at 31 December 2013. The share transfer was completed and settled on 25 March 2014.

Futong Thailand

Futong Thailand is principally engaged in manufacture and sales of optical fibre cables, and its production facilities are located in Thai-Chinese Rayong Industrial Zone in Thailand.

On 1 August 2010, each of Mr. Zhou Wei, Mr. Pan and Mr. Cui Zuo executed a trust agreement, pursuant to which they were appointed by Futong China as trustees to hold 80%, 10% and 10% of the issued share capital of Futong Thailand, respectively, on trust for and on behalf of Futong China.

On 11 August 2010, Futong Thailand was incorporated in Thailand as a limited liability company with an initial registered capital of THB150,000,000 divided into 1,500,000 shares of THB100 each. On the same day, (i) 1,200,000 shares were allotted and issued at par to Mr. Zhou Wei; (ii) 150,000 shares were allotted and issued at par to Mr. Pan; and (iii) 150,000 shares were allotted and issued at par to Mr. Cui Zuo, credited as paid up as to 25% of the shares issued to each of the then shareholders in compliance with the applicable Thai laws.

On 20 April 2012, each of Mr. Zhou Wei and Mr. Pan executed a trust agreement, pursuant to which each of them was appointed by Futong China as a trustee to hold 1% of the issued share capital of Futong Thailand on trust for and on behalf of Futong China.

On 20 April 2012, Futong China was transferred (i) 150,000 shares from Mr. Cui Zuo at a consideration of THB15 million; (ii) 1,185,000 shares from Mr. Zhou Wei at a consideration of THB118.5 million; and (iii) 135,000 shares from Mr. Pan at a consideration of THB13.5 million. The total consideration of these share transfers were determined based on the par value of the shares.

On 15 November 2012, each of Mr. Pan and Mr. Zhou Wei executed a trust agreement, pursuant to which each of them was appointed by Futong China as a trustee to hold 0.3% of the issued share capital of Futong Thailand on trust for and on behalf of Futong China.

On 19 November 2012, Futong Thailand increased its registered capital to THB500,000,000 by allotting and issuing 3,500,000 shares of THB100 to Futong China at a consideration of THB500 million, credited as fully paid up.

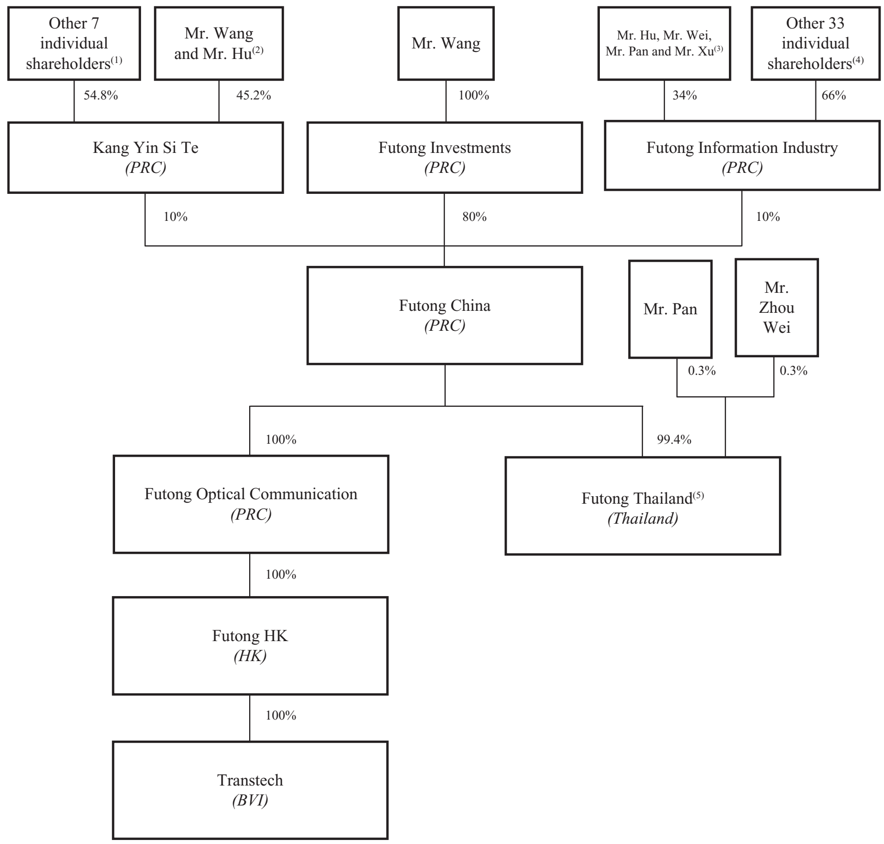
Great Sign and Pan South

Both Great Sign and Pan South were incorporated in the BVI on 2 September 2016. They are investment holding companies, each holding 0.3% of the issued share capital of Futong Thailand.

OUR REORGANISATION

Our corporate structure prior to the Reorganisation

The corporate structure of our Group immediately prior to the Reorganisation is set out below:



Notes:

(1) The remaining seven individual shareholders of Kang Yin Si Te are Independent Third Parties and certain directors and senior management members of the Futong China Group. Among these seven shareholders five of them each hold 10.0% and two of them each hold 2.4%.

(2) The 45.2% equity interests in Kang Yin Si Te were owned by Mr. Wang, one of our Controlling Shareholders, and Mr. Hu, one of our executive Directors, as to 35.2% and 10.0%, respectively.

(3) The 34.0% equity interests in Futong Information Industry were owned by four of our executive Directors, namely, Mr. Hu, Mr. Wei, Mr. Pan and Mr. Xu, as to 28.0%, 2.0%, 2.0% and 2.0%, respectively.

(4) Each of the remaining 33 individual shareholders owned 2.0% equity interest in Futong Information Industry. Among these 33 shareholders, Gu Hongfeng and Xu Jianzhong were the directors of Transtech and Futong Thailand in the past 12 months, respectively. The other 31 shareholders are Independent Third Parties and certain directors, senior management members and employees of Futong China and its associated companies (other than our Group).

(5) Futong Thailand was legally owned as to 99.4% by Futong China, 0.3% by Mr. Pan and 0.3% by Mr. Zhou Wei. On 15 November 2012, each of Mr. Pan and Mr. Zhou Wei executed a trust agreement pursuant to which each of them was appointed by Futong China as a trustee to hold 0.3% of the issued share capital of Futong Thailand on trust for and on behalf of Futong China. Therefore, Futong China beneficially owned the entire registered capital of Futong Thailand.

Our Reorganisation

For the purpose of the Listing, the following Reorganisation steps have been undertaken.

(1) Incorporation of our Company

Our Company was incorporated on 6 September 2016 as an exempted company with limited liability in the Cayman Islands. The authorised share capital of our Company, on incorporation, was

US$50,000 divided into 5,000,000 shares of US$0.01 each. On 6 September 2016, (i) one subscriber share of US$0.01 was issued nil paid to Reid Services Limited, and was transferred on the same date to Futong HK; and (ii) 99 new shares of US$0.01 each were further allotted and issued to Futong HK at par.

(2) Subscription of shares in Great Sign and Pan South by our Company

On 22 September 2016, each of Great Sign and Pan South allotted and issued 1,000 shares of US$1.00 each to our Company as the first shareholder at par, credited as fully paid.

(3) Transfer of interests in Futong Thailand to Futong HK, Great Sign and Pan South

(a) On 23 September 2016, Futong China transferred 4,970,000 shares in Futong Thailand to Futong HK, representing 99.4% of the issued share capital in Futong Thailand, at a consideration of THB677,968,216.70 (equivalent to HK$149,017,414).

(b) On 23 September 2016, Mr. Zhou Wei transferred the legal title of 15,000 shares in Futong Thailand held on trust in favour of Futong China to Great Sign, representing 0.3% of the issued share capital in Futong Thailand, at a consideration of THB2,046,181.74 (equivalent to HK$449,750.75).

(c) On 23 September 2016, Mr. Pan transferred the legal title of 15,000 shares in Futong Thailand held on trust in favour of Futong China to Pan South, representing 0.3% of the issued share capital in Futong Thailand at a consideration of THB2,046,181.74 (equivalent to HK$449,750.75).

The total consideration of the above share transfers represented the audited net asset value of Futong Thailand as at 31 December 2015 plus its unaudited net profits for the six months ended 30 June 2016.

The above share transfer (a) had been completed and settled on 26 September 2016 and the above share transfers (b) and (c) had been completed and settled on 15 March 2017.

(4) Redenomination of our Company's share capital

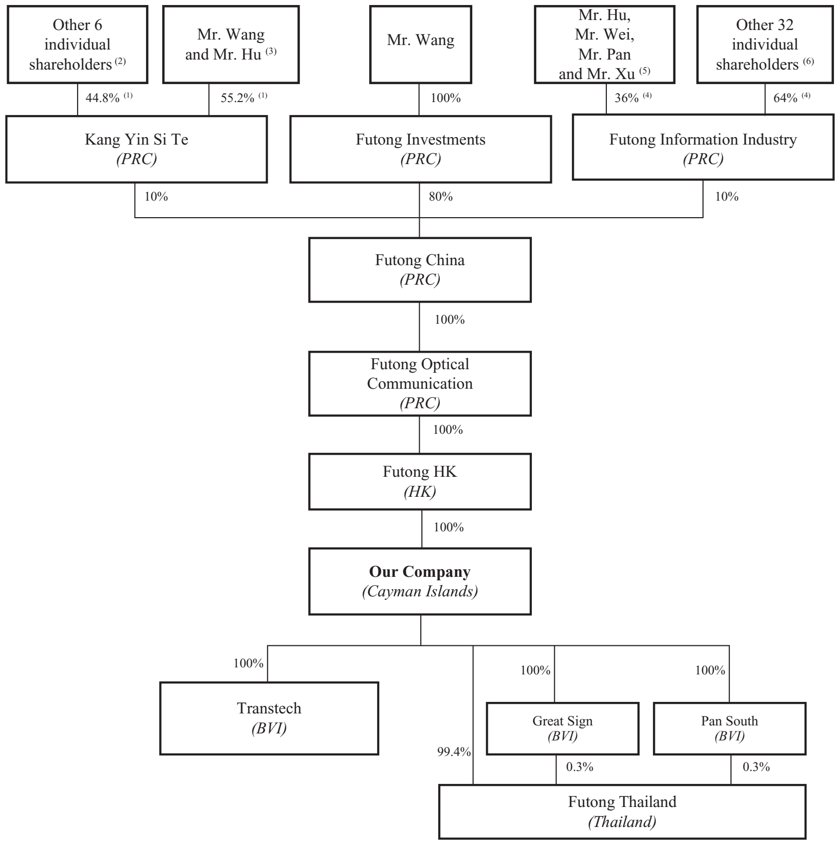
On 7 October 2016, our authorised share capital was redenominated from US$50,000 divided into 5,000,000 shares of US$0.01 each to HK$390,000 divided into 39,000,000 Shares of HK$0.01 each. The 100 issued shares of US$0.01 each of our Company held by Futong HK were also converted into 780 Shares of HK$0.01 each.

(5) Transfer of interests in Transtech and Futong Thailand by Futong HK to our Company

On 7 October 2016, Futong HK and our Company entered into a reorganisation agreement pursuant to which our Company acquired from Futong HK (i) 430 shares in Transtech (representing the entire issued share capital of Transtech); and (ii) 4,970,000 shares in Futong Thailand (representing 99.4% of the issued share capital of Futong Thailand). In consideration of such share transfers, our Company allotted and issued 499,220 new Shares, credited as fully paid up, to Futong HK.

Our corporate structure after the Reorganisation but prior to the Global Offering

The corporate structure of our Group after completion of the Reorganisation but immediately prior to the Capitalisation Issue and the Global Offering is set out below:



Notes:

(1) On 6 January 2017, one of the individual shareholders of Kang Yin Si Te who was an Independent Third Party transferred all of the 10.0% equity interest in Kang Yin Si Te to Mr. Wang and as a result of such transfer, Mr. Wang's shareholding in Kang Yin Si Te increased from 35.2% to 45.2%.

(2) The remaining six individual shareholders of Kang Yin Si Te are Independent Third Parties and certain directors and senior management members of the Futong China Group. Among these six shareholders four of them each hold 10.0% and two of them each hold 2.4%.

(3) The 55.2% equity interests in Kang Yin Si Te were owned by Mr. Wang, one of our Controlling Shareholders, and Mr. Hu, one of our executive Directors as to 45.2% and 10.0%, respectively.

(4) On 10 March 2017, one of the individual shareholders of Futong Information Industry who was an Independent Third Party transferred all of the 2.0% equity interest in Futong Information Industry to Mr. Hu and as a result of such transfer, Mr. Hu's shareholding in Futong Information Industry increased from 28.0% to 30.0%.

(5) The 36.0% equity interests in Futong Information Industry were owned by four of our executive Directors, namely Mr. Hu, Mr. Wei, Mr. Pan and Mr. Xu, as to 30.0%, 2.0%, 2.0% and 2.0%, respectively.

(6) Each of the remaining 32 individual shareholders owned 2.0% equity interest in Futong Information Industry. Among these 32 shareholders, Gu Hongfeng and Xu Jianzhong were the directors of Transtech and Futong Thailand in the past 12 months, respectively. The other 30 shareholders are Independent Third Parties and are certain directors, senior management members and employees of Futong China and its associated companies (other than our Group).

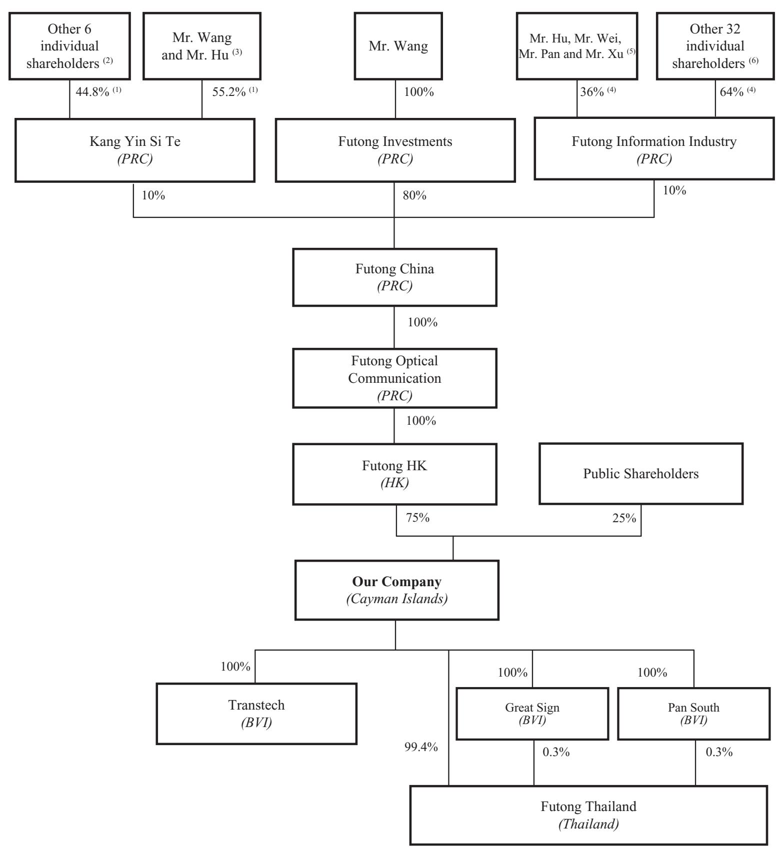
(6) Changes to our authorised share capital and Capitalisation Issue

On 23 June 2017, our Shareholder resolved that the authorised share capital of our Company be increased to HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each.

Pursuant to the written resolutions of our Shareholders passed on 23 June 2017, details of which are set out in Appendix IV to this prospectus, conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to allot and issue a total of 194,500,000 Shares credited as fully paid at par to the Shareholders whose names appear on the register of members of our Company at close of business on 11 July 2017 (or any such other date any one Director may determine) in proportion to their then respective shareholdings by way of capitalisation of the sum of HK$1,945,000 standing to the credit of the share premium account of our Company, and such Shares to be allotted and issued pursuant to the Capitalization Issue shall rank pari passu in all respects with the existing issued Shares.

Our corporate structure after the Reorganisation and the Global Offering

The corporate structure of our Group after completion of the Reorganisation, and immediately after the Capitalisation Issue and the Global Offering is set out below:



Notes:

(1) On 6 January 2017, one of the individual shareholders of Kang Yin Si Te who was an Independent Third Party transferred all of the 10.0% equity interest in Kang Yin Si Te to Mr. Wang and as a result of such transfer, Mr. Wang's shareholding in Kang Yin Si Te increased from 35.2% to 45.2%.

(2) The remaining six individual shareholders of Kang Yin Si Te are Independent Third Parties and certain directors or senior management members of the Futong China Group. Among these six shareholders four of them each hold 10.0% and two of them each hold 2.4%.

(3) The 55.2% equity interests in Kang Yin Si Te were owned by Mr. Wang, one of our Controlling Shareholders, and Mr. Hu, one of our executive Directors as to 45.2% and 10.0%, respectively.

(4) On 10 March 2017, one of the individual shareholders of Futong Information Industry who was an Independent Third Party transferred all of the 2.0% equity interest in Futong Information Industry to Mr. Hu and as a result of such transfer, Mr. Hu's shareholding in Futong Information Industry increased from 28.0% to 30.0%.

(5) The 36.0% equity interests in Futong Information Industry were owned by four of our executive Directors, namely, Mr. Hu, Mr. Wei, Mr. Pan and Mr. Xu, as to 30.0%, 2.0%, 2.0% and 2.0%, respectively.

(6) Each of the remaining 32 individual shareholders owned 2.0% equity interest in Futong Information Industry. Among these 32 shareholders, Gu Hongfeng and Xu Jianzhong were the directors of Transtech and Futong Thailand in the past 12 months, respectively. The other 30 shareholders are Independent Third Parties and are certain directors, senior management members and employees of Futong China and its associated companies (other than our Group).

General

Upon completion of the Reorganisation, our Company became the holding company of our Group and the major shareholding arrangements in respect of our Company were in place for the purpose of the Listing. Our PRC Legal Advisers advised that all requisite approvals and fillings in the PRC required for the Reorganisation have been obtained/made in compliance with the PRC laws and regulations. Our Thai Legal Advisers advised that no governmental or regulatory approval is required for the Reorganisation steps which involve Thai entities or residents, and all requisite fillings required for the Reorganisation have been made in compliance with the laws and regulations in Thailand.

Post-listing Transfer of Shares of our Company from Futong HK to our Senior Management

We understand from Futong HK, one of our Controlling Shareholders, that Futong HK currently intends to transfer not more than 5,200,000 Shares (assuming that the Over-allotment Option is not exercised) or not more than 5,395,000 Shares (assuming that the Over-allotment Option is exercised in full), representing not more than 2% of the total issued share capital of our Company immediately after the Capitalisation Issue and the Global Offering, to our senior management (which may include our Company's connected persons), for nil consideration, on a date not less than six months after the Listing Date. Our Company shall ensure compliance with any applicable requirements under the GEM Listing Rules relating to any such Share transfer(s).

OVERVIEW

We are the largest optical fibre cable provider in Thailand and one of the leading optical fibre cable providers in the ASEAN in terms of revenue and market share as of 31 December 2016, according to the CIC Report. The market share of our Group in optical fibre cable market in Thailand was 24.8% in terms of revenue as of 31 December 2016, ranking first in Thailand market, while the second and third largest optical fibre cable providers in Thailand had a market share of approximately 18.2% and 9.3% in terms of revenue, respectively, according to the CIC Report. According to the CIC Report, as of 31 December 2016, the market share of our Group in the optical fibre cable market in the ASEAN was 10.0% in terms of revenue, ranking second in the ASEAN market, while the largest optical fibre cable provider in the ASEAN had a market share of approximately 12.1% in terms of revenue.

We manufacture and sell optical fibre cables with various standard specifications that are widely used in the telecommunications industry. We also design and manufacture specialty optical fibre cables pursuant to requests from our customers, including rodent resistant optical fibre cable, flame-retardant optical fibre cable and non-metallic optical fibre cable. In addition, we manufacture optical fibres for our production of optical fibre cables, as well as for sale to third parties. Furthermore, we sell optical cable cores and other related products, including power cable and other auxiliary products. We have two major operating subsidiaries, namely, Transtech and Futong Thailand. Transtech is principally engaged in the manufacturing and sales of optical fibres, and its production facilities are located in Hong Kong. Futong Thailand is principally engaged in the manufacturing and sales of optical fibre cables, optical cable cores and other related products, and its production facilities are located in Thailand.

During the Track Record Period, customers of our optical fibre cables were primarily Independent Third Parties in Thailand and in other ASEAN markets, namely, Malaysia, the Philippines, Singapore, Indonesia and Vietnam, through which telecommunications operators make their procurements. During the same periods, some of our optical fibres were consumed internally for the production of optical fibre cables and the remaining were sold to customers in Hong Kong and the PRC.

As of 31 December 2016, we had an aggregate eight production lines for the production of optical fibres and various machinery for the production of optical fibre cables. For FY2014, FY2015 and FY2016, our overall production capacity for optical fibres was 2.9 million fkm, 3.8 million fkm and 4.8 million fkm, respectively, and our overall production capacity for optical fibre cables and optical cable cores was 2.4 million fkm, 3.3 million fkm and 3.6 million fkm, respectively.

We purchase optical fibre preforms for the production of optical fibres. We manufacture by ourselves at Transtech as well as purchasing from other parties the optical fibres needed for the production of optical fibre cables. For the other raw materials used for the production of optical fibre cables, we purchase from suppliers in the PRC or from overseas.

Our total revenue increased from HK$252.7 million for FY2014 to HK$395.5 million for FY2015, and further increased to HK$599.8 million for FY2016. Our gross profit increased from HK$20.5 million for FY2014 to HK$37.0 million for FY2015, and further increased to HK$109.1 million for FY2016. We recorded a net loss of HK$4.5 million and HK$2.9 million in FY2014 and FY2015, respectively, and a net profit of HK$67.2 million in FY2016.

OUR STRENGTHS

We believe that the following competitive strengths have contributed to our success and will continue to help us strengthen our leadership position:

Leading enterprise in optical fibre cable market in Thailand and the ASEAN with growth potential

We are the largest optical fibre cable provider in Thailand and one of the leading optical fibre cable providers in the ASEAN in terms of revenue and market share as of 31 December 2016, according to the CIC Report. The market share of our Group in optical fibre cable market in Thailand was 24.8% in terms of revenue as of 31 December 2016, ranking first in Thailand market, while the second and third largest optical fibre cable providers in Thailand had a market share of approximately 18.2% and 9.3% in terms of revenue, respectively. According to the CIC report, as of 31 December 2016, the market share of our Group in the optical fibre cable market in the ASEAN was 10.0% in terms of revenue, ranking second in the ASEAN market. In addition, according to the CIC Report, our Parent Group ranked top two in China and top ten in the world among optical fibre cable manufacturers as of 31 December 2016 and we are spearheading the development of the overseas markets, especially Thailand and other ASEAN markets, for our Parent Group.

According to the CIC Report, in terms of sales value, the size of the optical fibre cable market in the ASEAN reached US$349 million in 2016 with a CAGR of 20.1% from 2012 to 2016, and it is expected that the size of the optical fibre cable market in the ASEAN will reach US$465 million in 2021. According to the CIC Report, the optical fibre cable market in Thailand is a major component of the ASEAN market. The size of Thailand's optical fibre cable market in terms of sales revenue increased at a CAGR of approximately 28.4% from 2012 to 2016, according to the CIC Report.

Favourable government policies have been a strong driving factor to the development of the optical fibre cable market in Thailand and other ASEAN markets. We believe that, being the largest optical fibre cable provider in Thailand, we are well positioned to capture the growth potential driven by the favourable governmental policies in Thailand and other ASEAN markets. The Thai government has promulgated various policies encouraging the upgrade of the internet infrastructure in Thailand, which will bring opportunities to the optical fibre cable providers in the country. According to the National Broadband Policy launched in 2014, Thailand's broadband network should provide access to 95% of Thailand's population and high-speed fibre-optic network should cover all economic and regional hub cities by 2020. The size of Thailand's optical fibre cable market in terms of sales volume and sales revenue, therefore, is expected to continue to benefit from such policies, both growing respectively at CAGRs of approximately 8.6% and 6.1% between 2017 and 2021, and reaching 9.8 million fkm by 2021. Other ASEAN countries have promulgated similar policies, including the Indonesia Broadband Plan 2014-2019, the Cambodia ICT Master Plan 2020 launched in 2014 and the Philippines Digital Strategy, Transformation 2.0: Digitally Empowered Nation launched in 2011. We believe that such policies provide significant growth potential to our business.

Localisation provides us with advantages in Thailand and other ASEAN markets

We are the largest optical fibre cable manufacturer in Thailand in terms of revenue and market share as of 31 December 2016, according to the CIC Report. As of 31 December 2016, we had main production facilities with a total gross floor area of 20,000 square metres in Thailand and had additional space in our existing facilities for the further expansion of our capacities for the production of optical fibre cables and optical fibres in Thailand.

We believe that localisation in Thailand has provided us with various advantages, including deeper understanding of the local market, the ability to quickly respond to customer needs, reduction in transportation costs and delivery time and the availability of qualified local talents. We also enjoy certain preferential policies and tax treatments granted by Thailand's Board of Investment in December 2011 and Electrical and Electronics Institute in April 2013, including:

(1) Tax privileges:

(a) exemption on paying of corporate income tax on the net profit derived from the promoted activities for the period of eight years from the date that the income is firstly derived from such activities (which will expire in March 2021);

(b) 50% reduction of the normal rate of corporate income tax on the net profit derived from the promoted activities for a period of five years commencing from the expiry date of the exemption on corporate income tax specified above (which will expire in March 2026);

(c) exemption from the payment of withholding tax on dividend paid to tax holiday (8 years), provided that such dividend must be paid from the profits generated from the BOI promoted activity only (which will expire in March 2021);

(d) exemption on paying of import duties on machinery as approved by the BOI throughout the period of investment promotion;

(e) exemption on paying of import duty on raw and essential materials which are imported for producing for further export for a period of five years from the date of first import (which will expire in May 2019); and

(f) exemption on paying of import duty on items imported for re-export for a period of five years from the date of first import (which will expire in May 2019).

(2) Non-tax privileges:

(a) visa and work permit privileges for expatriate of the Thai Company;

(b) permission to have ownership of land in the proportion that the BOI deems appropriate; and

(c) permission to take out or remit abroad money in foreign currency.

Based on preliminary assessment by our Group, in the absence of the relevant tax privileges in Thailand, our Group would have incurred approximately HK$0.2 million, HK$0.2 million and HK$7.0 million for FY2014, FY2015 and FY2016, respectively. In addition, we believe that our presence in Thailand provides us with certain advantages when expanding into other ASEAN markets, as many of the markets are geographically close to Thailand, which we believe makes it easier to conduct marketing activities and helps reduce the production and delivery time and costs.

Manufacturing efficiency in the production of optical fibres and achieving economies of scale to reduce production costs

We believe that we are in a leading position in terms of manufacturing efficiency in the production of optical fibres, according to the CIC Report, primarily attributable to the high fibre drawing speed and the long continuous fibre drawing length we are able to achieve, which we believe require a high level of technical capabilities with respect to equipment design, coating stability, fibre cooling and other aspects of production process control. Additionally, according to the CIC Report, leading optical fibre manufacturers in China have generally obtained world-leading draw techniques of optical fibre, with a maximum drawing speed ranging from approximately 2,500 metres per minute to 3,000 metres per minute, while the world's highest drawing speed of optical fibre is approximately 3,000 metres per minute by November 2016. We believe that the high manufacturing efficiency has contributed to the utilisation rate of our optical fibre production facilities. For FY2014, FY2015 and FY2016, the utilisation rate of our optical fibre production facilities was approximately 81.4%, 86.8% and 97.4%, respectively. For the same periods, our revenue from the sale of optical fibres amounted to HK$90.6 million, HK$141.3 million and HK$238.0 million, representing approximately 35.8%, 35.7% and 39.7% of our total revenue, respectively. We intend to further increase the manufacturing efficiency in the production of optical fibres in Hong Kong by improving our technologies and machine operation hours.

In addition, our production volume of optical fibres and optical fibre cables increased during the Track Record Period. For FY2014, FY2015 and FY2016, our production volume of optical fibres amounted to 2.3 million fkm, 3.3 million fkm and 4.6 million fkm, respectively, and our production volume of optical fibre cables amounted to 0.9 million fkm, 1.8 million fkm and 2.6 million fkm, respectively. We believe that we have benefited from the economies of scale resulting from the production volume increases. We believe that with the further expansion of our optical fibre cable production capacities, we would consume more of the optical fibres manufactured by ourselves. In addition, we have established long-term business relationships with suppliers such as Company S Subsidiary and SWCC, which provide us with various raw materials such as optical fibre preforms and optical fibres to support the continuous growth of our business and production capacities. We believe that the stable supply of key raw materials both from ourselves and from our long-term business partners have contributed, and will continue to contribute to, our economies of scale and production cost reduction.

High quality products with international certifications and strict quality control

As of 31 December 2016, for optical fibres, we had six Nextrom drawing production lines from Finland and two high speed Company S drawing production lines from Japan. We manufacture two types of G.652 single mode optical fibres, the most widely used single mode optical fibres, according to the CIC Report. We manufacture 23 types of standard optical fibre cables, which can satisfy various installation conditions, such as aerial, direct burial or duct installation. We also manufacture specialty optical fibre cables based on the requests of our customers. We obtained certificates with respect to the relevant ISO management standards.

Our technical and quality control staff provide strong support to contribute to the high quality of our products. As of 31 December 2016, our technology department staff accounted for 5.2% of our total staff, the members of which include electrical and electronic engineers, mechanical engineers and process engineers. The technical team contributed to the development, production and testing of our products during the Track Record Period. Futong Thailand has established a quality control department, which is a special department responsible for coordinating production, controlling quality and conducting testing in accordance with the specification of customers. As of 31 December 2016, Futong Thailand's quality control department had 25 staff. An officer with over ten years of experience in quality management serves as the head of the quality control department. Other members of the quality control department include university degree holders with extensive experience in quality control and management. During the Track Record Period, we had not experienced material disputes with or complaints from our customers.

Long-term relationship with well-known telecommunications operators as our end users

We are the largest optical fibre cable provider in Thailand and one of the leading optical fibre cable providers in the ASEAN in terms of revenue and market share as of 31 December 2016, according to the CIC Report. With our outstanding product quality and customer services, we believe that we established long-term cooperation relationship with certain end users for our optical fibre cables. Our major end users include well-known telecommunications operators, such as TOT and CAT. We believe that this demonstrates the trust that such key telecommunications operators place on our optical fibre cables. According to the CIC Report, the top three end users of our Group represented approximately 60% of the market share of the telecommunications market in Thailand in 2016. As more PRC telecommunications companies are investing in the Thai and other ASEAN countries' telecommunications markets following the continuous growth of these markets, the products of optical communication production facilities of Chinese manufacturers have become more popular in the Thai and other ASEAN markets. In view of the growth trend of the Thai market, we believe that the Company is able to gain higher market share in such market.

Strong support from our Parent Group which has extensive knowledge and experience in the industry

Our Parent Group is a leading player and a reputable enterprise in the information and communications industry in the PRC with integrated research and development, production and sales capacities, according to the CIC Report. Our Parent Group mainly sells optical fibre preforms, optical fibres, optical fibre cables and metal cables. According to the CIC Report, our Parent Group ranked top two in China and top ten in the world among optical fibre cable manufacturers as of 31 December 2016. Our Parent Group is one of the enterprises in the PRC that owns the intellectual property rights on optical fibre preform total integration technology and one of the enterprises in the PRC that is capable of the commercialisation of optical fibre preforms, according to the CIC Report. Our Parent Group was awarded the National Top 100 Enterprise in Electronic Information in 1998, the National Top 100 Electric Information Enterprise in 2003, the Outstanding High-tech Enterprise in the National Torch Program in 2003 and the National Innovation Enterprise in 2010. After nearly 30 years of development, our Parent Group has become a comprehensive information and communications enterprise focusing on the electric information industry, with products covering the optical communication, metal cables and new energy industries. Our Parent Group has business operations in the PRC and its customers include major PRC telecommunications operators. Immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Parent Group will hold 75% of our total issued Shares and will continue to be our Controlling Shareholder.

We believe that our Parent Group has provided and will continue to provide strong support to our Group, including,

(a) offering us various marketing advantages through its reputation and market position;

(b) allowing us to continue to use the "Futong" trademark after Listing through a licencing agreement; and

(c) leveraging on its business relationships with key raw material suppliers, such as Company S Subsidiary (being our optical fibre preform supplier), to provide support to our raw material supplies.

Experienced and prudent management team

All members of our senior management have extensive experience in the industry. Mr. Hu Guoqiang, an executive Director and a director of Transtech, joined our Group in 2003 and is responsible for making business and development strategies for our Group. Mr. Hu has 15 years of experience in business and financial management. Mr. He Xingfu, an executive Director and the chief executive officer of our Group, joined our Group in 2003 and is responsible for the daily operations and business development of our Group. Mr. He is a senior engineer and has 34 years of experience in the optical communications industry. Mr. Wei Guoqing, an executive Director and the chief executive officer of Futong Thailand, joined our Group in 2013 and is responsible for the daily operations and business development of our Group. Mr. Wei has over 20 years of experience in design, research and development as well as production of optical fibre cables, quality control and corporate cost control. Mr. Pan Jinhua, an executive Director and a director of Futong Thailand, joined our Group in 2013 and is responsible for the investment affairs of our Group. Mr. Pan has 27 years of experience in business investment and corporate governance affairs. Mr. Xu Muzhong, an executive Director and a director of Futong Thailand, joined our Group in 2012 and is responsible for manufacturing process management, quality control, technology and know-how management of our Group. Mr. Xu has over 20 years of experience in production process management, quality control, maintenance, corporate management and operations.

OUR STRATEGIES

Our objective is to principally focus on, and continue strengthening our market position in the manufacturing and sales of optical fibres, optical fibre cables, optical cable cores and related products in Hong Kong and the ASEAN. We intend to achieve such objective by implementing a business strategy with the following key aspects. Please refer to "Future Plans and Use of Proceeds" of this prospectus for further details.

Implementing the expansion plan of our new production facility in Thailand, including the construction of a factory in Thailand with a view to further integrating the production of optical fibres and optical fibre cables within our Group

We believe our current integrated business model of producing optical fibres and optical fibre cables has provided significant benefit to our business, as the optical fibres manufactured by our Hong Kong facilities serve as a source of raw material supply for our production of optical fibre cables in Thailand. To meet our needs for optical fibres as raw materials and to supply to our customers, we intend to further deepen such integration by commencing the production of optical fibres in Thailand through an expansion plan that we expect to commence in or around the third quarter of 2017 and complete in or around early 2019. Our expansion plan involves the construction of a new production factory in Thailand. We expect to fund the estimated capital expenditures for the construction of the new production factory from the net proceeds of the Global Offering, together with internal financial resources and/or bank loans.

As part of this expansion plan, we will also purchase new equipment and machinery for our production facilities. We expect to fund the capital expenditures for the purchase of equipment and machinery from internal financial resources and/or bank loans. In order to increase our production capacity for optical fibres, we plan to add drawing towers and auxiliary machinery and equipment, including certain testing equipment. In order to expand our production capacity for optical fibre cables, we plan to add production machinery and equipment, including colouring machines, sheathing machines and technical testing machines. After the implementation of the expansion plan, we expect Futong Thailand's production capacity for optical fibres to be 5 million fkm per annum and our production capacity of optical fibre cables to increase to 8 million fkm per annum.

Although the ASEAN's optical fibre and optical fibre cable markets are only expected to grow at CAGR of approximately 8% and 7%, respectively:

(i) according to the CIC Report, optical telecommunications product customers may evaluate their potential suppliers taking into account their production capacity, and the Directors believe that our ability to deliver in greater quantity following an expansion will be an advantage over other market players in order to compete for market share;

(ii) although our Group only reached an overall utilisation rate of 72.5% for optical fibre cables for FY2016, the demand for optical fibre cables is subject to seasonality changes and specific requirements requested by customers, which our Group will record a higher utilisation rate at the relevant periods. Our Group expects to record a higher utilisation rate for its optical fibre cable production in light of the key drivers for future demand in the ASEAN and Thailand;

(iii) according to CIC Report, our Group merely accounts for approximately 10.0% of the market share for optical fibre cables in the ASEAN by revenue in 2016, showing room for improvement in terms of our Group's market share and as disclosed under the paragraph headed "Our Strength" in the Business section of this prospectus, the Directors believe localisation provides our Group with advantages in Thailand and other ASEAN markets. It is also believed that furthering the edge which our Group possesses will bring synergetic effect to our existing production facility in Thailand; and

(iv) the Directors remain optimistic about the key drivers in the ASEAN and possible favourable policies to be promulgated by countries which our Group competes in given the recent support from China's "Belt and Road" Initiative.

Based on the above reasons, taking into account the size of Global Offering and the expected net proceeds, the Directors believe that such expansion plan with a view to increasing its production capacity will be beneficial to our Group in the long run. We believe that by increasing our production capacity, we can also receive the advantages of economies of scale, which may further decrease our cost of sales and increase our production efficiency. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for information.

We expect that, to the extent practicable, in early 2019, the majority of the optical fibres manufactured by Transtech will be consumed by Futong Thailand for the production of optical fibre cables and the remaining will be sold to third party customers. We also expect that the optical fibres manufactured by Futong Thailand will be processed into optical fibre cables and supplied to the ASEAN markets in 2019 after the Thailand production plant expansion. We believe that such strengthened integration may help reduce costs and improve our overall profit margin.

Strengthening our research and development capabilities and expanding our range of products

We intend to strengthen our research and development capabilities and expand the range of products we offer, including the research and development of optical fibres and specialty optical fibre cables that can be used under various conditions and in various industries. As we can leverage on the production facilities of optical fibre cables for the production of optical cable cores, we believe that increasing the production and sales of optical cable cores would contribute to the growth of our business.

Enhancing the relationship with existing customers and exploring new customers in Hong Kong and the ASEAN

Leveraging on our stable relationship with existing customers, our advantages obtained through the localisation in overseas markets, our quality products, as well as our future increase of production capacity, we plan to continue to enhance our relationship with existing customers and explore new customers. In our existing markets, such as Thailand, we will continue to keep abreast of customer needs and constantly seek customer feedbacks on our products and services and offer other support to our customers to help increase customer satisfaction levels. Although according to the CIC Report it is a market practice to sell optical fibre cables to end users in Thailand through trading companies, in future we may seek opportunities to conduct such sales directly with end users in Thailand, such as telecommunications operators, as and when we consider appropriate with a view to optimising our Group's profit. We procured new customers in 2016 through our in-house sales team, the number of optical fibre cable customers rose from six in 2014, to 13 in 2015, and to 15 in 2016 and the number of our optical fibre customers rose from three in both 2014 and 2015 to seven in 2016. In Thailand, we primarily sell our products to Independent Third Parties who then on-sell such products to the end users, which are mainly major telecommunications operators. We intend to further strengthen our relationship with the end users of our optical fibre cables, namely, major communications operators. In the new markets into which we intend to expand, such as the markets in other ASEAN countries, our sales and marketing personnel will continue to promote our products through various channels, including word-of-mouth referrals from our existing customers, introducing our products and services to potential customers and various means of advertising, to expand our customer base in such new markets and increase the market recognition of our products and our Group.

OUR PRODUCTS

We are the largest optical fibre cable provider in Thailand and one of the leading optical fibre cable providers in the ASEAN in terms of revenue and market share as of 31 December 2016, according to the CIC Report. The market share of our Group in optical fibre cable market in Thailand was 24.8% in 2016, ranking first in Thailand market. According to the CIC Report, as of 31 December 2016, the market share of our Group in the optical fibre cable market in the ASEAN was 10.0% in terms of revenue, ranking second in the ASEAN market.

We manufacture and sell optical fibre cables with various standard specifications that are widely used in the telecommunications industry. We also design and manufacture specialty optical fibre cables pursuant to requests from our customers, including rodent resistant optical fibre cable, flame-retardant optical fibre cable and non-metallic optical fibre cable. In addition, we manufacture optical fibres for our production of optical fibre cables, as well as for the sale to third parties. Furthermore, we sell optical cable cores and other related products, including power cable and other auxiliary products.

We primarily generate revenue from three types of products, namely, optical fibres, optical fibre cables and optical cable cores. We also generate revenue from the sale of other related products, including power cable and other auxiliary products. We have two major operating subsidiaries, namely, Transtech and Futong Thailand. Transtech is principally engaged in the manufacturing and sales of optical fibre, and its production facilities are located in Hong Kong. Futong Thailand is principally engaged in the manufacturing and sales of optical fibre cable, optical cable core and other related products, and its production facilities are located in Thailand. The table below sets forth the revenue of optical fibres, optical fibre cables, optical cable cores and other related products for the periods indicated, by amount and as percentage of total revenue:

	FY2014		FY2015		FY2016	
	(HK$ in thousands, except for percentages)					
Optical fibre cables:	144,631	57.2%	247,330	62.5%	266,124	44.4%
Optical fibres:	90,560	35.8%	141,284	35.7%	237,980	39.7%
Optical cable cores:	10,079	4.0%	1,951	0.5%	94,434	15.7%
Other related products	7,407	3.0%	4,950	1.3%	1,234	0.2%
Total	252,677	100%	395,515	100%	599,772	100%

Our operating and reporting segments are (i) optical fibre cables, optical cable cores and other related products, which is located in Thailand; and (ii) optical fibres, which is located in Hong Kong. Please refer to the section headed "Financial Information" of this prospectus for further details about our revenue breakdowns by business segments and geographical location.

The table below sets forth the average selling price, being our revenue generated from the sales of the relevant product divided by the sales volume of the product for the respective periods, and the sales volume of our optical fibre cables and optical fibres for the periods indicated:

	FY2014	FY2015	FY2016
Average selling price (per fkm)			
Optical fibre cables	US$20.8	US$17.6	US$18.6
Optical fibres	HK$56.9	HK$50.3	HK$55.5
Optical cable cores	HK$101.0	HK$95.9	HK$88.0
Sales volume (fkm)			
Optical fibre cables	894	1,810	1,853
Optical fibres	1,591	2,807	4,292
Optical cable cores	100	19	1,073

Optical Fibres

Optical fibres are widely used in the communications industry. At the transmission point, electrical impulses representing signal are converted into light waves (light signal) by laser transmitters. At the point of reception, the light waves are converted back into electrical impulses by a photo-detector. Each fibre consists of a central core of high-purity glass with higher refractive index encased in an outer glass cladding that has lower refractive index. The light waves are transmitted primarily through the central core and the glass cladding is designed to reduce signal loss from the fibre.

Light waves guided through optical fibres have larger information transmission capacity per second compared to metallic conductors. Optical fibres also offer a number of other advantages. For example, optical fibres have significantly more information carrying capacity (bandwidth) than metallic conductors and, unlike metallic conductors, are not subject to electromagnetic or radio frequency interference. Signals of equal strength can be transmitted over much longer distance through optical fibres than through metallic conductors and require the use of fewer repeaters (devices which strengthen a signal). Furthermore, optical fibre communication consumes much less energy than traditional communication over metallic conductors per the same amount of data transmitted.

We manufacture two types of G.652 single mode optical fibre, also known as dispersion unshifted single-mode fibre. G.652 single mode optical fibre has the best performance at wavelength of 1310nm. G.652 single-mode fibre has been put into commercial operation since 1983. The wavelength of its zero material dispersion is 1310nm. At the wavelength of 1550 nm, the attenuation is minimum while the positive dispersion is relatively large with a dispersion coefficient of 18ps/(nm.km). The working wavelength of G.652 single-mode fibre can be 1310nm or 1550nm. G.652 single-mode fibre is the most widely used single-mode fibre, according to the CIC Report. The table below shows the features of the two types of G.652 optical fibres, namely, G.652.B fibre and G.652.D fibre, we manufacture:

Name	Features
G.652.B fibre	supports transmission of 10 Gbit/s signal and 40 Gbit/s signal over a distance of above 3000km and 80km, respectively.
G.652.D fibre	has the same basic features with G.652.B fibre and the same attenuation coefficient with G.652.C fibre. The working wavelength of G.652.D fibre ranges from 1280nm to 1625nm. G.652.D fibre meets the highest specification among all types of G.652 fibre and has full backward compatibility. It has the same structure as the ordinary G.652 fibres, and is the most advanced dispersion unshifted fibre used in urban area network.

During the Track Record Period, our optical fibres were either (i) used by us for the production of optical fibre cables or (ii) sold to our related parties or Independent Third Parties in Hong Kong or the PRC.

The table below sets forth by total volume of optical fibres sold for the periods indicated:

	FY2014	FY2015	FY2016
		(in thousands)	
Optical fibres (fkm)	1,591	2,807	4,292

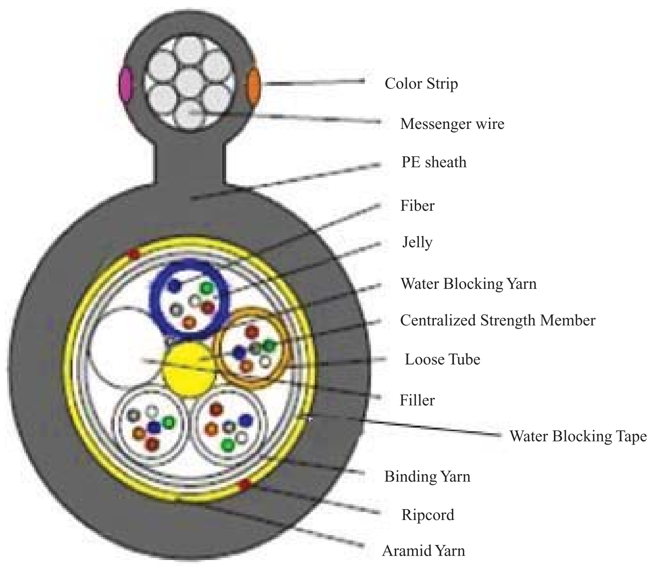
The table below sets forth the price ranges of our optical fibres for the periods indicated:

	Low end	High end
	(in HK$ per fkm)	
2014	51.6	66.8
2015	50.0	57.2
2016	50.0	68.9

In addition to the production of our own optical fibres, during the Track Record Period, we also procured optical fibres used for the production of optical fibre cables from third party suppliers.

Optical Fibre Cables

Optical fibre cables are manufactured from one or more optical fibres by first colouring the optical fibre and then encasing the optical fibre in protective jackets. The protective jacket differs depending on the environment in which the cables are to be deployed. For example, optical fibre cables for outdoor applications generally need to be protected from challenging environmental conditions, such as contamination from water, temperature changes, construction works or animal damages. Strength members such as steel or glass fibres are also used in the production of optical fibre cables to enhance the strength and durability of the cable. The picture below shows the composition of a self-supporting optical fibre cable.



Our optical fibre cables are primarily used in the telecommunications industry. For additional information as to the end users of our optical fibre cables, please see "—Customers, Sales and Marketing—Our Customers."

As of 31 December 2016, we manufactured 23 types of standard optical fibre cables, the operating temperature of which ranges between -40 degree to +60 degree Celsius, with certain cables having a temporary heat resistant of up to 170 degree Celsius. Our optical fibre cables can satisfy various installation conditions, such as aerial, direct burial or duct installation. We also manufacture specialty optical fibre cables based on the specific requests of our customers.

During the Track Record Period, our optical fibre cables were primarily sold to Independent Third Parties in Thailand and in other ASEAN countries, namely, Malaysia, the Philippines, Singapore, Indonesia and Vietnam. The table below sets forth by total volume of optical fibre cables sold for the periods indicated:

	FY2014	FY2015	FY2016
	fkm	fkm (in thousands)	fkm
Total	894	1,810	1,853

During the Track Record Period, the price ranges of our most common optical fibre cables with standard specification were THB350 to THB5,500 per fkm.

Optical Cable Core and Other Related Products

Optical cable core comprises a number of optical fibres and is one of the key components of optical fibre cable. Optical cable core is generally used by manufacturers of optical fibre cables. During the Track Record Period, we sold optical cable cores to our Parent Group and an Independent Third Party customer in Hong Kong. Our other products primarily include power cable and other auxiliary products, which are generally used by telecommunications companies. During the Track Record Period, we sold such other related products to our Parent Group as well as to Independent Third Party customers. Please refer to "— Customers, Sales and Marketing — Our Customers — Optical cable cores and other related products" below for further details.

