

OVERVIEW

We are a fast-growing manufacturer of recycled copper products, also known as copper semis, in Southwest China. We process recycled scrap copper and, to a lesser extent, electrolytic copper, to manufacture a range of copper products, including copper wirerods, copper wires, copper plates and copper granules. Beginning in 2013, we also sell a range of communication cables and power transmission and distribution cables using copper wirerods that we produce as the principal raw material. We are increasing our production capacity and plan to broaden our product range and pursue opportunities for further vertical integration. In light of favorable development trends in China and our advantages in raw material supply, facility location and preferential governmental policies, we believe we are well positioned to become a leading integrated recycled copper product supplier in China covering the key value-creating activities in the industry chain.

As a result of China's rapid economic development and urbanization, copper consumption in China grew at a compound annual growth rate, or CAGR, of 11.3% from 2007 through 2012. Copper resources are in relatively short supply in China and we, therefore, enjoy strong demand for copper products manufactured from scrap copper. Similarly, demand for cable products has benefited from domestic infrastructure developments and upgrades, such as building and upgrading of power transmission and distribution, communication and transportation networks, as part of the governmental policy to stimulate domestic economic growth.

Our consolidated turnover for the period ended December 31, 2010, the two years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013 was approximately RMB205.1 million, RMB1,396.4 million, RMB1,513.1 million and RMB1,708.0 million, respectively. Our consolidated profit for the same periods was approximately RMB9.4 million, RMB48.7 million, RMB92.3 million and RMB132.5 million, respectively. Our net profit margin for the same periods was approximately 4.6%, 3.5%, 6.1% and 7.8%, respectively. In 2012, we sold approximately 30,014 metric tons of recycled copper products, and in the first nine months of 2013, we sold approximately 24,854 metric tons of recycled copper products, 2,170 metric tons of communication cable products and 8,446 metric tons of power transmission and distribution cable products.

We operate through subsidiaries in China which we have acquired over the past several years. We acquired Jinxin, a mid-stream recycled copper product manufacturer, in November 2010 and further expanded our recycled copper business through the acquisition of Xiangbei, a manufacturer of low-oxygen copper wirerods and plates, in August 2011. With a view to expand into the downstream copper business, in December 2012 we acquired two PRC companies in the cable business, Baohe Taiyue and Baohe Xinshiji. Baohe Taiyue's major product offering includes various communication cable products such as network cables, connecting wires and accessories. Baohe Xinshiji's main products include power transmission and distribution cable products, including mid and low-voltage power cables, mining cables and other power cables made in accordance with customer specifications. For additional information about our history and acquisitions, see the section headed "History, Reorganization and Corporate Structure" in this prospectus.

We currently own and operate three production facilities for recycled copper products. Our Jinxin and Tongxin facilities are located in Mianyang, Sichuan Province and our Xiangbei facility is located in Miluo, Hunan Province. Our Jinxin, Tongxin and Xiangbei facilities are currently in commercial production.

BUSINESS

As of the Latest Practicable Date, our Jinxin, Tongxin and Xiangbei facilities had a total estimated annual production capacity for recycled copper products of 146,800 metric tons (excluding copper granules). In addition, our Tongxin facility is expected to have an annual production capacity (measured by copper consumption) for enameled wires of 30,000 metric tons when commercial production of copper wires commences (expected in the first quarter of 2014).

We are constructing an additional production line for copper wirerods at our Xiangbei facility. The production line is expected to increase our annual production capacity for recycled copper products (excluding copper granules) by an additional 30,000 metric tons. We expect commercial production to start in the first quarter of 2014.

We are in the process of acquiring cable manufacturing equipment from the manufacturers that currently produce most of our cable products as a transitional arrangement. We are currently constructing a facility in the Youxian Industrial Park for manufacturing power transmission and distribution cables, with an estimated annual production capacity (measured by copper consumption) of 21,300 metric tons. We also plan to construct an additional facility in the Youxian Industrial Park for manufacturing communication cables, with an estimated annual production capacity (measured by copper consumption) of 16,800 metric tons. These facilities are expected to commence commercial production in the second or third quarter of 2014. Currently, part of the equipment for manufacturing communication cables we purchased has been transferred to us and is temporarily housed in our Tongxin facility pending the completion of our communication cable manufacturing facility. For additional information about our manufacturing facilities, see the section headed “– Our Products and Business Activities – Our Manufacturing Facilities” in this prospectus.

The scrap copper that we process comes from a variety of sources, including used household appliances, electrical equipment and transportation equipment, and used cables and wires and scrap materials from certain industrial manufacturing processes. We purchase our scrap copper mainly from domestic suppliers located near our production facilities and elsewhere in Southwest China, Central China, the Pearl River Delta and the Yangtze River Delta. Members of our management team have long experience in the metal recycling business and have helped us to establish relationships with a range of scrap suppliers. In addition, we purchase copper wirerods from domestic suppliers.

We sell our recycled copper products to downstream manufacturers for use primarily in the production of communication cables and power transmission and distribution cables, as well as to companies in various other industries, including electrical engineering, municipal engineering, transportation, construction and mechanical manufacturing. We and our contract manufacturers also use a portion of these products to manufacture our own communication and power transmission and distribution cable products. For additional information about the contract manufacturers with whom we have interim processing arrangements, see the sections headed “– Acquisitions of Cable Businesses and Interim Processing Arrangements” and “Connected Transactions” in this prospectus. Upon completion of our new cable facilities in Mianyang, Sichuan Province, we will supply copper wirerods to our cable businesses internally. Customers for our cable products are mainly companies in industries such as household appliances, power transmission and distribution, installation engineering, real estate, mechanical engineering, electrical equipment, telecommunication, electronics and mining.

BUSINESS

Our major operating subsidiaries, Jinxin, Tongxin and Xiangbei, were subsidiaries of Gushan prior to the Corporate Reorganization. From December 2007 to October 2012, Gushan's American depositary shares were listed on the New York Stock Exchange. In October 2012, Gushan completed a going private transaction, as a result of which Mr. Yu Jianqiu, our Controlling Shareholder became the owner of all of Gushan's outstanding shares. For additional information about Gushan and the going private transaction, see the section headed "History, Reorganization and Corporate Structure" on page 104 of this prospectus.

COMPETITIVE STRENGTHS

We believe that our vertically integrated business model offers the following principal competitive strengths.

We are a fast-growing manufacturer of recycled copper products in Southwest China

We are a fast-growing manufacturer of recycled copper products from scrap copper in terms of production volume. According to CRU, we consumed most scrap copper among all copper manufacturers in Sichuan Province in 2012. With the commencement of commercial production of our Tongxin facility, the total estimated annual production capacity of our facilities in Mianyang, Sichuan Province for recycled copper products increased to 130,000 metric tons from 30,000 metric tons as of the Latest Practicable Date. Coupled with our estimated annual production capacity for recycled copper products of 46,800 metric tons in Hunan Province, our estimated annual production capacity for recycled copper products is expected to increase to 176,800 metric tons in 2014.

China's scrap copper recycling industry is well positioned for growth

We expect that China will continue to experience a shortfall in domestic copper production for at least the next few years, and believe that favorable conditions exist for the increased supply of scrap copper.

China was the largest refined copper producing and consuming nation in the world from 2007 to 2012. According to CRU, total global refined copper production in 2012 was approximately 20.0 million metric tons, of which 5.7 million metric tons, or 28.6%, were produced in China, while the world's total refined copper consumption in 2012 was 19.7 million metric tons, of which 8.2 million metric tons, or 41.6%, were consumed in China. In 2016, China's refined copper production is forecast by CRU to reach approximately 9.0 million metric tons, which will account for 38.5% of the world's total forecast copper production, and China's refined copper consumption is forecast to reach approximately 10.2 million metric tons, which will account for 44.7% of the world's total forecast copper consumption. Due to China's continuing shortfall in domestic copper supply and reliance on imported copper, demand for recycled copper in China has been growing. It is expected that this shortfall will largely persist at least through 2016, notwithstanding the anticipated expansion of domestic production.

The dynamics for scrap copper supply in China are also favorable. According to CRU, scrap copper generated in China has grown at a CAGR of 14.0% from 2007 to 2012, and is expected to grow at a CAGR of 8.6% from 2012 to 2016 and reach over 1.8 million metric tons by the end of

BUSINESS

2016. We expect to continue to enjoy the favorable environment and the opportunities presented by the rapid development of the copper recycling and processing industry in China. Over the past decade, consumer purchases of home appliances and electronics in China have grown significantly. We estimate that major appliances in China have an average lifespan of 10 to 15 years. Consequently, we expect that an increasing number of major appliances will be disposed of over the next few years, increasing the scrap metal supply in China.

We have a well established procurement network and benefit from the supply of scrap metal generated by industrial activities in China

We have developed a strong domestic procurement network which covers the Chengdu-Chongqing Economic Zone, the Pearl River Delta, the Yangtze River Delta, the Central Plains Economic Zone and the Wanjiang Urban Belt. In 2012, for example, we purchased scrap copper from approximately 100 suppliers. Although our purchases may be concentrated with a few large suppliers in any given year, we believe our broad base of business relationships enables us to procure scrap from those suppliers best able to meet our needs.

Our principal manufacturing operations are located in Mianyang, Sichuan Province and Miluo, Hunan Province. Mianyang is a major industrial center in Sichuan Province. The city is a center of electronics production and home to many companies across a wide range of manufacturing industries. Our Tongxin, Baohe Taiyue and Baohe Xinshiji facilities are located in the Youxian Industrial Park in Mianyang, which is expected to become a center of scrap copper collection. Miluo is a major area in Hunan province for recycling and metal processing industries. These industries generate an abundant supply of scrap materials in their industrial manufacturing processes.

