

PUTIAN COMMUNICATION GROUP LTD:

ALL THAT GLITTERS IS NOT (necessarily) GOLD

For a company that is just 16 years in existence and having only a handful of customers, today, it is, indeed, rare that such a company, 13 years after its incorporation, to be able to boast of its Net Profit Attributable to Shareholders, having risen by about 193 percent in respect of its 16th Year, compared with its 14th Year's Bottom Line.

Further, in those same three Financial Years, the company's Revenue had only risen by about 73 percent.

The company to which **TARGET** () is referring is Putian Communication Group Ltd () (Code: 1720, Main Board, The Stock Exchange of Hongkong Ltd).

As this medium has stated, many times in the past, this could only happen in the People's Republic of China (PRC).

Putian Communication is engaged in the business of being a manufacturer, in the PRC, proper, being separate and distinct from the Hongkong Special Administrative Region (HKSAR) of the PRC, of cables and structured cabling systems in the Jiangxi Province.

It launched its Share Offer Prospectus on October 27, 2017, Offering 275 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 51 cents to a high of 95 cents.

At Page 110 of the Share Offer Prospectus, an '**OVERVIEW**' of the business of Putian Communication is given as follows:

‘We are a well-established and fast growing communication cable manufacturer and structured cabling system product provider based in Jiangxi Province, the PRC. Our communication cable products include a wide range of optical fiber cables and communication copper cables, which are mainly used by major telecommunications network operators in the PRC for network construction and maintenance. According to the Ipsos Report, we were ranked 10th among PRC communication copper cable manufacturers in terms of sales revenue of communication copper cables in 2016. In addition, we started providing structured cabling system products in 2012 to major telecommunications network operators and non-operator customers. Our structured cabling system products primarily include optical and copper jumper wires and connection and distribution components such as distribution frames, wiring closets, as well as data and audio modules and faceplates. We believe we are one of the most diversified suppliers in our industry in the PRC. Moreover, our strong research and development capabilities have enabled us to continuously develop new products and upgrade our existing products. ...

‘We have been shortlisted as one of the designated cable suppliers by a number of major telecommunications network operators in the PRC through their centralized and local procurement bidding or tendering processes for many years, which we believe, was primarily attributable to our superior product quality, constant availability, responsive customer services and competitive prices. Leveraging on our strong and long-term business relationship with a number of major telecommunications network operators in the PRC, we have achieved a solid market position in the markets in which we compete. We have also successfully expanded our customer base to non-operator customers through providing structured cabling system products.

‘Benefiting from our competitive advantages and the promising industry trend in the PRC according to the Ipsos Report, we experienced significant growth during the Track Record Period (the 40 months, ended April 30, 2017). Our revenue increased from RMB270.8 million in 2014 to RMB361.7 million in 2015, which further increased to RMB467.9 million in 2016, representing a CAGR (Compound Annual Growth Rate) of 31.4%. Our revenue increased from RMB120.8 million for the four months ended April 30, 2016 to RMB165.1 million for the four months ended April 30, 2017. Our net profit increased from RMB17.8 million in 2014 to RMB34.4 million in 2015, which further increased to RMB52.1 million in 2016, representing a CAGR of 71.1%. Our profit increased from RMB12.4 million for the four months ended April 30, 2016 to RMB15.4 million for the four months ended April 30, 2017. Our total assets increased from RMB250.1 million as at December 31, 2014 to RMB291.6 million as at December 31, 2015 and further to RMB326.6 million as at December 31, 2016, representing a CAGR of 14.3%. Our total assets further increased to RMB322.4 million as at April 30, 2017.

‘According to Ipsos Report, in 2008, the PRC government initiated a strategy to further promote the use of optical fiber cable (“”). Moving forward, with sustained market demand and government support, the optical fiber cable is expected to record a promising growth.’

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