PRODUCTION

Overview

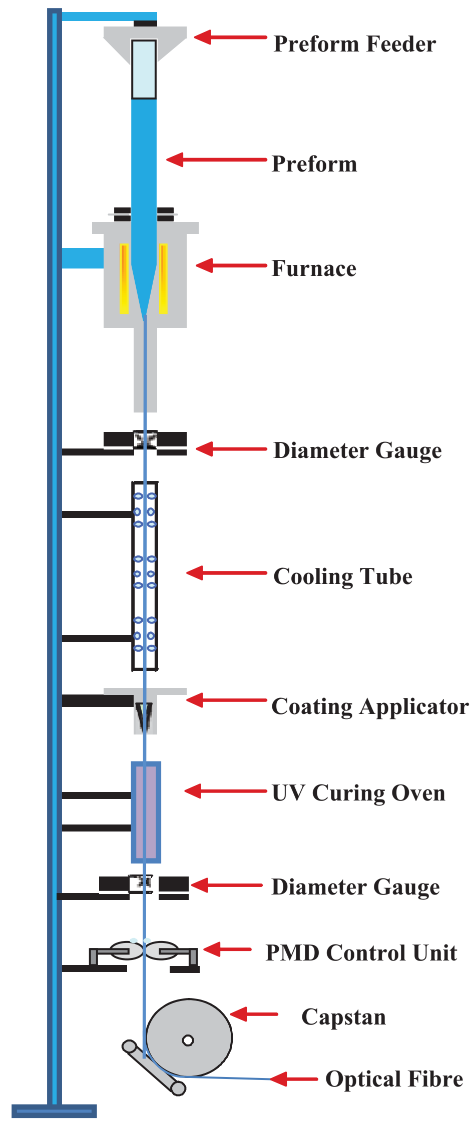
Optical fibres are manufactured from optical fibre preforms and optical fibre cables are manufactured primarily from optical fibres that are bound and go through the colouring, coating, stranding, and sheathing processes. Optical cable cores are manufactured primarily from optical fibres that are bound and go through the colouring, coating, and stranding processes. The following description sets forth the production processes of optical fibres, optical fibre cables and optical cable cores.

Production Process

Optical Fibres

The optical fibres are manufactured by placing the optical fibre preform in the drawing furnace on top of a drawing tower, which melts the optical fibre preform through intense heat to draw bare fibres. The bare fibres are then coated with resin and irradiated with ultraviolet light for two times to harden for manufacturing optical fibres.

The following chart illustrates certain primary production steps for our optical fibres:



We believe manufacturing efficiency is one of the key factors to our success. We believe that the fibre drawing speed and the continuous fibre drawing length we are able to achieve, as well as the large size of the optical fibre preforms we are able to handle, represent a leading position in optical fibre production process in the world. According to the CIC Report, achieving high draw speed, long continuous fibre drawing length and the ability to handle large size optical fibre preforms require a high level of technical capabilities with respect to equipment design, coating stability, fibre cooling and other aspects of process control.

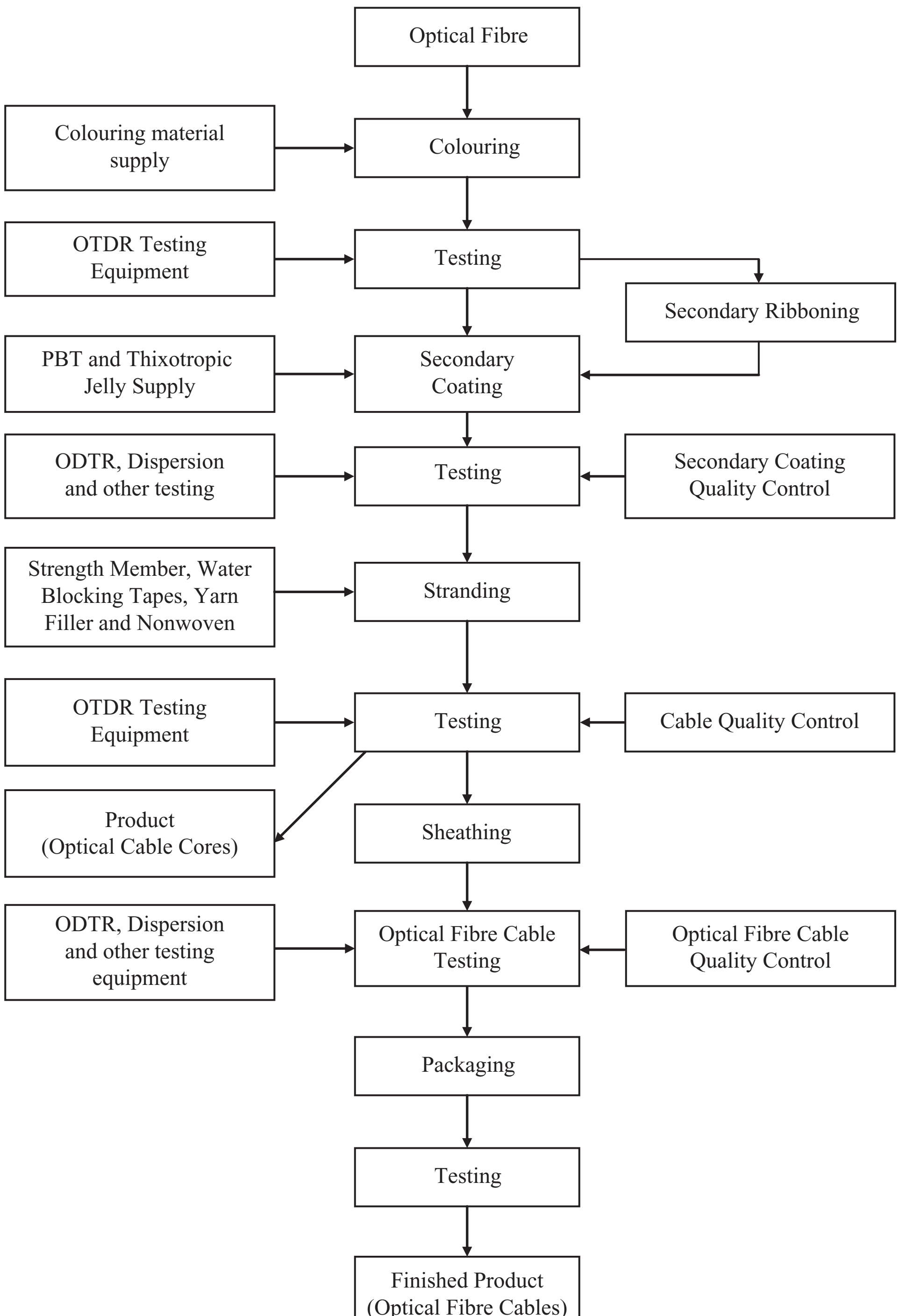
Optical Fibre Cables

Optical fibre cables are made from either single-mode or multi-mode optical fibres and other strength members and protection elements. Our production of standard optical fibre cables primarily involves (i) optical fibre colouring, (ii) secondary coating individual or multiple coloured optical fibres, (iii) stranding the tube or fillers around a central strength member, (iv) sheathing, and (v) final testing.

Optical Cable Cores

Optical cable core comprises a number of optical fibres and is one of the key components of optical fibre cable. Optical cable core is generally used by manufacturers of optical fibre cables. Our production of standard cable cores primarily involves (i) optical fibre colouring, (ii) secondary coating individual or multiple coloured optical fibres, (iii) stranding the tube or fillers around a central strength member, and (iv) testing.

The following flow chart illustrates the primary production processes for our optical fibre cables and optical cable cores:



Production Facilities and Capacities

As of 31 December 2016, we had facilities with a total gross floor area of 5,000 square metres for the production of optical fibres, facilities with a total gross floor area of 2,500 square metres for warehouse purposes and facilities with a total gross floor area of 350 square metres for administrative purposes in Hong Kong. As of 31 December 2016, we had an aggregate of eight production lines for the production of optical fibres, including six Nextrom drawing production lines and two Company S drawing production lines. As of 31 December 2016, we had 78 employees in Hong Kong where we manufacture optical fibres. During the Track Record Period, the utilisation rate of our optical fibre production facilities remained relatively high as there was sufficient internal and market demand for the optical fibres we manufactured.

We use similar facilities for the production of optical fibre cables and optical cable cores. As of 31 December 2016, we had facilities with a total gross floor area of 20,000 square metres for the production of optical fibre cables and optical cable cores, facilities with a total gross floor area of 5,000 square metres for warehouse purposes and facilities with a total gross floor area of 2,000 square metres for administrative purposes in Thailand. As of 31 December 2016, we had various machinery for the production of optical fibre cables and optical cable cores, including colouring machines, tubing machines, cabling machines and sheathing machines. As of 31 December 2016, we had 192 employees in Thailand where we manufacture optical fibre cables and optical cable cores. During the Track Record Period, we generally determined the production volume of optical fibre cables and optical cable cores based on the purchase orders we received. The utilisation rate of our production facilities for optical fibre cables and optical cable cores increased during the Track Record Period, primarily attributable to (i) Futong Thailand's expansion of production facilities in 2014 and its production volume ramped up in 2015, and (ii) increased amount of purchase orders we received during the Track Record Period. According to the CIC Report, market demand for optical fibre cables and optical cable cores will continue to increase, mainly attributable to the development of telecommunications infrastructures in the ASEAN. We believe that the increased market demand, the marketing activities by our sales personnel and the reputation of our products will enable us to receive an increasing amount of large purchase orders for optical fibre cables going forward. Accordingly, we plan to further increase our production capacity for optical fibre cables and optical cable cores, as production capacity is one of the major factors considered in the bidding processes organised by telecommunications operators, which are the potential end users of our optical fibre cables.

The following table sets forth the overall production capacity, the actual production volume and the utilisation rate for optical fibres, optical fibre cables and optical cable cores for the periods indicated:

	FY2014			FY2015			FY2016		
	Overall production capacity	Actual production volume	Utilisation rate(3)	Overall production capacity	Actual production volume	Utilisation rate(3)	Overall production capacity	Actual production volume	Utilisation rate(3)
			%			%			%
	(fkm, in thousands, except for percentages)								
Optical fibres (fkm) . . .	2,863(1)	2,331	81.4	3,838(1)	3,331	86.8	4,813(1)	4,648	97.4
Optical fibre cables and optical cable cores (fkm)	2,402(2)	947	39.4	3,310(2)	1,842	55.6	3,559(2)	2,580	72.5

Notes:

(1) Overall production capacity is calculated by us based on the production of standardised products and the production facilities operating 15.5 or 19.8 hours a day, as applicable, and 28.5 days a month.

(2) Overall production capacity is calculated by us based on the production of standardised products and the production facilities operating 18 hours a day and based on 26 days a month. There are multiple manufacturing processes involved in the production of optical fibre cables and optical cable cores, each of which may have different production capacity. The overall production capacity is calculated by us based on the manufacturing process with the production capacity of the most common specification. As we use similar facilities for the production of optical fibre cables and optical cable cores, optical fibre cables and optical cable cores share the same overall production capacity.

(3) Utilisation rate is arrived at by dividing the actual production volume by the overall production capacity.

The table below sets forth the utilisation rate of optical fibres in the production of optical fibre cables and optical cable cores, for the periods indicated:

	FY2014	FY2015	FY2016
	(approximate, and in thousands, except for percentages)		
Production volume of optical fibre cables (fkm)	947	1,842	2,580
Volume of optical fibres consumed (fkm)	974	1,882	2,668
Stranding coefficient(1)	1.5%	1.5%	1.5%
Utilisation rate of optical fibres(2)	98.7%	99.4%	98.2%

Notes:

(1) Production of optical fibre cables involved, among others, stranding tube or fillers around a central strength member. For a given length of stranded optical fibre cable, since optical fibres are inelastic in nature, the length of optical fibres used for stranding around the optical fibre cable's core will be longer than its core to cope with bending, pulling and putting pressure on the optical fibre cables. Therefore, the stranding coefficient indicates the relationship of single optical fibre length to cable length, and being the coefficient formulated for such purposes, will be added for illustration purpose of our utilisation rate.

(2) Utilisation rate of optical fibres is calculated by us based on the production volume of optical fibre cables divided by the volume of optical fibres consumed plus stranding coefficient.

We have upgraded our production facilities in the past. Since the inception of Transtech in 2003, it has gone through two phases of production expansions. Transtech increased the optical fibre production speed through the first expansion between 2006 and 2008 and further increased its production capacity by increasing the number of optical fibre production lines through the second expansion between 2014 and 2015. Since the inception of Futong Thailand in 2010, it has gone through two phases of production expansions. Futong Thailand added some sheathing lines during the first expansion in 2014 and added various machinery during the second expansion in 2016.

We plan to further expand our production capacity by adding several drawing towers for optical fibres and several machinery for optical fibre cables and optical cable cores to our Thailand production site. As of 31 December 2016, we had additional space in our existing facilities for the further expansion of our capacities for the production of optical fibre cables and optical fibres in Thailand. The table below sets forth our construction plan of the Thailand factory:

	Expected time frame	Estimated investment (RMB in million)	Source of funds (approximately)
Construction of factory and relevant facilities	Third quarter of 2017 to second quarter of 2018	100	27% by own funds and bank borrowing and 73% by proceeds from the Global Offering
Purchase of equipment and machineries	Second quarter of 2018 to first quarter of 2019	140	100% by own funds and bank borrowing

We have implemented an internal production management system that covers certain major operating processes, such as raw material procurement, workflow, accounts receivable, accounts payable, inventory and fixed assets. Such system aims to facilitate us to monitor in real time purchase orders, inventory, production schedules and the availability of each of our production lines, which enables us to track the utilisation rate of our production facilities to maximise production efficiency.

We obtained certificates with respect to the relevant ISO management standards. We have also established internal manufacturing and operational standards by taking into account the technical, engineering and other specific requirements and procedures for the machinery. These measures are in place to with a view to minimising material unexpected stoppage and maximising production efficiency. During the Track Record Period, we did not experience any material unexpected stoppage of operations as a result of any material failure of our production facilities.

Key Production Machinery, Equipment and Technology

Certain major machinery and equipment used in our production facilities are set forth below:

- optical fibres—high-speed drawing tower and testing equipment
- optical fibre cables—fibre colouring machine, secondary coating production line, extruding production line, stranding production line and sheathing production line
- optical cable cores—fibre colouring machine, secondary coating production line, extruding production line and stranding production line

We perform maintenance check on the status of our production and testing machinery equipment and replace or upgrade our machinery equipment from time to time.

Key technologies applied in the manufacturing of our products are as set forth below:

- optical fibres—high speed drawing technology, high speed cooling technology, high speed coating technology, ultraviolet light hardening technology, PMD online improvement technology and D2 treatment technology and advanced measurement technology
- optical fibre cables—optical fibre colouring technology, loose tube preparation technology, loose tube stranding technology, cable sheathing technology, mini-size tube preparation technology, high-speed yarn dual cross binding technology and gel filling technology
- optical cable cores—optical fibre colouring technology, loose tube preparation technology, loose tube stranding technology, mini-size tube preparation technology, high-speed yarn dual cross binding technology and gel filling technology

RAW MATERIALS, INVENTORIES AND SUPPLIERS

Raw Materials and Suppliers

The table below sets forth the major raw materials for our products:

Products	Raw materials
Optical fibres	Optical fibre preforms and ultraviolet curing coating
Optical fibre cables	Optical fibres, polybutylene terephthalate, non-metallic strength member, steel tape, aluminium tape and yarn filler
Optical cable cores	Optical fibres, non-metallic strength member and yarn filler

During the Track Record Period, we primarily purchased raw materials and optical fibre cables from the PRC, Japan, Hong Kong and Thailand. For FY2014, FY2015 and FY2016, the cost of purchase related to our five largest suppliers on a combined basis was HK$150.4 million, HK$258.9 million and HK$377.3 million, respectively, accounting for 81.6%, 85.8% and 88.8% of our total cost of raw materials and optical fibre cables purchased for the respective periods. For the same periods, the cost of purchase related to our largest supplier on a combined basis was HK$47.9 million, HK$115.1 million and HK$133.5 million, respectively, accounting for 26.0%, 38.1% and 31.4% of our total cost of raw materials and optical fibre cables purchased for the respective periods.

We generally procure our suppliers for the production of optical fibres and optical fibre cables through the introduction by our Parent Group at our Group's early stage of development and the selection by our own procurement personnel. During the Track Record Period, our Group's procurement department sourced for supplies through existing suppliers of our Group and efforts of our Group's procurement department independent from our Parent Group. Going forward, we will continue to source our raw materials through existing suppliers of our Group and by efforts of our procurement department independent from our Parent Group.

Set out below is the background information of our five largest suppliers for FY2014:

	Supplier	Major materials supplied	Supplier's principal activities	Location	Approximate years of business relationship as of 31 December 2016	Credit period	Percentage of total cost of purchase FY2014
1.	Parent Group	Optical fibre preforms; optical fibre cables; optical cable cores	Trading of optical fibre preforms and optical fibres; manufacturer of optical fibre cables	PRC/Hong Kong	2-9.5	180 days	26%
2.	Company S Subsidiary	Optical fibre preforms	Trading of optical fibre preforms and coating materials	Hong Kong	9.5	90 days	22%
3.	Shenzhen King Task	Auxiliary raw materials	Trading of optical fibre cables and auxiliary materials	PRC	4.5	180 days	20%
4.	SWCC	Optical fibres	Manufacturer of optical fibre cables	Japan	4	180 days	10%
5.	Supplier E	Auxiliary raw materials	Trading of auxiliary materials	Thailand	3.5	60 days	4%

Set out below is the background information of our five largest suppliers for FY2015:

	Supplier	Major materials supplied	Supplier's principal activities	Location	Approximate years of business relationship as of 31 December 2016	Credit period	Percentage of total cost of purchase FY2015
1.	Company S Subsidiary	Optical fibre preforms; coating materials	Trading of optical fibre preforms and coating materials	Hong Kong	9.5	90 days	38%
2.	Parent Group	Optical fibres; auxiliary raw materials	Trading of auxiliary raw materials; manufacturer of optical fibre cables	PRC/Hong Kong	2-9.5	60-180 days	25%
3.	SWCC	Optical fibres	Manufacturer of optical fibre cables	Japan	4	180 days	15%
4.	Supplier F	Auxiliary raw materials	Trading of auxiliary materials	Thailand	3.5	60 days	4%
5.	Supplier E	Auxiliary raw materials	Trading of auxiliary materials	Thailand	3.5	60 days	4%

Set out below is the background information of our five largest suppliers for FY2016:

	Supplier	Major materials supplied	Supplier's principal activities	Location	Approximate years of business relationship as of 31 December 2016	Credit period	Percentage of total cost of purchase for FY2016
1.	Company S Subsidiary	Optical fibre preforms; coating materials	Trading of optical fibre preforms and coating materials	Hong Kong	9.5	90 days	31%
2.	SWCC	Optical fibres	Manufacturer of optical fibre cables	Japan	4	180 days	30%
3.	Parent Group	Optical fibres; optical fibre cables; optical cable cores; auxiliary raw materials	Trading of optical fibres and auxiliary materials; manufacturer of optical fibre cables	PRC/Hong Kong	2-9.5	60-180 days	23%
4.	Supplier F	Auxiliary raw materials	Trading of auxiliary materials	Thailand	3.5	60 days	2%
5.	Supplier G	Auxiliary raw materials	Trading of auxiliary materials	Thailand	3	60 days	2%

Our Parent Group

During the Track Record Period, we purchased raw materials, including optical fibre preforms, optical fibres and auxiliary raw materials, as well as optical fibre cables and optical cable cores, which are not regarded as raw materials, from our Parent Group.

Optical fibre preform, which we principally sourced from Company S Subsidiary during the Track Record Period, is the major raw material used by Transtech for the manufacturing of optical fibres. During the Track Record Period, we purchased optical fibre preforms from our Parent Group in FY2014. While we do not intend to resume any procurement of optical fibre preforms from our Parent Group upon the Listing, in case we determine in doing so in the future, we will comply with the then applicable GEM Listing Rules. Futong Thailand purchased optical fibres from Transtech and our Parent Group for the manufacturing of optical fibre cables during the Track Record Period. Due to Parent Group's centralised internal procurement management strategy which commenced in December 2015, procurement of optical fibres manufactured by Transtech was centrally conducted through Futong Group (Hong Kong), being a member of our Parent Group and a Hong Kong company engaged in, among others, trading business. The procurement amount under such arrangement accounted for a relatively small amount of our cost of sales for each of the relevant years. Such arrangement was terminated in August 2016 and procurement from Transtech to Futong Thailand was conducted directly thereafter. Moreover given that, historically, Futong Thailand experienced shortage of optical fibres as raw materials for its optical fibre cable production, therefore, it procured optical fibres from our Parent Group for production under such special occasions. We do not intend to continue procuring optical fibres from our Parent Group upon the Listing.

During the Track Record Period, we procured certain auxiliary raw materials from our Parent Group for the manufacturing and packaging of our products. Such auxiliary raw materials included components for optical fibre cables or optical cable cores (such as polybutylene terephthalate, non-metallic strength member, steel tape, aluminium tape and yarn filler), steel wire, water blocking tapes, optical fibre reels and carton boxes. We do not intend to continue procuring such auxiliary raw materials from our Parent Group upon the Listing. Our Directors confirm that during the Track Record Period, our purchases from our Parent Group were made on normal commercial terms.

In addition to raw materials, we also purchased optical fibre cables and optical cable cores from our Parent Group during the Track Record Period. Please refer to "—Purchase of Optical Fibre Cables and Optical Cable Cores" below for further details. During the Track Record Period, our Parent Group was also one of our five largest customers. Please refer to "—Customers, Sales and Marketing—Our Customers" below for further details about the background of our Parent Group and our Parent Group as our customers.

Company S Subsidiary

The major raw material used by Transtech for the manufacturing of optical fibres was optical fibre preform, which was principally sourced from Company S Subsidiary during the Track Record Period. In order to have independent access to optical fibre preforms, Transtech entered into a sale agreement with Company S and Company S Subsidiary in August 2016, in relation to the supply of optical fibre preforms to us for a term of three years. This sale agreement sets out the price of the optical fibre preforms, subject to changes as the parties may otherwise negotiate. Transtech also procured optical fibre coating materials and machinery consumables from Company S Subsidiary during the Track Record Period. Company S was previously an indirect shareholder of Transtech. Please see "History and Development—Corporate History and Development" for details in relation to Company S's previous investment in Transtech. Company S is a business partner of our Parent Group and has established four joint venture companies with our Parent Group. Subsequent to the sale of its indirect 49.0% shareholding in Transtech by Company S to our Parent Group in May 2016, Company S no longer has any equity interest in Transtech. To the best of our knowledge, information and belief, neither Company S nor Company S Subsidiary was a connected person of the Company as of the Latest Practicable Date. Our Directors confirm that our purchases from Company S Subsidiary were and will continue to be on normal commercial terms. According to the CIC Report, there are a number of optical fibre preform suppliers in countries such as Japan and the PRC, thus we believe that we are able to source optical fibre preforms at similar terms and quality from other raw material suppliers if and when needed.

Shenzhen King Task

For FY2014, we purchased certain auxiliary raw materials from 深圳市金泰科技有限公司 ("**Shenzhen King Task**"), including steel wire, aluminium tape and fibre-reinforced plastic. Please refer to "—Customers, Sales and Marketing—Our Customers" below for further details about the background of, and our purchases from and sales to Shenzhen King Task.

SWCC

The major raw material used by Futong Thailand for the manufacturing of optical fibre cables and optical cable cores was optical fibre. During the Track Record Period, Futong Thailand procured optical fibre from Transtech (i.e. internally within our Group), SWCC and our Parent Group. Transtech did not supply all its optical fibres to Futong Thailand and Futong Thailand procured optical fibres from our Parent Group and SWCC during the Track Record Period, primarily as a result of commercial considerations of our Group.

SWCC is a subsidiary of Showa Holdings, which is a business partner of our Parent Group and is owned as to 18.54% by our Parent Group and our Parent Group is the single largest shareholder of Showa Holdings as at the Latest Practicable Date. Showa Holdings has established three joint venture companies with our Parent Group. To the best of our knowledge, information and belief, neither Showa Holdings nor SWCC was a connected person of the Company as of the Latest Practicable Date. According to the CIC Report, the historical price of optical fibres in Japan was slightly lower than that in Hong Kong, with approximately RMB48.0 per fkm in Japan and RMB49.0 per fkm in Hong Kong in 2016, respectively. According to the CIC Report, it is an industry practice that Japanese optical fibre companies are committed to form a long-term business relationship with trusted business partners and customers, and some of them normally enter into a long-term partnership agreements. In other words, it is less usual for Japanese optical fibre companies to cooperate with new market entrants. Therefore the price of optical fibres in Japan remains relatively stable as compared to other locations such as the PRC and Hong Kong. Given the tendency of Japanese optical communication product market players to cooperate with their existing trusted business partners and customers, short term price fluctuation in optical fibre prices, such as the recent price fluctuation in the PRC in 2016, did not affect the long-term business relationship between Japanese market players and their business partners and customers, and did not affect the correlation between optical fibre prices in Hong Kong and that of Japan, where such prices in Japan were slightly lower than that of Hong Kong historically and significantly lower than that of the PRC due to the PRC's domestic demand coupled with the anti-dumping investigations. Moreover, according to the CIC Report, due to the anti-dumping investigations of optical fibre preform produced in Japan and the U.S., such products were banned for sales in China and this resulted in a shortage of optical fibre preform in China. In order to maintain a stable business relationship with customers outside the PRC, according to the CIC Report, Japanese optical fibre companies tend to sell their products at a lower price compared to players in Hong Kong and the PRC. Moreover, Japanese optical fibre companies are also capable of keeping their optical fibre prices at such lower level due to their mature manufacturing technology and stable business relationship with their customers. Accordingly, the price of optical fibres sold by SWCC was more competitive than that of Transtech during the relevant period, which is in line with our Group's then procurement strategy. Our Directors confirm that our purchases from SWCC were and will continue to be made on normal commercial terms. With the increase in production efficiency in Transtech and the proposed establishment of optical fibre production lines in Futong Thailand, we believe that we will be able to source the majority of the optical fibres needed for the production of optical fibre cables and optical cable cores internally in the future. In addition, we believe that, if required, optical fibres are available at similar terms and quality from other raw material suppliers.

Supplier E

So far as the Directors are aware, supplier E is a private company incorporated in Thailand with a registered capital of THB5.0 million, and is principally engaged in the trading of auxiliary raw materials such as polybutylene terephthalate, one of the raw materials used for the production of optical fibre cables.

Supplier F

So far as the Directors are aware, supplier F is a private company incorporated in Thailand with a registered capital of THB80.0 million, and is principally engaged in the trading of auxiliary raw materials such as polybutylene terephthalate, one of the raw materials used for the production of optical fibre cables.

Supplier G

So far as the Directors are aware, supplier G is a private company incorporated in Thailand with a registered capital of THB200.0 million, and is principally engaged in the trading of auxiliary raw materials such as polybutylene terephthalate, one of the raw materials used for the production of optical fibre cables.

For further details on the risks and uncertainties associated with the suppliers of our raw materials, please refer to "Risk Factors—We rely on a limited number of key suppliers for certain of our raw materials. If our suppliers fail to supply quality raw materials in sufficient volumes at commercially acceptable prices, our business and reputation could be adversely affected" of this prospectus. During the Track Record Period, none of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after the Global Offering, to the knowledge of our Directors, held any interests in any of our five largest suppliers (save and except that (a) our Parent Group was one of our five largest suppliers during the Track Record Period and that Mr. Hu, Mr. Wei, Mr. Pan and Mr. Xu, each being an executive Director, hold indirect interest in our Parent Group, and Mr. Wang and Futong Investments hold indirect and direct interest in our Parent Group as disclosed in "History and Development" of this prospectus; and (b) our Parent Group is the single largest shareholder of Showa Holdings which has interest in SWCC as disclosed in the paragraph headed "SWCC" of this section).

During the Track Record Period, we had not experienced material shortage or delay in the supply of raw materials. According to the CIC Report, most of the raw materials needed for the production of optical fibres, optical fibre cables and optical cable cores are manufactured by multiple suppliers at comparable prices. We believe that, if there is a shortage in the supply of raw materials, we are able to find alternative raw material suppliers with comparable quality and prices and/or substitutes within reasonable time for most of the raw materials needed for the production of our products.

A sensitivity analysis on the fluctuation in raw material costs during the Track Record Period is set forth below, which illustrates the hypothetical effects on our net profit with 5%, 10% and 15% increase or decrease in our raw material costs. Because a number of assumptions have been applied, this sensitivity analysis is for illustration only, and actual results may differ from those illustrated below:

	Hypothetical effects on yearly net profit for change in raw material costs		
	+/- 5%	**+/- 10%**	**+/- 15%**
	HK'000	**HK'000**	**HK'000**
31 December 2014	(9,229)/9,229	(18,459)/18,459	(27,688)/27,688
31 December 2015	(14,031)/14,031	(28,062)/28,062	(42,094)/42,094
31 December 2016	(19,225)/19,225	(38,451)/38,451	(57,676)/57,676

In case of increases in raw material prices, we endeavour to reflect such increases in the selling prices of our products.

Procurement Policies

We select our raw material suppliers generally based on a variety of factors where appropriate, such as their overall ability, technical capability, quality control, reputation, creditability, price and services.

Purchase of Optical Fibre Cables and Optical Cable Cores

In addition to raw materials, we also purchased optical fibre cables and optical cable cores from our Parent Group for on-selling to customers during the Track Record Period, primarily because we received a large amount of purchase orders mainly as a result of increased demand in the Thai market and were under time constraints to deliver products to our customers. However, we do not intend to engage in such on-selling business substantially or at all in the future. With the future expansion of our optical fibre cable and optical cable core production capacities in Thailand, we believe that we will be better equipped to meet customer demand with self-manufactured optical fibre cables and optical cable cores. Our Directors confirm that such purchase of optical fibre cables and optical cable cores from our Parent Group was made on normal commercial terms.

Inventory Management

We implement inventory control management with a view to minimising under- or over-stocking. As to the inventory management of raw materials, we adjust our raw material procurement according to our production capacity, so as to minimise and maintain our inventory of raw materials at an appropriate level. We may temporarily increase the inventory of raw materials if we estimate the demand for our products will increase significantly in the near future.

Delivery and Transportation

We deliver our products to destinations specified by our customers subject to the relevant purchase orders. Transportation expenses may or may not be included in the total selling prices depending on the terms with each customer on a case-by-case basis.

SEASONALITY AND PRICING STRATEGIES

We consider that seasonality does not have a material impact on our business as many of our customers are located in ASEAN countries where the weather generally remains warm throughout the year.

In determining the selling price range of our products, whether to our Parent Group, other related parties or Independent Third Parties, we take into account, among other things, general market conditions, production cost of the machines, customers' specific requirements on the product, prices charged by competitors for similar products and the prevailing foreign exchange rates. We also review and adjust the selling prices of our products from time to time based on these factors.

CUSTOMERS, SALES AND MARKETING

Our Customers

During the Track Record Period, customers for our optical fibre cables were primarily Independent Third Parties in Thailand and in other ASEAN countries, namely, Malaysia, the Philippines, Singapore, Indonesia and Vietnam, through which telecommunications operators make their procurements, and, as confirmed by our Directors, we generally did not have direct sales relationships or enter into agreements with such end users. According to the CIC Report, it is a market practice in Thailand and other ASEAN countries to sell optical fibre cables through third party trading companies, as such trading companies are generally capable of providing comprehensive procurement services to the telecommunications operators, which help, among other things to save staff costs on procurements by telecommunications operators. In addition, according to the CIC Report, it is also a market practice in Thailand for the trading companies to submit bids in the tender processes organised by the telecommunications operators instead of the optical fibre cable manufacturers. The number of our optical fibre cable customers was six, 13 and 15 for FY2014, FY2015 and FY2016, respectively, which were primarily Independent Third Parties.

During the Track Record Period, part of our optical fibres were consumed internally by Futong Thailand and we sold the remaining to customers in Hong Kong and the PRC, including our Parent Group. We had three, three and seven optical fibre customers on a combined basis for FY2014, FY2015 and FY2016, respectively, among which one, one and six were Independent Third Parties. We intend to continue to sell the optical fibres manufactured by Transtech to our Parent Group until the end of 2018, but intend for such sales to account for a decreasing portion in our total sales of optical fibres. For our arrangement with our Parent Group for such sale of optical fibres after the Listing, please refer to "Continuing Connected Transactions—Non-exempt Continuing Connected Transaction" of this prospectus.

During the Track Record Period, we sold optical cable cores and other related products to our Parent Group and other Independent Third Party customers. We had ceased selling optical cable cores and other related products to our Parent Group since October 2016 and we intend to focus on Independent Third Party customers for these products after the Listing.

Based on the information provided by our Parent Group, for FY2014, FY2015 and FY2016, approximately 94%, 89% and 88% of the revenue from sales of optical communication products recorded by our Parent Group was generated from sales to telecommunications operators in the PRC. As advised by our Parent Group, it believes that all optical communication products purchased by telecommunications operators from it were used for such operators' own projects in the PRC.

For FY2014, FY2015 and FY2016, our five largest customers on a combined basis accounted for approximately 96.8%, 96.7% and 94.3%, respectively, of our total revenue, and the largest customer on a combined basis accounted for approximately 44.9%, 38.2% and 30.0%, respectively, of our total revenue. None of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after the Global Offering, to the knowledge of our Directors, held any interests in any of our top five customers during the Track Record Period (save and except that our Parent Group was one of our top five customers during the Track Record Period and that Mr. Hu, Mr. Wei, Mr. Pan and Mr. Xu, each being an executive Director, holds indirect interest in our Parent Group as disclosed in "History and Development" of this prospectus).

Set out below is the background information of our five largest customers for FY2014:

	Customer	Major products purchased	Principle business	Location	Approximately years of business relationship as of 31 December 2016	Credit period	Percentage of total sales for FY2014
1.	Fuyuan Business Co., Ltd. ("Fuyuan")	Optical fibre cables	Trading of optical fibre cables	Thailand	4	60 – 150 days	45%
2.	Parent Group	Optical fibres; optical cable cores	Manufacturer of optical fibre cables	PRC/Hong Kong	3 – 8	90 – 210 days	27%
3.	Kijsantong Trading Company Limited ("KST")	Optical fibre cables	Trading of optical fibre cables	Thailand	4	50% within 45 days; 50% within 120 days	12%
4.	Shenzhen King Task	Optical fibre cables	Trading of optical fibre cables	PRC	7	210 days	9%
5.	Customer R	Optical fibre cables	Trading of optical fibre cables	The Philippines	3	50% paid in advance; 50% within 7 days	3%

Set out below is the background information of our five largest customers for FY2015:

	Customer	Major products purchased	Principal business	Location	Approximate years of business relationship as of 31 December 2016	Credit period	Percentage of total sales for FY2015
1.	KST	Optical fibre cables	Trading of optical fibre cables	Thailand	4	50% within 45 days; 50% within 120 days	38%
2.	New-Olex	Optical fibres	Manufacturer of optical fibre cables	PRC	1.5	210 days	26%
3.	Asian Communication Equipment Company Limited ("ACE")	Optical fibre cables	Trading of optical fibre cables	Thailand	2	50% within 45 days; 50% within 120 days or 100% within 15 – 120 days	14%
4.	Parent Group	Optical fibres; optical cable cores	Manufacturer of optical fibre cables, and trading of auxiliary accessories	PRC/Hong Kong	3 – 8	60 – 270 days	10%
5.	Fuyuan	Optical fibre cables	Trading of optical fibre cables	Thailand	4	30 – 150 days	8%

Set out below is the background information of our five largest customers for FY2016:

	Customer	Major products purchased	Principal business	Location	Approximate years of business relationship as of 31 December 2016	Credit period	Percentage of total sales for FY2016
1.	KST	Optical fibre cables	Trading of optical fibre cables	Thailand	4	50% within 45 days; 50% within 120 days[(1)]	30%
2.	ZTT Hong Kong LTD. ("ZTT HK")	Optical fibres and optical cable cores	Trading business	Hong Kong	0.5	30 – 150 days[(2)]	24%
3.	Parent Group	Optical fibres; optical cable cores	Manufacturer of optical fibre cables, and trading of auxiliary accessories	PRC/Hong Kong	0.5 – 8	150 – 270 days	18%
4.	ACE	Optical fibre cables	Trading of optical fibre cables	Thailand	2	120 days	12%
5.	New-Olex	Optical fibres	Manufacturer of optical fibre cables	PRC	1.5	210 days	11%

Notes:

1. *Pursuant to a payment terms agreement we entered into with KST in the second-half of 2016, among other things, for invoice issued to the customer which has a value of THB15 million or more in respect of 5-year contract terms with a specified end user, the customer shall pay (a) 95% of the invoice value within 75 days since delivery date, and (b) the remaining 5% of the invoice value within 360 days since delivery date as product quality warranty for the relevant order.*
2. *Certain sales to ZTT HK were conducted on the basis of 100% advance payment against delivery.*

So far as the Directors are aware, Fuyuan is a private company incorporated in Thailand with a registered capital of THB 30.0 million, is principally engaged in the trading of optical fibre cables, whose major customers include major telecommunications operators in Thailand, and is not a customer of, and has no business or other relationship with, our Parent Group. So far as the Directors are aware, end users of Fuyuan, through which such end users make procurements of optical fibre cables, primarily include three major telecommunications operators in Thailand. During the Track Record Period, Fuyuan was an Independent Third Party.

The sales to our Parent Group in FY2014 comprised of sales to 深圳澳科電纜有限公司 ("**Olex**") and 杭州富通通信技術股份有限公司 ("**Hangzhou Futong**"). In respects of the sales of our Parent Group for FY2015, the sales figures in the table above comprised of the sales to Shenzhen King Task, Hangzhou Futong and Futong Group (Hong Kong). As part of Parent Group's centralised internal procurement management strategy, since December 2015, all optical fibre sales by Transtech to our Parent Group was conducted through Futong Group (Hong Kong), being a Hong Kong company engaged in, among others, trading business. Due to such procurement strategy, during the Track Record Period, the optical fibres manufactured by Transtech were procured by Futong Group (Hong Kong) for use by Futong Thailand but such arrangement was terminated in August 2016. The sales amount under such arrangement accounted for a relatively small amount of our revenue for each of the relevant years. Going forward, sales by us to Futong Thailand will be conducted directly. In respects of the sales of our Parent Group for FY2016, the sales figure shown in the table above comprised of Futong Group (Hong Kong), Hangzhou Futong and Futong Optical Fibre & Cable (Chengdu) Co., Ltd.. During the Track Record Period, our Parent Group was also one of our five largest suppliers, from which we purchased optical fibres, optical fibre cables, optical cable cores and other auxiliary materials. Please refer to "Business—Our Strengths—Strong support from our Parent Group which has extensive knowledge and experience in the industry", "Business—Raw Materials, Inventories and Suppliers—Raw materials and suppliers—Our Parent Group" and the paragraphs below for further details about our Parent Group, as well as our sales to and purchases from our Parent Group during the Track Record Period.

So far as the Directors are aware, KST is a private company incorporated in Thailand with a registered capital of THB 30.0 million, is principally engaged in the trading of optical fibre cables, whose major customers include major telecommunications operators in Thailand, and is not a customer of, and has no business or other relationship with, our Parent Group. So far as the Directors are aware, end users of KST, through which such end users make procurements of optical fibre cables, primarily include two major telecommunications operators in Thailand, which are different from the telecommunications operators cooperating with Fuyuan. During the Track Record Period, KST was an Independent Third Party.

So far as the Directors are aware, Shenzhen King Task is a company established in the PRC and principally engaged in the trading of optical fibre cables. Shenzhen King Task was a customer as well as a supplier of our Group during the Track Record Period. So far as the Directors are aware, Shenzhen King Task was owned by certain Independent Third Parties until our Parent Group acquired the entire equity interest in Shenzhen King Task from the previous owners in January 2015. Please refer to the paragraphs below for further details about our sales to and purchases from Shenzhen King Task during the Track Record Period. So far as the Directors are aware, Shenzhen King Task was a raw material supplier of our Parent Group prior to January 2015.

So far as the Directors are aware, customer R is a private company incorporated in the Philippines which is principally engaged in the trading of optical fibre cables, and is not a customer of, and has no business relationship with, our Parent Group. So far as the Directors are aware, end users of customer R, through which such end users make procurements of optical fibre cables, primarily include major cable television operators in the Philippines. During the Track Record Period, customer R was an Independent Third Party.

深圳新澳科電纜有限公司 ("**New-Olex**"), so far as the Directors are aware, is a company established in the PRC and is engaged in the manufacturing of optical fibre cables. At the time of its establishment in September 2014, New-Olex was owned by 富春金泰科技有限公司 (formerly known as 杭州富金泰科技有限公司) ("**Fuchun Jin Tai**"), which is a business partner of our Parent Group and an Independent Third Party, and 深圳澳科電纜有限公司 ("**Olex**") as to 64% and 36%, respectively. As Olex was a subsidiary of our Parent Group during certain period in 2014, New-Olex was a related party of our Group during such period. However, there was no transaction between our Group and New-Olex during such period. In September 2015, New-Olex became a wholly-owned subsidiary of Fuchun Jin Tai. Please refer to the paragraphs below for further details about Fuchun Jin Tai's relationship with our Parent Group. So far as the Directors are aware, New-Olex provides processing services to our Parent Group, where our Parent Group provides optical fibres to New-Olex for its optical fibre cable manufacturing which are then supplied to our Parent Group. As it is intended that future sales to the PRC will be conducted through our Parent Group, New-Olex has become a customer of our Parent Group for the sale of optical fibres to New-Olex since December 2015, while our Group continued to sell optical fibres to New-Olex until September 2016. Going forward, all sales of our Group to the PRC (including such sales to New-Olex) will be conducted through our Parent Group and such transactions will constitute continuing connected transactions under Chapter 20 of the GEM Listing Rules. Please refer to the section headed "Continuing Connected Transactions" in this prospectus for information. As far as the Directors are aware, during the Track Record Period, there were no other overlapping customers between our Group and our Parent Group, other than the above relevant overlapping business relationship between our Group and our Parent Group with New-Olex, and the concurrent business relationship between our Group and our Parent Group with Z Group described below in this section of the prospectus. For the revenue contributed by customers referred by our Parent Group, namely, Olex, Shenzhen King Task and New-Olex, please refer to the paragraph headed “Sales and Distribution” in this section of the prospectus.

So far as the Directors are aware, ACE is a private company incorporated in Thailand with a registered capital of THB 20.0 million, is principally engaged in the trading of optical fibre cables, and is not a customer of, and has no business or other relationship with, our Parent Group. So far as the Directors are aware, end users of ACE, through which such end users make procurements of optical fibre cables, include major telecommunications operators in Thailand, which are different from the ones cooperating with Fuyuan and KST. During the Track Record Period, ACE was an Independent Third Party of our Group.

So far as the Directors are aware, ZTT HK is a private company incorporated in Hong Kong principally engaged in trading business, and the parent company of ZTT HK (“**Parent Z**”, together with its subsidiaries, “**Z Group**”) is principally engaged in manufacturing of communication wire and cable products, electrical wire and cable products and submarine cable products. So far as the Directors are aware and according to information of Z Group, Z Group has business operations in the PRC and abroad. According to Z Group, its customers in the PRC include major telecommunications operators and energy providers in the PRC, while for its overseas operations, it has over 800 employees, over 40 offices and 4 manufacturing facilities. During the Track Record Period, Z Group procured optical fibres and optical cable cores from our Parent Group. Based on publicly available information, Z Group’s customers include, among others, major telecommunications operators in the PRC, which only accept tendering bids from PRC domestic optical fibre cable manufacturers according to the CIC Report. Given the relevant tender and supplier evaluation requirements of those PRC major telecommunications operators, the Company believes that it is relatively unlikely that Z Group will purchase optical fibre or optical cable core from our Group, instead of our Parent Group, in respect of Z Group’s customers which are major telecommunications operators in the PRC. So far as the Directors are aware, Z Group remains as a customer of our Parent Group since ZTT HK becomes our Group’s customer. During the Track Record Period, ZTT HK was an Independent Third Party. Our Group’s business relationship with ZTT HK is independent from the business relationship between our Parent Group and other relevant entity(ies) of Z Group. The Directors confirm that it was their own decision to enter into the framework agreements with ZTT HK based on their own judgment, the sales personnel of our Group independently liaises with the representatives of ZTT HK for the framework agreements, and our Group sold its products directly to ZTT HK.

Our Group’s increased sales of optical fibres in 2016 was contributed by our voluminous sales of optical fibres to ZTT HK which commenced in the second-half of 2016, and our sales of optical fibres to ZTT HK accounted for 33.2% of our total optical fibre sales for FY2016. Based on the Group’s management accounts and preliminary assessment of the Group, our sales to ZTT HK during the four months ended 30 April 2017 amounted to HK$116.9 million, representing 61.7% of our Group’s total revenue for the corresponding period. According to the CIC Report, the demand for optical fibres in the PRC has been relatively high in 2016 compared to that of 2014 and 2015, and that was shown by the price of optical fibres which rose from RMB50.0 per fkm in 2015 to RMB65.0 per fkm in 2016. As such, the Company believes that the factors contributed to ZTT HK to procure optical fibre products from our Group since the second-half of 2016 include, among others, (i) from the second-half of 2016, Transtech sought to broaden its customer base among market players in the industry, and ZTT HK was one of such new customers; (ii) according to the CIC Report, the optical fibre prices in Hong Kong remained relatively competitive given the dramatic increase in optical fibre prices in the PRC in 2016. According to the CIC Report, optical fibre preform is the most important raw material of optical fibre, and PRC optical fibre manufacturers mainly utilise optical fibre preforms produced in the PRC as their raw material. The price of optical fibres in the PRC started to experience a strong growth momentum from third quarter of 2016 due to strong demand from local PRC customers and shortage of optical fibre preforms, and these resulted in a substantially high price of RMB65.0 per fkm in 2016. The optical fibre prices in Hong Kong remained relatively competitive compared to that of the PRC in light of the dramatic increase in optical fibre prices in the PRC in 2016, and optical fibre manufacturer in Hong Kong, namely Transtech, was able to source optical fibre preforms from overseas such as Japan, which assisted Hong Kong optical fibre manufacturer to maintain its pricing at a competitive level; and (iii) according to ZTT HK, the trading business of ZTT HK covered overseas jurisdictions outside the PRC, and it supplies to its factories in areas such as India, Uzbekistan and Brazil for further processing into optical fibre cables for subsequent sales. According to the CIC Report, emerging countries (including India, South America, China and ASEAN countries) represented major consumption of global optical fibre cable in 2016. Therefore, our Directors believe that ZTT HK's demand for optical communication products from our Group since the second-half of 2016 is generally in line with the aforesaid demand from emerging countries.

The Controlling Shareholders have entered into a Deed of Non-Competition to, among others, prevent the on-selling of our Parent Group's optical communication products purchased by Z Group in Hong Kong and the ASEAN. In particular, given the business nature of Z Group, it would fall within the definition of "manufacturers of the Relevant Optical Communication Products", which is one of the two categories of the Restricted Customers under the Deed of Non-Competition. Pursuant to the Deed of Non-Competition, with respect to any proposed sale of the Relevant Optical Communication Products to Z Group, the Controlling Shareholders shall include a clause in the relevant contract to be entered into between the Controlling Shareholders and Z Group, which provides that Z Group shall not on-sell the Relevant Optical Communication Products purchased from the Controlling Shareholders, with or without further processing, to other customers in Hong Kong and the ASEAN. The Deed of Non-Competition also provides for other measures to ensure the compliance of the Controlling Shareholders with the undertakings under the Deed of Non-Competition. For details relating to the Deed of Non-Competition, please refer to the paragraph headed "Relationship with Controlling Shareholders—Non-Competition Undertaking" in this prospectus.

While our Directors believe the restrictions provided by the Deed of Non-Competition can effectively prevent the on-selling of the Relevant Optical Communication Products sold by our Parent Group to Z Group in Hong Kong and the ASEAN, which is in competition with our Group's principal business, please refer to "Risk Factor—Risk Relating to Our Business and Industry—There can be no assurance that the measures as set out in the Deed of Non-Competition will effectively prevent competition against us".

According to the CIC Report, it is an industry practice that the telecommunications operators procure from trading companies through a tender process. Futong Thailand holds a TISI certification and is a member of the relevant procurement solution provider. Since telecommunications operators in Thailand usually require tenderers to be TISI holders and a member of the relevant procurement solution provider, therefore, based on Futong Thailand's qualifications as at the Latest Practicable Date, our Directors believe Futong Thailand possesses the usual prerequisites to submit a tender for telecommunications operators' procurement of optical fibre cables.

However, given Futong Thailand was a relatively new market entrant in Thailand during the Track Record Period, in its initial stages of business development, Futong Thailand collaborated with local trading agents, which have a relatively longer business relationship with the relevant telecommunications operators, with a view to gaining access to the industry. Moreover, according to the CIC Report, it is a market practice in ASEAN countries that bids in the tender process organised by major telecommunications operators are generally submitted by trading companies or agents instead of optical fibre cable manufacturers, since trading companies are capable of covering the purchase of all the products needed in a FTTx project, saving the staff cost on procurements by telecommunications operators, and assisting the manufacturers in getting a shorter credit period. Based on the foregoing, Futong Thailand did not submit any tender to any Thailand telecommunications operators directly (but only through relevant trading agents in Thailand) during the Track Record Period despite it believes it possesses the relevant prerequisites to submit such tender.