In March 2013, Baohe Fushan, the administrator of the industrial park in the southern district of the Youxian Industrial Park, entered into a strategic partnership agreement with Tongxin. Under this agreement, Baohe Fushan has agreed that it will endeavor to provide priority for us in purchasing scrap copper from other companies operating in the industrial park. Baohe Fushan has also agreed that it will not permit any companies engaged in the same business to operate in the industrial park for a period of five years from March 2013.

We maintain a broad base of customers to maintain sales and operational stability

We have built a broad base of customers across a range of industries. During the period ended December 31, 2010, the two years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013, we had over 30, 170, 200 and 600 customers, respectively. We target customers which we believe have a strong financial condition and corporate reputation and a leadership position in their respective markets, as we believe that such customers in general have a good credit record and are likely to place sizeable orders. We believe that by establishing business relationships with quality customers, we are able to mitigate both credit risk and volatility in our order flow, and enhance our reputation which could in turn create further business opportunities. During the Track Record Period, we did not recognize or make provision for any bad debts.

Our sales and marketing team works closely and proactively with our production team to enable us to deliver products meeting the quality and specifications sought by our customers. We also work with our customers to obtain their feedback and improve our product quality and stay abreast of their

BUSINESS

requirements. Maintaining strong relationships with our customers is important to us and we believe that our customers' willingness to work with us reflects, among others, our record of producing high quality products that meet industry standards and customer requirements.

We enjoy favorable government policies and support for the recycling industry

The recycling and metal processing industry is a key component in the development of the circular economy. Since the Circular Economy Promotion Law of the PRC (中華人民共和國循環經濟促進法) became effective in January 2009, the PRC government and the relevant regulatory authorities have introduced a series of supporting measures and policies designed to promote recycling in China. Under the "12th Five-year" Development Plan for Non-ferrous Metal Industry (有色金屬工業“十二五”發展規劃), the government is seeking to establish and improve the recycling systems for copper, to regulate the recycling and dismantling processes, and to build model projects for large-scale utilization of renewable metal resources. To improve efficiency and capture the benefits of economies of scale, metal recycling centers are to be established in suitable locations in an effort to make full use of scrap copper resources in China and abroad. In regions with a strong industrial base, such as the Pearl River Delta, the Yangtze River Delta, the Bohai Economic Zone and the Chengdu-Chongqing Economic Zone, model projects for recycled copper will be established by expansion and alteration of existing facilities. These laws and policies have benefited and are expected to continue to benefit the development of our copper recycling and processing business.

In addition, we enjoy favorable government policies, including VAT refunds and government grants and subsidies provided for companies producing copper using scrap materials as raw materials. For example, VAT refunds enjoyed under the PRC policies of Comprehensive Utilization of Resources, which we recorded under other revenue, amounted to RMB40.0 million and RMB90.0 million in 2012 and the nine months ended September 30, 2013, respectively. For additional information, see the sections headed "Financial Information – Factors Affecting our Results of Operations and Financial Condition – VAT refunds and other government incentives" and "Regulatory Overview" in this prospectus.

The Miluo Industrial Park, where our Xiangbei facility is located, is among the first districts to have been designated as a "Model Urban Mining Center" as contemplated by China's 12th Five-year Plan. Similarly, the Youxian Industrial Park, where our new facilities are located, has been designated by China's Reform and Development Commission as a "Model Urban Mining Center". The PRC central government has set up a fund to support the development of these centers to encourage the growth and centralization of China's recycling industry. Enterprises within these centers are entitled to preferential treatment in accordance with relevant policies. Regulations also earmark special funding for the development of the circular economy to support the development of "Model Urban Mining Center".

We have an experienced and dedicated management team

Our management team is composed of knowledgeable and experienced industry experts with a proven track record in managing recycling and metal businesses. Our chairman, chief executive officer and executive Director, Mr. Yu Jianqiu, has over 20 years of experience in business management, including operational experience in the recycling business. Mr. Yu has been

BUSINESS

instrumental in our development and strategic planning. The other members of our management team, including Mr. Liu Hanjiu, Mr. Huang Weiping, Mr. Fan Dunxian and Mr. Chen Hai, also have extensive experience in the recycling, metal and cable industries. Each of Mr. Liu Hanjiu, our executive Director and general manager of Jinxin and Tongxin and Mr. Huang Weiping, our executive Director and general manager of Xiangbei, has over 10 years of experience in the recycling industry and has played a key role in establishing and maintaining long-term business relationships with our suppliers and in securing a stable and reliable supply of our principal raw materials. The general manager of Baohe Taiyue, Mr. Fan Dunxian, and general manager of Baohe Xinshiji, Mr. Chen Hai, each has over five years of experience in the cable industry. Mr. Chen was deputy director of the national laboratory for the heat-resistance performance testing of power cables and wires in Chengdu since September 2007 and was responsible for its technology management. We believe our experienced management team and its leadership, vision and drive has been key to our success in the past and will continue to contribute to our future growth.

BUSINESS STRATEGIES

We seek to become a leading integrated recycled copper product supplier in China, with businesses covering the key value-creating activities in the industry chain. We plan to offer a broad range of recycled copper products. To achieve this, we intend to implement the following principal strategies.

Effectively manage our expansion and the integration of our recent acquisitions

The recycled copper industry in China is fragmented, with many small and inefficient producers. Since commercial production commenced at our new Tongxin facility in March 2013, we have greater production capacity than many of our competitors in Southwest China. We believe that the resulting economies of scale will help to drive our profitability.

We recently acquired two downstream cable businesses and our new facilities for our cable businesses are in the construction and planning stages. We continue to focus on effectively managing the integration of these new businesses and ensuring that the construction and testing of our new facilities proceeds smoothly and on time.

We are also taking other steps intended to enhance the efficiency of our vertically integrated operations. Specific steps we are taking include centralizing the supervision and planning of the raw material supply and working capital for our operating subsidiaries, centralizing our sales and marketing functions and unifying our financial management, internal control and human resources management systems. These steps are expected to enhance our operating efficiency and help us to better manage the risks associated with raw material supply and inventory management. Transitional arrangements, including training of personnel of the acquired businesses, have been put in place to facilitate their integration with the rest of the Group. We envisage that similar integration steps will be taken to manage our future acquisitions.

As one of the few companies in Southwest China which operate in both the mid-stream copper recycling and downstream cable businesses, we expect to be in a position to provide a stable and reliable supply of copper to our cable production business when our cable manufacturing facilities

BUSINESS

commence commercial operations. We believe we will be able to supply substantially all of the copper required for our cable business internally. Vertical integration and the location of our facilities will allow us to reduce transportation and storage expenses and the production costs of our cable products. In addition, we believe that using raw materials manufactured by us in our cable manufacturing business will allow us to better control quality, manage the impact of copper price fluctuations, with correlative benefits to capital requirements. However, customers in our communication cable business and power transmission and distribution cable business are typically granted a credit period of up to 30 days and 90 days, respectively, which is longer than five to 30 days that we usually grant our customers in recycled copper business. The longer credit periods may adversely affect our liquidity. We continue to seek to identify and exploit additional synergies between our copper products and cable businesses.

Improve our operating efficiency and strengthen our research and development capacity

We continue to seek to improve our operational efficiency. The new equipment for copper production in our Tongxin facility is of a more modern design than that of our Jinxin and Xiangbei facilities, and include certain features, such as flat-plate refining furnaces and continuous casting and rolling machines, which we believe will allow us to produce more efficiently.

Moreover, we continue to engage in formal and informal cooperation with a university, a research institute and companies with a view to developing and implementing changes to our production processes which allow us to deliver incremental efficiency gains. We have also recently implemented a policy under which we will provide cash incentives to employees whose ideas for production improvements result in tangible benefits to us. Our research and development team members will continue to work closely with our production, management, and sales teams to stay abreast of latest developments and customer requirements.

We believe that our research and development efforts will help us to continue to meet the increasingly sophisticated demands from our customers and changing market conditions.

Further increase production capacity to take advantage of the growth opportunity from strong demand for copper products

We expect our copper recycling and cable business to benefit from growing demand from industries such as power generation and electrical grid construction, mining machinery production and the transportation industry, as well as the growth in the exports of premium data cables. To satisfy the growing demand for our recycled copper products from our cable businesses and our other customers, we have increased our production capacity significantly in recent years. We plan to continue to evaluate opportunities for further expansion through organic growth or acquisitions. CRU expects the consumption of wires and cables in China to increase from 4.9 million metric tons in 2012 to 5.9 million metric tons in 2016, representing a CAGR of 4.9%. We believe that conditions will be favorable for expansion, and expect to further expand our production capacity for copper products over the next few years.

BUSINESS

Broaden our product range and seek opportunities for further vertical integration

We are seeking to grow our business by broadening our product range and identifying opportunities for further vertical integration. We also seek to expand our geographic footprint to other parts of China. In seeking to grow our business, we intend to use the knowledge and experience we have acquired in expanding our production capacity through prior acquisitions and organic growth.

In terms of the range of copper products we offer, we are seeking opportunities to expand our range of recycled copper products to include products which require more advanced and customized production processes with higher profit margins, such as enameled copper wire, copper bus bars for transformers, copper alloy and shaped copper plates. This may include organic growth or further downstream investments in, or strategic cooperation with, companies which manufacture such products. We will continue to assess opportunities in this regard and to adjust our product mix in light of market conditions.

We also continue to explore opportunities for upstream integration with a view to securing a stable supply of raw materials and mitigating our exposure to volatility in raw material prices. In addition to seeking to enter into supply agreements with scrap vendors, we will selectively consider opportunities to acquire or otherwise invest in scrap copper suppliers or companies engaged in the dismantling and sorting of used electrical appliances or other machinery. As we continue to expand our business operations, our demand for scrap copper will likely increase. We believe that upstream integration will enable us to further reduce our production costs, reduce our exposure to volatility in raw material prices and streamline our production process.

We will only acquire or invest in companies which we consider to have potential for complementing our existing businesses or reducing our reliance on external suppliers. Before making a decision on an acquisition or investment, we will carefully consider our options and conduct due diligence. We also seek to apply the experience derived from our prior acquisitions, including Xiangbei, Baohe Taiyue and Baohe Xinshiji, in integrating and managing future acquisitions. For information on the integration of our recent acquisitions, see the section headed “– Effectively manage our expansion and the integration of our recent acquisitions” in this prospectus.

We also believe that other regions in China, in particular industrial areas in the central and eastern parts of country, may offer attractive business opportunities in terms of the supply of raw materials and proximity to potential customers. We continue to explore possible opportunities to expand our geographic footprint to cover these regions.

Enhance our sales and marketing efforts and promote brand recognition

We are in the process of centralizing our sales and marketing activities in order to better manage our customer relationships and provide more effective customer service. In addition, we plan to further enhance our sales capabilities in eastern China and we are in the process of setting up a sales and marketing office in Shanghai.

Xiangbei and Tongxin qualified in January 2013 and April 2013, respectively, as dealers eligible to sell their copper wirerods on the China Power Cable Material Exchange (中國電纜材料交易所), an electronic trading platform for materials used to produce power transmission and distribution cables.

BUSINESS

We plan to qualify more of our subsidiaries as dealers on such electronic trading systems to broaden our customer base and to increase our brand recognition. In addition, trading on the exchanges can also help to reduce our receivable turnover days as buyers are usually required to pay the purchase price within a certain period of time, which is generally shorter than the time periods we agree to when negotiating with our customers on a case-by-case basis.

Continue to retain and attract talented personnel

We believe that the successful implementation of our business and growth strategies depends on our ability to attract and retain experienced and motivated employees at all levels. As a fast-growing manufacturer of recycled copper products, we believe we have the ability to do this. We seek to offer competitive employment terms, and have established the Share Option Scheme in order to provide further incentives to our key employees. We also offer bonus and other cash subsidies to some of our employees. In addition, we focus on creating an enjoyable working environment by promoting a corporate culture of diligence, integrity and open communication among our management and employees.

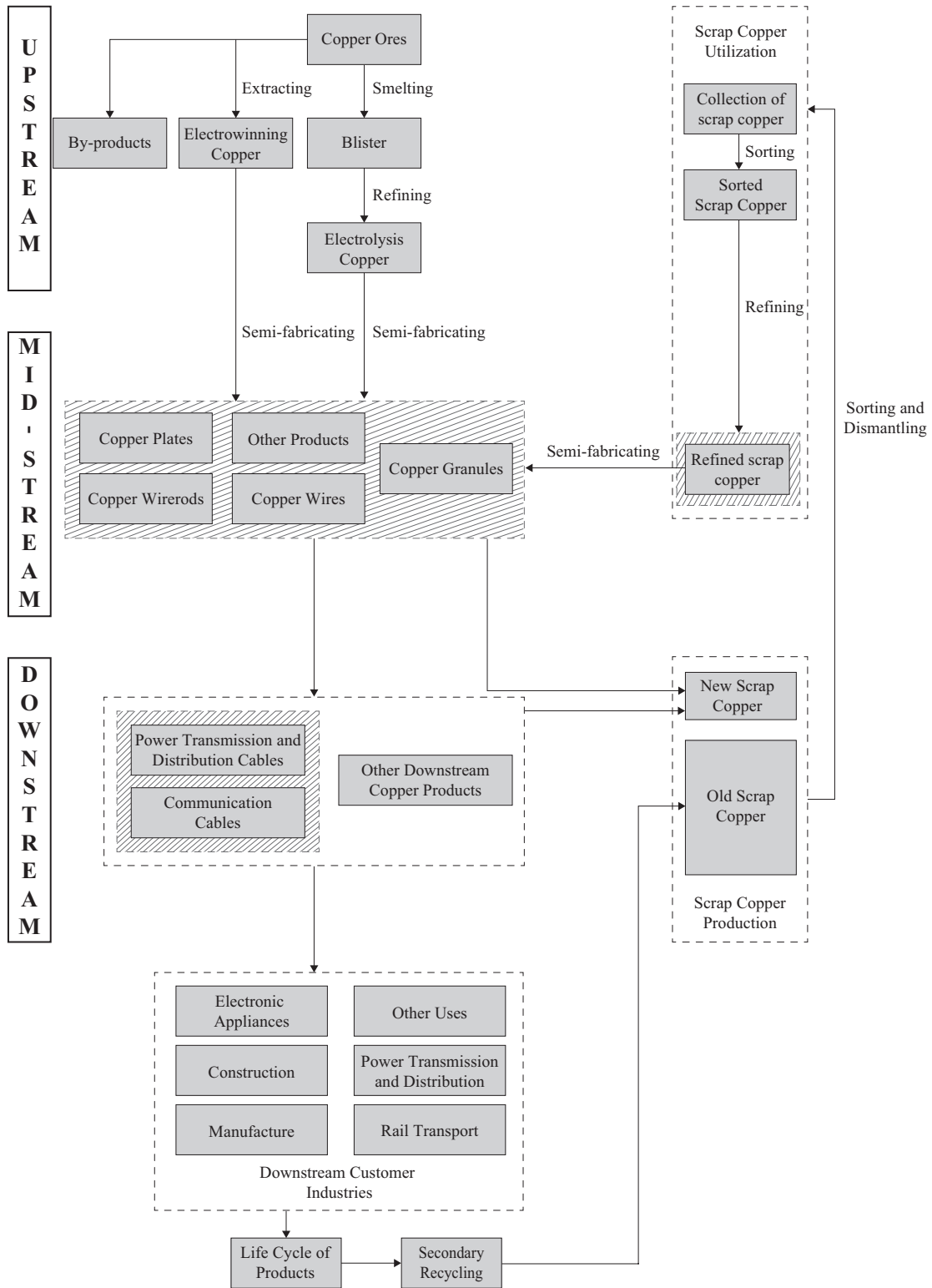
OUR PRODUCTS AND BUSINESS ACTIVITIES

We source and process scrap copper to produce a range of recycled copper products, including copper wirerods, copper wires, copper granules and copper plates in various sizes, purities and other specifications to meet our customers' needs. We sell our recycled copper products to intermediaries and other manufacturers for further processing into communication cables, power transmission and distribution cables and a wide variety of other products. In addition, we sell our recycled copper products to trading companies and other copper processing manufacturers. Since our expansion into downstream cable business at the end of 2012, we also provide part of the recycled copper products that we produce to our contract manufacturers based on interim processing arrangements for the production of our cable products and used part of it for our own cable products production. We also perform processing services, whereby we process scrap copper provided by our customers into recycled copper products based on their specifications. In addition, we sell scrap materials from our production process, such as copper ashes, for recycling into raw materials.

The communication cable products and power transmission and distribution cable products that we sell are made primarily from copper wirerods and wires. Our principal communication cable products include network cables and connecting wires. Our principal power transmission and distribution cable products include mid-voltage power cables, low-voltage power cables, mining cables and other power cables made in accordance with customer specifications. We sell our communication cable and power transmission and distribution cable products mainly to companies in industries such as household appliance manufacturing, power transmission and distribution, installation engineering, real estate, mechanical engineering, electrical equipment manufacturing, telecommunications, electronics manufacturing and mining. We also sell our cable products to trading companies.




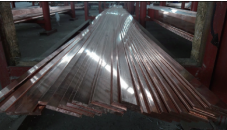
BUSINESS

The following diagram illustrates the industry supply chain for our business and the segments in which we operate:



Our Principal Products***Recycled Copper Products***

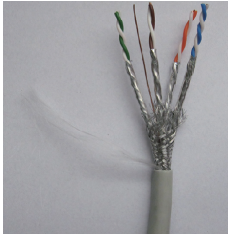

The following table sets forth information about our principal recycled copper products:

Type	Picture	Description	Specifications	Customers
Copper Wirerods		Manufactured from scrap copper and electrolytic copper	Diameters between 3.0mm and 20.0mm	Power cables and wires manufacturers
Copper Wires		Manufactured from scrap copper and electrolytic copper	Diameters between 0.125mm and 3.0mm	Power cables and wires, communication cables, enameled wires and transformer manufacturers
Copper Granules		Mainly processed from scrap wires with approximately 99% of copper content	N/A	Telecommunications, electronics and electrical appliances manufacturers
Copper Plates		Manufactured from scrap copper and electrolytic copper	Widths between 20mm and 180mm	Companies in electrical engineering, transportation, construction engineering, installment engineering and wind power industries, machine manufacturers and electrical equipment manufacturers

BUSINESS

Communication Cable Products

The following table sets forth information about our principal communication cable products:

Type	Picture	Description	Specifications	Customers
Network Cables (including CAT 3, CAT 5E , CAT 6 and CAT 7)		PE/PVC insulated and PE/PVC/LSZH sheathed multi- pair cables	From 10 up to 100 pairs of cores; conductor layer thickness between 0.4mm and 0.5mm and insulation layer thickness between 0.18mm and 0.8mm	Companies in construction, installation engineering, home appliances and real estate industries
Connecting wires		PE insulated and PVC sheathed multi-pair patch cables	From one pair up to 14 pairs of cores; conductor layer thickness between 0.2mm and 0.25mm	Companies in construction, installation engineering, home appliances and real estate industries

BUSINESS

Power Transmission and Distribution Cable Products

The following table sets forth information about our principal power transmission and distribution cable products:

Type	Picture	Description	Specifications	Customers
Low-voltage Power Cables (including control cables, fire-resistant and flame-retardant cables, low smoke zero halogen cables and aluminum alloy cables)		Control cables with copper or aluminum conductors with or without armoring and/or fire-resistant or flame-retardant sheathing	Up to 37 cores; cross-sectional area between 0.75mm ² and 400mm ²	Companies in power transmission and distribution industries
Mid-voltage Power Cables		Power cables with copper or aluminum conductors with or without armoring and/or fire-resistant or flame-retardant sheathing	Up to 5 cores; cross-sectional area between 1.5mm ² and 1,000mm ²	Companies in power transmission and distribution industries
Mining Cables (including rubber jacketed cables of 10kV or below and communication cables for mining purposes)		Rubber insulated or PVC insulated cables	One to 100 cores; cross-sectional area between 0.5mm ² and 300mm ²	Mining companies

Our Manufacturing Facilities

The following map sets forth the locations of our existing and planned production facilities as well as the provinces where our major suppliers are located:



Jinxin
Estimated annual production capacity (recycled copper products (excluding copper granules)): 30,000T

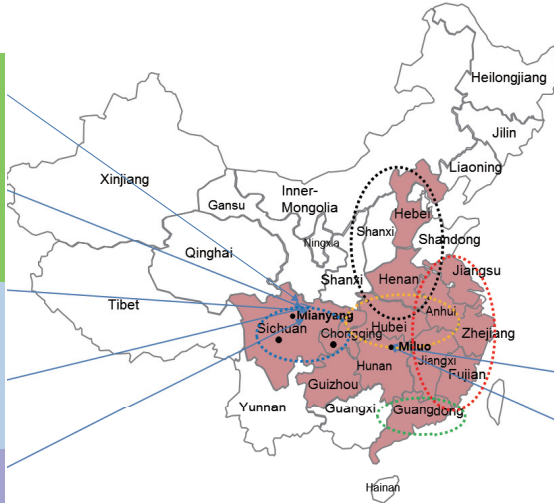
Jinxin
Estimated annual production capacity (copper products): 50,000T

Tongxin
Estimated annual production capacity (recycled copper products): 100,000T

Tongxin
Estimated annual production capacity (enameled wires (measured by copper consumption)): 30,000T

Baohetaiyue
Estimated annual production capacity (communication cables (measured by copper consumption)): 16,800T

Baohexinshiji
Estimated annual production capacity (power transmission and distribution cables (measured by copper consumption)): 21,300T



- In commercial production
- Under construction
- Under planning
- Chengdu-Chongqing Economic Zone
- Central Plains Economic Region
- Wanjiang City Belt
- Pearl River Delta Region
- Yangtze River Delta Economic Zone
- Locations of suppliers

Xiangbei
Estimated annual production capacity (recycled copper products): 16,800T

Xiangbei
Estimated annual production capacity (recycled copper products): 30,000T



BUSINESS

Our Existing Facilities

The following table sets forth information about our existing production facilities as of the Latest Practicable Date (unless otherwise indicated):

Location	Mianyang, Sichuan Province	Miluo, Hunan Province	Mianyang, Sichuan Province
Production facilities of relevant subsidiaries	Jinxin ⁽¹⁾	Xiangbei ⁽²⁾	Tongxin
Commencement of operations	July 2009	January 2011	March 2013 ⁽³⁾
Approximate area (m²)	24,880	24,563	80,370
Actual production volume	<u>Recycled copper products (excluding copper granules)</u> 2010: 2,086 metric tons ⁽⁷⁾ 2011: 18,969 metric tons 2012: 16,749 metric tons 2013 9M: 13,903 metric tons <u>Copper granules</u> 2010: 2,139 metric tons ⁽⁷⁾ 2011: 913 metric tons 2012: 2,711 metric tons 2013 9M: 1,779 metric tons	<u>Recycled copper products</u> 2011: 3,181 metric tons ⁽⁸⁾ 2012: 9,896 metric tons 2013 9M: 9,351 metric tons	<u>Recycled copper products</u> 2013 9M: 13,966 metric tons
Estimated annual production capacity⁽⁴⁾⁽⁵⁾	<u>Recycled copper products (excluding copper granules)</u> 1st production line: 30,000 metric tons <u>Copper products</u> 2nd production line ⁽⁶⁾ : 50,000 metric tons	<u>Recycled copper products</u> 1st and 2nd production lines: 16,800 metric tons (in total) 3rd production line (under construction): 30,000 metric tons	<u>Recycled copper products</u> 1st production line: 100,000 metric tons <u>Enameled wires (under planning)</u> 30,000 metric tons (measured by copper consumption)
Estimated annual production capacity as of the end of the Track Record Period	<u>Recycled copper products (excluding copper granules)</u> 30,000 metric tons <u>Copper products</u> 50,000 metric tons ⁽⁶⁾	<u>Recycled copper products</u> 16,800 metric tons	<u>Recycled copper products</u> 30,000 metric tons ⁽⁹⁾

BUSINESS

Location	Mianyang, Sichuan Province	Miluo, Hunan Province	Mianyang, Sichuan Province
Planned additional estimated annual production capacity as of the end of the Track Record Period	–	<u>Recycled copper products</u> 30,000 metric tons	<u>Recycled copper products</u> 70,000 metric tons ⁽⁹⁾ <u>Enameled wire</u> 30,000 metric tons (measured by copper consumption)
Utilization rates⁽¹⁰⁾	<u>Recycled copper products (excluding copper granules)</u> 2010: 71.7% ⁽¹¹⁾ 2011: 63.2% ⁽¹³⁾ 2012: 55.8% ⁽¹³⁾ 2013 9M: 62.0% ⁽¹⁵⁾	<u>Recycled copper products</u> 2011: 45.2% ⁽¹²⁾ 2012: 58.9% ⁽¹⁴⁾ 2013 9M: 74.4% ⁽¹⁶⁾	<u>Recycled copper products</u> 2013 9M: 87.1% ⁽¹⁷⁾
Expected total capital expenditure for current expansion plans	Nil	RMB38.0 million	RMB262.0 million
Amount of capital expenditure for current expansion plans paid as of the Latest Practicable Date	Nil	RMB16.8 million	RMB241.0 million
Expected time frame for paying a substantial portion of the remaining capital expenditure	Nil	Before the end of the first quarter of 2014	Before the end of April 2014

Notes:

- (1) Acquired by us in November 2010.
- (2) Acquired by us in August 2011.
- (3) In June 2012, Tongxin started selling recycled copper products produced on its behalf by Jinxin before the commencement of operations at its own facility.
- (4) Estimated annual production capacity figures are estimates based on a 300 working day per calendar year basis and we have also taken into consideration equipment manufacturers' specifications, historical experience, storage area and other data that believe to be reliable. Actual production may differ materially from estimated capacity. The production capacity of our back-up equipment is excluded from the calculation. For additional information, see the sections headed "– Jinxin Facility" and "– Xiangbei Facility" in this prospectus.
- (5) We do not believe estimated annual production capacity is a useful measurement when it applies to copper granules especially given the fact that the importance of copper granule production to our business has been decreasing. Although we will continue to produce copper granules opportunistically based on the availability of suitable scrap, we do not view copper granule production as a core part of our business and expect that its importance to our business will continue to decrease.
- (6) This production line is only used when scrap copper supply is not sufficient or the price of electrolytic copper is lower than that of scrap copper. It commenced commercial production in November 2013. For additional information, see the section headed "– Jinxin Facility" in this prospectus.
- (7) Including the production of Jinxin from November 3, 2010 to December 31, 2010 only.
- (8) Including the production of Xiangbei from August 1, 2011 to December 31, 2011 only.
- (9) The entire production line, with an aggregate estimated annual production capacities of 100,000 metric tons, commenced commercial production in November 2013.

BUSINESS

- (10) Utilization rates were calculated by dividing actual production volume by estimated annual production capacity during the period.
- (11) Calculated by dividing actual production volume by (estimated annual production capacity x 59/365). Estimated annual production capacity of our Jinxin facility in 2010 was 18,000 metric tons.
- (12) Calculated by dividing actual production volume by (estimated annual production capacity x 153/365). Estimated annual production capacity of our Xiangbei facility in 2011 was 16,800 metric tons.
- (13) Estimated annual production capacity of our Jinxin facility in 2011 and 2012 was 30,000 metric tons.
- (14) Estimated annual production capacity of our Xiangbei facility in 2012 was 16,800 metric tons.
- (15) Calculated by dividing actual production volume by (estimated annual production capacity x 273/365). Estimated annual production capacity of our Jinxin facility in the first nine months of 2013 was 30,000 metric tons.
- (16) Calculated by dividing actual production volume by (estimated annual production capacity x 273/365). Estimated annual production capacity of our Xiangbei facility in the first nine months of 2013 was 16,800 metric tons.
- (17) Calculated by dividing actual production volume by (estimated annual production capacity x 195/365). Part of the production line in our Tongxin facility with an estimated annual production capacity of 30,000 metric tons was in trial production from March 20, 2013 to September 30, 2013.