Due to the nature of our industry, we derive a substantial portion of our revenue from a limited number of customers. For FY2014, FY2015 and FY2016, sales to our five largest customers accounted for approximately 96.8%, 96.7% and 94.3%, respectively, of our total revenue. We believe that our Company remains suitable for listing because (i) according to the CIC Report, there are limited number of participants in Thailand's highly concentrated telecommunications market and it is industry norm for each telecommunications operator to cooperate with only a limited number of trading companies or agents through which they procure optical fibre cables; (ii) according to the CIC Report, the markets for optical fibre cables in Thailand and other ASEAN countries will continue to grow, which we believe provides us with significant growth potential, as we continue to expand our customer base in 2016; (iii) we intend to expand the distribution network of our optical fibre cables in Thailand and other ASEAN countries, as well as our range of products, in an effort to grow our business and reduce reliance on our largest customers. Please refer to "—Sale and Distribution" below and "Business—Our Strategies" for further details; and (iv) we expect that, to the extent practicable, in early 2019, the majority of the optical fibres manufactured by Transtech will be consumed by Futong Thailand for the production of optical fibre cables. For risks and uncertainties associated with the limited number of our customers. Please refer to "Risk Factors—We sell our products to a limited number of customers. If our major customers discontinue their business relationship with us, reduce purchase orders or purchase price for our products, our sales and profitability may decrease" of this prospectus.

In FY2014, FY2015 and FY2016, sales to our Parent Group accounted for approximately 27.1%, 9.8% and 17.7% of our total revenue, respectively. During the same periods, approximately 72.9%, 90.2% and 82.3% of total revenue were derived from Independent Third Parties.

The table below is the breakdown of revenue of different products of our Group derived from our Parent Group and Independent Third Parties at the time of the relevant transactions on a combined basis for the Track Record Period:

		FY2014		FY2015		FY2016	
Customer	Product(s)	Sales amount	% of total sales	Sales amount	% of total sales	Sales amount	% of total sales
		(HK$ million)		(HK$ million)		(HK$ million)	
Parent Group	Optical fibre	58.4	23.1	35.0	8.8	76.3	12.7
	Optical cable core	10.1	4.0	2.0	0.5	29.8	5.0
	Other related products	—	—	2.0	0.5	—	—
	Sub-total	**68.5**	**27.1**	**39.0**	**9.8**	**106.1**	**17.7**
Independent Third Parties at the time of the transaction	Optical fibre cable	144.6	57.2	247.3	62.5	266.1	44.4
	Optical fibre	32.2	12.7	106.3	26.9	161.7	27.0
	Optical cable core	—	—	—	—	64.7	10.7
	Other related products	7.4	3.0	2.9	0.8	1.2	0.2
	Sub-total	**184.2**	**72.9**	**356.5**	**90.2**	**493.7**	**82.3**
	Total	**252.7**	**100.0**	**395.5**	**100.0**	**599.8**	**100.0**

Optical fibre cable, optical cable core and other related products

During the Track Record Period, customers of our optical fibre cables, optical cable cores and other related products were primarily Independent Third Parties. Our Directors confirm that our sales to our Parent Group were conducted on normal commercial terms. We had ceased selling optical cable core and other related products to our Parent Group since October 2016. We intend to focus on Independent Third Party customers for these products, and we do not intend to continue selling optical cable core to our Parent Group upon the Listing.

In 2016, Futong Thailand entered into framework agreements with an Independent Third Party customer, being a subsidiary of a leading company in the field of, among others, optical fibre communication in the PRC, in relation to the sale of optical cable cores to this customer from September 2016 to December 2017. We believe that by selling optical cable cores to Independent Third Parties such as the aforesaid customer, our Group and our products may become known to more players in the telecommunications industry.

Optical fibre

During the Track Record Period, Transtech principally supplied optical fibre to (i) Futong Thailand (internally for further processing into optical fibre cable), (ii) our Parent Group, and (iii) Independent Third Parties.

For the optical fibre sold to our Parent Group, our Parent Group mainly procured optical fibre from Transtech for on-selling, with or without further processing, to customers in the PRC. Please also refer to "Business—Customers, Sales and Marketing—Our customers" in relation to our Parent Group's centralised internal procurement management strategy. During the Track Record Period, our Group's revenue generated from the sales of optical fibre to our Parent Group amounted to approximately HK$58.4 million, HK$35.0 million and HK$76.3 million, respectively, and represented approximately 23.1%, 8.8% and 12.7% of our Group's total revenue of the relevant periods, respectively. Our Directors confirm that our sales to our Parent Group were and will continue to be conducted on normal commercial terms. For our arrangement with our Parent Group for such sale of optical fibres after the Listing, please refer to “Continuing Connected Transactions—Non-exempt Continuing Connected Transaction” of this prospectus.

Olex was a customer of Transtech in 2014. On 24 April 2014, our Parent Company acquired 70% equity interest in Olex from certain Independent Third Parties. On 12 December 2014, our Parent Company disposed of its 50% interest in Olex to an Independent Third Party and on 12 February 2015, our Parent Group disposed of its remaining 20% interest to an Independent Third Party. As such, transactions conducted with Olex during the relevant period in 2014 were classified as related party transactions with our Parent Group but Olex will not be a connected person of our Group upon Listing under the GEM Listing Rules. As of 31 December 2016, We had approximately nine years of business relationship with Olex. During the Track Record Period, the credit term we granted to Olex was generally 210 days and the payment method was generally telegraphic transfer.

Shenzhen King Task was a customer as well as a supplier of our Group during the Track Record Period. During the Track Record Period, Shenzhen King Task (i) purchased optical fibre from Transtech and (ii) supplied certain auxiliary raw material for production and packaging material to our Group. For FY2014, FY2015 and FY2016, the amount of sales we made to Shenzhen King Task amounted to HK$23.0 million, HK$23.0 million and HK$nil, respectively, and the amount of purchases we made from Shenzhen King Task amounted to HK$36.6 million, HK$66.1 million and HK$47.3 million, respectively. In 2014, Shenzhen King Task was owned by certain Independent Third Parties, therefore the transactions between Shenzhen King Task and our Group in 2014 were not related party transactions. On 26 January 2015, our Parent Group acquired the entire equity interest in Shenzhen King Task from Independent Third Parties, therefore transactions between Shenzhen King Task and our Group since then in 2015 and 2016 were related party transactions. For our arrangement with our Parent Group for such sale of optical fibres after the Listing, please refer to “Continuing Connected Transactions—Non-exempt Continuing Connected Transaction” of this prospectus. As of 31 December 2016, we had approximately seven years of business relationship with Shenzhen King Task. During the Track Record Period, the credit terms we granted to Shenzhen King Task was generally 210 days and the payment method was generally telegraphic transfer. Our Directors confirm that our sales to Shenzhen King Task were and will continue to be conducted on normal commercial terms.

New-Olex was a customer of our Group during 2015 and 2016. At the time of its establishment in September 2014, New-Olex was owned by Fuchun Jin Tai, which is a business partner of our Parent Group and an Independent Third Party, and Olex as to 64% and 36%, respectively. As Olex was a subsidiary of our Parent Company during certain period in 2014, New-Olex was a related party of our Group. However, there was no transaction between our Group and New-Olex during the relevant period in 2014. In September 2015, New-Olex became a wholly-owned subsidiary of Fuchun Jin Tai. During the Track Record Period, Fuchun Jin Tai had three joint venture companies with our Parent Group, only one of which had commenced operations. As of August 2016, our Parent Group had disposed of all interests in the three joint venture companies. Notwithstanding the above business relationship, transactions between our Group and New-Olex in 2015 and 2016 were not related party transactions of our Group. To the best of our knowledge, information and belief, neither Fuchun Jin Tai nor New-Olex was a connected person of the Company as of the Latest Practicable Date. As of 31 December 2016, we had 2 years of business relationship with New-Olex. During the Track Record Period, the credit terms we granted to New-Olex was generally 210 days and the payment method was generally geographic transfer. Our Directors confirm that our sales to New-Olex were and will continue to be conducted on normal commercial terms.

On the basis set out above, during the Track Record Period, revenue from the sales of the optical fibre by Transtech to Independent Third Parties at the time of the transaction were HK$32.2 million, HK$106.3 million and HK$161.7 million, which accounted for approximately 12.7%, 26.9% and 27.0% of our Group's total revenue of the relevant periods, respectively.

For FY2014, FY2015 and FY2016, after excluding the sales contributed from our Parent Group, its associates and its business partners, namely, Olex, Shenzhen King Task and New-Olex, which are also customers referred to us by our Parent Group, our revenue amounted to HK$152.1 million, HK$250.3 million and HK$427.2 million, accounting for 60.2%, 63.3% and 71.2% of our total revenue, respectively. Our Group's revenue generated from our Parent Group's associates and business partners during the Track Record Period amounted to HK$90.6 million, HK$126.2 million and HK$66.5 million for FY2014, FY2015 and FY2016, respectively, of which HK$32.1 million, HK$103.2 million, and HK$66.5 million for FY2014, FY2015 and FY2016, respectively accounted for sales to Independent Third Parties at the time of the transaction. According to our Parent Group and to the knowledge of our Directors, the target market of our Parent Group, its associates and business partners, namely, Olex, Shenzhen King Task and New-Olex, is the PRC.

Internal sales of optical fibres

In connection with our Group's internal sales of optical fibres from Transtech to Futong Thailand during the Track Record Period, we have engaged an independent business consulting firm to review such sales from Hong Kong and Thailand transfer pricing perspective based on, among other things, function and risk analysis, transfer pricing regulatory framework, as well as economic analysis. The Directors are of the view that, taking into account the conclusion drawn by the independent business consulting firm, the relevant internal optical fibres buy-sale transactions between Transtech and Futong Thailand during the Track Record Period were in compliance with the arm's length requirement from both Hong Kong and Thailand transfer pricing rule perspective.

With a view to ensuring our Group's ongoing compliance with the applicable laws and regulations relating to transfer pricing:

1. our Group intends to engage an independent business consulting firm to perform tax compliance services to assist our Group; and

2. our Group had established tax management policies and procedures which stipulated that the management would quarterly keep abreast of the latest tax laws and regulations through the reading of websites of relevant tax authorities.

Sale and Distribution

For the sale of our optical fibre cables, our in-house sales team makes contact with our customers, which are primarily Independent Third Parties in Thailand and in other ASEAN countries, namely, Malaysia, the Philippines, Singapore, Indonesia and Vietnam. Some of these customers may participate in the bidding processes organised by the telecommunications operators alone or with the assistance of our sales personnel. If the bids are accepted, we sell our products to our customers, who then on-sell our products to the end users. According to the CIC Report, it is a market practice in Thailand and other ASEAN countries to sell optical fibre cables through third party trading companies, as such trading companies are generally capable of providing comprehensive procurement services to the telecommunications operators, which help, among others, save the staff cost on procurements by telecommunications operators. In addition, according to the CIC Report, it is also market practice in Thailand for the trading companies to submit bids in the tender processes organised by the telecommunications operators instead of the optical fibre cable manufacturers. We intend to continue to strengthen the sale and distribution of our optical fibre cables through the use of our in-house sales personnel. We believe that our in-house sales personnel have extensive understanding of the industry and our potential customers and end users. As of 31 December 2016, Futong Thailand had an in-house sales team of seven employees, of which five were responsible for the sales and marketing activities in Thailand, one was responsible for the sales and marketing activities in Malaysia and one was responsible for the sales and marketing activities in the Philippines. We primarily procured customers for our optical fibre cables and optical cable cores through the efforts of our in-house sales team during the Track Record Period and we intend to continue to doing so going forward.

For the sale of our optical fibres, we primarily used the referral services provided by our Parent Group during the Track Record Period and paid sales commissions to our Parent Group, other than for certain customers which business relationship between us commenced in the second-half of 2016. The sales commission payable to our Parent Group during the Track Record Period was calculated based on a commission rate of 5.3% of the sales attributable to such customers referred by our Parent Group. Revenue contributed by customers referred by our Parent Group which are Olex, Shenzhen King Task and New-Olex for FY2014, FY2015 and FY2016 amounted to HK$90.6 million, HK$126.2 million, and HK$66.5 million, respectively, accounting for 36%, 32% and 11% of our total revenue, respectively. We have already ceased paying such sales commissions to our Parent Group following the cessation of the referral arrangement due to our ability to independently source new customers, and we independently sourced 14 new Independent Third Party customers since then and up to 30 April 2017. Based on our management account and the preliminary assessment of our Group, these new Independent Third Party customers, in aggregate, accounted for HK$284.9 million of our Group's revenue during such period. Given our ability to continue to drive our sales and record the aforesaid strong revenue, our Directors believe the cessation of such referral service will not have any material impact on our Group's operational and financial performance going forward. We do not intend to rely on our Parent Group's referral services going forward as we have our in-house sales personnel. As of 31 December 2016, Transtech had an in-house sales team of three employees.

We procured new customers in 2016 through our in-house sales team, the number of optical fibre cable customers rose from six in 2014, to 13 in 2015, and to 15 in 2016 and the number of our optical fibre customers rose from three in both 2014 and 2015 to seven in 2016. The Company intends to participate in communication exhibitions in the regions relevant to our Group's business, such as the FTTH Council Asia-Pacific Annual Conference & Exhibition, International Telecommunication Union (ITU), and CommunicAsia in Singapore, to enhance our Group's sales team's understanding in the market and promote our Group's products. Furthermore, our Group plans to expand its business by increasing headcount on our Group's sales team with a view to increase sales ability and enhance customer service, and explore feasibility of utilising e-commerce platforms and the use of multi-lingual tools in conducting sales in the ASEAN.

For the furtherance of regional business plan, our Group intends to expand in the following areas in the following manner:

- for Thailand, continue the business cooperation with existing business partners and trading agents to explore new business opportunities with new business partners, trading companies and optical communication product manufacturers;
- for Hong Kong and Singapore, continue the business cooperation between our Group and local customers and agents and seek opportunities to explore new customers;
- for the Philippines and Malaysia, reinforce the presence of the two offices which have been established in those two areas, and further our Group's cooperation in with local partners, agents or manufacturers.
- for Vietnam, seek opportunities to cooperate with local agents for possible business opportunities with major local telecommunications operators;
- for Indonesia, cooperate with local partners to engage in a two-stage collaborative production with an aim to seize business opportunities from a major Indonesian telecommunications operator;
- for Cambodia, seek direct business cooperation with the local telecommunications operators with a view to expand in the Cambodian market; and
- for Burma, cooperate with local partners to engage in a two-stage collaborative production with an aim to seize business opportunities.

Although, according to the CIC Report, Thailand has a limited number of trading companies, our Group managed to commence business relationship with three new Thailand customers during the four months ended 30 April 2017, and thus believes there is still room for business development in the Thailand market in terms of sales of optical communication products.

Customer Services

We typically offer a quality warranty term of 12 months after the sale for optical fibre cables. During the Track Record Period, we had not encountered any material product recalls, product returns, product liability claims or customer complaints. We follow the relevant ISO standards in handling customer complaints. The warranty terms and policies provided to our related parties and other third party customers are generally identical.

We provide a range of after-sales services to our optical fibre cable customers, including (i) prompt response promise, under which we promise to respond to customer complaints within two hours, send our staff to the relevant installation sites within 24 hours, provide emergency backup supply of products within 72 hours, and to use our best efforts to restore the telecommunications lines in cases of natural disasters, (ii) product life cycle promise, under which we promise the life cycle of our optical fibre cables should be over 25 years under ordinary circumstances, (iii) customer satisfaction survey, through which we obtain customer feedbacks on our products and services and make improvements accordingly, (iv) technical support system, under which we provide technical support to our customers, (v) testing system, under which we provide optical fibre and optical fibre cable testing services to our customers, and (vi) training system, under which we provide training about our products to our customers.

Marketing

We emphasise on the promotion of customers' awareness of our brands and products. For the marketing of our optical fibre cables, our sales and marketing staff maintain good relationship with local business partners and we intend to continue to expand our customer base in Thailand and other ASEAN countries. We intend to set up offices in the Philippines and Malaysia to seek opportunities locally with more business partners or network operators. Our marketing activities include participating in industry meetings such as the FTTH Council Asia Pacific annual meeting, ITU telecommunications association conference and Singapore communications exhibit.

QUALITY CONTROL

Overview

We believe that quality control is essential to our continuing success. As of 31 December 2016, we had a quality control team comprised of 29 staff, including 27 staff for Futong Thailand and two for Transtech. Futong Thailand has established a quality control department, which is a special department responsible for coordinating production, controlling quality and conducting testing in accordance with the specification of customers. An officer with over ten years of experience in quality management serves as the head of the quality control department. Other members of the quality control department are university degree holders and have extensive experience in quality control and management.

Quality Control Procedures and Systems

We implement internal quality control procedures, covering the major aspects of our operations from procurement, production, product testing and verification as well as after-sales customer services. Our systems aim to facilitate us to apply standardised product specifications during the manufacturing and testing processes by inputting certain pre-set production standards. Besides, we utilise equipment management system, through which information relating to equipment efficiency, repair, maintenance, failure mode analysis and other important data can be timely and precisely collected, which enables us to monitor the condition and status of all of our production equipment and machine.

Raw Materials

We select our raw material suppliers generally based on a variety of factors where appropriate, such as their overall ability, technical capability, quality control, reputation, creditability, price and services.

Our quality control team inspects major raw materials. We may return to suppliers any raw materials that do not pass our inspection and may replace a supplier if it cannot fulfil our requirements. In addition, we analyse and record the geometric and optical features of the optical fibres that we manufacture as a monitoring and verification process to the efficiency of the raw materials from our suppliers.

Production Monitoring

In each key step of our production processes for all of our products, we have inspection and testing procedures in place. In addition to the testing and measurement procedures for our optical fibres and optical fibre cables, which are integral parts of our production processes, we also conduct periodic inspections on our products and production lines.

Product Testing

We have testing equipment and technologies with which we aim to ensuring the quality and reliability of our optical fibres, optical fibre cables and other products. We conduct testing for each of our end products with a view to ensuring that such products meet the relevant specifications and requirements prior to delivery to customers. Our product testing covers extensive parameters in connection with the geometric, optical and physical features of our products, including the attenuation, spectral width, dispersion, reflectance, diameter and concentricity of such products.

LICENCES AND PERMITS

Our Directors confirm that, as of the Latest Practicable Date, we had obtained all material requisite certifications and licences for our operations in Hong Kong and Thailand and such certifications and licences were still valid and in force. Our Directors are not aware of any reason that would lead to or cause the non-renewal of such material certifications and licences upon meeting the applicable laws and regulations.

The table below sets forth the material certifications and licences we had as of the Latest Practicable Date for our products or production facilities and the relevant information as indicated:

Relevant Entity	Certification/Licence	Date of Issue	Expiry Date	Main Content
Transtech	ISO 9001:2008	21 February 2015	20 February 2018	Quality management system for manufacture of optical fibre
Transtech	Licence for the storage of dangerous goods	10 September 2009	9 September 2017 (Note)	Storage of deuterium gas
Transtech	Licence for the storage of dangerous goods	15 August 2005	14 August 2017 (Note)	Storage of liquid oxygen
Transtech	Licence for the storage of dangerous goods	15 August 2005	14 August 2017 (Note)	Storage of liquid argon
Transtech	Licence for the storage of dangerous goods	13 August 2003	12 August 2017 (Note)	Storage of carbon dioxide cylinders
Transtech	Licence for the storage of dangerous goods	13 August 2003	12 August 2017 (Note)	Storage of Acetone and Alcohol
Transtech	Licence for the storage of dangerous goods	13 August 2003	12 August 2017 (Note)	Storage of liquid nitrogen
Transtech	Licence for the storage of dangerous goods	13 August 2003	12 August 2017 (Note)	Storage of helium cylinders
Transtech	Licence for the storage of dangerous goods	13 August 2003	12 August 2017 (Note)	Storage of hydrogen trailers
Futong Thailand	Licence to operate health hazardous business	13 December 2016	11 December 2017 (Note)	Permission to operate the health hazardous business in the category of the manufacture of rubber and plastic

Relevant Entity	Certification/Licence	Date of Issue	Expiry Date	Main Content
Futong Thailand	ISO 9001:2008	22 October 2015	14 September 2018	Certification of quality management system for the manufacture of optical fibre cables, copper wires and cables
Futong Thailand	Thai Industrial Standards Institute Standard No. 2166-2548	10 April 2015	N/A	Permission to manufacture copper conductor PVC insulated aerial communication cables which comply with the industrial standard
Futong Thailand	Thai Industrial Standards Institute Standard No. 2166-2548	10 April 2015	N/A	Permission to manufacture duct and direct burial communication optical fibre cables which comply with the industrial standard
Futong Thailand	ISO 14001:2004	19 August 2014	19 July 2017 (Note)	Certification of environmental management system for the manufacture of optical fibre cables, copper wires and cables
Futong Thailand	OHSAS 18001:2007	5 September 2014	19 August 2017 (Note)	Certification of occupational health & safety management system for the manufacture of optical fibre cables, copper wires and cables

Relevant Entity	Certification/Licence	Date of Issue	Expiry Date	Main Content
Futong Thailand	Thai Industrial Standards Institute Standard No. 2166-2548	18 August 2014	N/A	Permission to manufacture optical fibre cable, Aerial self-support optical fibre for telecommunications which comply with the industrial standard
Futong Thailand	ISO 9001: 2015	4 April 2017	3 April 2020	Certification of manufacture of optical fibre cables, copper wires and cables
Futong Thailand	Thai Industrial Standards Institute Standard No. 2166-2548	10 April 2013	N/A	Permission to manufacture optical fibre cable-third-twenty volume: Aerial self-support optical fibre for outdoor telecommunications which comply with the industrial standard
Futong Thailand	Thai Industrial Standards Institute Standard No. 2166-2548	10 April 2013	N/A	Permission to manufacture optical fibre cable-third-twenty volume: Aerial self-support optical fibre for outdoor telecommunications which comply with the industrial standard
Futong Thailand	Thai Industrial Standards Institute Standard No. 2434-2552	10 June 2013	N/A	Copper conductor PVC insulated aerial communication cables
Futong Thailand	Thai Industrial Standards Institute Standard No. 2165-2548	10 April 2013	N/A	Duct and direct burial communication optical fibre cables

Relevant Entity	Certification/Licence	Date of Issue	Expiry Date	Main Content
Futong Thailand	Industrial Estate Authority of Thailand Licence.	23 April 2012	31 December 2020	Licence to operate the business in the industrial estate No. SorNor.OrTor. 07212558
Futong Thailand	Thailand's Board of Investment Promotion Certificate No. 2497(1)/ 2554	20 December 2011	N/A	Tax and non-tax privileges

Note: As confirmed by our Directors, our Group will apply for renewal of relevant licence and permit as and when needed prior to their respective end of term. Based on the past experience of our Group, the Directors do not anticipate any material impediment to such renewal.

RESEARCH AND DEVELOPMENT

Key technologies applied in the manufacturing of our products are as set forth below:

- optical fibres - high speed drawing technology, high speed cooling technology, high speed coating technology, ultraviolet light hardening technology, PMD online improvement technology and D2 treatment technology and advanced measurement technology
- optical fibre cables - optical fibre colouring technology, loose tube preparation technology, loose tube stranding technology, cable sheathing technology, mini-size tube preparation technology, high-speed yarn dual cross binding technology and gel filling technology
- optical cable cores - optical fibre colouring technology, loose tube preparation technology, loose tube stranding technology, mini-size tube preparation technology, high-speed yarn dual cross binding technology and gel filling technology

As of 31 December 2016, our technology department consisted of 14 staff, including electrical and electronic engineers, mechanical engineers and process engineers, accounting for 5.2% of our total staff. The technical team had extensive knowledge and experience in the industry and contributed to our Group during the Track Record Period. During the Track Record Period, we did not incur research and development expenditures, primarily because (i) we manufacture two types of G.652 single mode optical fibre in accordance with the standards issued by ITU-T (International Telecommunication Union-Telecommunication Standardisation Sector). The types of optical fibre we manufacture are determined by the types of optical fibre preforms we use in the production process, which were primarily sourced from Company S Subsidiary during the Track Record Period. We believe that the key factors determining the competitiveness of our optical fibres are product quality and price; and (ii) we manufacture optical fibre cables pursuant to customer specifications or in accordance with industry standards such as the ISO standards. We believe our optical fibre cables are competitive mainly as a result of product quality, price, timely delivery and after-sale services. As a result of the foregoing, we do not rely on the patents from our Parent Group, which primarily relate to the production of optical fibre preforms and specialty optical fibre cables, for our production of optical fibres or optical fibre cables.

We intend to apply approximately 5% of the net proceeds from the Global Offering to strengthen our research and development capabilities and expand our range of products. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for information.

INTELLECTUAL PROPERTY

As of 31 December 2016, we had one registered trademark in Hong Kong.

We recognise the importance of protecting and enforcing our intellectual property rights. We seek to maintain registration of our trademarks. We were not aware of any material infringement of our intellectual property rights as of the Latest Practicable Date and we believe that we have taken reasonable measures to prevent infringement of our own intellectual property rights. We are not aware of any pending or threatened claims against our Group relating to the infringement of intellectual property rights owned by third parties. Details of our registered intellectual property rights which we consider to be or may be material to our business are set out in the section "Statutory and General Information—B. Further Information About our Business—2. Material Intellectual Property Rights" in Appendix IV to this prospectus.

In addition, we sell our optical fibre cables under the "Futong" trademark, a trademark held by our Parent Group. For risks and uncertainties associated with the "Futong" trademark, please refer to "Risk Factors—Our Group's use of the "Futong" trademark" of this prospectus.

COMPETITION

The optical fibre cable industry in which we operate is highly competitive. The local production capacity of optical fibre cable in the ASEAN varies between countries, with Indonesia, Malaysia, Thailand, and Vietnam being major cable-making markets. These four countries are producing optical fibre cables at levels relatively close to their domestic demand, while Singapore and the Philippines have limited local production capacity and rely heavily on import. The share of imported optical fibre cable of the ASEAN is over 50% in 2015. The ASEAN's optical fibre cable market is relatively concentrated. There were approximately 5 to 10 local optical fibre cable manufacturers each in Malaysia, Indonesia and Vietnam in 2015. Nevertheless, importers and foreign invested optical fibre cable manufacturers still represented a dominant position in most ASEAN countries in 2015. Our primary major competitors in the ASEAN include Fibre Home, Tongding Group, Zhongtian Technology and Prysmian. Our primary competitors in Thailand include Fibre Home, Changhe Fibre, Tongding Group, Zhongtian Technology and Nanfang Communication. We believe that we have competitive advantages in the Thai market and other ASEAN markets as there are certain entry barriers, including standard and regulatory barrier, committed capital investment, business relationship with telecommunications operators and optical fibre manufacturers. Please refer to "Industry Overview" for further details.

EMPLOYEES

As of 31 December 2014, 2015 and 2016, Futong Thailand had a total of 145, 157 and 192 full-time employees, respectively. The following table sets forth Futong Thailand's full-time employees by function as of 31 December 2016:

	As of 31 December 2016	
	Number of employees	% of total
Manufacturing	115	59.9
General management	4	2.1
Technology	5	2.6
Equipment	11	5.7
Quality control	27	14.1
Human Resources	11	5.7
Commerce and sales	15	7.8
Accounting	4	2.1
Total	192	100%

As of 31 December 2014, 2015 and 2016, Transtech had a total of 66, 70 and 78 full-time employees, respectively. The following table sets forth Transtech's full-time employees by function as of 31 December 2016:

	As of 31 December 2016	
	Number of employees	% of total
Manufacturing	48	61.5
General management	2	2.6
Technology	6	7.7
Engineering	2	2.6
Quality control	2	2.6
Human Resources	5	6.4
Sales, procurement and Logistics	9	11.5
Accounting	4	5.1
Total	78	100%

We assess the performance of our employees annually and determine whether an employee should receive salary raises or promotions based on the results of the assessment. We believe the salaries and bonuses that our employees receive are competitive with market rates. We believe that we comply with the relevant labour and social welfare laws and regulations in Hong Kong and Thailand in all material respects.

In addition, an employee benefits department was established in Futong Thailand, which represents employees with respect to labour disputes and other employee matters. We have not experienced any major disputes with our employees in Hong Kong or Thailand and we believe that we maintain a good working relationship with our employees.

We place strong emphasis on providing training to our employees in order to enhance their technical and product knowledge as well as their understanding of industry quality standards and work place safety standards. We design and offer different training programmes for our employees at various positions. We also provide regular on-site and off-site trainings to help our employees improve their sales and marketing skills.

We currently recruit our employees primarily through posting advertisements on recruitment websites. We provide training programmes for our employees and except for our management team, we usually recruit locally for our employees.

INSURANCE

We maintain transport accident insurance policies for our products shipped to our customers that are renewed on an annual basis. As of the Latest Practicable Date, we did not receive any material insurance claims against us. Consistent with what we believe to be customary practice in Hong Kong and Thailand, we do not carry any business interruption insurance.

We believe that the existing insurance coverage of our business is adequate and is generally in line with our industry in Hong Kong and Thailand.

ENVIRONMENTAL AND SAFETY MATTERS

Our production facilities are based in Hong Kong and Thailand and hence are subject to the applicable laws and regulations. We have in place a system of recording and handling accidents, which is implemented by the relevant production team and administrative personnel in accordance with our internal policies. During the Track Record Period, we did not record any material accidents and no environmental penalties had been made against or imposed on us. As of the Latest Practicable Date, no material claim had been brought against us as a result of any accident.

Our expenses in respect of environmental and work-safety compliance matters amounted to approximately HK$0.6 million, HK$1.0 million and HK$0.9 million for FY2014, FY2015 and FY2016, respectively. We currently do not have any specific expenditure plan with respect to environmental and safety matters. However, we will devote operating and financial resources to such compliance whenever we are required by the relevant laws and regulations to do so in the future.

OUR PROPERTIES

We occupy certain properties in Hong Kong and Thailand in connection with our business operations.

Our properties are used for non-property activities as defined under Rule 8.01B(2) of the GEM Listing Rules. According to section 6(2) of the Companies (Exemptions of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation with respect to all our Group's interests in land or buildings, for the reason that as at the Latest Practicable Date, each of our properties had a carrying amount below 15% of our combined total assets.

Owned Properties

As of the Latest Practicable Date, we owned two parcels of land with an aggregate site area of approximately 25,000 square metres in Thailand used for production facilities, warehouses and administrative offices to support our business activities and operations.

As of the Latest Practicable Date, we had obtained the land use rights certificates for all parcels of land we owned and had obtained the property ownership certificates for all the buildings we owned.

Leased Properties

As of the Latest Practicable Date, we leased five properties in Hong Kong from Independent Third Parties, which were used as staff dormitories. Each of the leased properties from Independent Third Parties has a term of two years and we expect to renew the relevant leases upon expiry.

During the Track Record Period, we subleased one property with a total gross site area of 14,850 square metres in Hong Kong from Futong Group International, a related party of our Group, which was used by Transtech for production, warehouse and office purposes. We intend to continue to use the property after the Listing. Pursuant to the licence agreement entered into between Transtech and Futong Group International, Futong Group International agreed to grant a licence to Transtech for the use of the property, the term of which is five years from 1 July 2016 to 30 June 2021. Please refer to "Relationship with Controlling Shareholders—Independent production capabilities" and "Continuing Connected Transactions—Non-Fully Exempt Continuing Connected Transaction" of this prospectus for further details.

A licence agreement creates no interest for the licensee in the property licensed, who is only allowed to use the land but not exclusively occupy it. A licence does not run with the property and hence, even if the licensor terminates the licence without any legal ground, the licensee can only claim against the licensor for damages but not for possession of the property.

The potential effect on our Group as a licensee of the property would be being evicted from the said property if the licence is terminated other than by us or upon the expiration of the licence agreement on 30 June 2021 without being renewed by the counterparty on terms acceptable to us. As stated above, the property was used and will continue to be used by Transtech for production, warehouse and office purposes. Our Directors do not see great difficulty in identifying appropriate premises for relocation in the event that this is required. As of 31 December 2016, facilities with a total gross floor area of 5,000 square metres were used for the production of optical fibres, the sales of which, as represented by optical fibre sales made by Transtech, accounted for 35.8%, 35.7% and 39.7% of our total revenue for FY2014, FY2015 and FY2016, respectively.

As at the Latest Practicable Date and barring unforeseeable circumstances, our Directors estimated that the cost and time required for the relocation of Transtech's production facilities, warehouses and offices, if required, would be approximately HK$6 million and approximately two to three months' time, respectively. The estimated cost primarily relates to fees and expenses for demolishing of the machinery in the existing production facilities, transportation costs for relocating the machinery to the new production facilities and the costs for setting up of the machinery used for the production of optical fibres.

Furthermore, as at the Latest Practicable Date and barring unforeseeable circumstances, our Directors estimated that the loss of total revenue of our Group due to the relocation would be approximately HK$58.6 million. The estimated loss of revenue primarily relates to the reduced production volume of optical fibres during the time of the relocation for the approximately two to three months' time. Our Directors believe that the relocation of Transtech's production facilities, warehouses and offices, if required, will not materially and adversely affect our Group's operations. Moreover, our

Controlling Shareholders have entered into a Deed of Indemnity in favour of our Company, under which the Controlling Shareholders jointly and severally undertake to indemnify and keep indemnified our Group from any losses, liabilities, costs and expenses arising out of or otherwise in connection with such relocation, if required.

Based on the above, our Directors believe that, in the event that we are required to vacate from the property used by Transtech prior to the expiry of the licence, we could relocate our operations to new properties without significant impact or disruption to our business.

During the Track Record Period, we leased one property from an Independent Third Party in Bangkok, Thailand with a total gross site area of 240 square metres. The leased property was used by Futong Thailand as an administrative office in Bangkok. The term of the lease ended in March 2017 and relevant functions are carried out at our production facilities in Rayong, Thailand thereafter.

There was no material non-compliance relating to our properties as of the Latest Practicable Date.

LEGAL COMPLIANCE AND RISK MANAGEMENT

We may be involved, from time to time, in legal proceedings arising from the ordinary course of our operations. As of Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation or arbitration is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

As confirmed by our Directors, we had complied with all the applicable Hong Kong and Thailand laws and regulations in relation to our business and operations during the Track Record Period in all material respects. Please refer to "Regulatory Overview" for the details of the relevant laws and regulations. During the Track Record Period, we had not been penalised by national or local authorities for material violations of Hong Kong or Thailand laws and regulations.

We have in place a set of internal control and risk management procedures to address various potential operational, financial and legal risks identified in relation to our operations, including but not limited to procurement management, customer and sales management, inventory management, fixed assets management, connected party transaction controls, information disclosure controls, human resources, IT management and other various financial control and monitor procedures. These risk management policies set forth procedures that may include the monitoring, identification and mitigation of various risks. The procedures also set forth the relevant reporting hierarchy of risks identified in our operations. Our Board is responsible for overseeing our overall risk management.

In particular, we have implemented certain internal control measures to monitor the trade receivables of Futong Thailand, including (i) performing monthly account checks with our customers, (ii) preparing monthly aging analysis of trade receivables, which is to be reviewed by the vice head of the finance department of Futong Thailand, (iii) assigning specified personnel to monitor our trade receivables and to collect the trade receivables that are past due. The assigned personnel may use various measures to collect the trade receivables that are past due, including through phone calls, emails or legal actions, to reduce any potential loss of the Company, (iv) performing customer credibility check before each delivery, including checking whether the customer's trade receivables (current delivery included) have exceeded the credit limit or credit term granted to such customer. If the credit limit or credit term is exceeded, the Company will pause delivery until the customer settles the outstanding amounts or approval from senior management is obtained, and (v) having regular management meetings to review the status of our trade receivables and keeping meeting records.

In the light of the foregoing, our Directors are of the view that the internal control measures are adequate and effective. Our Directors are of the view that our Group has adequate and effective internal control procedures in place for the purpose of Rule 6A.15(5) of the GEM Listing Rules.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Global Offering (and assuming the Over-allotment Option is not exercised), our Company will be owned as to 75% by Futong HK, which is directly wholly-owned by Futong Optical Communication. As at the Latest Practicable Date, Futong Optical Communication was a wholly-owned subsidiary of Futong China, which was owned as to 10%, 80% and 10% by Kang Yin Si Te, Futong Investments and Futong Information Industry, respectively. Mr. Wang was interested in 45.2% of the issued share capital of Kang Yin Si Te and 100% of the issued share capital in Futong Investments.

Accordingly, Futong HK, Futong Optical Communication, Futong China, Futong Investments and Mr. Wang are our Controlling Shareholders under the GEM Listing Rules.

Mr. Wang is currently the Chairman of Futong China. Futong HK is an investment holding company. Futong Optical Communication is a company principally engaged in manufacturing and sales of optical fibres, optical fibre cables, electric wire and cables with property investments. Futong China is principally engaged in manufacturing, sales, trading of optical fibre preforms, optical fibres and optical fibre cables and service provision. Futong Investments is an investment holding company which also provides consulting services with respect to optical communication.

DELINEATION OF BUSINESS

Futong China Group, is principally engaged in sales of optical fibre preforms, optical fibre, optical fibre cable as well as metal wires and cable, as well as providing services, including wireless broadband access, Ethernet exchange server, smart optical network, Fibre-To-The-Home (FTTH) network access and overall network solutions to customers in the PRC, Hong Kong and the Asia region. According to the CIC Report, Futong China Group is a well-known corporation in communications industry in the PRC with sound financial background and is principally focused in the PRC market. Its optical fibre and optical fibre cables are principally sold to the leading telecommunications operators in the PRC. During the Track Record Period, based on the information provided by Futong China Group, over 95% of its total revenue in relation to the sales of optical communication products were generated from the State Grid Corporation of China, telecommunications operators and specialised network operators, such as public bodies and companies in broadcasting and transportation sectors, for their local telecommunications infrastructure projects in the PRC. The remaining sales to optical communication product customers accounted for under 5% of its relevant revenue, and those customers primarily include network equipment companies and optical communication product manufacturers in the PRC. Based on Futong China's audited accounts, Futong China Group's revenue for FY2014, FY2015 and FY2016 respectively amounted to approximately RMB14.9 billion, RMB19.2 billion, and RMB24.4 billion, and its net profit respectively amounted to approximately RMB510.8 million, RMB229.8 million and RMB388.1 million. We estimate that our Group's revenue for FY2016 represents less than 3% of Futong China Group's total revenue as mentioned above.

Our Directors confirmed that Futong China Group's businesses, other than those conducted through our Group, were excluded from our Group due to the following reasons:

(a) our Group intends to principally focus on, and continue strengthening our market position in, the manufacture and sales of optical fibre, optical fibre cables, optical cable cores and related products to customers in Hong Kong and the ASEAN given the potentials of, and our strength and track record in, these markets. While our Group does not intend to principally focus on the PRC market, we are not restricted to sell our products in the PRC;

(b) Futong China Group has established a number of joint venture companies in the PRC with its business partners and those joint venture companies are non-wholly owned subsidiaries within Futong China Group. As advised by Futong China Group, (i) given that the focus of the investment in a number of these joint venture companies by a key business partner of Futong China Group is their strategic collaboration with Futong China Group rather than mere capital and financial returns from the capital market, it is Futong China Group's understanding that such business partner would not agree to the listing of Futong China Group, and (ii) even if the relevant joint venture companies ("**Joint Venture Companies**") were to be left out from the listing of the rest of Futong China Group ("**Remaining FC Group**"), it is Futong China Group's understanding that given there would be change in the shareholding structure with different stakeholders in the Remaining FC Group if it is listed, which may result in a potential shift in the balance of cooperation between the Remaining FC Group and the relevant business partner, such business partner is unlikely to accept the resulted competition in the PRC market between the Joint Venture Companies and the Remaining FC Group after its listing, unless an agreement to avoid competition in the PRC market between the two groups of companies could be reached. In light of the above, our Directors believe that listing of the entire Futong China Group would possibly require consent from the relevant business partner, while the listing of the Remaining FC Group would result in competition between the Joint Venture Companies and the Remaining FC Group and non-competition undertakings from the controlling shareholders of Remaining FC Group as well as the relevant business partner may be required for listing purposes. Our Directors believe that both of the above are beyond our control and may not be readily obtainable or feasible to enable the listing of the entire Futong China Group; and

(c) given the geographical delineation between our Group and the Futong China Group and our strategy to focus our business in Hong Kong and the ASEAN, our Directors believe that it is in our interest for our Group to obtain financing through the Hong Kong stock market, while the Futong China Group may obtain financing in the PRC using other means.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE CLOSE ASSOCIATES

Our Directors consider that our Group is operating our businesses independently of our Controlling Shareholders and their respective close associates for the following reasons:

Operational Independence

Geographical delineations of business and independent access to customers

The operating cash flows before movements in the working capital of our Group amounted to HK$9.7 million, HK$16.1 million and HK$95.4 million for the three years ended 31 December 2016. During the Track Record Period, Transtech principally supplied optical fibre to Futong Thailand (another member of our Group), Futong China Group and other customers which were Independent Third Parties at the time of transaction. Moreover, Futong Thailand sold optical cable cores and other related products to our Parent Group during the Track Record Period. Our Directors confirm that the operating cash flows before movements in working capital of our Group attributable to the sales to Futong China Group, its associates, business partners and customers referred by it (the "FCG Cash

Flow Figures") amounted to approximately HK$2.1 million, HK$0.4 million and HK$58.7 million for FY2014, FY2015 and FY2016, respectively. As confirmed by the Directors, the FCG Cash Flow Figures consisted of (a) operating cash flow figures of Transtech, which are extracted from the financial statements of Transtech of the relevant financial year, and (b) gross profit figures of Futong Thailand, which are calculated based on Futong Thailand's management accounts. The FCG Cash Flow Figures also included operating cash flows attributable to sales of Transtech to entities other than our Parent Group, its associates, business partners and customers referred by it during the Track Record Period.

To reduce the extent of sales to Futong China Group, our Group and Futong China Group intend to have a geographical delineation between ourselves upon the Listing, with Futong China Group principally focusing on the optical fibre and optical fibre cable businesses in areas other than Hong Kong and the ASEAN, while our Group principally focusing on the sales of optical fibre and optical fibre cable to customers in Hong Kong and the ASEAN. Given the relatively strong demand for optical fibre in the PRC, our Group intends to continue to sell the optical fibre manufactured by Transtech to Futong China Group until the end of 2018, but intend for such sales to account for a decreasing portion in our total sales of optical fibres. As confirmed by Futong China Group, this is supported by Futong China Group in view of the expected demand for optical fibre in the PRC and given that Transtech has been a production centre for Futong China Group and as compared to other suppliers of Futong China Group located in regions outside the PRC and Hong Kong, the procurement of optical fibre from Transtech will enable Futong China Group to capture the advantages from, among other things, the zero tariff arrangement under "The Mainland and Hong Kong Closer Economic Partnership Arrangement" (CEPA). Please refer to the paragraphs headed "Non-Exempt Continuing Connected Transaction—Sales of optical fibre to Futong China Group" in the "Continuing Connected Transactions" section for further details.

Transtech paid certain fees to Futong China Group for facilitating the sales of its products to external customers in the PRC during the Track Record Period but has ceased paying such fees to Futong China Group from 1 June 2016 following Transtech becoming a wholly-owned subsidiary of Futong China Group. Sales of Transtech is currently handled by its own sales team. Futong Thailand undertook its sales function independently during the Track Record Period. Please refer to the paragraphs headed "Customers, Sales and Marketing" in the "Business" section.

To further reduce reliance on the sales to Futong China Group and in line with our business strategy of focusing in Hong Kong and the ASEAN, our Group has been seeking to diversify our customer base and sell the products to customers in its target markets. Based on existing production capacity, expected sales orders and current market conditions, we expect that sales to Independent Third Party customers will continue to account for a substantial portion of our Group's total revenue. We had three, three and seven optical fibre customers on a combined basis for FY2014, FY2015 and FY2016, respectively, among which one, one and six were Independent Third Parties. Our Directors are of the view that this demonstrates Transtech's ability to source new customers independently from Futong China Group and not to rely on the sales to Futong China Group.

Given that even if the revenue contribution from Futong China Group during the Track Record Period was deducted from our Group's financials during the same periods, our Group could still satisfy the cash flow requirement set out in Rule 11.12A of the GEM Listing Rules, and taking into account the reasons for the future sales arrangements with Futong China Group and the pricing basis for such sales as set out in the "Continuing Connected Transactions" section, and the continuing and future plans to mitigate the extent of reliance on Futong China Group as set out above, our Directors are of the view that our Group does not place significant reliance on Futong China Group regarding our sales and marketing and that our Group has independent access to customers.

Independent branding and demand drivers

During the Track Record Period, our Group sold our products under both our own “高科橋 TRANSTECH” mark and the “■ ■” and “FUTONG” marks registered or applied to be registered in Hong Kong and the ASEAN by Futong China and Futong Group (Hong Kong) (as the case may be). Pursuant to the trademark licence agreement entered into among Futong China, Futong Group (Hong Kong) and our Company on 16 June 2017, Futong China and Futong Group (Hong Kong) granted to our Group the right to use the “■ ■” and “FUTONG” marks in relation to the business of our Group in Hong Kong and the ASEAN at nil consideration for the period of 20 years from 16 June 2017 to 15 June 2037. For details of this trademark license agreement, please refer to the section headed “Continuing Connected Transactions—Exempt Continuing Connected Transaction”. Our Directors are of the view that our independence and administrative capability should not be affected by this trademark licensing arrangement because (a) part of our products are sold under our own “高科橋 TRANSTECH” mark and (b) while we believe that Futong China Group has built significant brand recognition and a set of core values associated with the “■ ■” and “FUTONG” marks, our customers' demand for our products sold under these marks is also driven by other factors associated with our strengths, such as our being a leading enterprise in optical fibre cable market in Thailand and the ASEAN, our localisation in Thailand, the quality and pricing of our products and our customer services.

Independent supply of raw material

During the Track Record Period, Transtech procured its optical fibre preforms, which is the major raw material for manufacturing optical fibre, principally from Company S Subsidiary. Transtech also procured certain optical fibre preforms from Futong China Group in 2014 but has ceased such procurement in 2015. While we do not intend to continue the procurement of optical fibre preforms from Futong China Group upon the Listing, in case we determine in doing so in the future, we will comply with the then applicable GEM Listing Rules. In order to have independent access to optical fibre preforms, Transtech entered into a sale agreement with Company S and Company S Subsidiary in August 2016, pursuant to which Company S Subsidiary will supply optical fibre preforms for a term of three years to Transtech. This sale agreement sets out the price of optical fibre preforms, subject to changes as the parties may otherwise negotiate.

During the Track Record Period, Futong Thailand procured optical fibre, which is the major raw material for manufacturing optical fibre cable, principally from Transtech, Futong China Group and SWCC. Futong Thailand procured optical fibre from SWCC pursuant to an agreement entered into between Futong China Group and SWCC during the Track Record Period. Transtech did not supply all of its optical fibres produced to Futong Thailand due to commercial reasons, among others, (i) due to anti-dumping measures of the PRC against Japanese imports during the Track Record Period, the demand for optical fibres in Japan was relatively lower than those sold in the PRC and Hong Kong, accordingly, the price of optical fibres sold by SWCC was more competitive than that of Transtech during the relevant period; and (ii) historically, Futong Thailand experienced shortage of optical fibres as raw materials for its optical fibre cable production, therefore, it procured optical fibres from our Parent Group for production under such special occasions. It is expected that going forward, given the increased production capacity of optical fibres in Transtech and our plan to minimise purchases from our Parent Group, the recurrence of such procurement from Parent Group in future is less likely. We do not intend to continue procuring optical fibres from our Parent Group upon the Listing.

Our Group has also procured certain auxiliary raw material for the manufacturing and packaging our products from Futong China Group during the Track Record Period. We do not intend to continue such procurement upon the Listing.

Independent production capabilities

During the Track Record Period, Transtech obtained production technology support and maintenance services for software developed by Futong China Group in its optical fibre production. As Futong China Group has mature technology and software required for optical fibre production, it is commercially beneficial for Transtech to pay a fee to Futong China Group to obtain such technical support and software maintenance services. Transtech had already ceased to pay such technical support service fees to Futong China Group in mid 2016.

Also, as the technical personnel required by Transtech was not readily available in Hong Kong, Transtech relied on Futong China Group to second its technical personnel to satisfy operational needs. Notwithstanding that the remuneration of such technical personnel was paid by Transtech, Transtech paid Futong China Group a fee for the seconded technical personnel during the Track Record Period for the training provided by Futong China Group. Transtech has now developed its own team of technical staff that is capable of handling the day-to-day operation and equipment maintenance matters independently from Futong China Group. All our technical staff have been with our Group during the Track Record Period. Technical staff previously seconded from Futong China Group to our Group became employees of our Group with effect from 1 August 2016. Therefore, our Directors are of the view that our Group does not place any significant reliance on Futong China Group in terms of production capabilities.