Our relatively low capacity utilization has been mainly due to working capital constraints on purchases of scrap copper. In addition, on occasion, we have experienced interruptions in our electricity and natural gas supply at our Jinxin facility. However, we believe that the more stable electricity and natural gas supply at our Tongxin facility and better access to capital for growth after the Listing, coupled with our plan to source most of our copper needs for our cable business internally, will increase the production volume of recycled copper products significantly and result in higher capacity utilization rates of our production facilities. For additional information, see the sections headed “– Utilities”, “Risk Factors – Risks Relating to Our Business – We had net current liabilities as of September 30, 2013, and we require a high level of working capital to sustain our operations, expansion and overall growth” and “Financial Information – Factors Affecting Our Results of Operations and Financial Condition – Operating efficiency and production capacity” in this prospectus.

We currently anticipate that our cable business will consume, under the interim processing arrangements and through our own manufacturing, approximately 16,000 to 22,000 metric tons, or between one quarter and one third of the recycled copper products we expect to produce in 2014. We forecast the demand of our recycled copper products in 2014 based on expected increases in (i) internal sales to our cable business, taking into account the capacity of our cable product production, the timing of the commencement of our own manufacturing, the expected utilization level and anticipated increased orders from our existing customers and from Guangzhou Taiyue’s and Sichuan Xinshiji’s customers, and (ii) external sales to customers, based on our signed annual sales contracts in respect of the sales of approximately 33,445 metric tons of copper products, as well as our management’s belief that the market for these products are generally liquid and broad given that the products are commodity in nature. For the sales of our cable products, up to now we only have had access to some of the cable customers of Guangzhou Taiyue and Sichuan Xinshiji, as only part of the customer information has been transferred to us under the relevant asset transfer agreements. As the transfer is ongoing and we expect to receive more information from Guangzhou Taiyue and Sichuan Xinshiji, we expect that we will be able to approach and obtain orders from an increasing number of Sichuan Xinshiji’s and Guangzhou Taiyue’s customers for our cable products.

We do not expect to experience a significant process loss in the course of manufacturing of our cable products. We expect the conversion rate of our recycled copper products as raw material to our cable products to be approximately one to one. Due to geographical proximity and the related cost

BUSINESS

savings, we plan to supply substantially all of the copper needs of our cable business with production from our Jinxin and Tongxin facilities. Since the estimated annual production capacity of our Jinxin facility is lower than the expected aggregate annual production capacities of our Baohe Taiyue and Baohe Xinshiji facilities, we have constructed our new Tongxin facility to meet the copper needs of our cable business as well as the needs of our existing and potential customers of our recycled copper product business.

Jinxin Facility

Our Jinxin production facility is located in the eastern suburbs of Mianyang, Sichuan Province. It has commenced production of recycled copper products in July 2009. We currently operate two production lines for copper wire rods at our Jinxin facility, all of which are in commercial production. The first line has been in commercial production since April 2010 and comprises two flat-topped refining furnaces for processing scrap copper or a mix of scrap copper and electrolytic copper into low-oxygen copper wire rods and a set of casting and rolling machines. One of the furnaces serves as a back-up furnace and is only used when the other one is being maintained or repaired. The first production line has an estimated annual production capacity (excluding capacity of the back-up furnace) of 30,000 metric tons of recycled copper products (excluding copper granules).

Construction of the second production line was completed in September 2012. We obtained permits from the relevant governmental authorities to commence trial production in July 2013. The second production line is designed primarily for processing electrolytic copper into oxygen-free copper wire rods. It comprises a single shaft furnace and a set of casting and rolling machines. The second production line, which has been in commercial production since November 2013, has a total estimated annual production capacity of 50,000 metric tons of copper products. We plan to produce copper products from electrolytic copper only when scrap copper supply is not sufficient or the price of electrolytic copper is lower than that of scrap copper. We believe that our Jinxin facility benefits from maintaining the flexibility to produce copper wire rods from either scrap or electrolytic copper.

For the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013, Jinxin purchased approximately 6,027 metric tons, 18,351 metric tons, 8,380 metric tons and 6,118 metric tons of scrap copper, respectively. For the year ended December 31, 2012, Jinxin produced approximately 16,749 metric tons of recycled copper products (excluding copper granules), which included approximately 4,485 metric tons produced on behalf of Tongxin, and during the nine months ended September 30, 2013, Jinxin produced approximately 13,903 metric tons of recycled copper products (excluding copper granules), which included approximately 589 metric tons produced on behalf of Tongxin. The low utilization rates at our Jinxin facility during the Track Record Period were mainly due to working capital constraints on purchases of scrap copper. In addition, on occasion, we have experienced interruptions in our electricity and natural gas supply at our Jinxin facility. For additional information on the shortages of electricity and natural gas, see the section headed “– Utilities” in this prospectus.

Our Jinxin facility has two drawing machines to draw copper rods into wire rods and wires of different diameters and three copper wire granulators. For the year ended December 31, 2012 and the nine months ended September 30, 2013, our Jinxin facility produced approximately 2,711 metric tons and 1,779 metric tons, respectively, of copper granules.

BUSINESS

Xiangbei Facility

Our Xiangbei production facility is located in the Miluo Industrial Park, Miluo, Hunan Province. We currently operate two production lines for recycled copper products, including copper wirerods and copper plates, comprising an upward continuous casting production line and a downward semi-continuous casting production line at our Xiangbei facility. The upward continuous casting production line has been in commercial production since January 2011. This production line consists of three line-frequency induction furnaces for processing scrap copper and electrolytic copper into low-oxygen copper wirerods, and three continuous extrusion machines. One of the furnaces serves as a back-up furnace and is only used when the others are being maintained or repaired. The line has an estimated annual production capacity (excluding the capacity of the back-up furnace) of 9,600 metric tons of recycled copper products.

The downward semi-continuous casting production line at our Xiangbei facility has also been in commercial production since January 2011. This production line consists of three line-frequency induction furnaces for processing scrap copper into low-oxygen copper bars and two hot extrusion machines. One of the furnaces serves as a back-up furnace and is only used when the others are being maintained or repaired. The line has an estimated annual production capacity (excluding the capacity of the back-up furnace) of 7,200 metric tons of recycled copper products.

We are constructing a new production line for the manufacture of copper wirerods with an estimated annual production capacity for recycled copper products of 30,000 metric tons, which is expected to commence commercial production in the first quarter of 2014. Our expected capital expenditure in relation to this production line is approximately RMB38.0 million. As of the Latest Practicable Date, we had paid RMB16.8 million and expect to pay a substantial portion of the balance by the end of the first quarter of 2014. The entire capital expenditure is to be funded from our operating cash flow and proceeds from the Global Offering.

Tongxin Facility

Our Tongxin production facility is located in the Youxian Industrial Park, Mianyang, Sichuan Province. This facility has one production line for the production of low-oxygen copper wirerods from scrap copper and electrolytic copper with a total designed annual production of 100,000 metric tons. The whole production line comprises three energy-efficient, flat-plate refining furnaces, one shaft furnace and two sets of continuous casting and rolling machines and is now in commercial production. One energy-efficient, flat-plate refining furnace and one set of continuous casting and rolling machines will serve as back-ups, and will only be used when the others are being maintained or repaired.

The production process in our Tongxin facility has been recognized by Sichuan Institute of Science and Technical Information (四川省科學技術資訊研究所) as a new technology in China.

Our Tongxin facility is expected to have 14 drawing machines to draw copper rods into wirerods and wires of different diameter and 20 machines for production of enameled wires, with a total estimated annual production capacity (measured by copper consumption) of 30,000 metric tons.

BUSINESS

Our expected capital expenditure, including land costs, in relation to our Tongxin facility is approximately RMB262.0 million. As of the Latest Practicable Date, we had paid RMB241.0 million and expect to pay the balance by the end of April 2014. The entire capital expenditure is to be funded from our operating cash flows and proceeds from the Global Offering.

Our Future Facilities

The following table sets forth information about our production facilities which were under construction or in the planning stage as of the Latest Practicable Date:

Location	Mianyang, Sichuan Province	
Production facilities of relevant subsidiaries	Baohé Taiyue ⁽¹⁾	Baohé Xīnshìjī ⁽¹⁾
Status	Under planning	Under construction
Estimated commencement of operations	Second or third quarter of 2014	Second quarter of 2014
Approximate area (m²)	53,200 ⁽²⁾	100,000 ⁽³⁾
Estimated annual production capacity⁽⁴⁾	<i>Communication cables:</i> 16,800 metric tons (measured by copper consumption) ⁽⁵⁾	<i>Power transmission and distribution cables:</i> 21,300 metric tons (measured by copper consumption) ⁽⁵⁾
Expected capital expenditure of the current expansion plans	RMB162.0 million	RMB210.0 million
Amount of capital expenditure paid as of the Latest Practicable Date	RMB21.2 million	RMB100.7 million
Expected time frame for paying a substantial portion of the remaining capital expenditure	Before the end of the second quarter of 2014	Before the end of the first quarter of 2014

Notes:

- (1) For information on the production and asset transfer arrangement between Baohe Taiyue and Guangzhou Taiyue and between Baohe Xinshiji and Sichuan Xinshiji, see the sections headed “– Acquisitions of Cable Businesses and Interim Processing Arrangements” and “History, Reorganization and Corporate Structure” in this prospectus.
- (2) As of the Latest Practicable Date, we had not obtained the land use rights to this parcel of land. We expect to obtain land use rights to this parcel of land by the end of the first quarter of 2014.
- (3) As of the Latest Practicable Date, we obtained land use rights to the land for Baohe Xinshiji of approximately 42,990 sq.m. We expect to obtain the land use rights to the remaining portion of the land for our Baohe Xinshiji facility by the end of the first quarter of 2014.
- (4) Estimated annual production capacity figures are estimates based on a 300 working day per calendar year basis and we have also taken into consideration equipment manufacturers’ specifications, historical experience, storage area and other data that we believe to be reliable. Actual production may differ materially from estimated capacity.

BUSINESS

- (5) Since we manufacture communication cables and power transmission and distribution cables of different specifications and use copper wirerods and wires of different diameters in our cable production, we believe that copper consumption is an appropriate measure of the production capacities of our Baohe Taiyue and Baohe Xinshiji facilities.

Baohe Taiyue Facility

We are planning to construct a new facility next to our Tongxin facility in the Youxian Industrial Park for production of communication cables. Construction of this facility is expected to commence in the second quarter of 2014. Our principal manufacturing equipment at the new facility will include tandem machines, extrusion machines, stranding machines and cabling machines, some of which will be transferred from Guangzhou Taiyue pursuant to the Taiyue Asset Transfer Agreement. We also plan to purchase additional equipment from domestic and overseas machinery manufacturers.

Our Baohe Taiyue facility will have three production lines with an aggregate estimated annual production capacity (measured by copper consumption) of 16,800 metric tons of communication cables. These production lines are expected to commence full commercial production in the second or third quarter of 2014. Pending the completion of this facility, we have entered into interim processing arrangements with Guangzhou Taiyue, under which we engaged Guangzhou Taiyue as our contract manufacturer for communication cables. For information on the interim processing arrangements for our communication cable products, see “– Acquisitions of Cable Business and Interim Processing Arrangements – Baohe Taiyue” in this prospectus.

Our expected capital expenditure, including land costs, in relation to our Baohe Taiyue facility is approximately RMB162.0 million. As of the Latest Practicable Date, we had paid RMB21.2 million and expect to pay a substantial portion of the balance by the end of the second quarter of 2014. The entire capital expenditure is to be funded from our operating cash flows and proceeds from the Global Offering.

Baohe Xinshiji Facility

We are currently constructing a new facility next to our Tongxin facility in the Youxian Industrial Park for production of power transmission and distribution cables. Our principal manufacturing equipment at the new facility will include drawing machines, extrusion machines, annealing machines, stranding machines, armoring machines and cabling machines. In addition to the equipment to be transferred from Sichuan Xinshiji, we have acquired or plan to acquire co-extrusion production lines for mid-voltage cross-linked power cables, a aluminum alloy cable production line, continuous vulcanization co-extrusion production lines for mid-voltage cables, high-voltage cross-linked cable production lines, an interlocking armoring machine and a roller stranding machine, from domestic and overseas manufacturers.

Our Baohe Xinshiji facility will have two production lines with an aggregate estimated annual production capacity (measured by copper consumption) of 21,300 metric tons of power transmission and distribution cables. The production lines are expected to commence full commercial production in the second quarter of 2014. Pending the completion of this facility, we have entered into interim processing arrangements with Sichuan Xinshiji, under which we engaged Sichuan Xinshiji as our contract manufacturer for power transmission and distribution cables. For information on the interim processing arrangements for our power transmission and distribution cable products, see “– Acquisitions of Cable Business and Interim Processing Arrangements – Baohe Xinshiji” in this prospectus.

BUSINESS

Our expected capital expenditure, including land costs, in relation to our Baohe Xinshiji facility is approximately RMB210.0 million. As of the Latest Practicable Date, we had paid RMB100.7 million and expect to pay a substantial portion of the balance by the end of the first quarter of 2014. The entire capital expenditure is to be funded from our operating cash flows and proceeds from the Global Offering.

Project Investment Agreements and Management Consultancy Agreements

Project Investment Agreements

In January, September and September 2012, each of Tongxin, Baohe Taiyue and Baohe Xinshiji, entered into an agreement with Baohe Fushan with respect to our facilities in the Youxian Industrial Park (the “Original Project Investment Agreements”). The same parties entered into supplemental agreements in August 2013, to which the Sichuan Province Mianyang City Youxian District People’s Government (the “Youxian District Government”) served as witness (the “Supplemental Project Investment Agreements”, together with the Original Project Investment Agreements, the “Project Investment Agreements”).

Baohe Fushan has been appointed by the Youxian District Government as the developer and administrator of the Youxian Industrial Park. Pursuant to the agreement between Baohe Fushan and the Youxian District Government relating to such appointment, Baohe Fushan has the rights and obligations to construct and operate the Youxian Industrial Park. Baohe Fushan agreed to invest a total of RMB5 billion for the construction and give certain tax undertaking in relation to the Youxian Industrial Park, and has been given full discretion to introduce eligible investing entities. In return, the Youxian District Government has undertaken to coordinate with relevant government authorities to facilitate the designated land to be granted (through public tender, auction or listing), construct the basic infrastructure, and assist Baohe Fushan to apply for licences and approvals and obtain government grants and subsidies.

Under the terms of the Project Investment Agreements, Tongxin, Baohe Taiyue and Baohe Xinshiji have agreed to pay Baohe Fushan the following one-off infrastructure development fees towards the development of water, electricity, gas, communications and other utilities within the Youxian Industrial Park:

	Tongxin	Baohe Taiyue	Baohe Xinshiji
Infrastructure development fee	RMB86,000 per mu (equivalent to approximately RMB129 per sq.m.)	RMB90,000 per mu (equivalent to approximately RMB135 per sq.m.)	RMB90,000 per mu (equivalent to approximately RMB135 per sq.m.)

The infrastructure development fees paid by Tongxin, Baohe Taiyue and Baohe Xinshiji are determined based on standard terms between Baohe Fushan and entities investing in the Youxian Industrial Park. Each of Tongxin, Baohe Taiyue and Baohe Xinshiji fully paid its infrastructure development fees amounting to RMB13.4 million, RMB9.0 million and RMB13.5 million,

BUSINESS

respectively, to Baohe Fushan in 2012. In the event that we were unable to obtain the land use rights to the land for our facilities in the Youxian Industrial Park, Baohe Fushan has undertaken in writing to refund the infrastructure development fees in relation to such portion of land. The infrastructure development fees were recognized under “prepayments for property, plant and equipment and land use rights” in our consolidated balance sheets as of December 31, 2012 and September 30, 2013.

In its capacity as administrator of the Youxian Industrial Park in which the facilities and located, Baohe Fushan has agreed to assist Tongxin, Baohe Taiyue and Baohe Xinshiji to obtain land use rights and subsidies from the government as follows:

	Tongxin	Baohe Taiyue	Baohe Xinshiji
Site area of land at the price specified	approximately 104,000 sq.m. at RMB204 per sq.m.	approximately 66,667 sq.m. at RMB210 per sq.m.	approximately 100,000 sq.m. at RMB210 per sq.m.
Industrial development subsidies	Not less than RMB86,000 per mu (equivalent to approximately RMB129 per sq.m.)	Not less than RMB90,000 per mu (equivalent to approximately RMB135 per sq.m.)	Not less than RMB90,000 per mu (equivalent to approximately RMB135 per sq.m.)

The amount of the possible industrial development subsidies granted by the government is unrelated to the amount of the infrastructure development fee payable to Baohe Fushan. In addition, the terms of the land grants including the size of land and the price will be determined by the relevant government authorities in the process of public tender, auction or listing, and any subsidies will be subject to the approval of competent government authorities. In addition, Baohe Fushan has a specialized department which assists entities investing in the Youxian Industrial Park in the preparation of applications for industrial development subsidies and in engaging independent experts to help entities to answer enquiries of relevant authorities in the vetting process.

On August 19, 2013, through the listing process, we obtained the following land at the Youxian Industrial Park by entering into contracts for the grant of land use rights over state-owned construction land:

	Tongxin	Baohe Xinshiji
Area of land obtained	80,370 sq.m.	42,990 sq.m.
Price determined	RMB27,955,652 (equivalent to approximately RMB348 per sq.m.)	RMB14,687,959 (equivalent to approximately RMB342 per sq.m.)

Baohe Fushan assisted Tongxin and Baohe Xinshiji in preparing applications and documentation for the listing process and acted as an intermediary in liaising with the relevant authorities during the listing process.

BUSINESS

We expect to obtain land use rights to the land for the Baohe Taiyue facility and the remaining portion of the Baohe Xinshiji facility by the end of the first quarter of 2014 through public tender, auction or listing. The size of the land of the Baohe Taiyue facility is expected to be approximately 53,200 square meters (13,467 square meters smaller than the number specified under the Project Investment Agreement due to the overall plan adjustment in Youxian Industrial Park), although the actual terms of land grant will be determined by the relevant government authority in the process of public tender, auctions or listing. The remaining portion of the Baohe Xinshiji facility is expected to be of approximately 57,010 square meters. As of the Latest Practicable Date, we had not made any application for the land use rights as the process of public tender, auction or listing for the Baohe Taiyue facility or the remaining portion of the Baohe Xinshiji facility in relation to the said land parcels had not yet commenced and the terms of the land grant, including the size of the land parcels, had not been announced. Based on the fact that we have, with the assistance of Baohe Fushan, and the fact that we obtained land use rights to the land for Tongxin facility and a portion of land for Baohe Xinshiji facility in August 2013, our Directors are of the view that there will be no material impediment for us to obtain the land use rights to the remaining portion of the land for Baohe Xinshiji facility and the land for Baohe Taiyue facility.