During the Track Record Period, Transtech operated from premises licensed from Futong Group International ("**Premises**"), and the Premises was leased by Futong Group International from Hong Kong Science and Technology Parks Corporation ("**HKSTP**"), for the purposes of optical fibre and optical fibre cable manufacturing and its related operation. Futong Group International was owned by Mr. Wang, our Controlling Shareholder, and Mr. He, one of our executive Directors, as to 90% and 10%, respectively.

Our Group intends to continue to use the Premises and Transtech has entered into a licence agreement with Futong Group International in relation to the licensing of the Premises ("**Licence**") on 20 October 2016 ("**Licence Agreement**"). We have also obtained consent from HKSTP in respect of the Licence Agreement and pursuant to which, the Licence shall be automatically terminated if

Mr. Wang ceases to be the ultimate beneficial owner of more than 50% of the issued and paid up share capital with voting rights of Transtech and/or Futong Group International. Mr. Wang has provided undertakings to our Company that he will not, at any time from the date of the deed of undertaking and up to the date on which the period of the Licence expires, conduct any transaction (including dispose of any share of Transtech and/or Futong Group International ("**Relevant Shares**")) or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such transaction, he would cease to be the ultimate beneficial owner of more than 50% of the issued and paid up share capital of Transtech and/or Futong Group International. Our Directors have also estimated the cost and time required for such relocation and the estimated potential loss in the total revenue of our Group in relation to such relocation. Our Controlling Shareholders have provided indemnity in relation of the costs and losses that may be incurred by our Group in relation to such relocation.

The head lease between HKSTP and Futong Group International in relation to the Premises (the "**Head Lease**") has a term of around 42 years and will only expire in June 2047. In order to provide safeguards to our Group with respect to the renewal of the Licence upon its expiry, both Mr. Wang and Futong Group International have provided an undertaking to our Company that subject to the consent of HKSTP, Futong Group International will continue to license the Premises to our Group as our operation facilities after the Licence expires.

Please refer to the paragraphs headed "Non-fully Exempt Continuing Connected Transaction— Licensing of premises from Futong Group International" in the "Continuing Connected Transaction" section for details of the Licence Agreement. Please refer to the paragraphs headed "Our Properties— Leased Properties" in the "Business" section.

Our Directors consider that, taking into account all relevant factors, our Group does not over rely our Controlling Shareholders for access to its operational facilities for the reasons set out below:

(1) the operational facilities of Futong Thailand are owned by our Group, and the sales of products produced by Futong Thailand accounted for over 60% of our Group's total revenue during the Track Record Period;

(2) our Directors consider that the licence fee paid by our Group in respect of the licensing of the Premises during the Track Record Period was fair and reasonable. Even if we did not license it from our Parent Group during the Track Record Period, we would have to rent premises for our production facilities and pay rent in comparable amount to an Independent Third Party;

(3) pursuant to the Head Lease, the land may not be used for purposes otherwise than for manufacture of photonics products, such as optical fibre, and communication systems, opto-electronic components and devices. Given such restriction on the use of the Premises, our Directors consider that it is unlikely that we will be evicted because our Controlling Shareholders found another licensee for the Premises. Pursuant to the Deed of Non-Competition, our Controlling Shareholders will also undertake, among other matters, not to engage in manufacturing of optical fibres, optical fibre cables and other similar products (excluding optical fibre preforms) in Hong Kong, and are therefore unlikely to terminate the Licence Agreement and take the premises for its own use. In addition, Mr. Wang and Futong Group International have provided an undertaking to our Company that subject to the consent of HKSTP, Futong Group International will continue to license the Premises to our Group after the Licence expires. In light of the above, our Directors consider that our

Controlling Shareholders also rely on us to continue to license the Premises from it and are unlikely to terminate the Licence Agreement barring unforeseen circumstances;

(4) we are able to meet the minimum cash flow requirement as stated in Rule 11.12A(1) of the GEM Listing Rules even if the cash flow from Transtech during the Track Record Period was excluded. Going forward, most of the optical fibre produced by Transtech will be internally consumed by Futong Thailand and revenue contribution to our Group by Transtech is expected to decrease. As disclosed in "Business—Our Strategies", it is also our business strategy for Futong Thailand to commence production of optical fibre;

(5) in the event that the Licence was terminated, our Directors believe that there are alternative premises available at comparable rent which is suitable for relocation of Transtech's operational facilities;

(6) based on the expected time required for relocation of approximately two and a half months and the historical production volume of the Transtech's operational facilities, the potential loss of revenue of our Group due to such relocation is estimated by our Directors to be approximately HK$58.7 million; and

(7) our Directors believe that following Futong Thailand's expansion in production capacity to manufacture optical fibre, the potential loss in revenue of our Group due to possible relocation of Transtech's operational facilities will account for a decreasing portion of our Group's total revenue in future.

Management Independence

During the Track Record Period, certain directors and/or management staff of Transtech were seconded from Futong China Group and their remuneration was paid by Futong China Group. Transtech paid the remuneration of the seconded directors and/or management staff by paying a management fee to Futong China Group during the Track Record Period.

Our Board comprises eight Directors, of whom five are executive Directors and three are independent non-executive Directors. Each of our Directors entered into service contracts or letter of appointment with our Company and is remunerated by our Company. The table below sets out the positions held by our Directors and senior management in Futong China Group as at the date of the Listing:

Name	Position in our Group	Positions held in Futong China Group
Mr. Hu Guoqiang	executive Director and Chairman of the Board	director and standing president of Futong China
Mr. He Xingfu	executive Director and chief executive officer	Nil
Mr. Wei Guoqing	executive Director	Nil
Mr. Pan Jinhua	executive Director	Nil
Mr. Xu Muzhong	executive Director	Nil
Mr. Ren Guodong	operations manager and director of Transtech	Nil
Mr. Ho Cheuk Wai	chief financial officer and company secretary of our Group	Nil
Mr. Wang Yingzhong	assistant engineering department manager of Transtech	Nil
Ms. Lee Yin Chun, Anthea	human resources and administration manager of Transtech	Nil

Our Directors consider that the above overlapping directorships and positions do not affect the management independence of our Group based on the following:

- as confirmed by Mr. Hu, the positions held by Mr. Hu in Futong China Group do not require him to devote substantial time and attention but only to provide and give strategic advice and planning as and when needed and therefore will not affect the proper discharge and performance of his functions and duties towards our Group;
- our Board comprises eight Directors, of whom five are executive Directors and three are independent non-executive Directors. With the appointment of independent non-executive Directors to our Board, we maintain and will continue to maintain a balanced composition of executive and independent non-executive Directors with diversified expertise and experience, so that a strong independent element is present to effectively exercise independent judgement on the corporate actions of our Company and make decisions after due consideration of independent and impartial opinions and views of our independent non-executive Directors;
- our Board is assisted and supported by our senior management in the discharge of its role. Our senior management comprises four members, and they do not currently hold any position in Futong China Group. Our senior management is responsible for the daily management and operations of our Group and the implementation of our business plan and strategy as laid down by our Board. The day-to-day management and operations of our Group are managed and operated independently from Futong China Group;

- the management, operation and affairs of our Group are headed, managed and supervised independently by our Board and not by any individual Director. Our Board acts collectively by a majority decision according to the Articles, and no individual Director is allowed to transact or can alone make any decision on behalf of our Company unless authorised by our Board or in accordance with the provisions of the Articles and the Companies Law. Any view of a Director will be checked and balanced by the view of other members of our Board;
- our Directors are under fiduciary duties to act for the benefit and in the best interests of our Company and not for their personal interest, and no individual Director can alone transact or make any decision for and on behalf of our Company for his personal interest;
- pursuant to the terms of the service contracts entered into between our Company and our executive Directors, every executive Director is required to devote sufficient time, attention and abilities during normal business hours and such additional time as may reasonably be requisite to our Group;
- in the event that a Director has a conflict of interest in or arising out of any transaction to be considered and approved by our Board, the interested Director must abstain from voting at the relevant meeting of our Board considering and approving such transaction and shall not be counted towards the quorum of such Board meeting unless this is otherwise permitted under the Articles and/or the GEM Listing Rules. The independence of our Board's decisions in respect of any matters in which any of our Directors has a potential conflict of interest is and can be ensured;
- our Company has established corporate governance procedures in safeguarding the interests of our Shareholders and enhancing Shareholders' value. Each of our Directors is fully aware of his fiduciary duty to our Group, and will abstain from voting on any matter where there is or may be a conflict of interest as required under and in accordance with the Articles and/or the GEM Listing Rules; and
- under the Articles and the GEM Listing Rules, our Directors must abstain from voting on any resolutions of our Board in respect of any contracts or arrangements or proposal in which they or any of their respective close associates have a material interest and shall not be counted towards the quorum of such Board meeting. The independence of our Board's decisions in respect of any matters in which any of our Directors has a material interest is and can be ensured.

On the basis of the aforesaid, our Directors believe that we operate independently of our Controlling Shareholders and their respective close associates.

Financial Independence

Our Directors believe that our Group is able to operate financially independently from our Controlling Shareholders for the following reasons:

- prior to the Listing, all the relevant guarantees provided by the Futong China Group will be fully released or replaced by our Group's own guarantees, and all non-trade balances with the Futong China Group will also be fully settled;
- we have our own accounting and financial department and independent financial system and make our financial decisions independently according to our own business and operation needs;

- our finance operations are handled by our finance department, which operates independently from Futong China Group, and does not share any other functions or resources with Futong China Group;
- we have our own treasury function and we have independent access to third party financing on market terms and conditions for our business operations as and when required; and
- we have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with Futong China Group.

NON-COMPETITION UNDERTAKING

To formalise the delineation of the business between our Group and Futong China Group, each of our Controlling Shareholders and our Company has entered into the Deed of Non-competition.

Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has irrevocably and unconditionally, jointly and severally, undertaken to the Company (for itself and on behalf of other members of our Group) that he/it will not, and will procure that his/its close associates (except members of our Group) will not, during the Restricted Period (as defined below), directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company (except through any member of our Group), among other things, carry on, participate, invest or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any of the following business ("**Controlling Shareholders' Restricted Business**"):

(a) sales or manufacturing of optical fibres, optical fibre cables, optical cable cores and other similar products (excluding optical fibre preforms) (the "**Relevant Optical Communication Products**") in Hong Kong and the ASEAN; and

(b) any other business in Hong Kong and the ASEAN from time to time conducted, engaged in or invested in by any member of our Group or which our Company has otherwise published an announcement on the website of the Stock Exchange stating its intention to conduct, engage in or invest in.

The above restrictions do not apply if any of our Controlling Shareholders or their close associates holds or acquires any interest in a company whose shares are listed on the Stock Exchange if:

(a) any Controlling Shareholders' Restricted Business conducted or engaged in by such company or its subsidiaries (or assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited consolidated accounts; or

(b) the total number of the shares held by the relevant Controlling Shareholder and/or his/its close associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholder and his/its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at all times there should exist at least one other shareholder of that company (together, where appropriate, with its close associates) whose shareholdings in that company should be more than the total number of shares held by such Controlling Shareholder(s) and his/its/their close associates.

In addition, each of the Controlling Shareholders has irrevocably and unconditionally, jointly and severally, provided the following undertakings to our Company under the Deed of Non-Competition:

(i) with respect to any proposed sales of the Relevant Optical Communication Products to (a) authorised distributors or trading agents (which include all companies which on-sell or trade the Relevant Optical Communication Products of the Controlling Shareholders) or (b) manufacturers of the Relevant Optical Communication Products, (together, the "**Restricted Customers**"), the Controlling Shareholder shall include a clause in the relevant contract to be entered into between the Controlling Shareholder and such Restricted Customer(s), pursuant to which such Restricted Customer(s) shall not on-sell the Relevant Optical Communication Products purchased from the Controlling Shareholder, with or without further processing, to other customers in Hong Kong and ASEAN; and

(ii) if prior to the sale of the Relevant Optical Communication Products to the Restricted Customer(s), the Controlling Shareholder has been informed by the Restricted Customers or is aware that such Restricted Customer(s) intend(s) to on-sell the Relevant Optical Communication Products purchased from the Controlling Shareholder, with or without further processing, to other customers in Hong Kong and/or ASEAN, the Controlling Shareholder shall not engage in such sale and shall refer such new business opportunity to our Group in accordance with the relevant referral mechanism as mentioned below.

Our Directors believe that with the above undertakings, our Parent Group will be refrained from selling the Relevant Optical Communication Products to the Restricted Customers who may on-sell such products in Hong Kong and the ASEAN, which are in competition with our Group's principal business.

Each of the Controlling Shareholders has further irrevocably and unconditionally, jointly and severally, undertaken to our Company (for itself and on behalf of other members of our Group) that during the Restricted Period (as defined below), he/it will procure any new business investment or other business opportunity relating to the Controlling Shareholders' Restricted Business ("**Controlling Shareholder's New Business Opportunity**") identified by or offered or made available to him/it and/or his/its close associates to be first referred to our Company. The relevant Controlling Shareholder(s) shall give a notice in writing to our Company setting out details of the Controlling Shareholder's New Business Opportunity. Upon receiving such notice, our Company shall seek approval from a committee to be formed from time to time comprising only independent non-executive Directors who have no interest (actual or potential, direct or indirect) in the relevant Controlling Shareholder's New Business Opportunity (the "**Group's Independent Board**") as to whether our Company shall pursue the Controlling Shareholder's New Business Opportunity. Our Group's Independent Board shall take into account all relevant factors in considering whether our Company shall pursue the Controlling Shareholder's New Business Opportunity and if appropriate, may appoint independent financial advisers, legal advisers or other professional advisers to assist it in the decision making process. Our Group's Independent Board shall within 20 Business Days of receipt of such notice (or such longer period as the parties may agree in writing), inform the relevant Controlling Shareholder(s) in writing on behalf of the Company its decision as to whether the Company will pursue the Controlling Shareholder's New Business Opportunity. The relevant Controlling Shareholder(s) and/or his/its/their close associates shall be entitled (but not obliged to) pursue such Controlling Shareholder's New Business Opportunity if a notice is received from our Group's Independent Board declining such

Controlling Shareholder's New Business Opportunity or if our Group's Independent Board failed to inform the relevant Controlling Shareholder(s) of its decision in the manner as mentioned above.

"Restricted Period" shall mean the period commencing on the Listing Date until the earlier of the following:

(a) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange for any reason); or

(b) the date on which the Controlling Shareholders and his/its close associates, individually or collectively, cease to be entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company or otherwise cease to be Controlling Shareholders of our Company.

Notwithstanding that our Group does not provide any undertaking to the Controlling Shareholders, it is our intention to focus on Hong Kong and ASEAN markets. Therefore, save for the sales of optical fibres to Futong China Group as disclosed in the "Continuing Connected Transactions" section of the prospectus, our Group will not directly sell its products in areas other than Hong Kong and the ASEAN. On the above basis, our Group and our Parent Group shall not be in competition during the Restricted Period.

Compliance of the non-competition undertaking

In addition to the mechanism in relation to the right of first refusal granted to our Group as described above, our Directors understand that the Controlling Shareholders will adopt the following measures to ensure the compliance with their undertakings under the Deed of Non-Competition:

(i) Futong China will, prior to the Listing, issue an internal memorandum to the relevant sales and marketing teams of Futong China Group to remind them of the restrictions in undertaking the Controlling Shareholders' Restricted Business, pursuant to which (among other things) each of the members of the Futong China Group shall not directly or indirectly sell or manufacture the relevant products or otherwise conduct the relevant business in Hong Kong or the ASEAN in breach of the non-competition undertakings given by the Controlling Shareholders under the Deed of Non-Competition;

(ii) Futong China will appoint a designated senior officer to monitor the compliance by the Futong Group with such undertaking under the Deed of Non-Competition from time to time after the Listing, whose duties and powers will include, among other things, reviewing all relevant sales records of the members of the Futong China Group;

(iii) each of the Controlling Shareholders will provide all information as may be requested by our Company, including but not limited to the following:

  (a) a full list of customers of the Controlling Shareholder for the Relevant Optical Communication Products;

  (b) details of the relevant sales of Relevant Optical Communication Products to the Controlling Shareholder's customers; and

  (c) samples of contracts entered into between the Controlling Shareholder and the Restricted Customers,

  which is necessary or desirable for an annual review by the independent non-executive Directors with respect to the Controlling Shareholders' compliance with their undertakings under the Deed of Non-Competition and our Company will report on the status of compliance in this regard in its annual reports; and

(iv) each of the Controlling Shareholders will make an annual declaration on his/its compliance with their undertakings under the Deed of Non-Competition in such form as the independent non-executive Directors think fit and major contents of such declaration will be disclosed in the Company's annual reports.

For risks associated with the Deed of Non-competition, please see "Risk Factors—Risk Relating To Our Business and Industry—There can be no assurance that the measures as set out in the Deed of Non-Competition will effectively prevent competition against us".

INTERESTS OF OUR DIRECTORS AND CONTROLLING SHAREHOLDERS IN COMPETING BUSINESS

Save as the overlapping positions held by our Directors as set out table in the paragraphs headed "Management Independence" above, our Directors do not have interest in any company that competes or may compete with the business of our Group as at the date of this prospectus.

Immediately following the Listing, we will have certain ongoing transactions with parties who will, upon the Listing, become our connected persons within the meaning given in Chapter 20 of the GEM Listing Rules for reasons more specifically set out below. These ongoing transactions constitute continuing connected transactions of our Company and can be classified into the following three categories:

(1) exempt continuing connected transaction that will be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules;

(2) non-exempt continuing connected transaction that will be subject to the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules ("**Non-exempt Continuing Connected Transaction**"); and

(3) non-fully exempt continuing connected transaction that will be subject to the reporting, announcement, annual review but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules ("**Non-fully Exempt Continuing Connected Transaction**").

EXEMPT CONTINUING CONNECTED TRANSACTION

Trademark licence

During the Track Record Period, we had been using the "富 通" and "**FUTONG**" marks (collectively, the "**Trademarks**") registered or applied to be registered in Hong Kong and the ASEAN by Futong China and Futong Group (Hong Kong) (as the case may be). Futong China is one of our Controlling Shareholders who will hold 75% of total issued share capital of our Company immediately upon the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised). Futong Group (Hong Kong) is owned as approximately 33.1% and approximately 66.9% by Futong Group (H.K.) Holding Limited and Futong China, respectively. Therefore, both Futong China and Futong Group (Hong Kong) are connected persons of our Company under Chapter 20 of the GEM Listing Rules. In anticipation of the Listing, we entered into a trademark licence agreement with Futong China and Futong Group (Hong Kong) on 16 June 2017 (the "**Trademark Licence Agreement**"). Pursuant to the Trademark Licence Agreement, Futong China and Futong Group (Hong Kong) granted to our Group the right to use the Trademarks in relation to the business of our Group in Hong Kong and the ASEAN at nil consideration for the period of 20 years from 16 June 2017 to 15 June 2037. Termination of the Trademark Licence Agreement is subject to the agreement of the parties thereto, which constitutes a variation to that agreement and is subject to our compliance with the relevant Listing Rules.

For more information about these trademarks, please refer to "Appendix IV—Statutory and General Information—B. Further Information about Our Business—2. Material intellectual property rights-(a) Trademarks" in this document.

As nil consideration is payable, the transaction under the Trademark Licence Agreement falls within the de minimis threshold as stipulated under Rule 20.74(1) of the GEM Listing Rules and this transaction will be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Sales of optical fibres to Futong China Group

During the Track Record Period, Transtech sold optical fibres to Futong China Group. For our relationship with Futong China, please see the paragraph headed "Exempt Continuing Connected Transaction" above. Futong China Group mainly procured optical fibres from us for on-selling, with or without further processing, to customers in the PRC. The historical sales amount during the Track Record Period and the four months ended 30 April 2017 and annual cap for each of the year ending 31 December 2017 and 2018 in relation to the sales of optical fibres to Futong China Group are set out below.

Historical sales amount

	FY2014	FY2015	FY2016	For the four months ended 30 April 2017
	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)
Optical fibre	58.4	35.0	76.3	nil(Note)

Note: No sales of optical fibres from our Group to our Parent Group was recorded during the four months ended 30 April 2017 and such optical fibre sales was resumed in May 2017 when our Parent Group expects its optical fibre consumption in the PRC will be generally higher due to the rise in optical fibre cable demand which is expected to continue in the second half of 2017.

Annual caps

	For the year ending 31 December	
	2017	2018
	(HK$ million)	(HK$ million)
Optical fibre	40.00	38.00

Should the actual annual sales amount exceed the above proposed annual caps, our Company will revise the annual caps in compliance with the relevant requirements under Chapter 20 of the GEM Listing Rules.

Bases and assumptions in estimating the annual caps

We determined the above annual caps taking into account the following major factors and assumptions:

(1) the historical sales amount during the Track Record Period;

(2) the production capacity of Transtech;

(3) the demand of Futong Thailand for optical fibre based on our expansion plan;

(4) our business growth, taking into account estimated future demand of our customers based on the outlook of the optical communication industry;

(5) our pricing basis as set out below; and

(6) expected increase in our costs taking into account various factors like inflation, labour costs and raw material costs.

Framework sales agreement and pricing basis

According to the written agreement entered into between Transtech and Futong China in respect of the sales of optical fibres on 16 June 2017 ("**Optical Fibre Framework Sales Agreement**"), Transtech has agreed to sell, and Futong China has agreed to purchase, optical fibres within the annual caps for annual sales amount set out in the paragraphs headed "Annual caps" above. The term for the Optical Fibre Framework Sales Agreement is from the date of Listing to 31 December 2018. The selling price of optical fibres will be set out in separate purchase order in respect of each transaction under the Optical Fibre Framework Sales Agreement. The selling price of optical fibre for each purchase order shall be determined with reference to, including but not limited to:

(a) the costs of our optical fibre (including costs of raw materials, labour costs and production equipment depreciation) as calculated by our Group's accounts department;

(b) the prevailing market price of optical fibre of comparable quality, specifications and quantities and applicable foreign exchange rates (the "**Prevailing Market Terms**") based on market information collected by our Group's sales and technical departments from time to time; and

(c) where applicable, the terms agreed with our Independent Third Party customers for products of comparable quality, specifications and quantities and applicable foreign exchange rates in recent transactions (the "**Independent Product Pricing Terms**").

Based on the above, our Group will price our optical fibre with its costs as a benchmark, upon which we will determine the final prices for sale to Futong China for the respective purchase orders under the Optical Fibre Framework Sales Agreement by comparing against the Prevailing Market Terms or Independent Product Pricing Terms, depending on the availability of such information at the relevant time. The price and the terms of the purchase order shall be agreed after arm's length negotiation between Transtech and the Futong China based on normal commercial terms, and in any event shall be no less favourable to Transtech than that offered to Independent Third Parties.

Reasons for selling optical fibre to Futong China Group

The main reasons for our Group to sell optical fibre to Futong China Group include the following:

- Futong China Group has long-standing relationship with major end customers, where Transtech's sales of optical fibre in the PRC were historically conducted through Futong China Group;
- Futong China Group has downstream operations in the PRC to further process the optical fibre from Transtech for onward sales in the PRC;
- according to the CIC Report, due to anti-dumping investigations of optical-fibre preform produced in Japan and the U.S., such products were banned for sales in the PRC and this resulted in a shortage of optical fibre preform in the PRC, where optical fibre preform is the most important raw material of optical fibres. Accordingly, the optical fibres from Transtech may be supplied to Futong China Group to meet its demand for optical fibres from time to time; and
- there has been a strong demand for optical fibres in the PRC and the optical fibre price remained relatively high. Our Group will be able to capture optical fibre demand from the

PRC market and advantages brought along by the zero tariff arrangement under CEPA, which contributed to Transtech's development over the past years.

GEM Listing Rules implications

As certain applicable percentage ratios (other than profits ratio) in respect of the transactions under the Optical Fibre Framework Sales Agreement are, on an annual basis, expected to be more than 5% and the annual consideration is more than HK$10 million, the transactions contemplated under the Optical Fibre Framework Sales Agreement constitute a Non-exempt Continuing Connected Transaction of our Company and are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Application for Waivers

As the Non-exempt Continuing Connected Transaction set out above will continue after the Listing on a recurring basis and are expected to extend over a period of time, our Directors and the Sole Sponsor consider that strict compliance with the announcement and independent shareholders' approval requirements under the GEM Listing Rules would be unduly burdensome and add unnecessary administrative costs on our Company each time such transactions arise. Accordingly, pursuant to Rule 20.103 of the GEM Listing Rules, our Directors and the Sole Sponsor have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rules 20.33 and 20.34 of the GEM Listing Rules respectively, once our Shares are listed on GEM in respect of such Non-exempt Continuing Connected Transaction, subject to the aggregate amount of the Non-exempt Continuing Connected Transaction for each financial year not exceeding the relevant annual caps as stated above.

NON-FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Licensing of premises from Futong Group International

During the Track Record Period, Transtech operated from the premises located at 3 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong (the "**Premises**") which was leased by Futong Group International from Hong Kong Science and Technology Parks Corporation ("**HKSTP**"). Futong Group International was owned by Mr. Wang, our Controlling Shareholder, and Mr. He, one of our executive Directors, as to 90% and 10%, respectively. Therefore, Futong Group International is a connected person of our Group.

Historical transaction value

For FY2014, FY2015, FY2016 and for the four months ended 30 April 2017, Transtech has paid a sum of approximately HK$7.8 million, HK$10.8 million, HK$10.8 million and HK$3.6 million to Futong Group International, respectively, for our use of the Premises.

Annual caps

Our Group intends to continue to use the premises after the Listing. Our Group will pay licence fee (inclusive of the management and maintenance charge (if any) payable under the head lease between HKSTP and Futong Group International (the "**Head Lease**") but exclusive of the government rent, government rates and other outgoings) in relation to the Premises ("**Licence Fee**") to Futong Group International for licensing the Premises. The annual cap of the Licence Fee for each of the five years ending 31 December 2021 in relation to the licensing of the Premises are set out below.

	For the year ending 31 December				
	2017	2018	2019	2020	2021
	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)	(HK$ million)
Licence Fee	10.8	11.88	11.88	11.88	13.07

Bases and assumptions in estimating the annual caps

According to the licence agreement entered into between Transtech and Futong Group International in relation to the Premises on 20 October 2016 ("**Licence Agreement**"), the Licence Fee will include the licence fee (inclusive of the management and maintenance charge (if any) payable under the Head Lease but exclusive of the government rent, government rates and other outgoings) in respect of the Premises. The annual caps for the Licence Fee were determined based on the Licence Fee as stated on the Licence Agreement.

Licence Agreement and basis for Licence Fee

According to the Licence Agreement, Futong Group International has agreed to grant a licence to Transtech to use the Premises at the Licence Fee as set out in the paragraphs headed "Annual caps" above. The term of the licence is five years, from 1 July 2016 to 30 June 2021. The Licence Agreement is terminable at Transtech's discretion unilaterally at any time by serving on Futong Group International not less than six months' prior notice in writing. Our Controlling Shareholders have provided indemnity in relation of the costs and losses that may be incurred by our Group in relation to such relocation in the event that Transtech is required to move out of the Premises.

The Licence Fee is determined with reference to prevailing market rates of licensing similar premises in the locality from Independent Third Parties. The management and maintenance charge (if any) payable under the Head Lease in respect of the Premises will be paid by Futong Group International, while the government rates, government rents and other outgoings shall be paid by our Group.

Reasons for licensing the Premises from Futong Group International

It would not be commercially viable for Transtech to acquire the Premises from the Futong Group International as the relatively substantial cost would have adverse effect on the financial performance of our Group. The relocation of the production lines of Transtech will attract substantial costs and cause disruption in production. As such, our Group and Futong Group International entered into a licence of a five-year term to ensure our Group's continuous access to our operational facilities in Hong Kong. Our Directors consider that terms of the Licence Agreement (including the right of Transtech to terminate the Licence Agreement unilaterally) are on normal commercial terms or better and that Futong Group International not honouring its obligations under the Licence Agreement will be remote.

GEM Listing Rules implications

As certain applicable percentage ratios (other than profits ratio) in respect of the transaction under the Licence Agreement is, on an annual basis, expected to be less than 5% and the annual consideration is more than HK$3 million, the transaction contemplated under the Licence Agreement constitutes a Non-fully Exempt Continuing Connected Transaction of our Company subject to the reporting, announcement and annual review requirements, but are exempt from the circular and independent shareholders' approval requirements, pursuant to Rule 20.74(2) of the GEM Listing Rules.

Application for Waivers

As the Non-fully Exempt Continuing Connected Transaction will continue after the Listing on a recurring basis and is expected to extend over a period of time, our Directors and the Sole Sponsor consider that strict compliance with the announcement requirement under the GEM Listing Rules would be burdensome and add unnecessary administrative costs on our Company each time such transactions arise. Accordingly, pursuant to Rule 20.103 of the GEM Listing Rules, our Directors and the Sole Sponsor have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement under Rule 20.33 of the GEM Listing Rules once our Shares are listed on GEM in respect of such Non-fully Exempt Continuing Connected Transaction, subject to the aggregate amount of each of the Non-fully Exempt Continuing Connected Transaction for each financial year not exceeding the relevant annual caps as stated above.

INTERNAL CONTROL MEASURES AND COMPLIANCE WITH GEM LISTING RULES IN RESPECT OF THE CONTINUING CONNECTED TRANSACTIONS

Our Audit Committee, which is comprised entirely of our independent non-executive Directors, will continuously monitor our Group's continuing connected transactions on an ongoing basis. An annual review report on continuing connected transactions will be compiled by our Audit Committee. This report will be reproduced in the annual reports for each financial year after the Listing. Our Group believes that our Audit Committee will carefully consider whether all of the continuing connected transactions of our Group are entered into under ordinary and usual course of business of our Group, on normal commercial terms or, if applicable, on terms no less favourable to our Group than those available to or from (as appropriate) Independent Third Parties, and are fair and reasonable to our Group and in the interests of our Company and our Shareholders as a whole.

Our Directors who may be perceived to have conflicts of interests, such as Directors who are connected with the connected person or overlapping directors of Futong China Group, will not participate in any meetings or discussions of our Board, or be included in any decision-making processes relating to such conflicting matters.

Upon expiry of the waivers, we will comply with the applicable provisions of Chapter 20 of the GEM Listing Rules as amended from time to time or apply for relevant waivers. In the event of any future amendments to the GEM Listing Rules imposing more stringent requirements than those as at the date of this prospectus on the non-exempt continuing connected transaction and non-fully exempt continuing connected transaction referred to in this section including, but not limited to, a requirement that these transactions be made conditional upon our independent Shareholders' approval, we will take immediate steps to ensure compliance with such requirements.

OUR DIRECTORS' CONFIRMATION IN RELATION TO THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Directors (including our independent non-executive Directors) are of the view that in relation to each of the Non-exempt Continuing Connected Transaction and Non-fully Exempt Continuing Connected Transaction set out above:

- such transactions have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better that are fair and reasonable and in the interests of our Shareholders as a whole; and
- the relevant annual caps are fair and reasonable and in the interests of our Shareholders as a whole.

THE SOLE SPONSOR'S CONFIRMATION IN RELATION TO THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The Sole Sponsor is of the view that in relation to each of the Non-exempt Continuing Connected Transaction and Non-fully Exempt Continuing connected transaction set out above:

- such transactions have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better that are fair and reasonable and in the interests of our Shareholders as a whole; and
- the relevant annual caps are fair and reasonable and in the interests of our Shareholders as a whole.

According to the head lease of 2005 made between HKSTP and Futong Group International, the lease for the land has a term of approximately 42 years, while so far the Directors are aware, HKSTP permits a licence of the land with a term of a maximum of five years. Although the Directors do not see great difficulty in identifying suitable premises for relocation in the event that our Group is unable to use the land as licensee, taking into account the potential impact on our Group's business operations in Hong Kong and the length of term for licence allowed by HKSTP, it is not unreasonable for the Licence Agreement to have a term of more than three years. The Sole Sponsor further confirms its view that with respect to the Licence Agreement of a term of five years, it is normal business practice for contracts of this type to be of such duration. CIC takes the view that it is an industry practice for optical communication product manufacturers to secure a longer term of agreements (be it a lease agreement or licence agreement), where practicable, for the use of their manufacturing premises for stability reasons and especially taking into account the capital expenditure required in establishing the manufacturing plants. Taking into account the manufacturing facilities located at the Premises, the space required by Transtech for the manufacturing of optical communication products, as well as the inherit interruption and cost caused by any relocation, and having considered the views of the Directors and CIC, the Sole Sponsor confirms its view that it is normal business practice for communication product manufacturers to enter into lease or licence agreements for their manufacturing premises for a term of more than three years.

OVERVIEW

The Board currently consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. There are no relationships between the Directors and members of senior management.

The following table sets out certain information of our Directors and senior management:

Name	Age	Position	Date of Appointment as a Director/senior management member	Date of joining our Group	Roles and responsibilities in our Group
Mr. Hu Guoqiang (胡國强)	54	executive Director and Chairman of the Board	6 September 2016	23 April 2003	Devises development strategies and business strategies for our Group
Mr. He Xingfu (何興富)	57	executive Director and chief executive officer	6 September 2016	23 April 2003	Manages the daily operations and business development of our Group
Mr. Wei Guoqing (魏國慶)	44	executive Director	6 September 2016	28 February 2013	Manages the daily operations and business development of our Group
Mr. Pan Jinhua (潘金華)	52	executive Director	6 September 2016	11 August 2010	Manages the investments of our Group
Mr. Xu Muzhong (徐木忠)	50	executive Director	6 September 2016	24 May 2012	Manages the production process, quality control, as well as production technologies and craftsmanship of our Group
Mr. Leong Chew Kuan (梁昭坤)	40	independent non-executive Director	23 June 2017	23 June 2017	Provides independent opinions and advice on the operation and management of our Group
Mr. Lau Siu Hang (劉少恒)	60	independent non-executive Director	23 June 2017	23 June 2017	Provides independent opinions and advice on the operation and management of our Group
Mr. Li Wei (李煒)	62	independent non-executive Director	23 June 2017	23 June 2017	Provides independent opinions and advice on the operation and management of our Group
Mr. Ren Guodong (任國棟)	41	Operations Manager of Transtech	13 October 2003	13 October 2003	Oversees the operations of Transtech

Name	Age	Position	Date of Appointment as a Director/senior management member	Date of joining our Group	Roles and responsibilities in our Group
Ho Cheuk Wai (何焯偉)	56	Chief financial officer and company secretary	3 October 2016	3 October 2016	Oversees the financial and accounting operations of our Group and carries out company secretarial works
Mr. Wang Yingzhong (王英忠)	56	Assistant Engineering Department Manager of Transtech	1 July 2011	1 January 2005	In charge of the engineering matters of Transtech
Ms. Lee Yin Chun Anthea (李妍臻)	37	Human Resources and Administration Manager of Transtech	1 January 2008	29 August 2005	In charge of human resources and administrative matters of Transtech

DIRECTORS

Executive Directors

Mr. Hu Guoqiang (胡國強), aged 54, is an executive Director and Chairman of the Board. Mr. Hu joined our Group in April 2003 as a director of Transtech and is responsible for devising development strategies and business strategies for our Group. After joining our Group, Mr. Hu is principally responsible for devising development strategies and business strategies for our Group, including matters relating to Company S, such as engaging in meetings with them. Mr. Hu is currently a director of Transtech, Futong HK and Futong Optical Communication, and a director and deputy president of Futong China. Mr. Hu's role in Futong China Group is mainly to coordinate with the joint venture partners of Futong China Group. He will remain as director and standing president of Futong China upon Listing, please refer to the section headed "Relationship with Controlling Shareholders—Management Independence" in this prospectus.

Mr. Hu obtained a professional certificate in economic management from Zhejiang University of Technology (浙江工業大學) in December 2000. Mr. Hu has approximately 15 years of experience in enterprise management and financial management. Between November 2015 and June 2017, Mr. Hu was a director of Zhejiang Futong Optical Fibre Technology Company Limited (浙江富通光纖技術有限公司) and was responsible for its corporate management. Zhejiang Futong Optical Fibre Technology Company Limited principally engages in research and development, production and sales of optical fibres preforms and optical fibres as well as technical support services.

Mr. He Xingfu (何興富), aged 57, is an executive Director and the chief executive officer of our Group. Mr. He joined our Group in April 2003 as a director and general manager of Transtech and is responsible for managing the daily operations and business development of our Group. Mr. He is currently the president of Futong Group (Hong Kong) and a director of Futong HK, and it is expected that Mr. He will resign from such positions in these two companies upon Listing.

Mr. He obtained the qualification of Senior Engineer from Science and Technology Bureau of Guangdong Province (廣東省科學技術幹部局) in April 1994 and a bachelor degree in electronic material science from University of Electronic Science and Technology of China (電子科技大學) (formally known as Chengdu Institute of Radio Engineering (成都電訊工程學院)) in July 1982. Mr. He has approximately 34 years of experience in optical communication industry. Prior to joining Futong China Group in 2001, Mr. He was engineer of the research department of the No. 46 Research Institute of China Electronics Technology Group Corporation (中國電子科技集團公司第四十六研究所) (formally known as No. 46 Research Institute of Mechanical Electronics Department (機械電子部第46研究所)) from August 1982 to April 1989, where he mainly engaged in the research on the production technologies for optical fibres preforms and the drawing technologies of optical fibres. From January 1989 to June 1997, Mr. He was the head (manager) of the optical fibre factory of Shenzhen Guangtong Development Company Limited (深圳光通發展有限公司) and mainly managed the day-to-day operations and production technology of the optical fibre factory. From July 1997 to December 1998, Mr. He was the person in charge of technology for the Shenzhen SDGI Optical Fibre Co. Ltd (深圳市特發信息光纖有限公司). Shenzhen SDGI Optical Fibre Co. Ltd is principally engaged in the manufacturing and sales of optical fibres. Subsequently from February 1999 to March 2001, Mr. He was the Area Sales Manager of Fiber Optic Product Line, Cables and Components Sector of Alcatel China Limited Shanghai Representative Office (阿爾卡特中國有限公司上海代表處) and was mainly responsible for overseeing the sales operations of optical fibre products in the PRC. Alcatel China Company Limited is principally engaged in providing optics, voice and data communication systems for enterprises to mobile terminals. Mr. He also acted as the director of the FTTH Council Asia Pacific from May 2012 to May 2016, and as the Vice President and director of the same organisation from May 2015 to May 2016 subsequently.

Mr. Wei Guoqing (魏國慶), aged 44, is an executive Director. Mr. Wei joined our Group as general manager of Futong Thailand in February 2013 and is responsible for managing the daily operations and business development of Futong Thailand. Mr. Wei is also currently the deputy president of Futong China and he will resign from such position upon Listing.

Mr. Wei obtained a master's degree in business administration from Zhejiang Gongshang University (浙江工商大學) in June 2006. He obtained a Bachelor's degree in Mechatronics from the Mechanical Engineering Faculty of Beijing Mingyuan University (北京明園大學) in June 2004. Mr. Wei has over 20 years of experience in design, research and development as well as production of optical fibre cables, quality control and corporate costs control. Prior to joining our Group, Mr. Wei was head of technical department of Futong China Group from December 2012 to December 2015, primarily responsible for the optical communications technology management of Futong China Group and its associate companies and members. Mr. Wei joined Futong China Group in April 1996 as the vice supervisor of the optical cable production unit. From December 2009 to December 2012, Mr. Wei was the general manager of Futong Sumitomo Special Optical Fibre Cable (Tianjin) Company Limited (富通住電特種光纜(天津)有限公司) and was mainly responsible for managing its day-to-day operations. Futong Sumitomo Special Optical Fibre Cable (Tianjin) Company Limited was a joint venture company of Futong China Group and Company S and principally engaged in production and sales of optical fibres and related products.

Mr. Wei published a number of industry papers and invented certain patents registered in locations such as the PRC. In 2004, he was awarded a honorary certificate by the local government of Fuyang City, Zhejiang Province, as a technologically advanced individual during 2002 to 2003. In

2011, he was engaged as an expert in the cable industry amendment group by the Chinese Electrical Equipment Industry Association Wire Branch* (中國電器工業協會電線電纜分會).

Mr. Pan Jinhua (潘金華), aged 52, is an executive Director. Mr. Pan joined our Group in February 2007 and is responsible for managing the investment activities of our Group. Mr. Pan has been a director of the Futong Thailand since August 2010.

Mr. Pan obtained the qualification of middle-level economist from the Agricultural Bank of China (Hangzhou Branch) in June 1989 and passed the examination for the Party and Administrative Cadres Basic Course organised by Zhejiang Higher Education Self-Study Examination Direction Committee (浙江省高等教育自學考試指導委員會) in March 1989. Mr. Pan has approximately 27 years of experience in corporate investment and corporate governance matters. Prior to joining our Group, Mr. Pan has been taking up the positions of the secretary to the Futong China Chairman's Office since February 2006, the head of the investment management department of Futong China since February 2007 and the head of investment department of Futong China since December 2012. It is expected that Mr. Pan will resign from such positions in Futong China upon Listing.

Mr. Xu Muzhong (徐木忠), aged 50, is an executive Director. Mr. Xu joined our Group in May 2012 and is responsible for managing the production process, quality control, as well as production technologies and craftsmanship of our Group. Mr. Xu is also currently a director and the general manager of Futong Thailand, and is principally responsible for operational work, including but not limited to production and management.

Mr. Xu graduated from Party School of Zhejiang Provincial Committee of Communist Party of China (long-distance course) in June 2004. Mr. Xu has over 20 years of experience in production process management, quality control, maintenance, corporate management and operations. Prior to joining our Group, Mr. Xu took up the post of the supervisor of the special electric wire and cable production unit of Hangzhou Fuyang Post and Telecommunication Special Electric Wire and Cable Factory (杭州富陽郵電特種電線電纜廠) in March 1993. Between May 2005 and May 2007, Mr. Xu worked in Futong China as (i) assistant to the general manager of the cables business department and (ii) head of the communications cable production department. Mr. Xu was the vice general manager of Futong Cable Hangzhou Company Limited (杭州富通電線電纜有限公司) from April 2010 and April 2012 and was mainly responsible for production and manufacturing. Futong Cable Hangzhou Company Limited is principally engaged in production and sales of optical fibres and related products.

Independent Non-Executive Directors

Mr. Leong Chew Kuan (梁昭坤), aged 40, was appointed as an independent non-executive Director on 23 June 2017.

Mr. Leong obtained his bachelor's degree in business administration from University of Technology, Sydney in July 2000 in Australia. He has been a member of Malaysian Institute of Accountants since August 2003 and a member of Hong Kong Institute of Certified Public Accountants since May 2014. Mr. Leong was admitted as a certified practising accountant of CPA Australia in February 2000, and was awarded a fellow membership in the CPA Australia in February 2014.

Mr. Leong has approximately 16 years of experiences in accounting, finance and enterprises management. From June 2004 to May 2006, Mr. Leong was employed by KPMG (Malaysia), a firm of certified public accountants, serving first as audit senior and then senior associate, in which he was responsible for performing audit works. Mr. Leong was then employed by KPMG (Hong Kong) in November 2006, and was a manager responsible for auditing and advisory works when leaving in January 2010. From May 2011 to February 2014, Mr. Leong worked as a senior manager in the risk advisory services department of BDO Financial Services Limited, a firm of certified public accountants in Hong Kong. He joined Clifford Investment Company Limited as financial controller from March 2014. Mr. Leong was appointed as a director of Clifford Modern Living Holdings Limited, a listed company on the Main Board of the Stock Exchange (stock code: 3686), in December 2015.

Mr. Lau Siu Hang (劉少恒), aged 60, was appointed as an independent non-executive Director on 23 June 2017.

Mr. Lau obtained his bachelor's degree in business administration from University of Western Sydney in April 2001 in Australia, and his master's degree in Chinese culture from The Hong Kong Polytechnic University in January 2013. Mr. Lau had served the Hong Kong government for approximately 30 years with his last position as Principal Immigration Officer prior to his retirement in 2010. During his tenure, he was responsible for handling human resources matters and was once seconded to Security Bureau to assume the position of Assistant Secretary for Security. Mr. Lau has been working as a principal consultant in Wise and Talent Consultancy (智才顧問服務公司) providing training relation to recruitment interviews, risk management and services relation to financial and assets management since May 2013. Mr. Lau has been a financial consultant of Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited, and he became an insurance agent of The Prudential Assurance Company Limited in September 2010. He is currently a Chinese Certified Financial Planner of the Chinese Institute of Certified Financial Planner SAR. Mr. Lau has also been currently serving as an independent non-executive director of China Financial Leasing Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2312) since June 2015.

Mr. Li Wei (李煒), aged 62 was appointed as an independent non-executive Director on 23 June 2017.

Mr. Li had his tertiary education in Beijing, Kiel and Perth where he had studied German, international trade theory and consumer behaviours. Mr. Li had working experience across a number of industries including education, trading, investment, and broadcasting industry. From 2002 to present, he has been serving as an independent non-executive director of VST Holdings Limited, a listed company on the Main Board of the Stock Exchange (stock code: 856). Also, he has become the independent non-executive directors of two listed companies on the Main Board of the Stock Exchange, namely Qianhai Health Holdings Limited (formerly known as Hang Fat Ginseng Holdings Company Limited) (stock code: 911) and Yantai North Audre Juice Co., Ltd. (stock code: 2218) on 17 May 2016 and 25 May 2016, respectively. Furthermore, he acted as a current affairs commenter in radio and television programmes and a columnist across different media.

Mr. Li was a director of the below companies incorporated in Hong Kong, which were dissolved by way of striking off or deregistration as these companies ceased to carry on business.

Name of company	Place of Incorporation	Nature of business before dissolution	Date of dissolution	Method of Dissolution
China Equity International Limited	Hong Kong	Trading of mineral products	8 July 2005	Deregistration
Link Success International Development Limited	Hong Kong	Trading of mineral products	21 September 2001	Striking Off
Uni-Link International Limited	Hong Kong	Trading of mineral products	4 October 2013	Deregistration
Winform Development Limited	Hong Kong	Trading of imported equipment	30 July 2004	Deregistration
World Grace International Limited	Hong Kong	Trading of imported equipment	27 June 2008	Deregistration

Save as disclosed in this prospectus, each of the Directors does not have any interest or short position in the Shares and underlying Shares (within the meaning of Part XV of the SFO).

Save as disclosed in this prospectus, none of the Directors has any other directorships in listed companies during the three years immediately prior to the date of this prospectus and there are no other matters in respect of each of the Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules and there is no other material matter relating to the Directors that need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Mr. Ren Guodong (任國棟), aged 41, joined our Group in October 2003 and is currently the operations manager and a director of Transtech who is responsible for the day-to-day operation of Transtech.

Mr. Ren obtained a bachelor's degree in high voltage and equipment from Harbin University of Science and Technology (哈爾濱理工大學) in July 1998, and a master's degree in business administration from the Zhongnan University of Economics and Law (中南財經政法大學) in December 2010. Mr. Ren has over 15 years of experience in optical communication product manufacturing process quality control, equipment management and enterprise cost control. Prior to joining our Group, Mr. Ren has been the head of production department of Futong Cable Hangzhou Company Limited (杭州富通電線電纜有限公司) from December 2000 to December 2001.

Mr. Ho Cheuk Wai (何焯偉), aged 56, joined our Group and was appointed as our chief financial officer and company secretary in October 2016. Mr. Ho is responsible for overseeing the financial and accounting operations and carrying out company secretarial functions of our Group. He graduated with a degree of master of science in business information technology from Middlesex

University in January 2003 and a degree of master of business administration from the University of Wales, Bangor in cooperation with the Manchester Business School (now known as the Bangor University) in July 1997, both of which were distance learning programmes. He has been admitted as an associate of the Hong Kong Society of Accountants since December 1994 and was admitted an associate of the Association of Chartered Certified Accountants of the United Kingdom since January 1995 and a fellow of the Association of Chartered Certified Accountants of the United Kingdom since January 2000.

Mr. Ho is currently an independent non-executive director of Tai Kam Holdings Limited, a company listed on GEM (stock code: 8321). Prior to joining our Group, he served as the financial controller and the company secretary of K. H. Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1557), from August 2014 and September 2015, respectively, which he resigned from such positions with effect from October 2016. From May 2013 to January 2014, he served as the financial controller and the company secretary of Ngai Shun Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1246). From May 2012 to May 2013, he also acted as the financial controller and the company secretary of South West Eco Development Limited, a company currently known as C&D International Investment Group Limited listed on the Main Board of the Stock Exchange (stock code: 1908). In addition, Mr. Ho served as the financial controller in other companies in Hong Kong, namely Cetec Limited, China Water Company Limited, Chung Fu Property Group Company Limited, Mission Hills Group Limited, and CBI Investment Limited during the period from January 2010 to April 2012, from September 2008 to January 2010, from January 1999 to March 2008, from April 1995 to November 1998, and from July 1990 to March 1995, respectively.