As of the Latest Practicable Date, Tongxin and Baohe Taiyue had obtained industrial development subsidies in the amount of approximately RMB5.5 million. With the assistance of Baohe Fushan, we have submitted applications for industrial development subsidies for Baohe Xinshiji and additional subsidies for Tongxin and Baohe Taiyue, all of which are being processed by the government.

In addition, according to the Project Investment Agreements, if Tongxin, Baohe Taiyue and Baohe Xinshiji pay taxes in excess of the equivalent of RMB200,000 per mu for each of 2013, 2014 and 2015, Baohe Fushan has agreed to assist Tongxin, Baohe Taiyue and Baohe Xinshiji in obtaining from the government corporate development subsidies equivalent to (a) for the three-year period starting from January 1, 2013, an annual subsidy in the amount of 80% of the corporate income taxes paid to the city and county governments, and (b) for the two-year period starting from January 1, 2016, an annual subsidy in the amount of 35% of the corporate income taxes paid to the city and county governments. The tax payments by any of Tongxin, Baohe Taiyue and Baohe Xinshiji in excess of the tax payment thresholds can be credited against the tax payment obligations of the other two subsidiaries. All or part of the tax payments by certain companies introduced by us to the industrial park can also be taken into account in determining whether we meet the tax payment thresholds. In the event that we do not meet the tax payment thresholds, we may be required to pay an amount equivalent to the shortfall. However, as tax payments and subsidies are ultimately determined by the relevant government authorities, the actual tax payments we are required to make and the subsidies we receive (if any) may differ from the terms of the Project Investment Agreements. As of the Latest Practicable Date, Tongxin, Baohe Taiyue and Baohe Xinshiji had obtained RMB37.4 million, RMB1.7 million and RMB4.2 million of corporate development subsidies under the Project Investment Agreements.

Management Consultancy Agreements

Tongxin, Baohe Taiyue and Baohe Xinshiji also entered into management consultancy agreements with Baohe Fushan in 2012 (the “Original Management Consultancy Agreements”). The parties entered into supplemental agreements in July 2013 and December 2013 (the “Supplemental

BUSINESS





Management Consultancy Agreements”, and the Original Management Consultancy Agreements as supplemented by the Supplemental Management Consultancy, the “Management Consultancy Agreements”). Under the terms of the Management Consultancy Agreements, Baohe Fushan has agreed to provide various management consultancy services to us, including handling government filings, applying for licenses, grants and subsidies and providing other consultancy services. In return, Tongxin, Baohe Taiyue and Baohe Xinshiji have agreed to pay Baohe Fushan an administrative fee and a consultancy fee that amount to 20% and 30%, respectively, of all government grants and subsidies that Baohe Fushan is able to assist them in obtaining in connection with their facilities in Youxian Economic Development Zone, except for the government subsidies which are determined with reference to the tax payments made by them and are received by them due to their fulfillments of the tax payment thresholds (including the corporate development subsidies under the Project Investment Agreements). If no such government grants and subsidies are obtained, neither the administrative fee nor the consultancy fee is required to be paid. We believe that, since the administrative and consultancy fees are payable only upon obtaining the government grants and subsidies, the arrangement enables us to enjoy favorable government policies (including grants and incentives). It is in our best interests to invest in the Youxian Industrial Park, which has been designated by China’s National Reform and Development Commission and Ministry of Finance as a “Model Urban Mining Center”. The Management Consultancy Agreements will remain in force until 2015. As of the Latest Practicable Date, an amount of RMB2.8 million was accrued under the Management Consultancy Agreements and no payments under the Management Consultancy Agreements had been made.

According to the written confirmation of Baohe Fushan on November 25, 2013, the terms of the Management Consultancy Agreements and Project Investment Agreements are standard and are similar to those agreements between Baohe Fushan and independent third parties.

Acquisitions of Cable Businesses and Interim Processing Arrangements

Baohe Taiyue

Acquisition

On September 24, 2012, Guangzhou Taiyue and Baohe Taiyue entered into the Taiyue Asset Transfer Agreement, as supplemented on March 6 and April 16, 2013. Pursuant to the agreement, Guangzhou Taiyue agreed to transfer all of its production equipment and research and development equipment located at its Guangzhou facility (including, among others, extrusion machines, stranding machines and cabling machines) as well as all of its intangible assets (including trademarks, patents, know-how, commercial secrets and other operation-related information including customer information and sales channels) to Baohe Taiyue for a consideration of RMB30.0 million. A deposit in the amount of RMB6.0 million has been paid. The timing of each payment for the commercial secrets and other operation-related information in the amount of RMB5.0 million and the payment for the equipment in the amount of RMB6.0 million is to be agreed upon by the parties. An amount of RMB5.0 million is required to be paid within three months of completion of transfer of trademarks (including “”, “”, “” and “”) and patents. The remaining RMB8.0 million is to be paid within five business days after the second anniversary of completion of the asset transfer. As of the Latest Practicable Date, RMB9.7 million under the agreement had been paid and RMB4.0 million had been accrued.

BUSINESS

Under the terms of the agreement, timing of the transfer of the equipment is to be agreed upon by the parties. Title to or ownership right of the assets under the Taiyue Asset Transfer Agreement will pass to us upon completion of the equipment delivery or, in case of intellectual properties, the registration of change of ownership.

In addition, Guangzhou Taiyue has agreed to use its best efforts to persuade its key personnel to accept employment from Baohe Taiyue. Baohe Taiyue has agreed to enter into employment contracts with those personnel with benefits no less favorable than those provided by Guangzhou Taiyue and with terms of no less than three years.

Upon completion of the transfer of assets and receipt by Baohe Taiyue of its production permit and business license, Guangzhou Taiyue is required to be deregistered. Guangzhou Taiyue is required to enter into confidentiality and non-compete agreements with its key personnel, other than those who are working or will work for Baohe Taiyue, with terms of no less than five years. Guangzhou Taiyue and these key personnel are jointly responsible for any damages caused by breaches of those agreements.

In December 2012, we purchased a 100% equity interest in Baohe Taiyue through Alpha Business, our indirectly wholly-owned subsidiary. Prior to our acquisition, Baohe Taiyue was 80% owned by Guangzhou Taiyue and 20% owned by Baohe Fushan. As of December 31, 2012, the capital commitments contracted for assets under the Taiyue Asset Transfer Agreement not provided in our financial statements were RMB20.0 million. For additional information, see note 31(d)(iv)(a) in the Accountants' Report set out in Appendix I to this prospectus.

As of the Latest Practicable Date, we had obtained title to certain equipment which had been transferred to us. The transfer of trademarks has been completed. We expect to obtain title to all tangible assets by the end of the second quarter of 2014.

Interim Processing Arrangements

We currently engage, and expect to continue to engage, Guangzhou Taiyue as a contract manufacturer for production of our communication cable products pending the completion of our Baohe Taiyue facility. Baohe Taiyue entered into a series of processing agreements with Guangzhou Taiyue on an order-by-order basis beginning in November 2012. After we acquired Baohe Taiyue, on January 1, 2013, we entered into a processing agreement with Guangzhou Taiyue, pursuant to which Baohe Taiyue agreed to supply principal raw materials such as copper wirerods and rubber to Guangzhou Taiyue and Guangzhou Taiyue agreed to source other ancillary materials and provide processing services for a fee. The processing fees are negotiated and agreed between the parties on a order-by-order basis. On February 6, 2014, we entered into the Taiyue Master Production Agreement to govern the terms and conditions of the transactions between our Group and Guangzhou Taiyue in connection with the provision of production and processing services for our communication cable products. We expect to terminate this agreement when the new facility of Baohe Taiyue commences commercial production, which is expected to be in the second or third quarter of 2014. For more information, see the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions – Master Production Agreement with Guangzhou Taiyue" in this prospectus.

BUSINESS

After we acquired Baohe Taiyue, during the nine months ended September 30, 2013, Guangzhou Taiyue produced approximately 1,379 metric tons of communication cables (measured by weight of the copper component) for Baohe Taiyue, for which Baohe Taiyue agreed to pay RMB9.4 million.

We expect the moving process to cause interruption to the production arrangement between Baohe Taiyue and Guangzhou Taiyue and as a result impact our results of operations. However, we aim to mitigate such interruption by moving certain equipment for production of network and internet cables from Guangzhou Taiyue facility to an area of approximately 5,800 square meters in our Tongxin facility before completion of the construction of Baohe Taiyue facility. As of the Latest Practicable Date, certain equipment under the Taiyue Asset Transfer Agreement had been transferred to our Tongxin facility and we have obtained title to such equipment. We have been using such equipment and other equipment we acquired for producing communication cable products in our Tongxin facility and expect to continue such production before completion of the construction of our Baohe Taiyue facility. In the nine months ended September 30, 2013, we produced 953 metric tons of communication cables (measured by weight of the copper component) in our Tongxin facility. Under the Taiyue Asset Transfer Agreement, Guangzhou Taiyue is responsible for the transfer and the transportation expenses incurred during the transfer process as well as the expenses incurred during the installment, testing and trial production. Guangzhou Taiyue is also responsible for any damage caused to the equipment during the transfer.

Pursuant to the Taiyue Asset Transfer Agreement, Guangzhou Taiyue is entitled to use those assets under the agreement for its own production and sales (including to customers to whom we sell) before completion of the transfer, and to retain any profit. However, it is required to give priority to the production under the processing arrangement.