Mr. Wang Yingzhong (王英忠), aged 56, joined our Group in January 2005 and is currently the assistant engineering department manager of Transtech, in charge of the engineering matters. Mr. Wang obtained a Bachelor's degree in Electronic Engineering from Zhejiang Radio and Television University (浙江廣播電視大學) in August 1983 and the qualification of Middle-level Engineer from Hangzhou Enterprise Middle-level Engineering Technician Assessment Committee (杭州市鄉鎮企業工程技術人員中級職務評審委員會) in the PRC in October 1999.

Mr. Wang has over 22 years of experience in electronic engineering industry. From April 1994 to December 2004, he joined Futong China as an electronic and electrical engineer. He then joined Transtech in which he first took up the position of the plant engineer from January 2005 to June 2011 and has subsequently been the assistant engineering department manager since July 2011.

Ms. Lee Yin Chun, Anthea (李妍臻), aged 37, joined our Group in August 2005 and is currently the human resources and administration manager of Transtech, responsible for human resources and administrative matters. Ms. Lee completed the Bachelor of Business (Management) Human Resource Management Specialization Degree program (long-distance course) offered by RMIT University in Australia in 2008 and a Professional Diploma in Human Resources Management from Hong Kong Management Association in March 2002.

Ms. Lee has approximately 19 years of experience in the human resources and administration field. From August 1997 to August 2002, she took up various positions including administration assistant, administration officer and human resources and administration officer in Standard Capital Brokerage Limited. She worked in Global Tech (Holdings) Limited as a human resources assistant and then human resources officer from October 2002 to August 2005. She then joined Transtech as a human resources & administration officer from August 2005 to December 2007 and subsequently promoted to human resources & administration manager in January 2008.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee has three members, namely Mr. Leong Chew Kuan, Mr. Lau Siu Hang and Mr. Li Wei, all being our independent non-executive Directors. Mr. Leong Chew Kuan has been appointed as the chairman of the audit committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the audit committee include, among other things, making recommendations to the Board on the appointment, reappointment and removal of the external auditor, reviewing our Group's financial information, overseeing our Group's financial reporting system, risk management and internal control systems.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The remuneration committee has five members, namely Mr. Lau Siu Hang, Mr. He Xingfu, Mr. Wei Guoqing, Mr. Leong Chew Kuan and Mr. Li Wei. Mr. Lau Siu Hang has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee include, among other things, making recommendations to the Board on our Group's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy and on the remuneration packages and overall benefits for the Chairman, executive Directors and senior management.

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The nomination committee has five members, namely, Mr. Hu Guoqiang, Mr. Pan Jinhua, Mr. Leong Chew Kuan, Mr. Li Wei and Mr. Lau Siu Hang. Mr. Hu Guoqiang has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee include, among other things, making recommendations on any proposed changes to the Board to complement our Company's corporate strategy.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration from our Group in the form of salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to the

Directors for FY2014, FY2015 and FY2016 were approximately HK$1.60 million, HK$1.39 million and HK$1.71 million, respectively. None of the Directors had waived any remuneration during the same period.

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Group's five highest paid individuals, including Directors, for FY2014, FY2015 and FY2016 were approximately HK$4.02 million, HK$4.35 million and HK$4.31 million, respectively.

No payment was made by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the Track Record Period.

Save as disclosed above, no other payments have been made or are payable in respect of the Track Record Period by any of member of our Group to any of the Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of the Directors for the year ending 31 December 2017 to be approximately HK$1.98 million.

COMPLIANCE ADVISER

We have appointed Innovax Capital Limited as our compliance adviser in compliance with Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, we will consult with and seek advice from our compliance adviser in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the securities of our Company, the possible development of a false market in the securities of our Company or any other matters.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the second full financial year commencing after the Listing Date. Our Company will exercise such a right in compliance with Rule 6A.26 of the GEM Listing Rules.

SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of our Company is as follows:

Authorised share capital:

		Aggregate nominal value
		HK$
1,000,000,000	Shares	10,000,000

Assuming the Over-allotment Option is not exercised, the issued share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering will be as follows:

Shares issued or to be issued, fully paid or credited as fully paid:

		Aggregate nominal value
		HK$
500,000	Shares in issue as of the date of this prospectus	5,000
194,500,000	Shares to be issued pursuant to the Capitalisation Issue	1,945,000
65,000,000	Shares to be issued under the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	650,000
260,000,000	**Total**	2,600,000

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following completion of the Capitalisation Issue and the Global Offering will be as follows:

Shares issued or to be issued, fully paid or credited as fully paid:

		Aggregate nominal value
		HK$
500,000	Shares in issue as of the date of this prospectus	5,000
194,500,000	Shares to be issued pursuant to the Capitalisation Issue	1,945,000
74,750,000	Shares to be issued under the Global Offering (inclusive of any Shares which may be issued under the Over-allotment Option)	747,500
269,750,000	**Total**	2,697,500

Assumptions:

The above table assumes that the Global Offering has become unconditional and the Shares are issued pursuant to the Global Offering and the Capitalisation Issue. It takes no account of any Shares which may be allotted and issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares. The Offer Shares will carry the same rights as all Shares in issue or to be issued and, in particular, will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus (save for entitlements to the Capitalisation Issue).

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of our Memorandum of Association and our Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital by special resolution of shareholders. For details, see "2. Articles of Association—(a) Shares—(iii) Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Cayman Companies Law and the terms of our Memorandum of Association and our Articles of Association, all or any of the special rights attached to our Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares in that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares in that class. For details, see "2. Articles of Association—(a) Shares—(ii) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot and issue Shares, particulars of which are set out in "A. Further Information About Our Group—3. Resolutions in writing of the sole Shareholder passed on 23 June 2017" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to repurchase Shares, particulars of which are set out in "A. Further Information About Our Group—3. Resolutions in writing of the sole Shareholder passed on 23 June 2017" and "A. Further Information About Our Group—6. Repurchase of our own securities" in Appendix IV to this prospectus.

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

So far as our Directors were aware, as at the Latest Practicable Date, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), the following persons (other than a Director or a chief executive of our Company) will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Interest in Shares or Underlying Shares of Our Company

Name of Shareholder	Nature of interest	Number of Shares held[1]	Approximate shareholding percentage
Mr. Wang[2]	Interest in a controlled corporation	195,000,000 (L)	75%
Futong Investments[3]	Interest in a controlled corporation	195,000,000 (L)	75%
Futong China[4]	Interest in a controlled corporation	195,000,000 (L)	75%
Futong Optical Communication[5]	Interest in a controlled corporation	195,000,000 (L)	75%
Futong HK	Beneficial interest	195,000,000 (L)	75%

Notes:

(1) The letter "L" denotes a person's "long position" in such Shares.

(2) Our Company will be directly owned as to 75% by Futong HK immediately upon the completion of the Capitalisation Issue and the Global Offering. Futong HK is owned as to 100% by Futong Optical Communication which is in turn owned as to 100% by Futong China. Futong China is owned as to 80% by Futong Investments. As Futong Investments is owned as to 100% by Mr. Wang, Mr. Wang is deemed to be interested in the same number of Shares held by Futong HK under the SFO.

(3) Our Company will be directly owned as to 75% by Futong HK immediately upon the completion of the Capitalisation Issue and the Global Offering. Futong HK is owned as to 100% by Futong Optical Communication which is in turn owned as to 100% by Futong China. As Futong China is owned as to 80% by Futong Investments, Futong Investments is deemed to be interested in the same number of Shares held Futong HK under the SFO.

(4) Our Company will be directly owned as to 75% by Futong HK immediately upon the completion of the Capitalisation Issue and the Global Offering. Futong HK is owned as to 100% by Futong Optical Communication which is in turn owned as to 100% by Futong China. Therefore, Futong China is deemed to be interested in the same number of Shares held by Futong HK under the SFO.

(5) Our Company will be directly owned as to 75% by Futong HK immediately upon the completion of the Capitalisation Issue and the Global Offering. By virtue of Futong Optical Communication's 100% shareholding in Futong HK, Futong Optical Communication is deemed to be interested in the same number of Shares held by Futong HK under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of our Directors or chief executive of our Company is aware of any other person who will, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in the shares which would fall to be disclosed to our Company and the Stock Exchange under the provision of Divisions 2 and 3 and Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

You should read the following discussion in conjunction with the combined financial statements included in the Accountants' Report and the notes thereto included in Appendix I to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus. The combined financial statements have been prepared in accordance with HKFRSs.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set out in "Forward-looking Statements" and "Risk Factors" in this prospectus. Please refer to the section headed "Risk factors—Our historical results of operations and financial performance may not be indicative of future performance and our results of operations, and our results of operations may be affected by various factors, including our non-recurring Listing expenses, and we may not be able to achieve or sustain the historical level of growth for revenue and profitability".

OVERVIEW

We are the largest optical fibre cable provider in Thailand and one of the leading optical fibre cable providers in the ASEAN in terms of revenue and market share as of 31 December 2016, according to the CIC Report. The market share of our Group in optical fibre cable market in Thailand was 24.8% in terms of revenue as of 31 December 2016, ranking first in Thailand market, while the second and third largest optical fibre cable providers in Thailand had a market share of approximately 18.2% and 9.3% in terms of revenue, respectively, according to the CIC Report. According to the CIC report, as of 31 December 2016, the market share of our Group in the optical fibre cable market in the ASEAN was 10.0% in terms of revenue, ranking second in the ASEAN market, while the largest optical fibre cable provider in the ASEAN had a market share of approximately 12.1% in terms of revenue.

We manufacture and sell optical fibre cables with various standard specifications that are widely used in the telecommunications industry. We also design and manufacture specialty optical fibre cables pursuant to requests from our customers, including rodent resistant optical fibre cable, flame-retardant optical fibre cable and non-metallic optical fibre cable. In addition, we manufacture optical fibres for our production of optical fibre cables, as well as for sale to third parties. Furthermore, we sell optical cable cores and other related products, including power cable and other auxiliary products. We have two major operating subsidiaries, namely, Transtech and Futong Thailand. Transtech is principally engaged in the manufacturing and sales of optical fibres, and its production facilities are located in Hong Kong. Futong Thailand is principally engaged in the manufacturing and sales of optical fibre cables, optical cable cores and other related products, and its production facilities are located in Thailand.

During the Track Record Period, customers of our optical fibre cables were primarily Independent Third Parties in Thailand and in other ASEAN countries, namely, Malaysia, the Philippines, Singapore, Indonesia and Vietnam, through which telecommunications operators make their procurements. During the same periods, some of our optical fibres were consumed internally for the production of optical fibre cables and the remaining were sold to customers in Hong Kong and the PRC.

As of 31 December 2016, we had an aggregate eight production lines for the production of optical fibres and various machinery for the production of optical fibre cables. For FY2014, FY2015 and FY2016, our overall production capacity for optical fibres was 2.9 million fkm, 3.8 million fkm and 4.8 million fkm, respectively, and our overall production capacity for optical fibre cables and optical cable cores was 2.4 million fkm, 3.3 million fkm and 3.6 million fkm, respectively.

We purchase optical fibre preforms for the production of optical fibres. We manufacture by ourselves at Transtech as well as purchasing from other parties the optical fibres needed for the production of optical fibre cables. For the other raw materials used for the production of optical fibre cables, we purchase from suppliers in the PRC or from overseas.

Our total revenue increased from HK$252.7 million for FY2014 to HK$395.5 million for FY2015, which further increased to HK$599.8 million for FY2016. Our gross profit increased from HK$20.5 million for FY2014 to HK$37.0 million for FY2015, which further increased to HK$109.1 million for FY2016. We recorded a net loss of HK$4.5 million and HK$2.9 million in FY2014 and FY2015, respectively, and a net profit of HK$67.2 million in FY2016.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 6 September 2016. Pursuant to the Reorganisation as more fully explained in the paragraph headed "Our Reorganisation" under the section headed "History and Development" in the prospectus, our Company became the holding company of the companies now comprising our Group. The consolidated financial information of our Group have been prepared on the basis as if the Company had always been the holding company of our Group throughout the Track Record Period under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting Under Common Control Combinations" issued by HKICPA. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position of our Group as at 31 December 2016 have been prepared to present the assets and liabilities of the companies now comprising our Group, as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation, where applicable. Further information on the basis of preparation of financial information is set out in Note 1 of the Accountants' Report contained in Appendix I to this prospectus.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Government and Industry Policies

Our business and operating results have been, and will continue to be, affected by the government and industry policies on telecommunications and related industries in Thailand and other ASEAN countries, as well as in the PRC.

We sell optical fibre cables in Thailand and other ASEAN countries, namely, Malaysia, the Philippines, Singapore, Indonesia and Vietnam. End users of our optical fibre cables include telecommunications companies in Thailand and other ASEAN countries. Accordingly, we believe that our results during the Track Record Period were affected by the policies and regulations related to the telecommunications industry promulgated by these countries. The Thai government has promulgated various policies encouraging the upgrade of the internet infrastructure in Thailand, which will bring opportunities to the optical fibre cable providers in the country. According to the National Broadband Policy launched in 2014, Thailand's broadband network should provide access to 95% of Thailand's population and high-speed fibre-optic network should cover all economic and regional hub cities by 2020. The size of Thailand's optical fibre cable market in terms of sales volume and sales revenue, therefore, is expected to continue to benefit from such policies, both growing respectively at CAGRs of approximately 8.6% and 6.1% between 2017 and 2021, and reaching 9.8 million fkm by 2021. Other ASEAN countries have promulgated similar policies, including the Indonesia Broadband Plan 2014-2019, the Cambodia ICT Master Plan 2020 launched in 2014 and the Philippines Digital Strategy, Transformation 2.0: Digitally Empowered Nation launched in 2011.

During the Track Record Period, we consumed part of our optical fibres internally for the production of optical fibre cables and sold the remaining to customers in Hong Kong and the PRC, including to our Parent Group, which we believe then on-sold such optical fibres in the PRC or used them as raw materials. As such, we believe that government initiatives and investments were key factors driving the demand for our optical fibres.

Pricing of Optical Fibre Cables, Optical Fibres and Optical Cable Cores

The selling prices of our optical fibre cables and optical fibres have been and will continue to be affected by the average selling prices in the relevant markets where we sell our products.

During the Track Record Period, our optical fibre cables were primarily sold in Thailand. For FY2014, FY2015 and FY2016, the average selling price of our optical fibre cables, being our revenue generated from the sales of optical fibre cables divided by the sales volume of optical fibre cables for the respective periods, was approximately US$20.8 per fkm, US$17.6 per fkm and US$18.6 per fkm, respectively.

During the Track Record Period, other than those used as raw materials for our own production of optical fibre cables, our optical fibres were primarily sold in Hong Kong and the PRC. For FY2014, FY2015 and FY2016, the average selling price of our optical fibres, being our revenue generated from the sales of optical fibres divided by the sales volume of optical fibres for the respective periods, was HK$56.9 per fkm, HK$50.3 per fkm and HK$55.5 per fkm, respectively.

During the Track Record Period, our optical cable cores were sold to our Parent Group and an Independent Third Party in Hong Kong. For FY2014, FY2015 and FY2016, the average selling price of our optical cable cores, being our revenue generated from the sales of optical cable cores divided by the sales volume of optical cable cores for the respective periods, was HK$101.0 per fkm, HK$95.9 per fkm and HK$88.0 per fkm, respectively. The drop in average selling prices in FY2015 and FY2016 is mainly due to a larger quantity sold in FY2015 and FY2016, additional specifications of optical cable cores sold in FY2016, and the resulting economies of scale.

Availability and Cost of Raw Materials

We purchase various raw materials for our production, primarily including optical fibres, polyethylene and other polymers sheathing materials, steel and aluminium bands for the production of optical fibre cables and optical cable cores, and optical fibre preforms for the production of optical fibres. Cost of raw materials represents the largest component of our cost of sales during the Track

Record Period and have a substantial impact on our results of operations. Any significant increase in raw material costs from current levels will have an adverse effect on our gross profit margins if we fail to increase the selling prices of our products or otherwise pass on the increases in raw material costs to our customers.

Furthermore, the availability of key raw materials also has a significant impact on our business and results of operations. Cost of optical fibre preforms represents the largest component of our cost of raw materials. We purchased optical fibre preforms from Company S Subsidiary and our Parent Group for the production of optical fibres during the Track Record Period. During the Track Record Period, we manufactured part of the optical fibres by ourselves at Transtech and also purchased optical fibres from SWCC and our Parent Group. We intend to consume an increasing portion of optical fibres internally for the production of optical fibre cables going forward. For the other raw materials used for the production of optical fibre cables, we purchase from suppliers in the PRC or overseas. Any shortage or delay in the supply of the raw materials will have an adverse impact on our ability to timely meet our customers' orders and in turn, our results of operations.

Production Capacity and Operating Efficiency

The continuous growth of our revenue and market share depends to a large extent on our ability to expand our production capacity. Since the inception of Transtech in 2003, it has gone through two phases of production expansions. Transtech increased the optical fibre production speed through the first expansion between 2006 and 2008 and further increased its production capacity by increasing the number of optical fibre production lines through the second expansion between 2014 and 2015. Since the inception of Futong Thailand in 2010, it has gone through two phases of production expansions. Futong Thailand added some sheathing lines during the first expansion in 2014 and added various machinery during the second expansion in 2016. We expect to continue to strategically expand our facilities and instal more production lines to meet the customer demand and increase the sales volume of our products. For more details about our production capacity and utilisation rate, see "Business—Production—Production Facilities and Capacities."

Our financial performance is also related to our operating efficiency. Operating efficiency is critical to our streamlined production process and to the profitability for each product segment. We have taken initiatives in recent years with a view to improving our production efficiency, such as improving our production technology and equipment and increasing the level of automation used in the production process.

Exchange Rate Fluctuation in Thailand

During the Track Record Period, a large portion of our sales of optical fibre cables and optical cable cores and purchases of raw materials in Thailand involved RMB and US$ and any significant fluctuation in the exchange rates between THB and RMB and between THB and US$ would affect our results of operations. During the Track Record Period, we recorded HK$1.6 million in foreign exchange gains for FY2014, HK$8.0 million in foreign exchange losses for FY2015, and HK$3.9 million in foreign exchange gains for FY2016, respectively, which were mainly attributable to the fluctuation of THB during the Track Record Period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our combined financial information. Some of our critical accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in detail in the Accountants' Report included in Appendix I to this prospectus.

Revenue recognition

We measure revenue at fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns.

We recognise revenue from the sale of goods when the goods are delivered and titles have passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes and freehold land are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with our Group's accounting policy. Construction in progress are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of construction in progress, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Obsolete inventories are written off as expenses immediately.

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of our Group's foreign operations are translated into the presentation currency of our Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign exchange reserve (attributed to non-controlling interests as appropriate).

Key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. We have not changed our material estimates or assumptions in the past and do not expect our material estimates or assumptions to change in the future.

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

Depreciation

Our Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives, commencing from the date the items of property, plant and equipment are put into their intended use. The estimated useful lives reflect the Directors' estimate of the periods that our Group intends to derive future economic benefits from the use of the property, plant and equipment. Our Group assesses the residual value and useful lives of the property, plant and equipment on a regular basis and if the expectation differs from the original estimate, such difference will affect the depreciation charge in the year in which such estimate has been changed.

Allowance for trade receivables

In estimating whether allowance for bad and doubtful debts is required, our Group takes into consideration the ageing status and the likelihood of collection. When there is objective evidence of impairment loss, our Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, 2015 and 2016, the carrying amount of trade receivables is HK$72.9 million, HK$191.1 million and HK$253.1 million, respectively.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

According to the GEM Listing Rules, the track record period of the Company for the purpose of this prospectus should consist of FY2015 and FY2016. Taking into account the movements in our Group's historical financial results, our Group has voluntarily included FY2014 as part of the Track Record Period in this prospectus for reference purposes. Nevertheless, our historical results and growth may not be indicative of our future performance, please refer to the section headed "Risk factors—Our historical results of operations and financial performance may not be indicative of future performance and our results of operations, and our results of operations may be affected by various factors, including our non-recurring Listing expenses, and we may not be able to achieve or sustain the historical level of growth for revenue and profitability".

The following table sets forth the consolidated statements of profit or loss and other comprehensive income of our Group with line items by amount for the periods indicated:

	Year ended 31 December		
	2014	2015	2016
	HK$	HK$ (in thousands)	HK$
Revenue	252,677	395,515	599,772
Cost of sales	(232,169)	(358,471)	(490,699)
Gross profit	20,508	37,044	109,073
Other income	5,033	1,550	1,409
Other gains and losses	1,589	(8,142)	3,305
Selling and distribution expenses	(9,224)	(10,996)	(4,064)
Administrative expenses	(19,853)	(19,842)	(20,721)
Finance costs	(2,356)	(2,539)	(3,322)
Listing expenses	—	—	(11,703)
(Loss) profit before taxation	(4,303)	(2,925)	73,977
Income tax expense	(206)	—	(6,744)
(Loss) profit for the year	(4,509)	(2,925)	67,233
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(220)	(12,412)	85
Total comprehensive (expense) income for the year	(4,729)	(15,337)	67,318
(Loss) profit for the year attributable to:			
Owners of the Company	(4,926)	(391)	63,915
Non-controlling interests	417	(2,534)	3,318
	(4,509)	(2,925)	67,233
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company	(5,146)	(12,803)	64,000
Non-controlling interests	417	(2,534)	3,318
	(4,729)	(15,337)	67,318

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue by Business Segments

Our operating and reporting segments are (i) optical fibre cables, optical cable cores and other related products, which is located in Thailand; and (ii) optical fibres, which is located in Hong Kong.

The tables below set out a detailed breakdown of the segment revenue and results of our Group during the three years ended 31 December 2016:

FY 2014

	Optical fibre cables, optical cable cores and other related products	Optical fibres	Elimination	Combined
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue				
External sales	162,117	90,560	—	252,677
Inter-segment sales	—	26,678	(26,678)	—
Segment revenue	162,117	117,238	(26,678)	252,677
Segment results	(2,102)	(1,095)	(280)	(3,477)
Other income				1,530
Finance costs				(2,356)
Loss before taxation				(4,303)

FY 2015

	Optical fibre cables, optical cable cores and other related products	Optical fibres	Elimination	Combined
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue				
External sales	254,231	141,284	—	395,515
Inter-segment sales	—	48,317	(48,317)	—
Segment revenue	254,231	189,601	(48,317)	395,515
Segment results	3,521	(3,781)	(126)	(386)
Finance costs				(2,539)
Loss before taxation				(2,925)

FY 2016

	Optical fibre cables, optical cable cores and other related products	Optical fibres	Elimination	Combined
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue				
External sales	361,792	237,980	—	599,772
Inter-segment sales	—	25,598	(25,598)	—
Segment revenue	361,792	263,578	(25,598)	599,772
Segment results	38,151	50,587	304	89,042
Unallocated corporate expense				(40)
Finance costs				(3,322)
Listing expenses				(11,703)
Profit before taxation				73,977

The table below sets forth our gross profit and gross profit margin by business segments for the periods indicated:

	FY2014		FY2015		FY2016	
	(HK$ in thousands, except for percentages)					
Segment gross profit and gross profit margin						
Optical fibre cables, optical cable cores and other related products	12,158	7.5%	27,619	10.9%	46,591	12.9%
Optical fibres	8,350	9.2%	9,425	6.7%	62,482	26.3%
Total gross profit and gross profit margin	20,508	8.1%	37,044	9.4%	109,073	18.2%

Note: The cost of sales relating to optical fibre cables, optical cable cores and other related products is associated with Futong Thailand while the cost of sales of optical fibres is related to Transtech, and therefore they are presented as different segments.

For the business segment of optical fibres, we recorded a gross profit of HK$8.4 million for FY2014, which slightly increased to HK$9.4 million for FY2015. The increased profit is in line with our increased sales volume of optical fibres in 2015 mainly as a result of Transtech's production capacity expansion between 2014 and 2015, which was partially offset by (a) the decrease in average selling price of optical fibres from HK$56.9 for FY2014 to HK$50.3 for FY2015 and (b) greater inter-segment sales of optical fibres to Futong Thailand in 2015 of HK$48.3 million, as compared to HK$26.7 million for FY2014, where they accounted for approximately 22.8% and 25.5% of the segment revenue in 2014 and 2015, respectively. The gross profit margin for optical fibres dropped from 9.2% for FY2014 to 6.7% for FY2015 despite the slight increase in the segment gross profit. The drop was mainly attributed to the aforesaid drop in average selling price of optical fibres for FY2015. Subsequently, our gross profit further increased from HK$9.4 million for FY2015 to a gross profit of HK$62.5 million for FY2016, primarily attributable to (a) stronger market demand for optical fibres in 2016 as compared to 2015, where a greater portion of our sales were made to customers of our Group which is demonstrated by less elimination on our Group's inter-segment sales in 2016. The gross profit margin for optical fibres rose from 6.7% for FY2015 to 26.3% for FY2016, which is in line with the aforesaid increase in the segment gross profit and was contributed by the increased production volume allowed by the then major increase in overall production capacity of optical fibres from 3.8 million fkm for FY2015 to 4.8 million fkm for FY2016 and the resulting lower cost of sales per unit benefitting from the economies of scale. The increase was mainly attributed to the aforesaid increase in average selling price of optical fibres for FY2016, the decreased inter-segment sales of optical fibres to Futong Thailand in 2016, and in particular, we commenced our sales to a customer in Hong Kong, namely ZTT HK, in the second-half of 2016, which sales of optical fibres accounted for 33.2% of our total optical fibres sales for FY2016. Our Group's second and third largest optical fibres customer, namely our Parent Group and New-Olex, accounted for 32.1% and 27.9%, respectively, of our total optical fibres sales for FY2016; (b) the average selling price of optical fibres increased by 10.3% from HK$50.3 per fkm for FY2015 to HK$55.5 per fkm for FY2016, and the resulting higher gross profit margin of optical fibres we produced in 2016 as compared to 2015; and (c) our Group's higher total optical fibre production capacity in 2016 and resulting in higher actual production volume to meet our customers' demand in 2016.

For the business segment of optical fibre cables, optical cable cores and other related products, we recorded a gross profit of HK$12.2 million for FY2014, which increased to HK$27.6 million for FY2015. The increased profit is in line with our increased sales volume of optical fibre cables in 2015, primarily as a result of increased market demand due to, as we believe, the Thai government's efforts to promote the development of the country's telecommunications networks. Such leap in sales in 2015 was partially offset by the decrease in average selling price of optical fibre cables during the same period from US$20.8 for FY2014 to US$17.6 for FY2015. The relevant gross profit margin rose from 7.5% for FY2014 to 10.9% for FY2015, which is in line with the aforesaid increase in the segment gross profit and was contributed by the increased production volume allowed by the then major increase in overall production capacity of optical fibre cables from 2.4 million fkm for FY2014 to 3.3 million fkm for FY2015 and the resulting lower cost of sales per unit benefitting from the economies of scale. The increase was mainly attributed to the aforesaid increased demand for optical fibre cables in Thailand but partially offset by the drop in average selling price of optical fibre cables for FY2015. Subsequently, the gross profit rose from HK$27.6 million for FY2015 to HK$46.6 million for FY2016, due to (a) stronger market demand for products of Futong Thailand including optical fibre cables and optical cable cores in 2016; (b) higher average selling price of optical fibre cables which rose from US$17.6 per fkm in 2015 to US$18.6 per fkm in 2016; and (c) our Group's overall higher optical fibre cable production capacity in 2016 and resulting in higher actual production volume to meet our customers' demand in 2016. The relevant gross profit margin further rose from 10.9% for FY2015 to 12.9% for FY2016, which is in line with the aforesaid rise in the segment gross profit, the rise was mainly attributed to the aforesaid increased demand for optical fibre cables in Thailand supported by our greater production capacity of optical fibre cables in FY2016 and the increase in average selling price of optical fibre cables for FY2016.

Revenue by Products

We primarily generate revenue from three types of products, namely, optical fibres, optical fibre cables and optical cable cores. We also manufacture and sell other related products, which include power cable and other auxiliary products.

The table below sets forth the revenue of optical fibres, optical fibre cables, optical cable cores and other related products for the periods indicated, by amount and as percentage of total revenue:

	FY2014		**FY2015**		**FY2016**	
	HK$		**HK$**		**HK$**	
			(in thousands, except for percentages)			
Optical fibre cables(Note)	144,631	57.2%	247,330	62.5%	266,124	44.4%
Optical fibres	90,560	35.8%	141,284	35.7%	237,980	39.7%
Optical cable cores(Note)	10,079	4.0%	1,951	0.5%	94,434	15.7%
Other related products(Note)	7,407	3.0%	4,950	1.3%	1,234	0.2%
Total	252,677	100%	395,515	100%	599,772	100%

Note: Our Group produces and customises optical fibre cables, optical cable cores and other related products according to respective customers' request.

Our Group's major leap in revenue from HK$252.7 million for FY2014 to HK$395.5 million for FY2015 was primarily results of the combined effort of our optical fibre cables and optical fibre sales, which are our Group's major products. The revenue generated by optical fibre cable sales increased from HK$144.6 million for FY2014 to HK$247.3 million for FY2015, was mainly attributable to increased sales volume of optical fibre cables in Thailand resulting from the then market demand due to, as we believe, the Thai government's efforts to promote the development of the country's telecommunications networks. Moreover, the revenue generated by optical fibre sales increased from HK$90.6 million for FY2014 to HK$141.3 million for FY2015 was primarily due to the increased optical fibre sales in 2015, which was supported by Transtech's increase in production capacity as it went through the second expansion between 2014 and 2015. In 2016, the notable increase in revenue generated by our Group's sales of optical fibres was mainly due to the increased sales volume of optical fibres in Hong Kong and the increase in our average selling price of optical fibres in 2016. In particular, such increased sales in optical fibres in 2016 was contributed by our voluminous sales of optical fibres to a customer in Hong Kong, namely ZTT HK, commenced in the second-half of 2016. As such, the increase in optical fibre sales in 2016, coupled with the increase in average selling price of optical fibres from HK$50.3 per fkm for FY2015 to HK$55.5 per fkm for FY2016, in turn led to our Group's substantial increase in revenue from optical fibre sales for FY2016. Our Group's increased sales of optical fibre cables for 2016 remained consistent with our greater sales in Thailand, which we believe to be a result of, among other things, the Thai government's efforts to promote the development of the country's telecommunications networks. Our Group's increased sales of optical cable cores was mainly due to our sales to a new customer of our Group (who is an Independent Third Party) since the second-half of 2016.

Please refer to "—Period to Period Comparison of Results of Operations" below for further details about fluctuations and changes in our financial results during the three years ended 31 December 2016.

Revenue by Geography

We sell our products to customers whose places of domicile include Thailand, the PRC, Hong Kong and other ASEAN countries. The table below sets forth our revenue by customers' geographical location, which is based on billing addresses, and as percentage of total revenue for the periods indicated:

	FY2014	FY2015	FY2016
	HK$'000	HK$'000	HK$'000
PRC (excluding Hong Kong)	100,551	128,151	96,279
Hong Kong(Note)	—	17,073	233,366
Thailand	144,131	240,802	255,341
The Philippines	7,995	8,827	8,799
Malaysia	—	662	2,907
Others	—	—	3,080
	252,677	395,515	599,772

Note: This includes our Group's sales to Futong Group (Hong Kong), a Hong Kong company engaged in, among others, trading business. According to Futong Group (Hong Kong), certain products sold to Futong Group (Hong Kong), which amounted to HK$14.3 million and HK$75.3 million for FY2015 and FY2016, respectively, were on-sold to its PRC customers, which included our Parent Group. Moreover, due to our Parent Group's internal procurement management strategy to centralise the procurement through Futong Group (Hong Kong) which commenced in December 2015, our Group sold optical fibres manufactured by Transtech to Futong Group (Hong Kong) for supplying the same to Futong Thailand. The procurement amount under such arrangement accounted for a relatively small amount of our cost of sales for each of the relevant years. Such arrangement was terminated in August 2016 and procurement from Transtech to Futong Thailand was conducted directly thereafter.

As an effort to expand our Group's customer base, our Group expanded its sales regions in the ASEAN in 2015. Moreover, our Group experienced a major increase in its sales in Thailand for FY2015 primarily due to the then increased market demand which was caused by, as we believe, the Thai government's efforts to promote the development of the country's telecommunications networks. Our Group's sales in Hong Kong leaped in 2016 mainly due to our voluminous sales of optical fibres to an Independent Third Party customer commencing in the second-half of 2016. Our Group's drop in sales in the PRC is consistent with our strategy to focus our sales in Hong Kong and the ASEAN, and our further sales to customers in the PRC will be conducted through our Parent Group and such transactions will constitute continuing connected transactions under Chapter 20 of the GEM Listing

Rules. Please refer to the section headed "Continuing Connected Transactions" in this prospectus for information.

Average Selling Price

The table below sets forth the average selling price, being our revenue generated from the sales of the relevant product divided by the sales volume of the product for the respective periods, and the sales volume of our optical fibre cables and optical fibres for the periods indicated:

	FY2014	FY2015	FY2016
Average selling price (per fkm)			
Optical fibre cables	US$20.8	US$17.6	US$18.6
Optical fibres	HK$56.9	HK$50.3	HK$55.5
Optical cable cores	HK$101.0	HK$95.9	HK$88.0
Sales volume (thousand fkm)			
Optical fibre cables	894	1,810	1,853
Optical fibres	1,591	2,807	4,292
Optical cable cores	100	19	1,073

Due to the nature of our industry, we derive a substantial portion of our revenue from a limited number of customers. For the years ended 31 December 2014, 2015 and 2016, sales to our top five customers accounted for approximately 96.8%, 96.7% and 94.3%, respectively, of our total revenue. We believe that our Company remains suitable for listing. Please refer to "Business—Customers, Sales and Marketing—Our Customers" of this prospectus for further details. For risks and uncertainties associated with the limited number of our customers, please refer to "Risk Factors—We sell our products to a limited number of customers. If our major customers discontinue their business relationship with us, reduce purchase orders or purchase price for our products, our sales and profitability may decrease" of this prospectus.

Cost of Sales

Our cost of sales primarily consists of (i) raw material cost, (ii) purchase of optical fibre cables, (iii) manufacturing overhead, which includes depreciation of manufacturing equipment and facilities, consumables, rent, utilities and other expenses related to the manufacturing of our products, (iv) direct labour cost and (v) changes in inventories of finished goods and work in progress.

The following table sets forth a breakdown of our cost of sales by nature of expenses for the periods indicated:

	FY2014	FY2015	FY2016
	HK$'000	HK$'000	HK$'000
Raw material cost	184,587	280,623	384,506
Manufacturing overhead	33,309	42,232	45,954
Direct labour cost incurred during the year	16,925	17,017	19,164
Changes in inventories of finished goods and work in progress	(2,652)	18,599	41,075
Total	232,169	358,471	490,699

The following table sets forth a breakdown of our Group's total cost of sales by nature for the periods indicated:

	FY2014	FY2015	FY2016
	HK$'000	HK$'000	HK$'000
Fixed cost	20,253	24,987	26,161
Variable cost	214,568	314,885	423,463
Changes in inventories of finished goods and work in progress	(2,652)	18,599	41,075
Total cost of sales	232,169	358,471	490,699

The following table sets forth a breakdown of our Group's raw material costs by key raw materials for the periods indicated:

	FY2014	FY2015	FY2016
	HK$'000	HK$'000	HK$'000
Optical fibre preforms	74,196	98,579	127,065
Optical fibres	88,508	145,744	218,334
Others	21,883	36,300	39,107
Total raw material cost	184,587	280,623	384,506

Other Income

Other income consists of (i) income from sales of scrap productions, (ii) management income from a related company, (iii) bank interest income, (iv) other interest income, which represents the interest income arising from a related party loan provided by Transtech to a related party company, and (v) others.

Other Gains and Losses

Other gains and losses consist of (i) foreign exchange gains/losses and (ii) gain/loss on disposals of property, plant and equipment, and (iii) bad debt written off.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of sales commission expense, which represents the sales commission we paid to our Parent Group for the sale of optical fibres to customers referred by it in the PRC, staff costs, transportation expense, export cost and other selling and distribution expenses.

The following table sets forth a breakdown of the key components of our selling and distribution expenses, by amount and as percentages of revenue for the periods indicated:

	FY2014	FY2015	FY2016
	HK$'000	HK$'000	HK$'000
Sales Commission Expense	4,891	6,954	1,290
Staff Cost	2,379	2,239	578
Transportation Expense	1,251	796	1,048
Export Cost	—	254	758
Other	703	753	390
Total	9,224	10,996	4,064

Administrative Expenses

Administrative expenses primarily consist of (i) staff cost, (ii) office expense, which comprises the expense for office supplies, electricity and water expense, rental expense, security fee and repair and maintenance expense, (iii) depreciation, (iv) management fee, which comprises operation management fee and building management fee, (v) transportation expense, which comprises travelling expense and motor vehicle expense, (vi) professional fee, which comprises audit fee and legal and professional expense, and (vii) other expense, which comprises bank charges and miscellaneous expense.

The following table sets forth a breakdown of the components of our administrative expenses for the periods indicated, by amount and as percentages of total revenue:

	Year ended 31 December		
	2014	2015	2016
	HK$	HK$ (in thousands)	HK$
Staff cost	7,303	6,905	8,090
Office expense	3,975	4,162	2,990
Depreciation	3,638	4,100	4,208
Management fee	1,339	1,278	826
Transportation expense	1,154	839	726
Professional fee	530	423	702
Other expense	1,914	2,135	3,179
Total	19,853	19,842	20,721

Finance Costs

Finance costs consist of interest expenses on bank borrowings.

Income Tax Expense

Income tax expense includes Hong Kong Profits Tax underprovision in prior years, other jurisdiction's withholding tax and Hong Kong Profits Tax payable for the relevant year. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period. No provision for Hong Kong Profits Tax was provided for the two years ended 31 December 2015 as Transtech incurred a tax loss in that year. Withholding Tax in other jurisdiction may calculated at 10% on interest income from a related Company in the PRC.

Futong Thailand has been granted preferential tax treatments by the Board of Investment in Thailand (BOI) relating to manufacturing of cables by virtue of the provisions of the Industrial Investment Promotion Act B.E. 2520 of Thailand. The preferential tax treatments granted include the exemption from payment of corporate income tax on net profit of the promoted business of the manufacturing of cables for a period of eight years from the date on which the income is first derived from such operations (the "Exemption Period"). The three years ended 31 December 2016 falls within the Exemption Period and therefore no income tax has been provided for in the combined statements of financial position. During the Track Record Period, we were not involved in any material tax disputes with respect to our income tax.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended 31 December 2016 Compared to Year Ended 31 December 2015

Revenue

Our revenue increased by 51.6% from HK$395.5 million for FY2015 to HK$599.8 million for FY2016, primarily as a result of (i) increased sales of optical fibres, which increased by 68.4% from HK$141.3 million for FY2015 to HK$238.0 million for FY2016, mainly because the sales volume of optical fibres in the PRC and Hong Kong increased by 67.9% from 2.8 million fkm for FY2015 to 4.7 million fkm for FY2016, which is in line with the stronger customer demand for optical fibres in 2016 compared to 2015 where a greater portion of our sales were made to customers of our Group. The increased sales volume of optical fibres in 2016 was supported by our higher optical fibre production capacity in 2016. Moreover, there was an increase in our average selling price of optical fibres by 10.3% from HK$50.3 for FY2015 to HK$55.5 for FY2016. Sales volume of optical fibres in the PRC and Hong Kong increased mainly because demand for optical fibres from Transtech's Hong Kong customers increased in 2016; (ii) increased sales of optical fibre cables, which increased by 7.6% from HK$247.3 million for FY2015 to HK$266.1 million for FY2016, mainly attributable to increased sales volume of optical fibre cables in Thailand, which increased from 1.8 million fkm for FY2015 to 1.9 million fkm for FY2016, primarily as a result of increased market demand due to, as we believe and among other things, the Thai government's efforts to promote the development of the country's telecommunications networks. The effect of increase in the sales of optical fibre cables on our Group's revenue was supported by the increased average selling price of optical fibre cables, which increased by 5.1% from US$17.6 per fkm for FY2015 to US$18.6 per fkm for FY2016; and (iii) increased sales of optical cable cores, which leaped by 4,740.3% from HK$2.0 million for FY2015 to HK$94.4 million for FY2016, mainly due to our sales to a new customer of our Group (who is an Independent Third Party) since the second-half of 2016, as a result of our effort in expanding our optical cable core market to external customers, while Parent Group was our only optical cable core customer during FY2015. So far as we understand, the parent company of these customers purchase telecommunications products from our Parent Group from time to time. The increase in revenue was partially offset by decreased sales in other related products, which decreased by 75.1%, primarily due to decreased demand for such products.

Cost of sales

Cost of sales increased by 36.9% from HK$358.5 million for FY2015 to HK$490.7 million for FY2016, primarily attributable to increased sales of our products. Cost of sales as a percentage of revenue decreased from 90.6% for FY2015 to 81.8% for FY2016, primarily because the sales of our products increased, while the cost of sales increased at a slower rate mainly attributable to the economies of scale achieved as a result of the expansion of production capacity of Futong Thailand and higher total production capacity of Transtech in 2016 and their respective production volume increased accordingly. The effect of decrease in cost of sales as a percentage of revenue was coupled with the increased average selling price of optical fibres in 2016.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 194.4% from HK$37.0 million for FY2015 to HK$109.1 million for FY2016. Our gross margin, being our gross profit divided by our total revenue, increased from 9.4% for FY2015 to 18.2% for FY2016, primarily because (a) the average selling price of our products was higher in 2016 as compared to 2015, in particular, the average selling price of optical fibres was higher in 2016 compared to 2015 and a larger amount of optical fibres was sold in 2016 than 2015; and (b) the sales of our products increased at a faster rate than the increase in cost of sales.

Other income

Other income decreased by 9.1% from HK$1.6 million for FY2015 to HK$1.4 million for FY2016, primarily as a result of decreased management income from a related company, which was mainly attributable to a decrease in management fee from HK$0.7 million for FY2015 to nil for FY2016. However, such decrease in other income was partially offset by the increase in income from sales of scrap products by 112.6% from HK$0.4 million for FY2015 to HK$0.8 million for FY2016, such increase was due to our increased production and sales in 2016.

Other gains and losses

We recorded a loss of HK$8.1 million for FY2015 and a gain of HK$3.3 million for FY2016, primarily as a result of (i) the HK$8.0 million in foreign exchange losses recorded for FY2015 compared to a gain in foreign exchange of HK$3.9 million for FY2016, which were mainly attributable to the appreciation of THB in 2016 and Futong Thailand's raw material purchases were mainly denominated in other foreign currencies; and (ii) we recorded bad debts of HK$0.5 million for FY2016, compared to nil for FY2015 due to trade receivables with an aggregate balance of HK$0.5 million accrued prior to the Track Record Period which became irrecoverable in 2016.

Selling and distribution expenses

Selling and distribution expenses decreased by 63.0% from HK$11.0 million for FY2015 to HK$4.1 million for FY2016, primarily as a result of decreased (i) sales commission expense and (ii) staff cost. The sales commission expense decreased by 82.6% from HK$7.0 million for FY2015 to HK$1.3 million for FY2016, mainly due to the decrease in our sales to customers referred by our Parent Group in the PRC in 2016 as compared to 2015 and we intend to conduct our future sales in the PRC through our Parent Company, which involves no commission payment, thus, the payment of sales commissions to our Parent Group decreased in 2016. Further, the staff cost relevant to our selling and distribution expenses decreased from HK$2.2 million in 2015 to HK$0.6 million in 2016 which also contributed to the drop in our overall selling and distribution expenses.

Administrative expenses

Administrative expenses remained relatively stable at HK$19.8 million for FY2015 and HK$20.7 million for FY2016.

Finance costs

Finance costs increased by 30.8% from HK$2.5 million for FY2015 to HK$3.3 million for FY2016, primarily due to increased amount of bank borrowings utilised during the year, which use included our Group's working capital.

Loss / profit before taxation

As a result of the foregoing, we recorded a profit before taxation of HK$74.0 million for FY2016, which we turnaround from a loss before taxation of HK$2.9 million for FY2015.

Income tax expense

Our income tax expense increased from nil for FY2015 to HK$6.7 million for FY2016, which includes Hong Kong Profits Tax for the relevant year of HK$1.5 million, an underprovision of Hong Kong Profits Tax in prior years of HK$0.1 million and a deferred tax liability of HK$5.1 million. The presence of a deferred tax liability is primarily due to the temporary difference of the carrying value and the future deductible amount of the machines purchased in prior year.

Profit / loss for the year

We recorded net loss for FY2014, primarily because (i) historically since 2011, we paid sales commission to our Parent Group for our optical fibre sales to PRC customers which were referred by our Parent Group. However, such arrangement was then temporarily suspended due to Transtech's then sluggish performance prior to the Track Record Period. The relatively large amount of sales commission expense of HK$4.9 million was recorded for FY2014 following a resumption of such arrangement in 2014. The resumption was coupled with a slightly increased commission rate which negatively affected our Group's gross profit for FY2014; and (ii) Futong Thailand recorded net loss mainly due to increased cost of sales, primarily attributable to Futong Thailand's expansion in 2014, which increased our depreciation expenses. Our net loss for FY2014 was partially offset by the foreign exchange gain of HK$1.6 million mainly attributable to the fluctuations in other foreign currencies against THB.

We recorded net loss for FY2015, primarily because (i) we had relatively low average selling price of HK$50.3 per fkm for optical fibres and US$17.6 per fkm for optical fibre cables for FY2015 as compared to 2014, resulting in a low gross profit margin for FY2015; (ii) our sales commission paid to our Parent Group for the sale of optical fibres increased to HK$7.0 million, mainly due to the then increased sales of optical fibres to customers in the PRC which were referred by our Parent Group, and (iii) the foreign exchange loss of HK$8.0 million mainly attributable to the fluctuations in THB, which partially offset Futong Thailand's net profit. Our net loss for FY2015 was partially offset by Futong Thailand's net profit recorded for the year, which was mainly attributable to increased production volume primarily as a result of the 2014 expansion, and increased market demand which we believe was primarily resulted from favourable Thai government policies.

We recorded net profit for FY2016, primarily due to (i) the boost in revenue from HK$395.5 million for FY2015 to HK$599.8 million for FY2016, attributable to the increased demand for our products from our customers, together with the increased average selling price of certain of our main products, namely optical fibres and optical fibre cables of HK$55.5 per fkm and US$18.6 per fkm, respectively, in 2016; (ii) we have already ceased paying sales commissions to our Parent Group during 2016 and we only recorded sales commission expense of HK$1.3 million for FY2016; (iii) the economies of scale achieved by our Group primarily as a result of the expansion of production capacities in both Transtech and Futong Thailand during the Track Record Period, in which, each of Futong Thailand and Transtech achieved a lower cost of sales per unit primarily resulting from the increased overall production volume allowed by the increased capacities for optical fibre cables and optical fibres, respectively; and (iv) the foreign exchange gains of HK$3.9 million due to the appreciation of THB in 2016. Our net profit for FY2016 was partially offset by our substantial one-off listing expenses of HK$11.7 million recorded for the year, which was mainly incurred in connection with the Global Offering. We recorded a turnaround from net loss for FY2015 to a net profit for FY2016 when the total gross profit margin leaped from 9.4% for FY2015 to 18.2% for FY2016. Specifically, the segment gross profit margin for optical fibres jumped from 6.7% for FY2015 to

26.3% for FY2016, which is in line with the then increase in the segment gross profit and was contributed by the increased production volume allowed by the then major increase in overall production capacity of optical fibres from 3.8 million fkm for FY2015 to 4.8 million fkm for FY2016 and the resulting lower cost of sales per unit benefitting from the economies of scale. Moreover, the gross profit margin for optical fibre cables, optical cable cores and other related products rose from 10.9% for FY2015 to 12.9% for FY2016, which is in line with the then rise in the segment gross profit, the rise was mainly attributed to the aforesaid increased demand for optical fibre cables in Thailand supported by our greater production capacity of optical fibre cables in FY2016 and the increase in average selling price of optical fibre cables for FY2016.

Year Ended 31 December 2015 Compared to Year Ended 31 December 2014

Revenue

Our revenue increased by 56.5% from HK$252.7 million for FY2014 to HK$395.5 million for FY2015, primarily as a result of (i) increased sales of optical fibre cables, which increased by 71.0% from HK$144.6 million for FY2014 to HK$247.3 million for FY2015, mainly attributable to increased sales volume of optical fibre cables in Thailand, which increased from 0.9 million fkm for FY2014 to 1.8 million fkm for FY2015, primarily as a result of increased market demand due to, as we believe, the Thai government's efforts to promote the development of the country's telecommunications networks. The increase in the sales of optical fibre cables was partially offset by decreased average selling price of optical fibre cables, which decreased by 15.4% from US$20.8 per fkm for FY2014 to US$17.6 per fkm for FY2015, and (ii) increased sales of optical fibres, which increased by 56.0% from HK$90.6 million for FY2014 to HK$141.3 million for FY2015, mainly because the sales volume of optical fibres in the PRC and Hong Kong increased by 75.0% from 1.6 million fkm for FY2014 to 2.8 million fkm for FY2015. Sales volume of optical fibres in the PRC and Hong Kong increased mainly because (a) Transtech's production capacity increased as it went through the second expansion between 2014 and 2015, and (b) the sales to members of our Parent Group increased. The increase in the sales of optical fibres was partially offset by decreased average selling price of optical fibres, which decreased 11.6% from HK$56.9 per fkm for FY2014 to HK$50.3 per fkm for FY2015. The increase in revenue was partially offset by decreased sales in optical cable cores and other related products, which decreased by 80.6% and 33.2%, respectively, primarily due to decreased demand for such products.

Cost of sales

Cost of sales increased by 54.4% from HK$232.2 million for FY2014 to HK$358.5 million for FY2015, primarily attributable to increased sales of our products, part of which were manufactured during, and were recorded as inventories for, FY2014. Cost of sales as a percentage of revenue decreased from 91.9% for FY2014 to 90.6% for FY2015, primarily because the sales of our products increased, while the cost of sales increased at a slower rate mainly attributable to the economies of scale achieved primarily as a result of Futong Thailand's expansion of production capacities in 2014 and the production volume ramped up in 2015. The decrease in cost of sales as a percentage of revenue was partially offset by decreased average selling price of optical fibres.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 80.6% from HK$20.5 million for FY2014 to HK$37.0 million for FY2015. Our gross margin, being our gross profit divided by our total revenue, increased from 8.1% for FY2014 to 9.4% for FY2015, primarily because the sales of our products increased at a faster rate than the increase in cost of sales.

For a discussion on gross profit and gross profit margin by business segment, please refer to the paragraph headed "Description of major components of our results of operations—Revenue" in this section.

Other income

Other income decreased by 69.2% from HK$5.0 million for FY2014 to HK$1.6 million for FY2015, primarily as a result of (i) decreased others, which was mainly attributable to a decrease in reversal of trade payables from HK$1.6 million for FY2014 to nil for FY2015. In 2012, Transtech refused the supplier's request for payment of HK$1.6 million as the raw materials provided by the supplier had quality issues. The amount owed to the supplier was recognised as Transtech's liabilities as of 31 December 2013. During the year of 2014, we found that the supplier was closed. Accordingly, we believe that we are not required to pay the amount owed to the supplier and recognised the amount of approximately HK$1.6 million in other income as reversal of trade payables, (ii) a decrease in other interest income from HK$1.5 million for FY2014 to nil for FY2015, mainly due to the repayment of the related party loan, and (iii) a decrease in income from sales of scrap products by 46.2% from HK$0.6 million for FY2014 to HK$0.4 million for FY2015.

Other gains and losses

We recorded a gain of HK$1.6 million for FY2014 and a loss of HK$8.1 million for FY2015, primarily as a result of HK$1.6 million in foreign exchange gains recorded for FY2014 and HK$8.0 million in foreign exchange losses recorded for FY2015, which were mainly attributable to the depreciation of THB in 2015.

Selling and distribution expenses

Selling and distribution expenses increased by 19.2% from HK$9.2 million for FY2014 to HK$11.0 million for FY2015, primarily as a result of increased sales commission expense, which increased by 42.2% from HK$4.9 million for FY2014 to HK$7.0 million for FY2015, mainly due to increased sales of our optical fibres to customers in the PRC, which required the payment of sales commissions to our Parent Group.

Administrative expenses

Administrative expenses remained relatively stable at HK$19.9 million for FY2014 and HK$19.8 million for FY2015.

Finance costs

Finance costs increased by 7.8% from HK$2.4 million for FY2014 to HK$2.5 million for FY2015, primarily due to increased amount of bank borrowings, which were mainly used as working capital, as well as for the purchase of machinery.

Loss before taxation

As a result of the foregoing, our loss before taxation decreased by 32.0% from HK$4.3 million for FY2014 to HK$2.9 million for FY2015.

Income tax expense

Our income tax expense was HK$0.2 million for FY2014, which includes Hong Kong Profits Tax underprovision in prior years of HK$53,000 and withholding tax in the PRC of HK$153,000, arising from the interest income from a loan provided to a related company in the PRC. Our income tax expense was nil for FY2015. No provision for Hong Kong Profits Tax was provided for the two years ended 31 December 2015 as Transtech incurred a tax loss in both years, and no income tax was incurred by Futong Thailand as it was granted an exemption from the payment of corporate income tax by the Thai government for the two years ended 31 December 2015.

Loss for the year

As a result of the foregoing, our loss decreased by 35.1% from HK$4.5 million for FY2014 to HK$2.9 million for FY2015.

We recorded net loss for FY2014, primarily because (i) Transtech had a relatively large amount of sales commission paid to our Parent Group for the sale of optical fibres, mainly due to sales of optical fibres to customers in the PRC which were referred by our Parent Group, and (ii) Futong Thailand recorded net loss mainly due to increased cost of sales, primarily attributable to Futong Thailand's expansion in 2014, which increased our depreciation expenses. Our net loss for FY2014 was partially offset by the foreign exchange gain of HK$1.6 million mainly attributable to the fluctuations in other foreign currencies against THB.

We recorded net loss for FY2015, primarily because (i) Transtech recorded net loss mainly due to decreased average selling price of optical fibres, which dropped from HK$56.9 for FY2014 to HK$50.3 for FY2015 and increased sales commission paid to our Parent Group for the sale of optical fibres, mainly due to increased sales of optical fibres to customers in the PRC which were referred by our Parent Group, and (ii) the foreign exchange loss of HK$8.0 million mainly attributable to the fluctuations in THB, which partially offset Futong Thailand's net profit. Our net loss for FY2015 was partially offset by Futong Thailand's net profit recorded for the year, which was mainly attributable to increased production volume primarily as a result of the 2014 expansion, and increased market demand which we believe was primarily resulted from favourable Thai government policies. Similar to FY2014, we still recorded a net loss for FY2015 and the total gross profit margin only rose slightly from 8.1% for FY2014 to 9.4% for FY2015. Specifically, the gross profit margin for optical fibres dropped from 9.2% for FY2014 to 6.7% for FY2015 despite the slight increase in the segment gross profit. The drop was mainly attributed to the then drop in average selling price of optical fibres for FY2015. Moreover, the gross profit margin for optical fibre cables, optical cable cores and other related products rose from 7.5% for FY2014 to 10.9% for FY2015, which is in line with the then increase in the segment gross profit and was contributed by the increased production volume allowed by the then major increase in overall production capacity of optical fibre cables from 2.4 million fkm for FY2014 to 3.3 million fkm for FY2015 and the resulting lower cost of sales per unit benefitting from the economies of scale.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following set forth the selected financial information of our consolidated statements of financial position as at 31 December 2014, 2015 and 2016, which are extracted from the Accountants' Report included in Appendix I to this prospectus, which should be read in conjunction with the Accountants' Report set forth in Appendix I to this prospectus:

	As of 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	137,200	151,849	141,896
Deposits	195	137	139
	137,395	151,986	142,035
Current assets			
Inventories	75,324	78,243	79,719
Trade receivables	72,867	191,078	253,101
Deposits, prepayments and other receivables	4,436	2,211	6,184
Amount due from a related company	51,717	17,073	—
Tax recoverable	1,752	1,752	—
Bank balances and cash	31,511	50,711	58,574
	237,607	341,068	397,578
Current liabilities			
Trade and bills payables	42,456	132,759	134,752
Other payables and accrued charges	8,353	4,928	10,102
Bank borrowings	39,715	89,516	57,651
Tax payable	—	—	1,500
Amount due to an intermediate holding company	—	—	915
Amount due to subsidiaries	—	—	—
	90,524	227,203	204,920
Net current assets	147,083	113,865	192,658
Total assets less current liabilities	284,478	265,851	334,693
Non-current liabilities			
Deferred tax liabilities	—	—	5,123
Bank borrowings	6,785	3,495	811
	6,785	3,495	5,934
Net assets	277,693	262,356	328,759
Capital and reserves			
Issued share capital	125,903	125,903	5
Reserves	83,709	70,906	328,754
Equity attributable to owners of the Company	209,612	196,809	328,759
Non-controlling interests	68,081	65,547	—
Total Equity	277,693	262,356	328,759

Assets by Geography

Our operations are located in Hong Kong and Thailand. The table below sets forth our non-current assets by the geographical location of the assets:

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Hong Kong	9,364	44,886	39,740
Thailand	128,031	107,100	102,295
	137,395	151,986	142,035

Property, Plant and Equipment

The carrying amounts of our property, plant and equipment amounted to HK$137.2 million, HK$151.8 million and HK$141.9 million for the years ended 31 December 2014, 2015 and 2016, respectively. The increase in such carrying amounts from 2014 to 2015 is primarily attributable to Futong Thailand's expansion in 2014. The slight decrease in the carrying amounts of our property, plant and equipment from 2015 to 2016 is primarily due to the relevant depreciation charges in 2016. Our property, plant and equipment with carrying amounts of HK$86.9 million and HK$82.3 million as of 31 December 2015 and 2016, respectively, were mortgaged as collateral to secure bank loans. Please refer to "Indebtedness" below for further details.

Inventories

Our inventories primarily consist of raw materials and consumables, work in progress, finished goods and goods-in-transit. We implement inventory control management with a view to minimising under- or over-stocking. We adjust our raw material procurement according to our production capacity, so as to minimise and maintain our inventory of raw materials at an appropriate level. We may temporarily increase the inventory of raw materials if we estimate the demand for our products will increase significantly in the near future.

The following table sets forth a summary of our inventory balance at the dates indicated.

	As of 31 December		
	2014	2015	2016
	(in HK$ thousands)		
Raw materials and consumables	21,788	32,211	32,771
Work in progress	4,405	6,732	12,658
Finished goods	40,004	17,848	16,121
Goods-in-transit	9,127	21,452	18,169
Total	75,324	78,243	79,719

Our inventories increased from HK$75.3 million as of 31 December 2014 to HK$78.2 million as of 31 December 2015, and further increased from HK$78.2 million as of 31 December 2015 to HK$79.7 million as of 31 December 2016, primarily attributable to increased production volume of our products. Our Directors confirm that HK$72.0 million, representing approximately 90.3%, of such inventories as of 31 December 2016 have been subsequently charged to cost of sales as of 31 May 2017.

The following table sets forth average inventory turnover days for the periods indicated:

	Year Ended 31 December		
	2014	2015	2016
Average inventory turnover days[(1)]	114	78	59

Note:

(1) Average inventory turnover days are based on the average balance of inventory divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. There were 365, 365 and 366 days in 2014, 2015 and 2016 respectively.

Average inventory turnover days decreased from 114 days for FY2014 to 78 days for FY2015, and further decreased to 59 days for FY2016, primarily attributable to increased sales of our products, which decreased the average turnover time of our inventories.

Trade Receivables

Our trade receivables primarily consist of receivables from our customers for sales of our products. Our trade receivables increased from HK$72.9 million as of 31 December 2014 to HK$191.1 million as of 31 December 2015, and further increased to HK$253.1 million as of 31 December 2016. The increases in our trade receivables are primarily attributable to increases in the sales of our products. Our Directors confirm that HK$212.7 million, representing approximately 84.0%, of such trade receivables as of 31 December 2016 have been subsequently settled as of 31 May 2017.

During the three years ended 31 December 2016, we granted credit terms generally ranging from 30 to 270 days to our customers from the date of invoices. According to the CIC Report, it is an industry norm for optical fibre manufacturers to grant relatively long credit period ranging from 200 to 300 days to its customers. During the three years ended 31 December 2016, the credit terms we granted to related parties for the sale of optical fibres generally ranged from 180 to 270 days, the credit term we granted to Independent Third Parties for the sale of optical fibres generally ranged from 30 to 210 days, the credit terms we granted to related parties for the sale of optical cable cores were generally 180 days, and the credit terms we granted to Independent Third Parties for the sale of optical fibre cables generally ranged from 45 days to 150 days. We assess a potential customer's credit quality before accepting any new customer and grant credit terms on a case-by-case basis. We review the credit limits granted to customers regularly. The following table sets forth an ageing analysis of our trade receivables net of allowance for doubtful debts as of the dates indicated, based on the invoice date:

	As of 31 December		
	2014	2015	2016
	(in HK$ thousands)		
0 – 180 days	68,052	170,676	176,647
181 – 270 days	4,815	20,402	57,743
Over 270 days	—	—	18,711
Total	72,867	191,078	253,101

We assess the creditworthiness of our customers by reviewing the recoverable amounts of trade receivables regularly to ensure that follow-up action is timely taken. We monitor the credit risk by taking into consideration the aging status, past collection history and estimated likelihood of collection. Our Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment including the creditworthiness and the past collection history of each client.

	As of 31 December		
	2014	2015	2016
	(in HK$ thousands)		
1 – 30 days	11,786	20,049	9,305
31 – 60 days	7,329	24,745	6,182
61 – 90 days	1,493	6,472	6,495
Over 90 days	5,093	9,982	32,991
Total	25,701	61,248	54,973

As of 31 December 2014, 31 December 2015 and 31 December 2016, trade receivables that were past due but not impaired amounted to approximately HK$25.7 million, HK$61.2 million and HK$55.0 million, respectively. Trade receivables that were past due but not impaired represented approximately 35.3%, 32.1% and 21.7% of the total trade receivables as of 31 December 2014, 31 December 2015 and 31 December 2016, respectively. Our Directors are of the opinion that these overdue amounts as of each balance date above were under the acceptable level as per our experience and that no provision on these amounts was necessary given that (i) as confirmed by our Directors, the aforesaid overdue amounts of at 31 December 2014, 31 December 2015 and 31 December 2016 were subsequently settled in full or substantially; (ii) our Directors do not consider a significant change in the credit quality of the trade receivables and they consider the amounts to be recoverable; (iii) our Directors are confident in the creditability of the relevant customers given their track record with us; (iv) our Group had received ongoing settlements from the customers during the three years ended 31 December 2016, and for one of our two Thailand customers, which account for a majority of our amount of trade receivables that were past due but not impaired during the three years ended 31 December 2016, in the second-half of 2016, we entered into a payment terms agreement with that customer, pursuant to which, among other things, for invoice issued to the customer which have a value of THB15 million or more in respect of 5-year contract terms with a specified end user, the customer shall pay (a) 95% of the invoice value within 75 days since delivery date, and (b) the remaining 5% of the invoice value within 360 days since delivery date as products quality warranty for the relevant order; and (v) the amount of trade receivables past due but not impaired during the three years ended 31 December 2016 primarily relates to two of our Group's customers in Thailand amounted to approximately HK$51.2 million in aggregate, of which, as confirmed by our Directors, approximately HK$41.0 million has been subsequently settled as of 31 May 2017. Our Directors further confirm that, as of 31 December 2016, trade receivables that were past due for over 90 days but not impaired amounted to approximately HK$33.0 million, of which approximately HK$29.0 million was subsequently settled as of 31 May 2017. We believe our increased sales in 2016 to other customers and our wider customer base in 2016 will assist in controlling credit risk that our Group faces. Further, our Group's amount of trade receivables past due but not impaired as at 31 December 2016 decreased as compared to the corresponding amount as at 31 December 2015 even though we experienced a growth in our Group's sales in 2016. Our Directors confirm that, (i) as of 31 May 2017, approximately HK$41.7 million of the trade receivables, representing approximately 75.8% of such total balance as of 31 December 2016, that were past due but not impaired as of 31 December 2016 had been subsequently settled and (ii) we have received a payment schedule from each of our two customers with respect to the trade receivables that were past due but not impaired as of 31 December 2016. We do not hold any collateral over the remaining amounts. The trade receivables that were past due but not impaired as at 31 December 2016 were mainly due from certain customers of our Group in Thailand which purchased our optical fibre cables for on-selling to end-users which are telecommunications operators. We closely monitor our trade receivables and re-evaluate our customers' credibility from time to time. So far as our Directors are aware, the corresponding end users delayed payments to these customers, which contributed to the customers' delay in their payments. However, as we do not have direct sales relationships or enter into agreements with optical fibre cable end users in Thailand, the payment for our products by our customers is not conditional upon the receipt by such customers of end users' payments. The payment for our products is subject to the credit terms agreed between our Group and our customers. We recognise revenue from the sale of goods when the goods are delivered and titles have passed to our customers. Based on the foregoing, our Directors consider that our revenue recognition policy is appropriate. Please refer to "Financial Information—Critical Accounting Policies and Estimates—Revenue recognition" and note 3 to the Accountants' Report as set out in Appendix I to this prospectus for further details about our revenue recognition policy.

The following table sets forth our trade receivables turnover days for the periods indicated:

	Year Ended 31 December		
	2014	**2015**	**2016**
Average trade receivables turnover days[(1)]	125	122	136

Note:

(1) Average trade receivables turnover days are based on the average balance of trade receivables divided by revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. There were 365, 365 and 366 days in 2014, 2015 and 2016 respectively.

Average trade receivables turnover days decreased from 125 days for FY2014 to 122 days for FY2015, primarily due to our Group's significant increase in revenue in 2015. Subsequently, the average trade receivable turnover days increased from 122 days for FY2015 to 136 days for FY2016, primarily due to (i) our increased average balance of trade receivables for 2016 as a result of our increased sales in 2016; and (ii) the delay in payments by certain optical fibre cables customers in Thailand.

We have implemented certain internal control measures to monitor the trade receivables of Futong Thailand. Please refer to "Business—Legal Compliance and Risk Management" of this prospectus for further details. Our Directors believe that the increase in trade receivables and average trade receivable turnover days during the three years ended 31 December 2016 did not result in a material adverse impact on our liquidity or cash flow. However, for the risks associated therewith, please see "Risk Factors—Risks Relating to Our Business and Industry—If we experience delays in collecting, or fail to collect, payment from our customers, it could materially and adversely affect our cash flow".

Deposits, Prepayments and Other Receivables

Our deposits, prepayments and other receivables during the three years ended 31 December 2016 comprised of (i) electricity deposits, which related to the electricity deposits paid by our Hong Kong production facilities, (ii) value-added tax receivables, which related to the input value added tax that was yet to be offset against the output value added tax, (iii) prepayments, which related to the prepayments requested by our suppliers, (iv) other deposits and (v) other receivables.

The following table sets forth a breakdown of our deposits, prepayments and other receivables as of the dates indicated:

	As at 31 December		
	2014	2015	2016
	(in HK$ thousands)		
Electricity deposits	783	783	785
Other deposits	96	158	297
Prepayments	63	439	766
Other receivables	526	348	158
Value-added tax receivables	3,163	620	587
Deferred listing expense	—	—	3,730
Total	4,631	2,348	6,323

Our deposits, prepayments and other receivables decreased from HK$4.6 million as of 31 December 2014 to HK$2.3 million as of 31 December 2015, primarily as a result of a decrease in value-added tax receivables, mainly because the amount of input value added tax incurred in 2014 as a result of Futong Thailand's purchases of equipment and machinery was offset by the output value added tax incurred as a result of increased sales by Futong Thailand in 2015.

Our deposits, prepayments and other receivables increased from HK$2.3 million as of 31 December 2015 to HK$6.3 million as of 31 December 2016, primarily as a result of an increase in prepayment for Listing expenses, mainly as a result of fees and expenses in relation to the Global Offering.

Amount Due from a Related Company

Amount due from a related company amounted to HK$51.7 million as of 31 December 2014, HK$17.1 million as of 31 December 2015, and such amount was settled in September 2016. The amount represents a non-trade-nature advance to Futong Group (Hong Kong), a member of our Parent Group, which is unsecured, interest-free and repayable on a date that is within one year from the end of each of the years above. Mr. Hu Guoqiang is the sole director of Futong Group (Hong Kong).

Trade and Bills Payables

The following table sets forth our trade and bills payables as of the end of each reporting period:

	As of 31 December		
	2014	2015	2016
	(in HK$ thousands)		
Bills payables	16,431	40,959	26,230
Trade payables	26,025	91,800	108,522
	42,456	132,759	134,752

During the three years ended 31 December 2016 our trade and bills payables primarily related to the purchases of raw materials and optical fibre cables. Our trade and bills payables increased from HK$42.5 million as of 31 December 2014 to HK$132.8 million as of 31 December 2015, and further increased to HK$134.8 million as of 31 December 2016, primarily due to the continued growth of our business. Our Directors confirm that HK$119.9 million, representing approximately 89.0%, of such trade and bills payables as of 31 December 2016 have been subsequently settled as of 31 May 2017. We generally have credit period of 30 to 180 days from our suppliers on our purchases of raw materials. During the Track Record Period, we generally made payments to our suppliers within the credit periods granted to us.

The following table sets forth an ageing analysis of our trade and bills payables as of the dates indicated, based on the invoice date:

	As of 31 December		
	2014	2015	2016
	(in HK$ thousands)		
Trade and bills payables:			
0 – 30 days	11,862	49,930	43,482
31 – 60 days	11,720	30,747	28,217
61 – 90 days	5,974	15,905	19,672
91 – 180 days	9,957	17,899	43,211
Over 180 days	2,943	18,278	170
	42,456	132,759	134,752

The following table sets forth our trade and bills payable turnover days for the periods indicated:

	Year Ended 31 December		
	2014	2015	2016
Average trade and bills payable turnover days[1]	81	89	100

Note:

(1) Average trade and bills payable turnover days are based on the average balance of trade and bills payable divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. There were 365, 365 and 366 days in 2014, 2015 and 2016 respectively.

Our average trade and bills payable turnover days increased from 81 days for FY2014, to 89 days for FY2015, and further increased to 100 days for FY2016 primarily because of our increased purchases of optical fibres from Showa Cable, which granted us a credit period of 180 days.

Other Payables and Accrued Charges

During the Track Record Period, our other payables and accrued charges comprised of (i) accrued charges, which primarily include staff salary and utility expenses, and (ii) other payables which primarily include technical support and sales commission payables.

The following table sets forth a breakdown of other payables and accrued charges as of the dates indicated:

	As of 31 December		
	2014	2015	2016
	(in HK$ thousands)		
Accrued charges	2,205	2,661	2,888
Other payables	6,148	2,267	4,204
Accrued charges for listing expense	—	—	3,010
	8,353	4,928	10,102

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Analysis

The following summarises our cash flows during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	(in HK$ thousands)		
Net cash from (used in) operating activities	17,675	(21,502)	34,505
Net cash from (used in) investing activities	8,902	(7,348)	11,896
Net cash (used in) from financing activities	(46,180)	49,012	(38,727)
Net (decrease) increase in cash and cash equivalents	(19,603)	20,162	7,674

Net cash generated from/used in operating activities

Cash generated from/used in operating activities primarily relate to the production and sale of our products.

Our net cash from operating activities for FY2016 was HK$34.5 million, primarily consisting of HK$95.4 million of cash generated from operating activities before movements in working capital and negative movement in working capital of HK$62.5 million. The negative working capital adjustments were primarily attributable to an increase in trade receivables of HK$61.8 million, an increase in inventories of HK$1.4 million and an increase in other receivables, deposits and prepayments, which are partially offset by the increase in trade and bills payables of HK$1.7 million and an increase in other payables and accrued charges of HK$3.0 million.

Our net cash used in operating activities for FY2015 was HK$21.5 million, primarily consisting of HK$16.1 million of cash generated from operating activities before movements in working capital and negative movement in working capital of HK$37.6 million. The negative working capital adjustments were primarily attributable to an increase in trade receivables of HK$126.7 million, an increase in inventories of HK$6.7 million and a decrease in other payables and accrued charges of HK$3.5 million, which were partially offset by an increase in trade and bills payables of HK$97.2 million.

Our net cash from operating activities for FY2014 was HK$17.7 million, primarily consisting of HK$9.7 million of cash generated from operating activities before movements working capital adjustments, movement in working capital of HK$10.0 million, cash outflows of HK$1.6 million attributable to Hong Kong Profits Tax paid and cash outflows of HK$0.4 million attributable to other jurisdiction withholding tax paid. The working capital adjustments were primarily attributable to a decrease in trade receivables of HK$27.2 million, which was partially offset by a decrease in trade and bills payables of HK$16.8 million and an increase in inventories of HK$5.7 million.

Net cash from/used in investing activities

Cash from/used in investing activities primarily relate to repayment from and advances to related companies and the purchase of property, plant and equipment.

Our net cash from investing activities was HK$11.9 million for FY2016, primarily attributable to the repayment from related companies of HK$34.0 million, which was partially offset by the advances to a related company of HK$16.9 million and the purchase of property, plant and equipment of HK$5.3 million in relation to the expansion of Futong Thailand's optical fibre cable production capacity in 2016.

Our net cash used in investing activities was HK$7.3 million for FY2015, primarily attributable to purchases of property, plant and equipment of HK$42.0 million in relation to the expansion of the production capacity of optical fibres in Hong Kong, which was partially offset by repayment from a related company of HK$34.6 million.

Our net cash from investing activities was HK$8.9 million for FY2014, primarily attributable to repayment from a related company of HK$35.0 million, which was partially offset by advances to a related company of HK$18.2 million and purchases of property, plant and equipment of HK$12.5 million.

Net cash generated from/used in financing activities

Net cash generated from/used in financing activities primarily relate to new bank loans raised and the repayment of bank borrowings.

Net cash used in financing activities was HK$38.7 million for FY2016, primarily attributable to new bank loans raised of HK$166.1 million, which was partially offset by repayment of bank borrowings of HK$201.4 million and interest paid of HK$3.4 million.

Net cash from financing activities was HK$49.0 million for FY2015, primarily attributable to new bank loans raised of HK$166.0 million, which was partially offset by repayment of bank borrowings of HK$114.5 million and interest paid of HK$2.4 million.

Net cash used in financing activities was HK$46.2 million for FY2014, primarily attributable to repayment of bank borrowing of HK$46.1 million, dividend paid of HK$15.4 million and interest paid of HK$2.4 million, which were partially offset by capital injection from our Parent Group of HK$9.3 million and new bank loans raised of HK$8.3 million.

NET CURRENT ASSETS

As of 31 December 2014, 2015 and 2016, we had net current assets of HK$147.1 million, HK$113.9 million and HK$192.7 million, respectively. As of 30 April 2017, our net current assets was HK$233.1 million. The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of 31 December			As of 30 April
	2014	2015	2016	2017
	(in HK$ thousands)			(unaudited)
Current assets				
Inventories	75,324	78,243	79,719	94,062
Trade receivables	72,867	191,078	253,101	232,798
Deposits, prepayments and other receivables	4,436	2,211	6,184	3,664
Amount due from a related company	51,717	17,073	—	—
Tax recoverable	1,752	1,752	—	—
Bank balances and cash	31,511	50,711	58,574	80,434
	237,607	341,068	397,578	410,958
Current liabilities				
Trade and bills payables	42,456	132,759	134,752	150,537
Other payables and accrued charges	8,353	4,928	10,102	7,153
Bank borrowings	39,715	89,516	57,651	14,090
Tax payable	—	—	1,500	6,063
Amount due to an intermediate holding company	—	—	915	—
	90,524	227,203	204,920	177,844
Net current assets	147,083	113,865	192,658	233,114

CAPITAL EXPENDITURE

Our capital expenditure in connection with purchase for property, plant and equipment for the years ended 31 December 2014, 2015 and 2016 were HK$12.5 million, HK$42.0 million and HK$7.0 million, respectively. The capital expenditure incurred for the year ended 31 December 2016 primarily related to expansion of Futong Thailand's optical fibre cable production capacity. The capital expenditure incurred in 2015 primarily relate to the purchase of machinery to enhance our production capacity of optical fibres in Hong Kong. The capital expenditure incurred in 2014 primarily related to the purchase of machinery and construction in progress to enhance our production capacity of optical fibre cables in Thailand. Please refer to "Business—Production—Production Facilities and Capacities" of this prospectus for further details about our previous expansions and production capacities.

The following table sets forth our capital expenditures for the periods indicated:

	As of 31 December		
	2014	2015	2016
	(in HK$ thousands)		
Capital expenditure in connection with:			
Purchase for property, plant and equipment	12,515	42,034	7,042

The following table sets out our estimated capital expenditures in relation to the expansion of the production capacities of Futong Thailand based on our future plan as set out in this prospectus (assuming we will receive the net proceeds that we contemplated from the Global Offering):

	Estimated capital expenditures for the year ending 31 December	
	2017	2018
	(HK$ million)	*(HK$ million)*
Construction of production facilities, plant and equipment	50.8	226.1

We expect to fund the estimated capital expenditures from the net proceeds of the Global Offering and internal resources and/or bank loans. As of the Latest Practicable Date, we had not made any commitments in respect of the above estimated capital expenditures.

COMMITMENTS

Capital Commitments

As of 31 December 2014, our Group committed to invest approximately HK$35.2 million in respect of the acquisition of property, plant and equipment. As of 31 December 2015 and 31 December 2016, we had no material capital commitments.

The table below sets forth our capital commitments as of the dates indicated:

	As at 31 December		
	2014	2015	2016
	(in HK$ thousands)		
Capital expenditure contracted for but not provided in the combined financial statements in respect of acquisition of property, plant and equipment	35,201	—	—

Operating Lease Commitments

Our operating lease commitments were mainly for the lease of office premises and certain plant during the Track Record Period. Leases and rentals are negotiated and fixed for a term of one to two years and rental are fixed for the period. As of 31 December 2014, 2015 and 2016, the future minimum lease payments under non-cancellable operating leases with Futong Group International, a related company, within one year were HK$6.3 million, nil and HK$5.4 million, respectively. The table below sets forth our operating lease commitments as of the dates indicated:

	As at 31 December		
	2014	2015	2016
	(in HK$ thousands)		
Within one year	6,865	834	5,729
In the second to fifth year inclusive	349	101	100
	7,214	935	5,829

CONTINGENT LIABILITIES AND GUARANTEES

As of 31 December 2014, 2015 and 2016, we did not recorded any significant contingent liability, guarantee or any litigation against us. We confirm as of the Latest Practicable Date that there have been no material changes to our contingent liabilities.

INDEBTEDNESS

The following table sets forth the components of our indebtedness as of the dates indicated:

	As at 31 December			As at 30 April
	2014	2015	2016	2017
				(unaudited)
	(in HK$ thousands)			
Promissory note	28,767	28,657	31,715	11,840
Trust receipt loan	—	4,824	—	—
Bank loans	17,733	59,530	26,747	2,250
	46,500	93,011	58,462	14,090
Less: Amounts due within one year shown under current liabilities	(39,715)	(89,516)	(57,651)	(14,090)
Amounts shown under non-current liabilities	6,785	3,495	811	0

Trust receipt loan of HK$4.8 million as of 31 December 2015 obtained by Transtech from a bank was guaranteed by Futong HK and carried interest at 2.14%. Transtech previously entered into agreement with the bank (which provides us with the aforesaid trust receipt loan) to pledge its goods and instruments as security for the payment or discharge to such bank of monies, debts or liabilities owing or incurred to such bank arising from bills or related transaction between Transtech and such bank, among other things. Bank loans of US$3.7 million and US$3.0 million (equivalent to HK$29.2 million and HK$23.2 million) as of 31 December 2015 and 2016, respectively, were guaranteed by Futong HK, and the loans were granted against a letter of comfort issued by our Parent Group. They carry a floating interest rate at London Interbank Offered Rate ("LIBOR") plus 3%. Our Directors confirm that all guarantees by our related parties will be released prior to Listing.

Promissory notes amounting to US$3.7 million US$3.4 million and US$4.1 million (equivalent to HK$28.8 million, HK$26.5 million and HK$31.7 million) as of 31 December 2014, 2015 and 2016, respectively, are interest bearing at US$ 3-month LIBOR plus 3% per annum. Promissory notes amounting to THB10.0 million (equivalent to HK$2.2 million) as of 31 December 2015 was interest bearing at Minimum Lending Rate of Thailand ("MLR") minus 1% per annum, which have been repaid in September 2016.

A short-term loan amounting to RMB7.5 million and RMB20.0 million (equivalent to HK$9.5 million and HK$24.2 million) as of 31 December 2014 and 2015, respectively, was interest bearing at a rate of 4.2% per annum and repayable within one year from the end of the relevant reporting period. The loan has been fully repaid in 2016.

A long-term loan amounting to THB35.0 million, THB28.8 million and THB16.3 million (equivalent to HK$8.3 million, HK$6.2 million and HK$3.5 million) as of 31 December 2014, 2015 and 2016, respectively, is interest bearing at a rate of MLR minus 1% per annum and is repayable based on scheduled repayment dates until 30 April 2018.

Our Group's bank borrowings were secured by land, buildings and machinery of approximately HK$101.8 million, HK$86.9 million, HK$82.3 million and HK$83.7 million in aggregate as of 31 December 2014, 31 December 2015, 31 December 2016 and 30 April 2017, respectively.

As at 30 April 2017, being the latest practicable date for determining indebtedness, our Group's total indebtedness amounted to HK$14.1 million, consisted of (i) unsecured and guaranteed promissory note amounting to US$1.5 million (equivalent to HK$11.8 million) carried interest at US$ 3-month LIBOR plus 3% per annum; and (ii) secured and unguaranteed loan amounting to THB10.0 million (equivalent to HK$2.3 million) carried interest at MLR minus 1% per annum. We had unutilised banking facilities of HK$73.7 million which can be used as general working capital of our Group.

Save as disclosed above, as at 30 April 2017, our Group did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees. In addition, as of the Latest Practicable Date, we did not have any external debt financing plan.

KEY FINANCIAL RATIOS

The following table sets forth certain of the key financial ratios of our Group for the period or as of the dates indicated:

	As of/For the year ended 31 December		
	2014	**2015**	**2016**
Rates of return:			
Return on total assets(1)	-1.2%	-0.1%	12.4%
Return on equity(2)	-2.2%	-0.2%	24.3%
Liquidity:			
Current ratio (times)(3)	2.6	1.5	1.9
Quick ratio (times)(4)	1.8	1.2	1.6
Capital adequacy:			
Gearing ratio(5)	5.4%	16.1%	Net cash position
Interest coverage ratio (times)(6)	-0.8	-0.2	23.3

Notes:

(1) Calculated using net profit/loss attributable to the owner of the Company for the year divided by average total assets.

(2) Calculated using net profit/loss attributable to the owner of the Company for the year divided by average total equity attributable to the owner of the Company.

(3) Calculated using current assets divided by current liabilities as of the end of year.

(4) Calculated using the result of current assets less inventory divided by current liabilities as of the end of year.

(5) Calculated using net debt (all bank loans net of cash and cash equivalents) divided by total equity as of the end of each year.

(6) Calculated using the sum of profit/loss before taxation and interest on bank loans for the period divided by interest on bank loans for the year.

Return on Total Assets

Return on total assets for the years ended 31 December 2014, 2015 and 2016 were approximately -1.2%, -0.1% and 12.4%, respectively. Negative return on total assets was recorded for the years ended 31 December 2014 and 2015 because we had incurred loss for the years ended 31 December 2014 and 2015. The increase of return on total assets was primarily due to our Group having recorded a net profit of HK$67.2 million for FY2016.

Return on Equity

Return on equity for the years ended 31 December 2014, 2015 and 2016 were approximately -2.2%, 0.2% and 24.3%, respectively. Negative return on equity was recorded for the years ended 31 December 2014 and 2015 because we had incurred loss for the years ended 31 December 2014 and 2015. The increase of return on equity was mainly due to our Group having recorded a net profit of HK$67.2 million for FY2016.

Current Ratio and Quick Ratio

Our current ratio was approximately 2.6, 1.5 and 1.9 as of 31 December 2014, 2015 and 2016, respectively. Our quick ratio was approximately 1.8, 1.2 and 1.6 as of 31 December 2014, 2015 and 2016, respectively. Our current ratio and quick ratio decreased from 2.6 and 1.8 as of 31 December 2014 to 1.5 and 1.2 as of 31 December 2015, respectively, mainly due to the increase in current liabilities, which was primarily attributable to increased trade and bills payables and increased bank borrowings as a result of our business growth, increase in the number of transactions and the volume of procurement of raw materials. Our current ratio and quick ratio increased from 1.5 and 1.2 as of 31 December 2015 to 1.9 and 1.6 as of 31 December 2016, respectively, mainly due to the increase in our trade receivables due to our greater sales in 2016, and decrease in current liabilities, which was primarily attributable to decreased bank borrowings as a result of our repayment of trust receipt loans and bank loans in 2016.

Gearing Ratio

Our gearing ratio was approximately 5.4% and 16.1% as of 31 December 2014 and 2015, respectively. Our gearing ratio increased from 5.4% as of 31 December 2014 to 16.1% as of 31 December 2015, primarily due to increased bank borrowings which were incurred to satisfy our working capital needs as a result of our business growth. We had a net cash position as at 31 December 2016, primarily attributable to the net cash generated from our operating activities.

Interest Coverage Ratio

Our interest coverage ratio was -0.8, -0.2 and 23.3 for the years ended 31 December 2014, 2015 and 2016, respectively. Negative interest coverage ratios was recorded for the years ended 31 December 2014 and 2015 because we had incurred loss before taxation for the years ended 31 December 2014 and 2015. Interest coverage ratio increased to 23.3 for FY2016 because we had recorded profit before taxation of HK$74.0 million for FY2016.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

In the ordinary course of our business, we are exposed to various market risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk. Our risk management strategy aims to minimise the potential adverse effects of such risks on our financial performances.

Market risk

Foreign currency risk

Our Group's foreign currency exposures arise mainly from the exchange rate movements of the US$, Japanese Yen ("JPY") and Renminbi ("RMB") against THB. During the three years ended 31 December 2016, we recorded HK$1.6 million in foreign exchange gains for FY2014, HK$8.0 million in foreign exchange loss for FY2015 and HK$3.9 million in foreign exchange gains for FY2016, which were mainly attributable to the fluctuation of THB during the Track Record Period. It is uncertain whether THB will be subject to future depreciation, appreciation or volatility, or whether the Thai government's current exchange rate policy will change in the future. Any depreciation of THB will reduce the amount of revenue we generate in Thailand in terms of our reporting currency and adversely impact our results of operations. Please refer to "Risk Factors - Exchange rate fluctuations could negatively affect our financial condition and results of operations" of this prospectus for further details.

Our Group has established a foreign currency risk management policy to monitor and manage foreign currency risks, including:

- assigning designated personnel to monitor fluctuations of foreign currency exchange rates and prepare analysis report on a monthly basis;
- making forward foreign exchange settlement and sale arrangements in the foreign currency payment provision under purchase agreements with raw material suppliers, should the need arises;
- selecting the appropriate denominated currency for raw material purchase agreements and product sales agreements, should the need arises, to minimise foreign currency risks;
- engaging in the hedging of foreign currency risks with the assistance of banks, should the need arises, and strengthening training in respect of foreign currency; and
- holding Board meetings to analyse and review the exposure of our Group to foreign currency risks on a monthly basis to control such risks effectively.

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

Assets

	As at 31 December		
	2014	2015	2016
	(in HK$ thousands)		
RMB	5,069	1,876	104,154
US$	1,710	2,996	4,372

Liabilities

	As at 31 December		
	2014	2015	2016
	(in HK$ thousands)		
RMB	19,663	50,254	24,403
US$	58,158	150,560	98,642
JPY	—	733	—

Sensitivity analysis

The following table details our Group's other sensitivity to a 5% (2014: 5%, 2015: 5%) increase and decrease in the relevant foreign currencies against the functional currency of the entity to which they relate. 5% (2014: 5%, 2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2014: 5%, 2015: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax loss for the two years ended 31 December 2015 or a decrease in post-tax profit for FY2016 where the relevant foreign currencies strengthen 5% (2014: 5%, 2015: 5%)

against HK$. For a 5% (2014: 5%, 2015: 5%) weakening of the relevant foreign currencies against HK$, there would be an equal and opposite impact and the numbers below would be negative.

	RMB Impact			US$ Impact			JPY Impact		
	Year ended 31 December			Year ended 31 December			Year ended 31 December		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loss after tax	729	2,419	—	1,901	3,643	—	—	37	—
Profit after tax	—	—	3,622	—	—	(5,879)	—	—	—

Interest rate risk

Our Group is exposed to cash flow interest rate risk relating to the variable rate bank balances and bank borrowings. Our Group is also exposed to fair value interest rate risk in relation to fixed rate short-term loan which is denominated in RMB.

Our Group currently does not have interest rate hedging policy. However, management will consider hedging significant interest rate exposure should the need arise.

Our Group's cash flow interest rate risk relates to bank balances is insignificant due to low interest rates.

Credit risk

Our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position. In order to minimise the credit risk, management of our Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Management adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

Our Group has concentration of credit risks with exposure limited to certain customers. Trade receivables from top three customers amounting to HK$48.4 million, HK$171.5 million and HK$174.4 million in aggregate, respectively, representing approximately 66%, 90% and 69% of our Group's trade receivables as at 31 December 2014, 2015 and 2016, respectively. Please refer to "—Trade Receivables" above for further details. The management closely monitors the subsequent settlement of the customers. In this regard, the management considers that our Group's credit risk is significantly reduced.

The credit risk for bank balances is considered not material as such amounts are placed in banks with good reputations.

Liquidity risk

In the management of liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance our Group's operations and mitigate the effects of unexpected fluctuations in cash flows. Please refer to note 6 to the Accountants' Report as set out in Appendix I of the prospectus for further details.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DIVIDEND

No dividend was declared or proposed by the directors of the companies comprising our Group for the three years ended 31 December 2016 nor has any dividend been proposed since the end of the Track Record Period.

Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Law, and our Articles which requires also the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. Currently, we do not have any predetermined dividend distribution ratio. There will be no assurance that our Company will be able to declare or distribute any dividend. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

SOURCE OF LIQUIDITY AND WORKING CAPITAL

Prior to the Global Offering, we finance our working capital needs primarily through cash flows from operations and loans. As of 31 December 2014, 2015 and 2016, we had cash and cash equivalents of HK$31.5 million, HK$50.7 million and HK$58.6 million, respectively, which consisted of bank balances and cash. Moreover, we confirm that, as of 31 December 2016, we had unutilised banking facilities of approximately HK$91.1 million. Taking into account our cash flow from operations, presently available borrowings and the net proceeds from the Global Offering, our Directors are satisfied, after due and careful inquiry, that we have sufficient available working capital for our operations for at least the next 12 months from the date of this prospectus. We currently do not expect any significant changes in the mix and the relative costs of our capital resources.

LISTING EXPENSES

In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares will be deducted from equity upon the Listing and the remaining of which will be charged to profit or loss. Assuming the Over-allotment Option is not exercised and assuming the Offer Price is HK$2.07 per Offer Share, being the mid-point of the indicative Offer Price range stated in this prospectus, we expect the total estimated amount of listing related fees, including underwriting commissions, would be approximately HK$29.4 million, of which (i) approximately HK$11.2 million will be deducted from equity upon the Listing, (ii) approximately HK$11.7 million was charged to the consolidated statements of profit or loss for FY2016, and (iii) approximately HK$6.5 million will be charged to the consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2017.

Prospective investors should note that the financial performance of our Group for the year ending 31 December 2017 is expected to be affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past. Please also refer to the section headed "Risk factors—Our historical results of operations and financial performance may not be indicative of future performance and our results of operations, and our results of operations may be affected by various factors, including our non-recurring Listing expenses, and we may not be able to achieve or sustain the historical level of growth for revenue and profitability."

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

For illustrative purpose only, the following statement of unaudited pro forma adjusted consolidated net tangible assets of our Group is prepared to show the effect on the consolidated net tangible assets of our Group as of 31 December 2016 as if the Global Offering had occurred on 31 December 2016 and is based on the audited consolidated net assets of our Group as of 31 December 2016, as set out in the Accountants' Report in Appendix I to this prospectus and adjusted as follows:

	Audited consolidated net tangible assets of our Group attributable to the owners of the Company as at 31 December 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company as at 31 December 2016	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company as at 31 December 2016 per Share
	HK$'000 (Note 1)	HK$'000 (Note 2)	HK$'000	HK$'000 (Note 3)
Based on Offer Price of HK$2.45 per share	328,759	140,516	469,275	1.80
Based on Offer Price of HK$1.68 per share	328,759	91,836	420,595	1.62

Notes:

(1) The audited combined net tangible assets attributable to owners of the Company as at 31 December 2016 is extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 65,000,000 Offer Shares at Offer Price of lower limit and upper limit of HK$1.68 and HK$2.45 per Offer Share, respectively, after taking into account the estimated underwriting fees and other related expenses incurred and to be incurred by our Group (excluding listing expenses which have been charged to profit or loss up to 31 December 2016). The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share is arrived at after the adjustments referred to in note (2) above and on the basis that 260,000,000 Shares were in issue assuming that the Global Offering and the Capitalisation Issue had been completed on 31 December 2016 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".

(4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company to reflect any trading results or other transactions of our Group entered into subsequent to 31 December 2016.

RELATED PARTY TRANSACTIONS

For a discussion of our related party transactions, please refer to note 28 to the financial information set out in the Accountants' Report in Appendix I. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on normal commercial terms, and that all non-trade balances and guarantees with related parties will be settled and released before Listing. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results not reflective in the Track Record Period.

We understand from Futong HK, our Controlling Shareholder, that Futong HK currently intends to transfer not more than 5,200,000 Shares (assuming that the Over-allotment Option is not exercised) or not more than 5,395,000 Shares (assuming that the Over-allotment Option is exercised in full), representing not more than 2% of the total issued share capital of our Company immediately after the Capitalisation Issue and the Global Offering, to our senior management, for nil consideration, on a date not less than six months after the Listing Date. Please refer to "History and Development—Our Reorganisation" for further details. The proposed post-listing transfer of the Company's Shares from Futong HK to the Company's senior management constitutes share based payment under HKFRS 2. We estimate that approximately HK$10.2 million will be charged to our Group's consolidated statement of profit or loss and other comprehensive income upon the transfer of such Shares in connection with such share-based payment.

No adjustment has been made to reflect any trading result, dividends declared or other transactions of our Group entered into subsequent to 31 December 2016.

Please refer to "Continuing Connected Transactions" in this prospectus for further details of certain related party transactions that will continue after the Listing, thereby constituting continuing connected transactions of the Company under the GEM Listing Rules.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules had our Shares been listed on GEM on that date.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to 31 December 2016, being the latest date of the combined financial information of our Group as set out in the Accountants' Report included in Appendix I to this prospectus and up to the Latest Practicable Date, our business has undergo certain developments including in the following aspects:

We continued our focus on the manufacture and sale of optical fibre cables. Our business model, revenue structure and cost structure remained substantially unchanged since 31 December 2016 and up to the Latest Practicable Date. Our business continues to grow along with our sales recognised and expanded customer base during the five months ended 31 May 2017, and is generally in line with our expectation given our Group's effort in sourcing new customers and our plan to further our regional business in the ASEAN. Transtech entered into framework agreements in March 2017 with two customers in Hong Kong in relation to the proposed sale of G.652 single mode optical fibres in 2017. So far as our Directors are aware, based on the orders we received during the four months ended 30 April 2017, prices of certain of our major products, namely, optical fibres and optical fibre cables, are generally higher than the relevant average selling price of 2016.

Futong Thailand had four new Thailand-based customers and three new customers from other ASEAN countries for the sale of optical communication products to these new customers. Based on the

Group's management accounts and preliminary assessment of our Group, the revenue contributed by such customers during the four months ended 30 April 2017 accounted for approximately 1% of our Group's total revenue in the corresponding period.

As of 31 December 2016, the total balances of trade receivables, trade and bills payables and inventories amounted to HK$253.1 million, HK$134.8 million, HK$79.7 million respectively. Our Directors confirm that: (i) HK$212.7 million, representing approximately 84.0%, of such trade receivables and HK$119.9 million, representing approximately 89.0%, of such trade and bills payables have been subsequently settled; and (ii) HK$72.0 million, representing approximately 90.3%, of such inventories have been subsequently charged to cost of sales respectively as of 31 May 2017.

As of 31 December 2016, the balance of trade receivables that were past due but not impaired amounted to HK$55.0 million, primarily due to delay in payment by certain customers of our Group in Thailand. Our Directors confirm that, among the balance of HK$55.0 million, HK$41.7 million, representing approximately 75.8% of such total balance as of 31 December 2016, had been settled as of 31 May 2017, and we have received a payment schedule from each of the relevant customers for the trade receivables that were past due but not impaired as of 31 December 2016.

We expect that the listing expenses would adversely affect our profit for the year ending 31 December 2017. For the relevant risk, please see the paragraph headed "Risk Factors—Risks Relating To Our Business And Industry—Our historical results of operations and financial performance may not be indicative of future performance and our results of operations, and our results of operations may be affected by various factors, including our non-recurring Listing expenses, and we may not be able to achieve or sustain the historical level of growth for revenue and profitability." in this prospectus.

As far as we are aware, there have not been any material changes in the general economic and market conditions in the regions or the industry in which we operate that materially and adversely affected our business operations or financial condition since 31 December 2016 and up to the Latest Practicable Date.

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since 31 December 2016, being the date on which our latest audited combined financial information was prepared and there had been no event since 31 December 2016 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS, BUSINESS OBJECTIVES AND STRATEGIES

Please see the paragraph headed “Business—Our Strategies” of this prospectus for our Group’s business objective and strategies.

REASONS FOR THE GLOBAL OFFERING

Our Directors believe that the Global Offering will enhance our profile, strengthen our financial position and competitiveness as a whole.

In addition, our Directors expect the Listing will bring the following additional benefits to our Group and our shareholders:

- access to the capital market for corporate finance exercise which will assist the future growth of our Group;
- provide us with additional working capital to implement the future plans set out in the paragraph headed “Implementation plans” below;
- enhance our corporate image including transparency and corporate governance, which in turn would assist in our marketing efforts and provide a competitive edge; and
- establish long-term and efficient capital replenishment mechanism and channels to promote our Group’s self-development and expansion plans.

USE OF PROCEEDS

Our Directors estimate that the net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses payable by our Group in connection with the Global Offering) will be approximately HK$104.79 million based on an Offer Price of HK$2.07 per Offer Share (being the mid-point of the Offer Price range between HK$1.68 and HK$2.45 per Offer Share), assuming the Over-allotment Option is not exercised. It is at present intended that the net proceeds will be applied as follows:

- approximately HK$83.83 million, representing approximately 80% of the net proceeds will be used for implementing the expansion plan of our new production facility in Thailand, including the construction of a factory in Thailand;
- approximately HK$5.23 million, representing approximately 5% of the net proceeds will be used for strengthening our research and development capabilities and expanding our range of products;
- approximately HK$5.23 million, representing approximately 5% of the net proceeds will be used for enhancing our relationship with existing customers and exploring new customers in Hong Kong and the ASEAN; and
- approximately HK$10.48 million, representing approximately 10% of the net proceeds will be used as our general working capital and for general corporate purposes.

We intend to use the net proceeds of the Global Offering according to the implementation plans as set out in the next section headed “Implementation Plans”.

If the final Offer Price is set at: (i) the lowest; or (ii) the highest of the indicative Offer Price range, assuming the Over-allotment Option is not exercised, the net proceeds from the Global Offering are estimated to be (i) approximately HK$80.13 million; or (ii) approximately HK$128.81 million respectively. In such event, the estimated net proceeds will decrease by approximately HK$24.66 million or increase by approximately HK$24.02 million respectively and are intended to be used in the same proportions as disclosed above.

In the event that the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK$19.33 million, assuming an Offer Price of HK$2.07 per Share, being the mid-point of the Offer Price range stated in this prospectus. We intend to apply the additional net proceeds to the above uses on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits. We will make an appropriate announcement if there is any material change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

IMPLEMENTATION PLANS

Our Group's implementation plans are set forth below for each of the six-month periods until 30 June 2019. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the sub-paragraph headed ''Bases and key assumptions'' below. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed ''Risk factors'' in this prospectus. Our Group's actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Based on our Group's business objectives, our Directors intend to carry out the following implementation plans:

Business strategies	Use of proceeds from Global Offering (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised)	Implementation plan
From the Latest Practicable Date up to 31 December 2017		
Construction of a new production factory in Thailand	Approximately HK$50.8 million	Construction of a new production factory in Rayong, Thailand
For the six months ending 30 June 2018		
Construction of a new production factory in Thailand	Approximately HK$33.1 million	Construction of a new production factory in Rayong, Thailand

Business strategies	Use of proceeds from Global Offering (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised)	Implementation plan
Enhancing the relationship with existing customers and explore new customers	Approximately HK$2.62 million	Recruiting a team of not less than five members of sales and marketing personnel
		Promoting our products through trade conferences and fairs
		Carrying out marketing activities for promoting our corporate image and products
		Enhancing customer and after-sale service
For the six months ending 31 December 2018		
Strengthening our research and development capabilities and expanding our range of products	Approximately HK$2.62 million	Recruiting staff members with relevant research and development experience in the industry
		Conducting research and development to improve equipment and machinery
		Purchasing of trial production equipment
		Conducting research and development to improve product features
Enhancing the relationship with existing customers and explore new customers	Approximately HK$2.62 million	Recruiting a team of not less than five members of sales and marketing personnel
		Promoting our products through trade conferences and fairs
		Carrying out marketing activities for promoting our corporate image and products
		Enhancing customer and after-sale service

Business strategies	Use of proceeds from Global Offering (based on the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised)	Implementation plan
For the six months ending 30 June 2019		
Strengthening our research and development capabilities and expanding our range of products	Approximately HK$2.62 million	Recruiting staff members with relevant research and development experience in the industry Conducting research and development to improve equipment and machinery Purchasing of trial production equipment Conducting research and development to improve product features

The details of our plan for use of proceeds during the two years ending 2018 and six months ending 30 June 2019 in relation to strengthening of our research and development and expanding our range of products are set out below:

Relevant activities	Budgeted amount (HK$ in million) (approximately)
New product design	0.4
Purchase of raw materials and semi-finished products for testing	1.6
Experimental, trial and intermediate testing	0.4
Staff costs for research and development personnel (Note)	1.6
Patent application, use of non-proprietary technologies, copyrights and software	0.5
Acquisition and rental of scientific research equipment required for the implementation of the project	0.5
Other related costs	0.23
Total:	5.23

Note: As of 31 December 2016, our technology department consisted of 14 staff. We plan to recruit not less than five members of research and development personnel during the two years ending 31 December 2018 and six months ending 30 June 2019, and as a minimum entry requirement, out of the five members, two of them should possess relevant engineering qualifications and three of them should possess relevant university degree.

BASES AND KEY ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial and other relevant resources to meet the planned capital expenditure and business development requirements during the period to which our Group's future plans relate;
- there will be no material change in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors;

- there will be no material change in laws and regulations, or other governmental or regulatory policies affecting our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material change in the bases or rates of taxation applicable to the activities of our Group;
- the Global Offering will be completed in accordance with and as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus;
- our Group is able to maintain its customers;
- our Group will be able to retain key staff in the management and the main operational departments;
- our Group will be able to continue its operation in substantially the same manner as our Group has been operating during the Track Record Period and our Group will also be able to carry out its development plans without disruptions adversely affecting its operations or business objectives in any way;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by any of the risk factors as set out under the section headed "Risk factors" in this prospectus.

SOLE GLOBAL COORDINATOR

ICBC International Capital Limited

JOINT BOOKRUNNERS

ICBC International Capital Limited

CLC Securities Limited

HONG KONG UNDERWRITERS

ICBC International Securities Limited

CLC Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 6,500,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

(a) the granting by the Stock Exchange of the listing on GEM of, and permission to deal on GEM, the Shares in issue and to be issued as mentioned in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of trading of the Share on GEM; and

(b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination

The Sole Global Coordinator (for itself and the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date if:

(a) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

  (i) any breach of, or any matter or event rendering untrue, incorrect or inaccurate in any material respect or misleading, any of the warranties given by any of the Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement; or

  (ii) any material breach of any of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

  (iii) any breach of, or any matter or event rendering untrue, incorrect or inaccurate in any material respect or misleading, any of the warranties given by any of the Company and the Controlling Shareholders under the International Underwriting Agreement; or

  (iv) that any statement contained in any of this prospectus, the Application Forms, the formal notice and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) was, when it was issued, or has or may become, untrue, incorrect or inaccurate in any material respect or misleading, or that any estimate/forecast, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

  (v) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement or omission from any of this prospectus, the Application Forms, the formal notice and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto); or

  (vi) any matter, event, act or omission which gives or is likely to give rise to any material liability of the Company or the Controlling Shareholders out of or in connection with any breach, inaccuracy and/or incorrectness of the Warranties and or pursuant to the indemnities given by any of the indemnifying parties pursuant to the indemnity provisions of the Hong Kong Underwriting Agreement; or

  (vii) any adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole, whether or not arising in the ordinary course of business, as determined by the Sole Global Coordinator in its sole and absolute discretion; or

(viii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(ix) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(x) any expert named in this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(b) there shall have developed, occurred, happened or come into effect:

(i) any change or development involving a prospective change in or development, or any event or series of events resulting or likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, legal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore, Thailand, other members of ASEAN, the Cayman Islands, the BVI or any other jurisdiction relevant to any member of the Group (each a "**Relevant Jurisdiction**"); or

(ii) any new laws or any change, development or announcement or publication involving a prospective change in existing laws, or any change, development or announcement or publication involving a prospective change, or any event or series of events resulting in or representing a change or a development involving a prospective change, in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(iii) the imposition or declaration of:

(A) any moratorium, suspension, restriction or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(B) any general moratorium on commercial banking activities or foreign exchange trading or securities settlement or clearance services in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary authority or other competent authority), the PRC, Thailand, the Cayman Islands, the BVI or any other Relevant Jurisdiction, or any material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or

(iv) a change or development involving a prospective change in or affecting Taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar, the Renminbi or Thai baht against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or

(v) any litigation, or claim, or investigation or actions being announced, threatened or instigated against any of the members of the Group, the Company and the Controlling Shareholders; or

(vi) a demand by any tax authority for payment for any tax liability for any member of the Group; or

(vii) any event which gives rise or would give rise to liability on the part of the Company pursuant to the indemnity provisions of the Hong Kong Underwriting Agreement, or

(viii) any adverse change or development involving a prospective adverse change (whether permanent or not) in the assets, liabilities, conditions, business affairs, prospects (financial or otherwise), earnings, profits, losses or financial or trading position of or our Group taken as a whole, or

(ix) the imposition of economic sanctions or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman, chief executive officer or chief financial officer of the Company vacating his office; or

(xii) the commencement by any judicial, regulatory, governmental, political body or organisation or any other authority of any investigation, claim, proceedings or other action, or announcing an intention to investigate or take such action, against any Director or any of the Group Companies or an announcement by any regulatory body or organisation that it intends to take any such action; or

(xiii) a contravention by any member of the Group of the GEM Listing Rules or applicable Laws; or

(xiv) a prohibition on the Company for whatever reason from allotting, issuing or selling the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the GEM Listing Rules or any other applicable Laws; or

(xvi) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) any event or series of events in the nature of force majeure, including, without limitation, acts of government, declaration of a national or international emergency, calamity, crisis, labour disputes, strikes, lock-outs, riots, public disorder, fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), outbreak of infectious diseases or epidemics or pandemics including, but not limited to, Severe Acute Respiratory Syndromes (SARS), H1N1 and H5N1 and such related/mutated forms or accident or interruption or delay in transportation, economic sanction and any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis; or

(xviii) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xix) order or petition for the winding up or liquidation of any member of the Group or any composition, compromise or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding up or liquidation of any member of the Group is passed or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xx) a valid demand by any creditor for repayment or payment of any of the Group's indebtednesses prior to its stated maturity; or,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) (A) has or will or may have or is likely to have a material adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (B) has or will or may have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offer or the level of interest under the International Offering; or (C) makes or will or may make or is likely to make it inadvisable or inexpedient or impracticable for any material part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offer or the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or (D) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings given to the Stock Exchange pursuant to the GEM Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange, the Sole Sponsor and us that except pursuant to the Global

Offering, it shall not and shall procure that the relevant registered holder(s) of the Shares, any associates or companies controlled by the Controlling Shareholders or any nominees or trustees holding the Shares in trust for the Controlling Shareholders (as the case may be) shall not:

(a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of the Company owned by the Controlling Shareholders or the relevant registered holder(s), nominee or trustee including any interest in any shares in any company controlled by the Controlling Shareholders which is, directly or indirectly, the beneficial owner of any of the Shares or securities of the Company (the "**Relevant Securities**"); or

(b) in the period of a further six months commencing from the expiry of the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders will cease to be the controlling shareholders (as defined in the GEM Listing Rules) of our Company.

The Controlling Shareholders have further undertaken to the Stock Exchange, the Sole Sponsor and us that, during the period referred to in paragraphs (a) and (b) above:

(a) when any of the Controlling Shareholders pledges or charges any direct or indirect interest in the Shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan or pursuant to any right or waiver granted by the Exchange in any exceptional circumstances, immediately inform us in writing of such pledge or charge together with (aa) the number of our securities so pledged or charged (bb) the purpose for which the pledge or charge is made; (cc) any other relevant details; and (dd) in the event that the pledgee or charge has disposed or intends to dispose of any securities, details of the same, including the number of securities affected or to be affected; and

(b) when any of the Controlling Shareholders receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares has been disposed or will be disposed of, immediately inform us of such indications and the number of securities affected.

Undertakings given pursuant to the Hong Kong Undertaking Agreements

Undertakings by our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option) and the issue of Shares pursuant to the Capitalisation Issue, during the period commencing on the date of this Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six Month Period**"), the Company has undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (on behalf of itself and the Hong Kong Underwriters) and unless in compliance with the requirements of the GEM Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, make any short sell or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of preemption, defect, claim, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares);

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of any subsidiary of the Company, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

In the event that, during the period of six months commencing on the date on which the First Six month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

By the Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters that, save for any lending of Shares by Futong HK pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (on behalf of itself and the Hong Kong Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, none of the Controlling Shareholders will, and will procure that none of its associates and the registered holder(s), any nominees or trustee holding on trust for it/him and companies controlled by it/him will:

(a) at any time during the First Six Month Period,

 (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, make short sell or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the foregoing restriction precludes the Controlling Shareholders from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares), or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of the Company or shares or other securities of any subsidiary of the Company, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(b) at any time during the Second Six Month Period, enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a "controlling shareholder" (as defined in the GEM Listing Rules) of our Company; and

(c) until the expiry of the Second Six Month period, in the event that it enters into any of the transactions specified in (i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Each of the Controlling Shareholders has further undertaken to each of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters that it will, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

(a) upon any pledge or charge in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or securities or interests in the Shares or other securities of the Company beneficially owned by it for a bona fide commercial loan, immediately inform the Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of Shares or securities so pledged or charged; and

(b) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities or interests in the Shares or securities of the

Company will be disposed of, immediately inform the Company and the Sole Global Coordinator in writing of such indications.

The Company agrees and undertakes to each of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters, that, upon receiving such information in writing from the Controlling Shareholders, it shall, as soon as practicable, notify the Stock Exchange and make a public disclosure of such information in accordance with the GEM Listing Rules.

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and save as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor, satisfies the independence criteria applicable to the sole sponsor set out in Rule 6A.07 of the GEM Listing Rules.

International Offering

In connection with the International Offering, we expect to enter into the International Underwriting Agreement on or about the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares being offered pursuant to the International Offering. Please refer to the section headed "Structure and Conditions of the Global Offering—International Offering" in this prospectus.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer to require us to issue and allot up to an aggregate of 9,750,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Offering, if any.

Total Commission and Expenses

In consideration of the services of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement, the Company shall pay to the Sole Global Coordinator (on behalf of the

Hong Kong Underwriters) an underwriting commission equal to 4% of the aggregate Offer Price in respect of all of the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to the Hong Kong Public Offer and any Hong Kong Offer Shares reallocated to the International Offering), out of which the Hong Kong Underwriters will pay any sub-underwriting commissions payable. The aggregate underwriting commission payable by the Company to the Underwriters for the Global Offering shall not be less than HK$5,000,000. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Sole Global Coordinator (on behalf of the relevant International Underwriter(s)), but not the Hong Kong Underwriters.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$2.07 (being the mid-point of the stated range of the Offer Price between HK$1.68 and HK$2.45), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to HK$29.4 million in total and are payable by us.

Indemnity

The Company and the Controlling Shareholders have undertaken to indemnify and keep indemnified on demand and hold harmless each of the Sole Sponsor, Sole Global Coordinator, the Joint Bookrunners, the Hong Kong Underwriters and each of their respective affiliates and delegates and directors, officers, employees, and agents of each of the aforesaid against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23(7) of the GEM Listing Rules after completion of the Global Offering.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed "Structure and Conditions of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offer of initially 6,500,000 Offer Shares (subject to adjustments as mentioned below) in Hong Kong as described below in the paragraph headed "The Hong Kong Public Offer"; and
- the International Offering of initially 58,500,000 Offer Shares (subject to adjustments and the Over-allotment Option as described below) outside the United States (including to professional, institutional, corporate and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S, as described below in the paragraph headed "The International Offering".

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offer; or
- apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The 65,000,000 Offer Shares in the Global Offering will represent 25% of our enlarged share capital immediately after the completion of the Capitalisation Issue and the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our enlarged share capital immediately following the completion of the Capitalisation Issue and the Global Offering.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 6,500,000 Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offer, the number of Offer Shares offered under the Hong Kong Public Offer will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option is not exercised.

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set forth below in "Conditions of the Global Offering".

Allocation

The Shares to be offered in the Hong Kong Public Offer and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and other investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole.

The total number of Hong Kong Offer Shares available under the Public Offer (after taking into account any reallocation as referred to below) is to be divided equally (to the nearest board lot) into two pools for allocation purposes: 3,250,000 Offer Shares for pool A and 3,250,000 Offer Shares for pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the total value in pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Offer and any application for more than 3,250,000 Hong Kong Offer Shares, being the 50% of the Hong Kong Offer shares initially available under the Hong Kong Public Offer are liable to be rejected.

Allocation of Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Offering is subject to reallocation. In accordance with the clawback mechanism, if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offer, the Offer Shares will be reallocated to the Hong Kong Public Offer from the International Offering. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 19,500,000 Offer Shares (in the case of (i)), 26,000,000 Offer Shares (in the case of (ii)) and 32,500,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), respectively.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of International Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Joint Bookrunners (for itself and on behalf of the Underwriters) deem appropriate. In addition, the Joint Bookrunners (for itself and on behalf of the Underwriters) may in their sole and absolute discretion reallocate Shares from the International Offering to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

If the Hong Kong Public Offer is not fully subscribed for, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Bookrunners deem appropriate.

Applications

Each applicant under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offer are required to pay, on application, maximum price of HK$2.45 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% on each Offer Share, amounting to a total of HK$4,949.38 for one board lot of 2,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in the paragraph headed "Pricing and Allocation", is less than the maximum price of HK$2.45 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For further details, see "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 58,500,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offer, the number of Offer Shares offered under the International Offering will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue, assuming the Over-allotment Option is not exercised.

Allocation

The International Offer Shares will conditionally be offered to selected professional, institutional, corporate and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional, corporate and other investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of the Shares on GEM. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Bookrunners (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offer.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement as described above in the paragraph headed "The Hong Kong Public Offer – Reallocation" or the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offer or the International Placing (as the case may be).

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time from the Listing Date up to and including 10 August 2017 i.e. the date falling 30th day after the last date for lodging applications under the Hong Kong Public Offer, to require the Company to issue up to 9,750,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things (such as effecting the permitted stabilising actions as set out in the section headed "Stabilisation" below), cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 3.61% of our enlarged issued share capital immediately following the completion of the Capitalisation Issue and the Global Offering. In the event that any Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 9,750,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilisation action permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing or subscribe for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin from the Listing Date up to and including 10 August

2017, i.e. the date falling the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to enter into an agreement with Futong HK, our Controlling Shareholder, to borrow, whether on its own or through its affiliates, up to 9,750,000 Shares, representing 15% of the total number of the Offer Shares initially available for the Global Offering. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 13.16A of the GEM Listing Rules, provided that the requirements set forth in Rule 13.15(5)(a) of the GEM Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Futong HK by the Stabilising Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option; and
- the same number of Shares so borrowed must be returned to Futong HK or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable GEM Listing Rules, laws and other regulatory requirements. No payment will be made to Futong HK by the Stabilising Manager (or any person acting for it) in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

Our Company and the Sole Global Coordinator (on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Wednesday, 12 July 2017, and in any event, not later than 5:00 p.m. on Tuesday, 18 July 2017.

The Offer Price will not be more than HK$2.45 per Offer Share and is expected to be not less than HK$1.68 per Offer Share, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offer as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offer, you must pay the maximum price of HK$2.45 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

If the Offer Price, as finally determined in the manner described below, is lower than HK$2.45, we will refund the respective difference, including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see "How to Apply for Hong Kong Offer Shares" in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional, institutional, corporate and other investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

The Sole Global Coordinator (on behalf of the Underwriters) may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer publish a notice on our website at **transtechoptel.com** and the website of the Stock Exchange at **www.hkexnews.hk** (the contents of the website do not form a part of this prospectus). Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Sole Global Coordinator (on behalf of the Underwriters) will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offer, you will not be allowed to subsequently withdraw your application. However, if the Offer Price range is reduced, the Company will issue a supplemental prospectus updating investors of the change in the indicative Offer Price; extend the period under which the Hong Kong Public Offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions; and give potential investors who had applied for the Shares the right to withdraw their applications under the Hong Kong Public Offer. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

The final Offer Price, the level of indication of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer are expected to be made available in a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares – 10. Publication of Results" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the granting by the Stock Exchange of the listing on GEM of, and permission to deal on GEM, the Shares in issue and to be issued as described in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently having been revoked prior to the commencement of the Shares on GEM;
- the Offer Price having been agreed between us and the Sole Global Coordinator (on behalf the Underwriters);
- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Sunday, 30 July 2017, being the 30th date after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (on behalf of the Underwriters) by 5:00 p.m. on Tuesday, 18 July 2017, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by the Company on our website at **transtechoptel.com** and on the website of the Stock Exchange at **www.hkexnews.hk** on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares – 12. Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or about the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in the section headed "Underwriting" in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 20 July 2017, it is expected that dealings in our Shares on GEM will commence at 9:00 a.m. on Thursday, 20 July 2017.

The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Company is 8465.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the GEM Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in the Company and/or any its subsidiaries;
- a director or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the GEM Listing Rules) of any of the above;
- a core connected person (as defined in the GEM Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; and

- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. to 5:00 p.m. from Friday, 30 June 2017 until Monday, 10 July 2017 and between 9:00 a.m. to 12:00 noon on Tuesday, 11 July 2017 from:

(i) the offices of the Joint Bookrunners:

ICBC International Capital Limited	CLC Securities Limited
37/F ICBC Tower 3 Garden Road Hong Kong	13/F Nan Fung Tower 88 Connaught Road Central Hong Kong

(ii) any of the following branches of the receiving bank, Industrial and Commercial Bank of China (Asia) Limited:

District	Branch	Address
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central, Hong Kong
	Admiralty Branch	Shop 1013-1014, 1/F, United Centre, 95 Queensway, Admiralty, Hong Kong
	North Point Branch	G/F, 436-438 King's Road, North Point, Hong Kong
	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road, Hong Kong
Kowloon	Tsimshatsui East Branch	Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon
New Territories	Tsuen Wan Castle Peak Road Branch	G/F, 423-427, Castle Peak Road, Tsuen Wan
	Tai Po Branch	Shop F, G/F, Mee Fat Building, No 34-38 Tai Wing Lane, Tai Po, New Territories
	Tseung Kwan O Branch	Shop 1025A, Level 1, Metro City Phase II, 8 Yan King Road, Tseung Kwan O, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Tuesday, 11 July 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**ICBC (ASIA) NOMINEE LIMITED — TRANSTECH PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- 9:00 a.m. to 5:00 p.m., Friday, 30 June 2017
- 9:00 a.m. to 5:00 p.m., Monday, 3 July 2017
- 9:00 a.m. to 5:00 p.m., Tuesday, 4 July 2017
- 9:00 a.m. to 5:00 p.m., Wednesday, 5 July 2017
- 9:00 a.m. to 5:00 p.m., Thursday, 6 July 2017
- 9:00 a.m. to 5:00 p.m., Friday, 7 July 2017
- 9:00 a.m. to 1 p.m., Saturday, 8 July 2017
- 9:00 a.m. to 5:00 p.m., Monday, 10 July 2017
- 9:00 a.m. to 12:00 p.m., Tuesday, 11 July 2017

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 11 July 2017, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Bookrunners (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (WUMP) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the

application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for themselves and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for themselves and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (WUMP) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.(1), Friday, 30 June 2017
- 8:00 a.m. to 8:30 p.m.(1), Monday, 3 July 2017
- 8:00 a.m. to 8:30 p.m.(1), Tuesday, 4 July 2017
- 8:00 a.m. to 8:30 p.m.(1), Wednesday, 5 July 2017
- 8:00 a.m. to 8:30 p.m.(1), Thursday, 6 July 2017
- 8:00 a.m. to 8:30 p.m.(1), Friday, 7 July 2017
- 8:00 a.m. to 1:00 p.m., Saturday, 8 July 2017
- 8:00 a.m. to 8:30 p.m.(1), Monday, 10 July 2017
- 8:00 a.m.(1) to 12:00 noon, Tuesday, 11 July 2017

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 30 June 2017 until 12:00 noon on Tuesday, 11 July 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, 11 July 2017, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon, Tuesday, 11 July 2017.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and Conditions of the Global Offering – Pricing and Allocation".

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 11 July 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 11 July 2017 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

10. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 19 July 2017 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the Company's website at **transtechoptel.com** and on the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **transtechoptel.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 19 July 2017;

- from the designated results of allocations website at **www.ewhiteform.com.hk/results** with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Wednesday, 19 July 2017 to 12:00 midnight on Tuesday, 25 July 2017;
- by telephone enquiry line by calling 2153 1688 between 9:00 a.m. and 6:00 p.m. from Wednesday, 19 July 2017 to Tuesday, 25 July 2017 (excluding Saturday, Sunday & public holidays); and
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 19 July 2017 to Friday, 21 July 2017 at all the receiving banks' designated branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Division does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$2.45 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with "Structure and Conditions of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 19 July 2017.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by giving electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Wednesday, 19 July 2017. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 31/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 19 July 2017 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 19 July 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 19 July 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 19 July 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 19 July 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 19 July 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Wednesday, 19 July 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 19 July 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 19 July 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 19 July 2017.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

Deloitte. 德勤

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

Making another century of impact
德勤百年慶 開創新紀元

30 June 2017

The Directors
Transtech Optelecom Science Holdings Limited

ICBC International Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to Transtech Optelecom Science Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2016 (the "Relevant Periods") (the "Financial Information") for inclusion in the prospectus of the Company dated 30 June 2017 in connection with the proposed listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Prospectus").

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 6 September 2016. Pursuant to a group reorganisation as more fully explained in the section headed "Our Reorganisation" to the Prospectus (the "Group Reorganisation"), the Company became the holding company of the entities now comprising the Group on 7 October 2016.

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation	Place of operation	Issued and full paid share capital	Attributable equity interest directly held by the Group as at 31 December 2014	2015	2016	date of this report	Principal activities
Transtech Optical Communication Company Limited ("Transtech")	British Virgin Islands ("BVI") 23 April 2003	Hong Kong	United States Dollar ("US$") 430	51%	51%	100%	100%	Manufacturing and sales of optical fibres
Futong Group Communication Technology (Thailand) Co., Ltd. ("Futong Thailand")	Thailand 11 August 2010	Thailand	Thai Baht ("THB") 500,000,000	100%	100%	100%	100%	Manufacturing and sales of optical fibre cables, optical cable cores and other related products
Great Sign Technologies Limited ("Great Sign")	BVI 22 September 2016	Hong Kong	US$1,000	N/A	N/A	100%	100%	Investment holding
Pan South Industries Limited ("Pan South")	BVI 22 September 2016	Hong Kong	US$1,000	N/A	N/A	100%	100%	Investment holding

All the companies comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company, Great Sign and Pan South since their respective dates of incorporation where there are no statutory audit requirements.

We acted as the statutory auditor of Transtech for the three years ended 31 December 2016, KPMG Phoomchai Audit Ltd. acted as the statutory auditor of Futong Thailand for the two years ended 31 December 2015 and Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd. acted as the statutory auditor of Futong Thailand for the year ended 31 December 2016. The statutory financial statements of Transtech for the three years ended 31 December 2016 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the statutory financial statements of Futong Thailand for the three years ended 31 December 2016 were prepared in accordance with Thai Financial Reporting Standards for Non-Publicly Accountable Entities issued by Federation of Accounting Professions of Thailand.

For the purpose of this report, the directors of Company have prepared the consolidated financial statements of Group for the Relevant Periods, in accordance with accounting policies which conform with HKFRSs issued by HKICPA (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have also examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements, on the basis of presentation set out in note 1 of Section (A) below. No adjustment was considered necessary by the directors of the Company to the Underlying Financial Statements in preparing this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved its issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section (A) below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 December 2014, 2015 and 2016 and of the Company as at 31 December 2016, and of the Group's financial performance and cash flows for the Relevant Periods.

(A) FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December		
		2014	2015	2016
		HK$'000	HK$'000	HK$'000
Revenue	7	252,677	395,515	599,772
Cost of sales		(232,169)	(358,471)	(490,699)
Gross profit		20,508	37,044	109,073
Other income	8	5,033	1,550	1,409
Other gains and losses	8	1,589	(8,142)	3,305
Selling and distribution expenses		(9,224)	(10,996)	(4,064)
Administrative expenses		(19,853)	(19,842)	(20,721)
Finance costs	10	(2,356)	(2,539)	(3,322)
Listing expenses		—	—	(11,703)
(Loss) profit before taxation	11	(4,303)	(2,925)	73,977
Income tax expense	12	(206)	—	(6,744)
(Loss) profit for the year		(4,509)	(2,925)	67,233
Other comprehensive (expense) income				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations		(220)	(12,412)	85
Total comprehensive (expense) income for the year		(4,729)	(15,337)	67,318
(Loss) profit for the year attributable to:				
Owners of the Company		(4,926)	(391)	63,915
Non-controlling interests		417	(2,534)	3,318
		(4,509)	(2,925)	67,233
Total comprehensive (expense) income for the year attributable to:				
Owners of the Company		(5,146)	(12,803)	64,000
Non-controlling interest		417	(2,534)	3,318
		(4,729)	(15,337)	67,318
(Loss) earnings per share Basic (HK cents)	14	(2.53)	(0.20)	32.78

(A) FINANCIAL INFORMATION—continued
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group			The Company
		As at 31 December			As at 31 December
	NOTES	2014	2015	2016	2016
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	15	137,200	151,849	141,896	—
Deposits	18	195	137	139	—
Investments in subsidiaries		—	—	—	320,543
		137,395	151,986	142,035	320,543
Current assets					
Inventories	16	75,324	78,243	79,719	—
Trade receivables	17	72,867	191,078	253,101	—
Deposits, prepayments and other receivables	18	4,436	2,211	6,184	3,874
Amount due from a related company	19	51,717	17,073	—	—
Tax recoverable		1,752	1,752	—	—
Bank balances and cash	20	31,511	50,711	58,574	—
		237,607	341,068	397,578	3,874
Current liabilities					
Trade and bills payables	21	42,456	132,759	134,752	—
Other payables and accrued charges	22	8,353	4,928	10,102	3,010
Bank borrowings	23	39,715	89,516	57,651	—
Tax payable		—	—	1,500	—
Amount due to an intermediate holding company	19	—	—	915	3,010
Amount due to subsidiaries		—	—	—	12,589
		90,524	227,203	204,920	15,599
Net current assets (liabilities)		147,083	113,865	192,658	(11,725)
Total assets less current liabilities		284,478	265,851	334,693	308,818
Non-current liabilities					
Deferred tax liabilities	26	—	—	5,123	—
Bank borrowings	23	6,785	3,495	811	—
		6,785	3,495	5,934	—
Net assets		277,693	262,356	328,759	308,818
Capital and reserves					
Issued share capital	24	125,903	125,903	5	5
Reserves		83,709	70,906	328,754	308,813
Equity attributable to owners of the Company		209,612	196,809	328,759	308,818
Non-controlling interest		68,081	65,547	—	—
Total Equity		277,693	262,356	328,759	308,818

(A) FINANCIAL INFORMATION—continued

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued share capital	Share premium	Other reserve	Foreign exchange reserve	Accumulated profits (losses)	Equity attributable to the owners of the Company	Non-controlling interest	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014	125,903	114,329	1,727	(8,698)	2,370	235,631	37,453	273,084
(Loss) profit for the year	—	—	—	—	(4,926)	(4,926)	417	(4,509)
Other comprehensive expense	—	—	—	(220)	—	(220)	—	(220)
Total comprehensive (expense) income for the year	—	—	—	(220)	(4,926)	(5,146)	417	(4,729)
Shareholder's contribution (Note)	—	—	9,338	—	—	9,338	—	9,338
Partial disposal of interests in a subsidiary without losing control (Note 30(ii))	—	—	(30,211)	—	—	(30,211)	30,211	—
At 31 December 2014	125,903	114,329	(19,146)	(8,918)	(2,556)	209,612	68,081	277,693
Loss for the year	—	—	—	—	(391)	(391)	(2,534)	(2,925)
Other comprehensive expense	—	—	—	(12,412)	—	(12,412)	—	(12,412)
Total comprehensive expense for the year	—	—	—	(12,412)	(391)	(12,803)	(2,534)	(15,337)
At 31 December 2015	125,903	114,329	(19,146)	(21,330)	(2,947)	196,809	65,547	262,356
Profit for the year	—	—	—	—	63,915	63,915	3,318	67,233
Other comprehensive income	—	—	—	85	—	85	—	85
Total comprehensive income for the year	—	—	—	85	63,915	64,000	3,318	67,318
Acquisition of additional interests in a subsidiary (Note 30(ii))	—	—	68,865	—	—	68,865	(68,865)	—
Transfer upon completion of Group Reorganisation	(125,898)	(114,329)	239,312	—	—	(915)	—	(915)
At 31 December 2016	5	—	289,031	(21,245)	60,968	328,759	—	328,759

Note: Other reserve represents (i) the contribution made by Futong Group Co., Ltd. ("Futong China", the Group's parent company not forming part of the Group) to the Group; (ii) the change in proportionate share of the carrying amount of the net assets of Transtech upon change in ownership interest without gaining or losing control as disclosed in note 30(ii); and (iii) share capital and share premium of Transtech and Futong Thailand.

(A) FINANCIAL INFORMATION—continued
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation	(4,303)	(2,925)	73,977
Adjustments for:			
Depreciation of property, plant and equipment	14,874	16,414	17,604
Interest income	(1,627)	(42)	(42)
Interest expenses	2,356	2,539	3,322
Loss on disposal of property, plant and equipment	1	125	54
Reversal of trade payables	(1,569)	—	—
Bad debt written off	—	—	492
Operating cash flows before movements in working capital	9,732	16,111	95,407
Increase in inventories	(5,736)	(6,654)	(1,352)
Decrease (increase) in trade receivables	27,245	(126,655)	(61,848)
Decrease (increase) in other receivables, deposits and prepayments	1,796	2,090	(3,967)
(Decrease) increase in trade and bills payables	(16,794)	97,152	1,652
Increase (decrease) in other payables and accrued charges	3,491	(3,546)	2,982
Cash generated (used in) from operations	19,734	(21,502)	32,874
Hong Kong Profits Tax (paid) refund	(1,640)	—	1,631
Other jurisdiction withholding tax paid	(419)	—	—
NET CASH FROM (USED IN) OPERATING ACTIVITIES	17,675	(21,502)	34,505
INVESTING ACTIVITIES			
Advances to a related company	(18,204)	—	(16,900)
Repayment from related companies	35,000	34,644	33,973
Interest received	4,285	42	42
Purchases of property, plant and equipment	(12,515)	(42,034)	(5,250)
Proceeds from disposal of property, plant and equipment	5	—	31
Placement of pledged bank deposits	—	(6,930)	—
Withdrawal of pledged bank deposits	331	6,930	—
NET CASH FROM (USED IN) INVESTING ACTIVITIES	8,902	(7,348)	11,896
FINANCING ACTIVITIES			
Capital injection from Futong China	9,338	—	—
New bank loans raised	8,344	165,976	166,131
Repayments of bank borrowings	(46,116)	(114,517)	(201,445)
Dividend paid	(15,390)	—	—
Interest paid	(2,356)	(2,447)	(3,413)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(46,180)	49,012	(38,727)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(19,603)	20,162	7,674
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	50,795	31,511	50,711
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	319	(962)	189
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	31,511	50,711	58,574

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION

1. GENERAL, GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 6 September 2016. The address of the Company's registered office and the principal place of business is disclosed in the paragraph headed "Corporate Information" to the Prospectus.

Since their respective dates of incorporation, the Company and the Group's operating entities, Transtech and Futong Thailand, have been under common control of Futong China through legal ownership either directly or indirectly through entity controlled by Futong China which is established in the People's Republic of China (the "PRC"). In preparation of the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange (the "Listing"), the companies now comprising the Group underwent the Group Reorganisation as described below.

- On 22 September 2016, Great Sign and Pan South were incorporated with limited liabilities in BVI by the Company;
- On 23 September 2016, each of Great Sign and Pan South acquired 15,000 shares in Futong Thailand, representing 0.3% of the issued share capital in Futong Thailand, at total consideration of approximately THB4 million (equivalent to HK$0.9 million) from two individuals who then held these shares of Futong Thailand on trust in favour of Futong China;
- On 23 September 2016, Futong China transferred to Hong Kong Futong Optical Fibre Company Limited ("Futong HK", a subsidiary of Futong China since its date of incorporation and not forming part of the Group), 4,970,000 shares in Futong Thailand, representing 99.4% of the issues share capital in Futong Thailand, at a consideration of approximately THB678 million (equivalent to HK$149.0 million); and
- On 7 October 2016, Futong HK and the Company entered into a share swap agreement, pursuant to which the Company acquired from Futong HK the entire issue share capital of Transtech and 99.4% of the issued share capital of Futong Thailand. In consideration of such share transfer, the Company allotted and issued 499,220 shares to Futong HK.

Pursuant to the Group Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group. As the Company and its subsidiaries have been under the common controls of Futong China throughout the Relevant Periods and before and after the Group Reorganisation, as a result, the Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group throughout the Relevant Periods under the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting Under Common Control Combinations" issued by HKICPA. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows throughout the Relevant Periods include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence. The consolidated statements of financial position of the Group as at 31 December

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

1. GENERAL, GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION—continued

2014 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure has been in existence at those dates.

The Financial Information is presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted the HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on 1 January 2016 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and amendments to HKFRSs which are not yet effective.

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Clarifications and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle[5]
HK (IFRIC)—Int 22	Foreign currency transactions and advance consideration[1]

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

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION—continued

HKFRS 9 Financial instruments—continued

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

The directors of the Company anticipate that the application of HKFRS 9 in the future may result in potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Except for the above mentioned, the directors of the Company do not anticipate that the adoption of HKFRS 9 in the future will have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on the analysis of the Group's financial instruments as at 31 December 2016.

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

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

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

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

Having considered the sales transactions with customers entered into by the Group during the Relevant Periods, the directors of the Company anticipate that the application of HKFRS 15 will have no material impact on the Group's future financial statements.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION—continued

HKFRS 16 Leases

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$5,829,000 as disclosed in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. The directors of the Company do not expect the adoption of HKFRS 16 would result in significant impact on the Group's result.

The directors of the Company anticipates that the application of other new and revised HKFRSs will have no material impact on the Group's future financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

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

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

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

The principal accounting policies adopted are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Basis of consolidation—continued

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under control of the controlling entity.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's prospective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where is a shorter period, regardless of the date of the common control combination.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost (including deemed capital contribution) less any identified impairment losses.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue recognition—continued

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes and freehold land are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of construction in progress, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Impairment loss on tangible assets

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

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

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

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised on the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

Financial assets—continued

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, amount due from a related party and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

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

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on trade receivables.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

Financial assets—continued

Impairment of loans and receivables—continued

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

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

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

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis for debt instruments.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments—continued

Financial liabilities and equity instruments—continued

Financial liabilities

The Group's financial liabilities including trade and bills payables, other payables and accrued charges, amount due to an intermediate holding company and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Retirement benefits costs

Payments to defined contribution retirement benefits plans are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that related services is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from '(loss) profit before taxation' as reported in the consolidated statements of profit or loss and other

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Taxation—continued

comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign exchange reserve (attributed to non-controlling interests as appropriate).

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Borrowing costs

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Depreciation

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives as set out in note 14 commencing from the date the items of property, plant and equipment are put into their intended use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the property, plant and equipment. The Group assesses the residual value and useful lives of the property, plant and equipment on a regular basis and if the expectation differs from the original estimate, such difference will affect the depreciation charge in the year in which such estimate has been changed.

Allowance for trade receivables

In estimating whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred)

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

4. KEY SOURCES OF ESTIMATION UNCERTAINTY—continued

Allowance for trade receivables—continued

discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, 2015 and 2016, the carrying amount of trade receivables is HK$72,867,000, HK$191,078,000 and HK$253,101,000 respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt and equity of the Group, comprising issued share capital and other reserves.

Management of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raise of borrowings.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group			The Company
	As at 31 December			As at 31 December
	2014	2015	2016	2016
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	157,500	260,151	312,915	—
Financial liabilities				
Amortised cost	95,008	227,973	197,790	12,589

Financial risk management objectives and policies

The Group's financial instruments include trade receivables, deposits and other receivables, amount due from a related company, bank balances and cash, trade and bills payables, other payables and accrued charges, amount due to an intermediate holding company and borrowings. The Company's financial instrument includes amounts due to subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

6. FINANCIAL INSTRUMENTS—continued

Financial risk management objectives and policies—continued

Market risk

Foreign currency risk

The Group's foreign currency exposures arise mainly from the exchange rate movements of the US$, Japanese Yen ("JPY") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy to hedge its exposure to foreign currency risk. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

Assets

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
RMB	5,069	1,876	104,154
US$	1,710	2,996	4,372

Liabilities

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
RMB	19,663	50,254	24,403
US$	58,158	150,560	98,642
JPY	—	733	—

Sensitivity analysis

Included in the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities are US$ denominated amounts held by Transtech. As HK$ is pegged to US$, Transtech's foreign currency risk related to US$ is insignificant and not presented.

The following table details the Group's other sensitivity to a 5% (2015 and 2014: 5%) increase and decrease in the relevant foreign currencies against the functional currency of the entity to which they relate. 5% (2015 and 2014: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2015 and 2014: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax loss for the two years ended 31 December 2015 or a decrease in post-tax profit for the year ended 31 December 2016 where the relevant foreign currencies strengthen 5% (2015 and

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

6. FINANCIAL INSTRUMENTS—continued

Financial risk management objectives and policies—continued

Market risk—continued

Foreign currency risk—continued

Sensitivity analysis—continued

2014: 5%) against HK$. For a 5% (2015 and 2014: 5%) weakening of the relevant foreign currencies against HK$, there would be an equal and opposite impact and the numbers below would be negative.

	RMB Impact			US$ Impact			JPY Impact		
	Year ended 31 December			Year ended 31 December			Year ended 31 December		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
	HKS'000	HK$'000	HK$'000	HKS'000	HK$'000	HK$'000	HKS'000	HK$'000	HK$'000
Loss after tax	729	2,419	—	1,901	3,643	—	—	37	—
Profit after tax	—	—	3,622	—	—	(5,879)	—	—	—

Interest rate risk

The Group is exposed to cash flow interest rate risk relating to the variable rate bank balances and bank borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed rate short-term loan which is denominated in RMB.

The Group currently does not have interest rate hedging policy. However, management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to variable interest rates for bank borrowings at the end of each reporting period. The analysis is prepared assuming the bank borrowings outstanding at the end of the relevant reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For the years ended 31 December 2014 and 2015, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately HK$370,000 and HK$688,000 respectively.

For the year ended 31 December 2016, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the period would decrease/increase by approximately HK$315,000. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's cash flow interest rate risk relates to bank balances is insignificant due to low saving interest rates.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

6. FINANCIAL INSTRUMENTS—continued

Financial risk management objectives and policies—continued

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position. In order to minimise the credit risk, management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Management adopted a policy on providing credit facilities to new customers. A credit investigation, including assess to financial information in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

The Group has concentration of credit risks with exposure limited to certain customers. Trade receivables from top three customers amounting to HK$48,387,000, HK$171,504,000 and HK$174,447,000, in aggregate respectively, comprised approximately 66%, 90% and 69% of the Group's trade receivables as at 31 December 2014, 2015 and 2016. The management closely monitors the subsequent settlement of the customers. In this regard, the management considers that the Group's credit risk is significantly reduced. In addition, the Group had significant amount due from a related company as at 31 December 2014 and 2015, details of which are disclosed in note 19.

The credit risk for bank balances is considered not material as such amounts are placed in banks with good reputations.

Liquidity risk

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

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

6. FINANCIAL INSTRUMENTS—continued

Financial risk management objectives and policies—continued

Liquidity risk—continued

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

The Group

	Weighted average effective interest rate	Within 1 year or on demand	1 to 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2014					
Trade and bills payables	N/A	42,456	—	42,456	42,456
Other payables	N/A	6,052	—	6,052	6,052
Bank borrowings	3.90	40,357	7,219	47,576	46,500
		88,865	7,219	96,084	95,008

	Weighted average effective interest rate	Within 1 year or on demand	1 to 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2015					
Trade and bills payables	N/A	132,759	—	132,759	132,759
Other payables	N/A	2,203	—	2,203	2,203
Bank borrowings	3.86	90,791	3,618	94,409	93,011
		225,753	3,618	229,371	227,973

	Weighted average effective interest rate	Within 1 year or on demand	1 to 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2016					
Trade and bills payables	N/A	134,752	—	134,752	134,752
Other payables	N/A	3,661	—	3,661	3,661
Amount due to an intermediate holding company	N/A	915	—	915	915
Bank borrowings	3.79	58,803	816	59,619	58,462
		198,131	816	198,947	197,790

The Company

	Weighted average effective interest rate	Within 1 year or on demand	1 to 5 years	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2016					
Amount due to subsidiaries	N/A	12,589	—	12,589	12,589

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

6. FINANCIAL INSTRUMENTS—continued

Financial risk management objectives and policies—continued

Liquidity risk—continued

Bank borrowings with a repayment on demand clause are included in the "Within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2014, 2015 and 2016, the aggregate carrying amount of these bank loans amounted to approximately HK$ nil, HK$29,153,000, and HK$23,232,000, respectively. Taking into account the Group's financial position, management of the Group does not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. Management of the Group believes that such bank borrowings of the Group will be repaid after the end of reporting period in accordance with the scheduled repayment dates set out in the loan agreement. At that time, the aggregate principal and interest cash outflows will amount to HK$31,478,000 based on the effective interest rate as at 31 December 2015 or HK$23,997,000 based on the effective interest rate as at 31 December 2016.

Fair value measurement of financial instruments

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the fair value of amounts received and receivable by the Group to external customers for the year, and is analysed as follows:

	Year ended 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Sales of optical fibre cables	144,631	247,330	266,124
Sales of optical fibres	90,560	141,284	237,980
Sales of optical cable cores	10,079	1,951	94,434
Sales of other related products	7,407	4,950	1,234
	252,677	395,515	599,772

The Group determines its operating segments based on the reports reviewed by Mr. Hu Guoqiang, the chief operating decision maker ("CODM") that are used to make strategic decisions. Information reported to the CODM is based on the business lines operated by the Group.

The Group's operating and reporting segments are (i) Optical fibre cables, optical cable cores and other related products, which is located in Thailand; and (ii) Optical fibres, which is located in Hong Kong.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

7. REVENUE AND SEGMENTAL INFORMATION—continued

Segment revenue and results

Year ended 31 December 2014

	Optical fibre cables, optical cable cores and other related products	Optical fibres	Elimination	Combined
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue				
External sales	162,117	90,560	—	252,677
Inter-segment sales	—	26,678	(26,678)	—
Segment revenue	162,117	117,238	(26,678)	252,677
Segment results	(2,102)	(1,095)	(280)	(3,477)
Other income				1,530
Finance costs				(2,356)
Loss before taxation				(4,303)

Year ended 31 December 2015

	Optical fibre cables, optical cable cores and other related products	Optical fibres	Elimination	Combined
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue				
External sales	254,231	141,284	—	395,515
Inter-segment sales	—	48,317	(48,317)	—
Segment revenue	254,231	189,601	(48,317)	395,515
Segment results	3,521	(3,781)	(126)	(386)
Finance costs				(2,539)
Loss before taxation				(2,925)

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

7. REVENUE AND SEGMENTAL INFORMATION—continued

Segment revenue and results—continued

Year ended 31 December 2016

	Optical fibre cables, optical cable cores and other related products	Optical fibres	Elimination	Combined
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue				
External sales	361,792	237,980	—	599,772
Inter-segment sales	—	25,598	(25,598)	—
Segment revenue	361,792	263,578	(25,598)	599,772
Segment results	38,151	50,587	304	89,042
Unallocated corporate expense				(40)
Finance costs				(3,322)
Listing expenses				(11,703)
Profit before taxation				73,977

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of other interest income, finance costs, listing expenses and income tax expense.

Furthermore, other than other segment information disclosed, the assets and liabilities for operating segments are not provided to the Company's CODM for the purposes of resources allocation and performance assessment, and therefore no segment assets and liabilities information is presented.

Other information

Year ended 31 December 2014

	Optical fibre cables, optical cable cores and other related products	Optical fibres	Total
	HK$'000	HK$'000	HK$'000
Other segment information (included in the measure of segment profit or loss or regularly provided to CODM)			
Additions to non-current assets	8,658	3,857	12,515
Depreciation	11,820	3,054	14,874
Loss on disposal of property, plant and equipment	—	1	1

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

7. REVENUE AND SEGMENTAL INFORMATION—continued

Other information—continued

Year ended 31 December 2015

	Optical fibre cables, optical cable cores and other related products	Optical fibres	Total
	HK$'000	HK$'000	HK$'000
Other segment information (included in the measure of segment profit or loss or regularly provided to CODM)			
Additions to non-current assets	1,797	40,237	42,034
Depreciation	11,706	4,708	16,414
Loss on disposal of property, plant and equipment	117	8	125

Year ended 31 December 2016

	Optical fibre cables, optical cable cores and other related products	Optical fibre	Total
	HK$'000	HK$'000	HK$'000
Other segment information (included in the measure of segment profit or loss or regularly provided to CODM)			
Additions to non-current assets	6,798	244	7,042
Depreciation	12,283	5,321	17,604
(Gain) loss on disposal of property, plant and equipment	(9)	63	54
Allowance for doubtful debts	492	—	492

Geographical information

The Group's operations are located in Hong Kong and Thailand.

Information about the Group's revenue from continuing operations from external customers is presented based on the customers' geographical location, which is based on billing address, as below:

	Year ended 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
PRC (excluding Hong Kong)	100,551	128,151	96,279
Hong Kong	—	17,073	233,366
Thailand	144,131	240,802	255,341
The Philippines	7,995	8,827	8,799
Malaysia	—	662	2,907
Others	—	—	3,080
	252,677	395,515	599,772

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

7. REVENUE AND SEGMENTAL INFORMATION—continued

Geographical information—continued

Information about the Group's non-current assets is presented based on the geographical location of the assets as bellow:

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Hong Kong	9,364	44,886	39,740
Thailand	128,031	107,100	102,295
	137,395	151,986	142,035

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Relevant Periods is as follows:

	Year ended 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Customer A	30,537	151,280	180,011
Customer B	N/A#	103,166	66,479
Customer C	N/A#	56,219	69,552
Customer D	68,500	38,963	106,111
Customer E	N/A#	N/A#	143,580
Customer F	113,540	N/A*	N/A*

* Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year.
\# No revenue was attributed from the relevant customer for the respective year

Note: Customers A, C and F are customers of the segment of optical fibre cables, optical cable cores and other related products. Customer B is customer of the segment of optical fibres. Customer D and E are customers of both segments.

8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Other income:			
Income from sales of scrap products	680	366	778
Management income from a related company (Note 28(a))	660	720	—
Bank interest income	97	42	42
Other interest income (Note 28(a))	1,530	—	—
Others	2,066	422	589
	5,033	1,550	1,409
Other gains and losses:			
Foreign exchange gains (losses)	1,590	(8,017)	3,851
Loss on disposals of property, plant and equipment	(1)	(125)	(54)
Bad debt written off	—	—	(492)
	1,589	(8,142)	3,305

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Mr. Hu Guoqiang, Mr. He Xingfu, Mr. Wei Guoqing, Mr. Pan Jinhua and Mr. Xu Muzhong were appointed as director of the Company on 6 September 2016. The emoluments paid or payable to the directors and chief-executive of the Company (including emoluments for their services as employee/directors of subsidiaries prior to becoming the directors of the Company) by entities comprising the Group during the Relevant Periods are as follows:

	Hu Guoqiang	He Xingfu	Wei Guoqing	Pan Jinhua	Xu Muzhong	Total
	HK$'000 (Note iii)	HK$'000 (Note i)	HK$'000	HK$'000 (Note iii)	HK$'000	HK$'000
Year ended 31 December 2014						
Fees	—	—	—	—	—	—
Other emoluments						
Salaries and other benefits	—	1,142	133	—	305	1,580
Retirement benefit scheme contributions	—	17	—	—	—	17
Total emoluments	—	1,159	133	—	305	1,597

	Hu Guoqiang	He Xingfu	Wei Guoqing	Pan Jinhua	Xu Muzhong	Total
	HK$'000 (Note iii)	HK$'000 (Note i)	HK$'000	HK$'000 (Note iii)	HK$'000 (Note iv)	HK$'000
Year ended 31 December 2015						
Fees	—	—	—	—	—	—
Other emoluments						
Salaries and other benefits	—	1,227	126	—	23	1,376
Retirement benefit scheme contributions	—	18	—	—	—	18
Total emoluments	—	1,245	126	—	23	1,394

	Hu Guoqiang	He Xingfu	Wei Guoqing	Pan Jinhua	Xu Muzhong	Total
	HK$'000 (Note iii)	HK$'000 (Note i)	HK$'000 (Note iv)	HK$'000 (Note iii)	HK$'000	HK$'000
Year ended 31 December 2016						
Fees	—	—	—	—	—	—
Other emoluments						
Salaries and other benefits	—	1,256	279	—	151	1,686
Retirement benefit scheme contributions	—	18	1	—	1	20
Total emoluments	—	1,274	280	—	152	1,706

Notes:

(i) Mr. He Xingfu acts as chief executive officer of the Group. Emoluments for acting as chief executive officer of the Group has been included in his director's emoluments as disclosed above.

(ii) The director's emoluments shown above were for their services in connection with the management of the affairs of the Group.

(iii) Emoluments borne by Futong China for their services in connection with the management of the affairs of the Group and certain fellow subsidiaries. The directors consider that there is no reasonable basis to allocate such emoluments to the Group.

(iv) Emoluments partly borne by Futong China for his services in connection with the management of the affairs of the Group and certain fellow subsidiaries. The directors consider that there is no reasonable basis to allocate such emoluments to the Group.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS—continued

(a) Directors' and chief executive's emoluments—continued

During the Relevant Periods, no remuneration was paid by the Group to the director of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. Each of the directors has not waived any remuneration during the Relevant Periods.

(b) Employees' emoluments

The five highest paid individuals included Mr. He Xingfu whose emoluments are included in the disclosures in (a) above for each of the years ended 31 December 2014, 2015 and 2016. The emoluments of the remaining four individuals for the years ended 31 December 2014, 2015 and 2016, respectively, were as follows:

	Year ended 31 December		
	2014	**2015**	**2016**
	HK$'000	**HK$'000**	**HK$'000**
Salaries and other benefits	2,467	2,689	2,539
Discretionary Bonus	325	347	407
Retirement benefit scheme contributions	65	71	85
	2,857	3,107	3,031

Their emoluments were within the following bands:

	Year ended 31 December		
	2014	**2015**	**2016**
	Number of employees	**Number of employees**	**Number of employees**
Nil to HK$1,000,000	4	4	4
HK$1,000,001 - HK$1,500,000	1	1	1
	5	5	5

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FINANCE COSTS

	Year ended 31 December		
	2014	**2015**	**2016**
	HK$'000	**HK$'000**	**HK$'000**
Interest on bank borrowings	2,356	2,539	3,322

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

11. LOSS (PROFIT) BEFORE TAXATION

	Year ended 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Loss (profit) before taxation has been arrived at after charging (crediting):			
Auditor's remuneration	344	349	517
Depreciation of property, plant and equipment	14,874	16,414	17,604
Directors' remuneration (note 9)	1,597	1,394	1,706
Other staff costs			
Salaries and other benefits	25,832	26,047	27,988
Retirement benefits scheme contributions	509	581	653
Total staff costs	27,938	28,022	30,347
Minimum lease payments under operating leases in respect of land and buildings	8,387	11,250	11,497

12. INCOME TAX EXPENSE

	Year ended 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Hong Kong Profits Tax			
Current Tax	—	—	1,500
Underprovision in prior years	53	—	121
	53	—	1,621
Other jurisdiction withholding tax	153	—	—
Deferred taxation (note 26)	—	—	5,123
	206	—	6,744

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods. No provision for Hong Kong Profits Tax was provided for each of the two years ended 31 December 2015 as Transtech incurred a tax loss in both years.

Withholding tax in other jurisdiction was calculated at 10% on interest income from a related company in respective jurisdiction.

Futong Thailand has been granted preferential tax treatments by the Board of Investment in Thailand relating to manufacturing of cables by virtue of the provisions of the Industrial Investment Promotion Act B.E. 2520 of Thailand. The preferential tax treatments granted include the exemption from payment of corporate income tax on net profit of the promoted business of the manufacturing of cables for a period of eight years from the date on which the income is first derived from such operations (the "Exemption Period"). The Relevant Periods fall within the Exemption Period and therefore no income tax has been provided for the Relevant Periods.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

12. INCOME TAX EXPENSE—continued

The tax charge for the Relevant Periods can be reconciled to the (loss) profit before taxation as follows:

	Year ended 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
(Loss) profit before taxation	(4,303)	(2,925)	73,977
Tax at the applicable income tax rate of 16.5%	(710)	(483)	12,206
Tax effect of income not taxable for tax purpose	(4)	—	—
Tax effect of tax loss not recognised	—	1,573	—
Underprovision in prior years	53	—	121
Effect of different tax rate in other jurisdiction	(86)	—	—
Tax effect of expenses not deductible for tax purpose	—	5	2,027
Effect of tax exemption granted	—	(370)	(5,955)
Utilisation of tax losses previously not recognised	—	—	(1,573)
Others	953	(725)	(82)
Tax charge for the year	206	—	6,744

13. DIVIDEND

During the year ended 31 December 2013, Transtech declared dividends of HK$15,390,000 to the then shareholder of Transtech, which had been paid during the year ended 31 December 2014. No rates of dividend is disclosed as relevant information is not considered meaningful for the purpose of this Financial Information. No dividend was declared or proposed by the directors of the companies comprising the Group for the Relevant Periods nor has any dividend been proposed since the end of the Relevant Periods.

14. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the Relevant Periods is based on the (loss) profit attributable to owners of the Company for each of the Relevant Periods, and on the basis of number of ordinary shares of 195,000,000 on the assumption that the Group Reorganisation as disclosed in note 1 and the capitalisation issue as more fully explained in the section headed "Resolutions in writing of the sole Shareholder passed on 23 June 2017" in Appendix IV to the Prospectus had been effective on 1 January 2014.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Building	Leasehold improvements	Machinery	Furniture and fixtures	Office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST									
At 1 January 2014	28,052	44,176	50,395	56,089	3,271	621	2,500	56	185,160
Additions	—	—	40	8,104	274	220	126	3,751	12,515
Disposals	—	—	—	(27)	—	(51)	—	—	(78)
Exchange realignment	(36)	(56)	(27)	(131)	(6)	(2)	(3)	—	(261)
At 31 December 2014	28,016	44,120	50,408	64,035	3,539	788	2,623	3,807	197,336
Additions	—	—	877	40,448	291	82	336	—	42,034
Transferred	—	—	1,682	2,125	—	—	—	(3,807)	—
Disposals	—	—	—	(21)	—	—	(343)	—	(364)
Exchange realignment	(2,481)	(3,907)	(1,915)	(4,147)	(296)	(16)	(172)	—	(12,934)
At 31 December 2015	25,535	40,213	51,052	102,440	3,534	854	2,444	—	226,072
Additions	—	—	—	5,065	551	933	493	—	7,042
Transferred	—	—	—	(4)	—	4	—	—	—
Disposals	—	—	—	(118)	(1)	(33)	—	—	(152)
Exchange realignment	143	224	112	151	8	(13)	1	—	626
At 31 December 2016	25,678	40,437	51,164	107,534	4,092	1,745	2,938	—	233,588
DEPRECIATION									
At 1 January 2014	—	623	26,779	15,997	840	445	777	—	45,461
Provided for the year	—	2,228	6,315	5,195	663	84	389	—	14,874
Eliminated on disposals	—	—	—	(21)	—	(51)	—	—	(72)
Exchange realignment	—	(23)	(44)	(49)	(7)	(1)	(3)	—	(127)
At 31 December 2014	—	2,828	33,050	21,122	1,496	477	1,163	—	60,136
Provided for the year	—	2,111	5,496	7,699	653	83	372	—	16,414
Eliminated on disposals	—	—	—	(13)	—	—	(226)	—	(239)
Exchange realignment	—	(351)	(644)	(887)	(135)	(4)	(67)	—	(2,088)
At 31 December 2015	—	4,588	37,902	27,921	2,014	556	1,242	—	74,223
Provided for the year	—	2,058	4,291	9,488	691	212	864	—	17,604
Eliminated on disposals	—	—	—	(33)	(1)	(33)	—	—	(67)
Exchange realignment	—	(11)	(25)	(18)	(3)	(2)	(9)	—	(68)
At 31 December 2016	—	6,635	42,168	37,358	2,701	733	2,097	—	91,692
CARRYING AMOUNTS									
At 31 December 2014	28,016	41,292	17,358	42,913	2,043	311	1,460	3,807	137,200
At 31 December 2015	25,535	35,625	13,150	74,519	1,520	298	1,202	—	151,849
At 31 December 2016	25,678	33,802	8,996	70,176	1,391	1,012	841	—	141,896

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings on freehold land	20 years
Leasehold improvements	3 to 10 years or over the lease term
Machinery	10 years
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	5 years

No depreciation is provided on freehold land and construction in progress.

The Group's land with buildings and machinery with aggregate carrying amounts of HK$101,482,000, HK$86,923,000 and HK$82,334,000 as at 31 December 2014, 2015 and 2016 respectively were mortgaged as collateral to secure bank loans as set out in note 23.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

16. INVENTORIES

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Raw materials and consumables	21,788	32,211	32,771
Work in progress	4,405	6,732	12,658
Finished goods	40,004	17,848	16,121
Goods-in-transit	9,127	21,452	18,169
Total	75,324	78,243	79,719

17. TRADE RECEIVABLES

The Group grants credit terms of 0 - 270 days to its customers from the date of invoices. The following is an aged analysis of the trade receivables presented based on the invoice date at the end of the reporting period.

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
0 - 180 days	68,052	170,676	176,647
181 - 270 days	4,815	20,402	57,743
Over 270 days	—	—	18,711
	72,867	191,078	253,101

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment including the creditworthiness and the past collection history of each client.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$25,701,000, HK$61,248,000 and HK$54,973,000 which are past due at 31 December 2014, 2015 and 2016, respectively, for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

17. TRADE RECEIVABLES—continued

Aging analysis of trade receivables which are past due but not impaired

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
1 - 30 days	11,786	20,049	9,305
31 - 60 days	7,329	24,745	6,182
61 - 90 days	1,493	6,472	6,495
Over 90 days	5,093	9,982	32,991
Total	25,701	61,248	54,973

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Electricity deposits	783	783	785
Other deposits	96	158	297
Prepayments	63	439	766
Other receivables	526	348	158
Value-added tax receivables	3,163	620	587
Deferred listing expense	—	—	3,730
Total	4,631	2,348	6,323
Presented as non-current assets	195	137	139
Presented as current assets	4,436	2,211	6,184
Total	4,631	2,348	6,323

19. AMOUNTS DUE FROM/TO A RELATED COMPANY AND AN INTERMEDIATE HOLDING COMPANY

Amount due from a related company represents non-trade advance to Futong Group (Hongkong) Co., Limited ("Futong Group (Hong Kong)"), a fellow subsidiary of the Group, which is unsecured, interest-free and repayable on a date which is within one year from the end of each of the reporting period. Hu Guoqiang is the sole director of Futong Group (Hong Kong). The amount was fully settled in September 2016.

Amount due to an intermediate holding company represents considerations payable to Futong China for the acquisition of 0.3% equity interest in Futong Thailand in the Group Reorganisation, which is unsecured, interest-free and repayable on demand. The amount was fully settled in March 2017.

20. BANK BALANCES AND CASH

Bank balances carry interest at market interest rate ranging from 0.01% to 0.375%, 0.01% to 0.375% and 0.01% to 0.375% per annum as at 31 December 2014, 2015 and 2016 respectively.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

21. TRADE AND BILLS PAYABLES

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Bills payables	16,431	40,959	26,230
Trade payables	26,025	91,800	108,522
	42,456	132,759	134,752

The credit period on purchases of raw materials is 30 to 180 days. The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the Relevant Periods:

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Trade and bills payables:			
0 - 30 days	11,862	49,930	43,482
31 - 60 days	11,720	30,747	28,217
61 - 90 days	5,974	15,905	19,672
91 - 180 days	9,957	17,899	43,211
Over 180 days	2,943	18,278	170
	42,456	132,759	134,752

22. OTHER PAYABLES AND ACCRUED CHARGES

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Accrued charges	2,205	2,661	2,888
Other payables	6,148	2,267	4,204
Accrued charges for listing expenses	—	—	3,010
	8,353	4,928	10,102

23. BANK BORROWINGS

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Secured and unguaranteed:			
Promissory notes	28,767	28,657	31,715
Bank loans	8,260	6,184	3,515
Unsecured and guaranteed:			
Trust receipt loans	—	4,824	—
Bank loans	9,473	53,346	23,232
	46,500	93,011	58,462
Less: Amounts due within one year or with repayment on demand clause shown under current liabilities	(39,715)	(89,516)	(57,651)
Amounts shown under non-current liabilities	6,785	3,495	811

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

23. BANK BORROWINGS—continued

The carrying amounts of the above borrowings are repayable*:

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Within one year	39,715	66,194	43,131
Within a period of more than one year but not exceeding two years	6,785	12,241	15,196
Within a period of more than two years but not exceeding five years	—	14,576	135
	46,500	93,011	58,462

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Trust receipt loan of HK$4,824,000 as at 31 December 2015 was guaranteed by Futong HK and carried interest at 2.14% per annum. Bank loans of US$3,747,000 and US$2,998,000 (equivalent to HK$29,153,000 and HK$23,232,000) as at 31 December 2015 and 2016 are guaranteed by Futong HK and the loans are granted against a letter of comfort issued by Futong China. They carry a floating interest rate at London Interbank Offered Rate ("LIBOR") plus 3%.

Bank loans of HK$23,322,000 and HK$14,520,000 originally repayable within a period of more than one year based on contractual scheduled repayment dates as at 31 December 2015 and 2016 are classified as current liabilities as there is a repayment on demand clause in the relevant bank facility letter. Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the bank will exercise its discretionary rights to demand immediate repayment. The management of the Group believes that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

Promissory notes amounting to US$3,680,000, US$3,400,000 and US$4,073,000 (equivalent to HK$28,767,000 HK$26,506,000 and HK$31,715,000) as at 31 December 2014, 2015 and 2016 respectively are interest bearing at US$ 3-month LIBOR plus 3% per annum. Promissory notes amounting to THB10,000,000 (equivalent to HK$2,151,000) as at 31 December 2015 was interest bearing at Minimum Lending Rate of Thailand ("MLR") minus 1% per annum.

A short-term loan amounting to RMB7,500,000 and RMB20,000,000 (equivalent to HK$9,473,000 and HK$24,193,000) as at 31 December 2014 and 2015 respectively was interest bearing at a rate of 4.2% per annum and repayable within one year from the end of the relevant reporting period. The loan has been fully repaid in year 2016.

A long-term loan amounting to THB35,000,000, THB28,750,000 and THB16,250,000 (equivalent to HK$8,260,000, HK$6,184,000 and HK$3,515,000) as at 31 December 2014, 2015 and 2016 respectively is interest bearing at a rate of MLR minus 1% per annum with instalments repayable based on scheduled repayment dates until 30 April 2018.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

23. BANK BORROWINGS—continued

The Group's bank borrowings of HK$37,027,000, HK$34,841,000 and HK$35,230,000 were secured by land, buildings and machinery of approximately HK$101,842,000, HK$86,923,000 and HK$82,334,000 in aggregate as at 31 December 2014, 2015 and 2016 respectively.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	US$	RMB
	HK$'000	HK$'000
As at 31 December 2014	28,767	9,473
As at 31 December 2015	55,659	24,193
As at 31 December 2016	54,947	—

24. ISSUED SHARE CAPITAL

The issued share capital as at 31 December 2014 and 2015 represented the combined share capital of Transtech and Futong Thailand.

The issued share capital as at 31 December 2016 represented the share capital of the Company.

The Company

	Number of shares	HK$'000
Authorised		
At 6 September 2016 (date of incorporation) — ordinary shares of US$0.01 each	5,000,000	390
At 7 October 2016 and 31 December 2016 — ordinary shares of HK$0.01 each	39,000,000	390
Issued and fully paid		
At 6 September 2016 (date of incorporation)	100	—
Redenomination of shares	680	—
Issue of shares on Group Reorganisation	499,220	5
At 31 December 2016	500,000	5

The Company was incorporated in the Cayman Islands on 6 September 2016 with an authorised share capital of US$50,000 divided into 5,000,000 shares of US$0.01 each. On 7 October 2016, the currency denomination of the shares of the Company was changed from US$ into HK$ resulting in an authorised share capital of HK$390,000 divided into 39,000,000 shares of HK$0.01 each, and the number of shares in issue was changed from 100 shares of US$0.01 each to 780 shares of HK$0.01 each. On 7 October 2016, through the Group Reorganisation (set out in note 1) 499,220 shares were allotted, issued, credited as fully paid to Futong HK.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

25. RESERVES OF THE COMPANY

	Other reserve	Accumulated loss	Total
	HK$'000	HK$'000	HK$'000
On 6 September 2016 (date of incorporation)	—	—	—
Issue of shares on Group Reorganisation	320,522	—	320,522
Loss and comprehensive expense for the period	—	(11,709)	(11,709)
At 31 December 2016	320,522	(11,709)	308,813

26. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the Relevant Periods:

	Accelerated tax depreciation	Tax loss	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2014 and 31 December 2014	—	—	—
Charge (credit) to profit or loss	5,743	(5,743)	—
At 31 December 2015	5,743	(5,743)	—
(Credit) charge to profit or loss	(620)	5,743	5,123
At 31 December 2016	5,123	—	5,123

The Company had unused tax loss of approximately HK$nil and HK$44,342,000 available for offset against future profit as at 31 December 2014 and 2015. The tax losses might be carried forward indefinitely. A deferred tax asset had been recognised in respect of HK$nil and HK$34,808,000 of such loss as at 31 December 2014 and 2015. No deferred tax asset had been recognised in respect of the remaining HK$nil and HK$9,534,000 as at 31 December 2014 and 2015 due to the unpredictability of future profit streams. During the year ended 31 December 2016, such tax losses were fully utilised.

27. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with a related company and an independent third party, which fall due as follows:

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Within one year	6,865	834	5,729
In the second to fifth year inclusive	349	101	100
	7,214	935	5,829

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

27. COMMITMENTS—continued

(a) Operating lease commitments—continued

The Group as lessee—continued

The above operating lease payments represent rental payable by the Group for office premises and plant for the Relevant Periods. Leases and rentals are negotiated and fixed for a term of 1 to 5 years and rental are fixed for the period.

At 31 December 2014, 2015 and 2016, the future minimum lease payments under non-cancellable operating leases with a related company, Futong Group International Limited, within one year are HK$6,300,000, HK$nil and HK$5,400,000, respectively.

(b) Capital commitments

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	35,201	—	—

28. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with the following related parties during the Relevant Periods:

	Year ended 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Intermediate holding company			
Futong China			
Technical support service fee expense	441	497	261
Tutorial fee expense	580	559	311
Maintenance expense	158	166	171
Immediate holding company			
Futong HK			
Management fee expense	300	200	—
Fellow subsidiaries			
Futong Group (Hong Kong)			
Sales	—	17,073	76,312
Purchases	—	3,153	1,092
Management fee income	660	720	—
Sales commission expense	4,800	6,689	1,165
杭州富通線纜銷售有限公司			
Purchases	573	855	—
Purchase of assets	7,964	370	—
富通集團上海國際貿易有限公司			
Purchases	—	185	481
Purchase of assets	—	106	5,174

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

28. RELATED PARTY TRANSACTIONS—continued

(a) The Group had the following transactions with the following related parties during the Relevant Periods:—continued

	Year ended 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
富通光纖光纜(深圳)有限公司 ("Futong Shenzhen")			
Purchase	—	60	—
Tutorial fee expense	—	790	909
杭州富通通信技術股份有限公司 ("Hangzhou Futong")			
Sales	10,074	1,951	25,509
Purchases	14,266	9,281	46,864
成都富通光通信技術有限公司 ("Chengdu Futong")			
Interest income	1,530	—	—
Sales	—	—	4,290
深圳市金泰科技有限公司 ("Shenzhen King Task")*			
Sales	—	19,939	—
Purchases	—	61,232	47,304
深圳澳科電纜有限公司 ("Olex")#			
Sales	58,426	—	—
淅江富通光纖技術有限公司 ("Zhejiang Futong")			
Purchase	33,026	—	—
The then non-controlling interest of Transtech@			
Technical support service fee expense	—	117	130
Loan guarantee service fee	—	19	29
Glass rod recycle sales	—	48	205
Purchase of machinery	—	25,579	—
Subsidiary of the then non-controlling interest of Transtech			
Purchases	40,518	115,096	43,514
Related Companies^			
Hangzhou Futong (H.K.) Development Limited ("Hangzhou Futong HK")			
Management fee expense	480	480	200
Futong Group International Limited ("Futong Group International")			
Rental expense	7,800	10,800	10,800

* Shenzhen King Task has been acquired by Futong China and has become a fellow subsidiary of the Group since 16 January 2015.

\# Olex ceased to be a fellow subsidiary since 12 February 2015 upon disposal by Futong China to an independent third party.

^ Controlled by a shareholder of Hangzhou Futong Investment Co., Ltd., ultimate holding company of the Company, and He Xingfu, director of the Company.

@ With significant influence over Transtech before its disposal of 49% equity interest in Transtech to Futong China on 18 May 2016.

The sales, purchases, service fees paid, management fee paid, interest income received and rental expenses are all at the terms agreed between the relevant parties.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

28. RELATED PARTY TRANSACTIONS—continued

(b) Details of amounts due from/to a related company and an intermediate holding company at the end of each reporting period are disclosed in the consolidated statements of financial position and note 19.

(c) Trade receivables:

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Hangzhou Futong	4,892	1,852	72
Futong Group (Hong Kong)	—	—	19,919
Chengdu Futong	—	—	4,159
	4,892	1,852	24,150

(d) Other receivables:

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Hangzhou Futong	2	1	—
Futong China	—	84	80
Shenzhen King Task	—	—	4
	2	85	84

(e) Accounts and bills payables:

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Subsidiary of the then non-controlling interest of Transtech	16,431	40,958	—
Hangzhou Futong	3,334	3,707	1,764
Shenzhen King Task	—	28,153	12,036
杭州富通線纜銷售有限公司	2,735	910	—
Futong Group (Hong Kong)	—	3,017	—
富通集團上海國際貿易有限公司	—	175	73
	22,500	76,920	13,873

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

28. RELATED PARTY TRANSACTIONS—continued

(f) Accrued liabilities and other payables:

	As at 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Futong China	361	733	326
Futong Shenzhen	—	790	—
Futong Group (Hong Kong)	4,800	150	—
Subsidiary of the then non-controlling interest of Transtech	—	117	—
Futong Group International	—	—	900
富通集團上海國際貿易有限公司	—	—	1,792
Hangzhou Futong (H.K.) Development Limited	120	—	—
	5,281	1,790	3,018

(g) At 31 December 2015 and 2016, banking facilities to the extent of HK$82,676,000 and HK$82,550,000 respectively which include bank borrowings, overdrafts and trade financing were guaranteed by Futong HK, for which no charge was paid by the Group.

(h) At 31 December 2014, banking facilities to the extent of HK$57,676,000 which include bank borrowings, overdrafts and trade financing were guaranteed by Futong Group (Hong Kong), for which no charge was paid by the Group.

(i) Compensation of key management personnel

The remuneration of key management personnel who are the directors during the year is set out in note 9, which is determined with reference to the performance of individual and market trends.

The remuneration of key management personnel during each of the years ended 31 December 2014, 2015 and 2016 were as follows:

	Year ended 31 December		
	2014	2015	2016
	HK$'000	HK$'000	HK$'000
Short-term benefits	1,580	1,376	1,686
Post-employment benefits	17	18	20
	1,597	1,394	1,706

29. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

29. RETIREMENT BENEFITS SCHEMES—continued

The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. Effective from 1 June 2014, the cap of contribution amount has been changed from HK$1,250 to HK$1,500 per employee per month.

The retirement benefits schemes contributions arising from the MPF Scheme charged to the combined statements of profit or loss and other comprehensive income represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The Group registers its employees in Thailand with Workmen's Compensation Fund and Social Security Fund as required by laws in Thailand. The Group is required to make annual contributions to the Workmen's Compensation Fund and monthly contributions to the Social Security Fund, and the only obligation of the Group with respect to these funds is to make the required contributions.

The contributions paid and payable to the schemes by the Group are disclosed in note 11.

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(i) Details of a non-wholly owned subsidiary that has material non-controlling interest

The table below shows details of a non-wholly subsidiary of the Group that have material non-controlling interest:

Name of subsidiary	Place of incorporation	Place of principal operation	Proportion of ownership interests and voting rights held by non-controlling interest			Profit (loss) allocated to non-controlling interest			Accumulated non-controlling interest		
			As at 31 December			Year ended 31 December			As at 31 December		
			2014	2015	2016	2014	2015	2016	2014	2015	2016
						HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Transtech	BVI	Hong Kong	49%	49%	—	417	(2,534)	3,318	68,081	65,547	—

(A) FINANCIAL INFORMATION—continued
NOTES TO FINANCIAL INFORMATION—continued

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY—continued

(i) Details of a non-wholly owned subsidiary that has material non-controlling interest—continued

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Transtech	As at 31 December 2014	As at 31 December 2015
	HK$'000	HK$'000
Current assets	156,564	174,003
Non-current assets	9,364	44,886
Current liabilities	(26,987)	(85,118)
Equity attributable to owners of the Company	70,860	68,224
Non-controlling interest	68,081	65,547

	Year ended 31 December 2014	Year ended 31 December 2015	1.1.2016 to 18.5.2016
	HK$'000	HK$'000	HK$'000
Revenue	117,238	191,593	99,078
Expenses	(121,113)	(197,659)	(91,229)
Profit (loss) for the year/period	227	(5,171)	6,771
(Loss) profit attributable to owners of the Company	(190)	(2,637)	3,453
Profit (loss) attributable to the non-controlling interests	417	(2,534)	3,318
Profit (loss) for the year/period	227	(5,171)	6,771
Net cash inflow (outflow) from operating activities	15,600	(17,938)	(5,260)
Net cash inflow (outflow) from investing activities	17,156	(5,356)	(16,924)
Net cash (outflow) inflow from financing activities	(15,393)	33,263	(11,040)
Net cash inflow (outflow)	17,363	9,969	(33,224)

(ii) Change in ownership interest in a subsidiary

On 31 March 2014, Futong China, through its subsidiary, disposed 22% of its equity interest in Transtech to the non-controlling interest, reducing its equity interest to 51%. An amount of HK$30,211,000 (being the proportionate share of the carrying amount of the net assets of Transtech) was recognised as shareholder's distribution by the Group and included in other reserve in the combined statement of changes in equity.

On 18 May 2016, Futong China, through its subsidiary, acquired the 49% equity interest in Transtech from the non-controlling interest. An amount of HK$68,865,000 (being the proportionate share of the carrying amount of the net assets of Transtech) was recognised as shareholder's contribution to the Group and included in other reserve in the consolidated statement of changes in equity.

(B) SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, subsequent events of the Group are detailed as below:

On 23 June 2017, written resolutions of the shareholders of the Company was passed to approve the matters set out in the paragraph headed "Resolutions in writing of the sole Shareholder passed on 23 June 2017" in Appendix IV of the Prospectus. It was resolved, among other things:

(i) the authorised share capital of the Company was increased to HK$10,000,000 by the creation of 961,000,000 new shares of HK$0.01 each;

(ii) conditional upon the share premium account of the Company being credited as a result of the global offering of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK$1,945,000 from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par 194,500,000 shares of the Company for the allotment and issue to the persons whose name appeared on the register of members of the Company at the close of business on 11 July 2017.

(C) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

*The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the three years ended 31 December 2016 issued by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants (the "**Accountants' Report**"), as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.*

A. STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company prepared in accordance with Rule 7.31 of the GEM Listing Rules is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group as if the Global Offering had taken place on 31 December 2016.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 December 2016 or at any future date following the Global Offering.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2016 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 per Share
	HK$'000 (Note 1)	HK$'000 (Note 2)	HK$'000	HK$' (Note 3)
Based on Offer Price of HK$2.45 per share	328,759	140,516	469,275	1.80
Based on Offer Price of HK$1.68 per share	328,759	91,836	420,595	1.62

Notes:

(1) The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2016 is extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 65,000,000 Offer Shares at Offer Price of lower limit and upper limit of HK$1.68 and HK$2.45 per Offer Share, respectively, after taking into account the estimated underwriting fees and other related expenses incurred and to be incurred by the Group (excluding listing expenses which have been charged to profit or loss up to 31 December 2016). The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share is arrived at after the adjustments referred to in note (2) above and on the basis that 260,000,000 Shares were in issue assuming that the Global Offering and the Capitalisation Issue had been completed on 31 December 2016 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the section headed "General Mandate to Issue Shares" or the section headed "General Mandate to Repurchase Shares".

(4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2016.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Transtech Optelecom Science Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Transtech Optelecom Science Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 June 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed global offering of the shares of the Company (the "Global Offering") on the Group's financial position as at 31 December 2016 as if the Global Offering had taken place at 31 December 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the two years ended 31 December 2016, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 June 2017

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 September 2016 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 23 June 2017. A summary of certain provisions of the Articles is set out below.

(a) **Shares**

(i) **Classes of shares**

The share capital of the Company consists of ordinary shares.

(ii) **Variation of rights of existing shares or classes of shares**

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) **Alteration of capital**

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) **Transfer of shares**

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) **Power of the Company to purchase its own shares**

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) **Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) **Calls on shares and forfeiture of shares**

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) **Directors**

(i) **Appointment, retirement and removal**

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) **Power to allot and issue shares and warrants**

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) **Power to dispose of the assets of the Company or any of its subsidiaries**

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) **Borrowing powers**

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) **Remuneration**

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) **Compensation or payments for loss of office**

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) **Loans and provision of security for loans to Directors**

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) **Disclosure of interest in contracts with the Company or any of its subsidiaries**

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) **Proceedings of the Board**

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) **Meetings of member**

(i) **Special and ordinary resolutions**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) **Voting rights and right to demand a poll**

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) **Annual general meetings**

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) **Notices of meetings and business to be conducted**

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) **Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) **Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) **Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 6 September 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) **Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) **Share capital**

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) **Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) **Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) **Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 27 September 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) **Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) **Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) **Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the

Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) **Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) **Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 6 September 2016. Our registered office is at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. We have established a principal place of business in Hong Kong at No. 3 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 2 November 2016. Mr. He has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As a company incorporated in the Cayman Islands, our operations are subject to the Memorandum of Association and the Articles of Association and the Cayman Islands Companies Law. A summary of certain provisions of the Memorandum of Association and the Articles of Association and certain aspects of the Cayman Islands Companies Law is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

As of the date of incorporation of our Company, our Company had an authorised share capital of US$50,000, divided into 5,000,000 shares of US$0.01 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

(a) On 6 September 2016, (i) one subscriber share of par value of US$0.01 was issued nil paid to Reid Services Limited, and was transferred on the same date to Futong HK; and (ii) 99 new shares of par value of US$0.01 each were further allotted and issued to Futong HK at par;

(b) On 7 October 2016, the currency denomination of the shares of our Company was changed from United States dollar into Hong Kong dollar resulting in an authorised share capital of HK$390,000 divided into 39,000,000 Shares of HK$0.01 each. On the same date, the 100 shares of US$0.01 each in issue at the time were reconverted into 780 fully paid Shares of HK$0.01 each. As a result, Futong HK then held 780 Shares, being the entire issued share capital of our Company at the time;

(c) On 7 October 2016, 499,220 Shares were allotted and issued to Futong HK in consideration of Futong HK transferring (i) 430 shares in Transtech (representing the entire issued share capital of Transtech); and (ii) 4,970,000 shares in Futong Thailand (representing 99.4% of the issued share capital of Futong Thailand), to our Company; and

(d) In contemplation of the Capitalisation Issue and the Global Offering, the authorised share capital of our Company increased from HK$390,000 divided into 39,000,000 Shares of HK$0.01 each to HK$10,000,000 divided into 1,000,000,000 Shares of HK$0.01 each, pursuant to the resolutions in writing of the sole Shareholder passed on 23 June 2017.

Immediately following the completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of our Company will be HK$2,600,000, divided into 260,000,000 Shares, all fully paid or credited as fully paid.

Save as disclosed above and in "3. Resolutions in writing of the sole Shareholder passed on 23 June 2017" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the sole Shareholder passed on 23 June 2017

Pursuant to the resolutions in writing passed by the sole Shareholder on 23 June 2017:

(a) we approved and adopted the Memorandum of Association with immediate effect and the Articles of Association with effect from the Listing Date;

(b) the authorised share capital of our Company was increased from HK$390,000 to HK$10,000,000 by the creation of an additional 961,000,000 Shares;

(c) subject to the conditions set out in "Structure and Conditions of the Global Offering—The Global Offering—Conditions of the Global Offering" having been fulfilled or waived:

(i) the Global Offering, the Capitalisation Issue and the Over-allotment Option were approved and the Directors were authorised to allot and issue the new Shares pursuant to the Global Offering, the Capitalisation Issue and the Over-allotment Option;

(ii) conditional further upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to allot and issue a total of 194,500,000 Shares (or any such number of Shares any one Director may determine), credited as fully-paid at par, to the Shareholder(s) whose name(s) appear on the register of members of our Company at the close of business on 11 July 2017 (or any such other date any one Director may determine) in proportion to its(their) then existing shareholding(s) by way of capitalisation of the sum of HK$1,945,000 (or any such amount any one Director may determine) standing to the credit of the share premium account of our Company, and such Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank pari passu in all aspects with the then existing issued Shares and that our Directors were authorised to allot and issue the Shares under the Capitalisation Issue and to give effect to such capitalisation and distribution;

(iii) the Listing was approved and the Directors were authorised to implement the Listing;

(iv) subject to the requirements under the GEM Listing Rules and all applicable laws and regulations in Hong Kong and the Cayman Islands, a general unconditional mandate was granted to the Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrant, bond, note, securities or debenture conferring any rights to subscribe for or otherwise receive Shares) which would or might require the exercise of such powers, provided that the aggregate nominal value of the number of Shares allotted or agreed to be conditionally or unconditionally allotted and issued (whether pursuant to an option or otherwise) by the Directors other than pursuant to (aa) a rights issue, (bb) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (cc) a specific authority granted by the Shareholders in general meeting(s), or (dd) any arrangement that would be regulated under Chapter 23 of the GEM Listing Rules, shall not exceed the aggregate of 20% of the entire issued share capital of our Company immediately following the completion of the Global Offering and the Capitalisation Issue, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of our next annual general meeting unless by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions, (II) the expiry of the period within which our next annual general meeting is required to be held under any applicable Cayman Islands law or the Articles of Association and (III) the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate (the "**Relevant Period**"); and

(v) a general unconditional mandate was granted to the Directors to exercise during the Relevant Period all powers for and on behalf of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC or the Stock Exchange for this purpose, subject to and in accordance with all applicable laws in Hong Kong and the Cayman Islands and the requirements of the GEM Listing Rules, provided that the aggregate nominal value of the number of the Shares that could be repurchased by our Company pursuant to such approval shall not exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue.

4. Our subsidiaries

Certain details of our subsidiaries are set out in Appendix I to this prospectus. Save as set out in Appendix I to this prospectus, we do not have any other subsidiaries.

Save as disclosed in the section headed "History and Development" in this prospectus, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

5. Corporate reorganisation

In order to rationalise our structure and prepare for the Listing, the Group has undertaken several restructuring steps, particulars of which are set out in "History and Development – Our Reorganisation".

6. Repurchase of our own securities

As mentioned in "3. Resolutions in writing of the sole Shareholder passed on 23 June 2017" above, a general unconditional mandate was granted to the Directors to exercise all powers for and on behalf of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit a company with a primary listing on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution by shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Memorandum of Association and the Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, any repurchase by our Company may be made out of the profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The GEM Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities shall disclose to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased securities

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of repurchases

A listed company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the GEM Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Reasons for repurchases

The Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. Repurchases may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. The Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum of Association and the Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands. There could be a material and adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the mandate to such extent as would, in the circumstances, have a material and adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 260,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised, could accordingly result in up to 26,000,000 Shares being repurchased by our Company during the period prior to:

(i) the conclusion of our next annual general meeting; or

(ii) the expiry of the period within which we are required by any applicable laws or the Articles of Association to hold our next annual general meeting; or

(iii) the date on which the repurchase mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the GEM Listing Rules and the applicable laws in the Cayman Islands.

No core connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 11.23 of the GEM Listing Rules. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the GEM Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) the Deed of Non-Competition;

(b) the Deed of Indemnity;

(c) the deed of lock up undertaking dated 23 June 2017 entered into by Mr. Wang, Futong Group International and our Company pursuant to which Mr. Wang and Futong Group International have, among others, provided certain undertakings to our company in relation to the licence of the premises by Futong Group International to Transtech;

(d) the reorganisation agreement dated 7 October 2016 entered into between our Company and Futong HK in relation to the share swap arrangement as disclosed in the paragraph headed "History and Development—Our Reorganisation" in this prospectus; and

(e) the Hong Kong Underwriting Agreement.

2. Material intellectual property rights

As of the Latest Practicable Date, we had registered or obtained the licenses of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademark which is material to our business:

No.	Trademarks	Class	Registered owner	Place of registration	Registration number	Expiry date
1.	高科橋 TRANSTECH	9	Transtech Optical Communication Company Limited	Hong Kong	300079290	16 September 2023

As of the Latest Practicable Date, the following trademark rights were licensed to our Group and are material to our business:

No.	Trademarks	Class	Licensor	Place of registration	Registration number	Expiry date
1.	富 通	9	Futong China	Cambodia	KH/36499/11	27 September 2020
2.	富 通	9	Futong China	Thailand	TM350509	6 September 2020
3.	富 通	9	Futong China	Singapore	T1011512C	7 September 2020
4.	富 通	9	Futong China	Vietnam	185043	6 September 2020
5.	富 通	9	Futong China	The Philippines	4-2010-009904	6 January 2021
6.	富 通	9	Futong China	Laos	21421	28 September 2020

No.	Trademarks	Class	Licensor	Place of registration	Registration number	Expiry date
7.	富 通	9	Futong China	Malaysia	2010017350	15 September 2020
8.	富 通	9	Futong China	Indonesia	N/A (pending registration)	N/A
9.	富 通	9	Futong China	Brunei	N/A (pending registration)	N/A
10.	富 通	9	Futong China	Madrid System	International trademark number 887117	10 April 2026
11.	FUTONG	9	Futong China	Cambodia	KH/36498/11	27 September 2020
12.	FUTONG	9	Futong China	Thailand	TM350508	6 September 2020
13.	FUTONG	9	Futong China	Singapore	T1011511E	7 September 2020
14.	FUTONG	9	Futong China	Vietnam	185044	6 September 2020
15.	FUTONG	9	Futong China	The Philippines	4-2010-009905	6 January 2021
16.	FUTONG	9	Futong China	Laos	21420	28 September 2020

No.	Trademarks	Class	Licensor	Place of registration	Registration number	Expiry date
17.	FUTONG	9	Futong China	Malaysia	2010017349	15 September 2020
18.	FUTONG	9	Futong China	Indonesia	N/A (pending registration)	N/A
19.	FUTONG	9	Futong China	Brunei	N/A (pending registration)	N/A
20.	富 通	9	Futong Group (Hong Kong)	Hong Kong	301678988	1 August 2020
21.	FUTONG	9	Futong Group (Hong Kong)	Hong Kong	301678979	1 August 2020

(b) Domain Names

As of the Latest Practicable Date, we had registered the following domain name which is material to our business:

No.	Domain Name	Registered owner	Expiry date
1.	TOCCL.COM	Transtech	24 May 2020
2.	TRANSTECHOPTEL.COM	Transtech	12 October 2018

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND CHIEF EXECUTIVE

1. Disclosure of interests

Immediately following the completion of the Global Offering and the Capitalisation Issue and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, none of the Directors and chief executive of our Company has any interest and/or short position in the shares, underlying shares and debentures of the Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange.

2. Directors' service contracts and letters of appointment

Our Company entered into a service contract with each of our executive Directors and a letter of appointment each of our independent non-executive Directors on 23 June 2017. Each of the service contracts and the letters of appointment is for an initial fixed term of three years commencing from the Listing Date.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' remuneration

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to the Directors for FY2014, FY2015 and FY2016 were approximately HK$1.60 million, HK$1.39 million and HK$1.71 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of FY2014, FY2015 and FY2016, by any of member of the Group to any of the Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of the Directors for the year ending 31 December 2017 to be approximately HK$1.98 million.

4. Disclaimers

(a) None of the Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, 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.

(b) None of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole.

(c) None of our Directors and their close associates, and so far as is known to the Directors, none of the Shareholders who are interested in more than 5% of the number of issued shares of our Company, has any interest in our Company's five largest customers or five largest suppliers.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Tax and Other Indemnities

Our Controlling Shareholders have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being a contract referred to in the paragraph headed "B. Further Information About Our Business—1. Material contracts" in this appendix) to provide indemnities on a joint and several basis in respect of, among other things, taxation resulting from profits or gains earned, accrued or received on or before the date on which the Global Offering becomes unconditional and any claims, costs, penalties, fines, damages, losses, fees, expenses and liabilities which may incurred or suffered by our Group relating to the past late filings of Transtech with the Companies Registry of Hong Kong.

3. Sole Sponsors' fees

The Sole Sponsor will receive a fee of HK$4 million for acting as the Sole Sponsor for the Listing.

4. Qualification of experts

The qualifications of the experts (as defined under the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in, or referred to in, this prospectus (the "**Experts**") are set out below:

Name	Qualifications
ICBC International Capital Limited	Licenced to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Zhejiang T&C Law Firm	Legal advisers as to the laws of the PRC
Appleby	Legal advisors as to the laws of the Cayman Islands
Tilleke & Gibbins International Ltd.	Legal advisers as to the laws of Thailand
China Insights Consultancy Limited	Industry consultants

5. Consents of experts

Each of the Experts has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

6. Interests of experts

None of the Experts has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

None of the Experts has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, 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.

7. No material adverse change

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects since 31 December 2016, being the date on which our latest audited combined financial information was prepared.

8. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules. No amount or benefit has been paid or given within the two years immediately preceding the date of this prospectus or intended to be paid or given to any promoter.

9. Preliminary expenses

The preliminary expenses incurred by our Company amounted to approximately HK$268,566 and were paid by our Company.

10. Exemption from requirement to set out property valuation report

This prospectus is exempt from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in reliance on the exemption under section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). See "Business—Our properties" for further details.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

   (i) no share or loan capital of any member of the Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

   (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of the Group; and

   (iii) no commission (except commission to sub-Underwriter(s)) has been paid or payable to any person for subscribing, agreeing to subscribe, or procuring or agreeing to procure subscription, for any shares in or debentures of our Company.

(b) Save as disclosed in this prospectus, no share or loan capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.

(d) Our Company has no outstanding convertible debt securities or debentures.

(e) There is no arrangement under which future dividends are waived or agreed to be waived.

(f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were

(a) a copy of each of the written consents referred to in the section headed "Statutory and General Information—D. Other Information—5. Consents of Experts" in Appendix IV to this prospectus; and

(b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information—B. Further Information about our Business—1. Material Contracts" in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Articles of Association;

(b) the Companies Law;

(c) the Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(d) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2016;

(e) the report prepared by Deloitte Touche Tohmatsu on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(f) the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;

(g) the legal opinion prepared by Zhejiang T&C Law Firm in respect of the PRC laws;

(h) the legal opinion prepared by Tilleke & Gibbins International Ltd. in respect of Thai legal aspects relating to our Group;

(i) the CIC Report;

(j) the material contracts referred to in the section headed "Statutory and General Information—B. Further Information about our Business—1. Material Contracts" in Appendix IV to this prospectus;

(k) the service contracts and letters of appointment referred to in the section headed "Statutory and General Information—C. Further Information about our Directors and Chief Executive—2. Directors' service contracts and letters of appointment" in Appendix IV to this prospectus; and

(l) the written consents referred to in the section headed "Statutory and General Information—D. Other Information—5. Consents of Experts" in Appendix IV to this prospectus.