Under the agreement, Guangzhou Taiyue is responsible for any damage to the assets before completion of the transfer. The original consideration of RMB30.0 million will be adjusted if certain assets under the agreement cannot be successfully transferred or installed for certain reasons, fail the operational tests or are not otherwise in good working condition.


We are in the process of finalizing our plans for the transfer. We are in the process of engaging an installation engineering company to oversee the demolition, delivery and installation. We expect the delivery to be completed by the end of the second quarter of 2014. For additional information on the moving process and related risks, see the sections headed “History, Reorganization and Corporate Structure” and “Risk Factors – Risks Relating to Our Business – Production of our cable products may be affected by the equipment transfer and equipment may be damaged or lost during the equipment transfer” in this prospectus.

Baohe Xinshiji

Acquisition

On September 21, 2012, Sichuan Xinshiji and Baohe Xinshiji entered into the Xinshiji Asset Transfer Agreement, as supplemented on March 6 and April 16, 2013. Pursuant to the agreement, Sichuan Xinshiji agreed to transfer all of its production equipment and research and development equipment located at its Chengdu facility (including, among others, drawing machines, extrusion

BUSINESS

machines, annealing machines, stranding machines, armoring machines and cabling machines) as well as all of its intangible assets (including trademarks, patents, know-how, commercial secrets and other operation-related information including customer information and sales channels) to Baohe Xinshiji for a consideration of RMB30.0 million. A deposit in the amount of RMB19.0 million has been paid. Timing of the payment in the amount of RMB1.0 million for the commercial secrets and operation-related information, and the payment in the amount of RMB1.0 million for the production and research and development equipment is to be agreed upon between the parties. An amount of RMB1.0 million is to be paid within three months of completion of transfer of trademarks (including “新世纪线缆”, “”, “龍騰新川东”, “海乘新世纪” and “坤佑新世纪”) and patents. The remaining RMB8.0 million is to be paid within five business days after the first anniversary of completion of asset transfer. As of the Latest Practicable Date, we had paid RMB19.0 million under the agreement and RMB10.0 million had been accrued.

Under the terms of the agreement, timing of the transfer of the tangible assets is to be agreed upon by the parties. Title to or ownership right of the assets under the Xinshiji Asset Transfer Agreement will pass to us upon completion of the equipment delivery or, in case of intellectual properties, the registration of change of ownership.

In addition, Sichuan Xinshiji has agreed to use its best efforts to persuade its key personnel to accept employment from Baohe Xinshiji. Baohe Xinshiji has agreed to enter into employment contracts with those personnel with benefits no less favorable than those provided by Sichuan Xinshiji and with terms of no less than three years. Sichuan Xinshiji is required to enter into confidentiality and non-compete agreements with its key personnel, other than those who are working or will work for Baohe Xinshiji, with terms of no less than five years. Sichuan Xinshiji and these key personnel are jointly responsible for any damages caused by breaches of those agreements.

In December 2012, we purchased a 100% equity interest in Baohe Xinshiji through Alpha Legend, our indirectly wholly-owned subsidiary. Prior to our acquisition, Baohe Xinshiji was 80% owned by Sichuan Xinshiji and 20% owned by Baohe Fushan. As of September 30, 2013, the capital commitments for assets under the Xinshiji Asset Transfer Agreement not provided for in our financial statements were RMB1.0 million. For additional information, see note 31(c)(iv)(a) in the Accountants' Report set out in Appendix I to this prospectus.

As of the Latest Practicable Date, title to the tangible assets under the Xinshiji Asset Transfer Agreement remained with Sichuan Xinshiji. We expect to obtain title to all of these tangible assets by the end of the first quarter of 2014. The transfer of trademarks has been completed.

Interim Processing Arrangements

We currently engage, and expect to continue to engage, Sichuan Xinshiji as a contract manufacturer for production of our power transmission and distribution cable products pending the completion of our Baohe Xinshiji facility. In September 2012, Baohe Xinshiji and Sichuan Xinshiji entered into a processing agreement, pursuant to which Baohe Xinshiji agreed to supply copper wire rods and wires to Sichuan Xinshiji and Sichuan Xinshiji agreed to source other ancillary raw materials and provide processing services to Baohe Xinshiji for a fee. The processing fees are

BUSINESS

negotiated and agreed between the parties on an order-by-order basis. On February 6, 2014, we entered into the Xinshiji Master Production Agreement to govern the terms and conditions of the transactions between our Group and Sichuan Xinshiji in connection with the provision of production and processing services for our power transmission and distribution cable products. We expect to terminate this agreement when the new facility of Baohe Xinshiji commences commercial production, which is expected to be in the second quarter of 2014. For more information, see the section headed “Connected Transactions – Non-exempt Continuing Connected Transactions – Master Production Agreement with Sichuan Xinshiji” in this prospectus.

After we acquired Baohe Xinshiji, during the nine months ended September 30, 2013, Sichuan Xinshiji produced approximately 2,993 metric tons of power transmission and distribution cables (measured by weight of the copper component) for Baohe Xinshiji, for which Baohe Xinshiji agreed to pay an amount of approximately RMB26.4 million.

We expect the moving process to cause interruption to the production arrangement between Baohe Xinshiji and Sichuan Xinshiji and as a result impact our results of operations. We aim to mitigate such interruption by commencing the moving process after completion of a production line capable of producing all major power transmission and distribution cables at the new facility. Under the Xinshiji Asset Transfer Agreement, Sichuan Xinshiji is responsible for any damage caused to the equipment during the transfer, and Baohe Xinshiji is responsible for the transfer and the transportation expenses incurred during the transfer process as well as the expenses incurred during the installation, testing and trial production.

Pursuant to the Xinshiji Asset Transfer Agreement, Sichuan Xinshiji is entitled to use those assets under the agreement for its own production and sales (including to customers to whom we sell) before completion of the transfer, and to retain any profit. However, it is required to give priority to the production under the processing arrangement.

Under the agreement, Sichuan Xinshiji is responsible for any damage to the assets before completion of the transfer. The original consideration of RMB30.0 million will be adjusted if certain assets under the agreement cannot be successfully transferred or installed, fail the operational tests or are not otherwise in good working condition.

We are in the process of finalizing our plans for the transfer. We have engaged an installation engineering company to oversee the demolition, delivery and installation of certain equipment of Baohe Xinshiji, and are in the process of engaging other installation engineering companies for the remaining equipment. The equipment transfer has not started and we expect the transfer to be completed by the end of the first quarter of 2014. For additional information on the moving process and related risks, see the sections headed “History, Reorganization and Corporate Structure” and “Risk Factors – Risks Relating to Our Business – Production of our cable products may be affected by the equipment transfer and equipment may be damaged or lost during the equipment transfer” in this prospectus.

Integration of Our Cable Business

In December 2012, we expanded into downstream cable businesses by acquiring Baohe Taiyue and Baohe Xinshiji and are in the process of integrating the cable businesses into our Group. We are currently constructing or planning to construct new facilities for our cable businesses and plan to install the equipment that has been or will be transferred from Guangzhou Taiyue and Sichuan Xinshiji at our new facilities for our future production of cables. We have engaged an installation engineering company to oversee the demolition, delivery and installation of certain equipment of Baohe Xinshiji, and are in the process of engaging other installation engineering company for the remaining equipment of Baohe Xinshiji and Baohe Taiyue. We expect to obtain title to all tangible assets from Guangzhou Taiyue in the second quarter of 2014 and from Sichuan Xinshiji by the end of the first quarter of 2014. The transfer of trademarks from Guangzhou Taiyue and Sichuan Xinshiji has been completed.

Each of Guangzhou Taiyue and Sichuan Xinshiji has also agreed to transfer operation-related information including customer information and sales channels to us, enabling us to roll out our business smoothly. In addition, we plan to employ key personnel from Guangzhou Taiyue and Sichuan Xinshiji to ensure access to industry knowledge and know how. To enhance our operating efficiency and help us to better manage the risks associated with raw material supply and inventory management, we are also taking other steps which include centralizing the supervision and planning of the raw material supply and working capital for our operating subsidiaries, centralizing our sales and marketing functions and unifying our financial management, internal control and human resources management systems. We plan to establish a centralized sales and marketing department, accounting and finance department, risk management department and human resources management department supervised by members of our senior management during the first half of 2014. Transitional arrangements, including training of personnel of the acquired businesses, have been put in place to facilitate their integration.

To manage the procurement of a significantly larger amount of scrap copper to support our enlarged capacity, we have entered into purchase agreements with certain suppliers with a view to enhancing the stability of our scrap copper supply and in an effort to reduce our reliance on top suppliers. In addition, in order to better manage our exposure to copper price fluctuations, we adopted a hedging policy in September 2013 to regulate the approval and risk management procedures in connection with our hedging activities and established a decision-making committee and a futures department at each of Tongxin and Xiangbei. Furthermore, we have taken steps to secure orders from customers, including entering into annual contracts with our key customers. For major terms of the purchase agreements with suppliers and annual sales contracts with our key customers, please refer to the section headed “Business – Raw Materials, Procurement and Suppliers – Recycled Copper Products – Purchase Agreements” and “Business – Pricing Policy, Terms of Sales and Credit Policy” of this prospectus.

BUSINESS

We have adopted certain measures which we believe will enable us to further expand our business operations and support our enlarged capacity. Our subsidiaries, Xiangbei and Tongxin, are qualified as dealers to trade our copper wirerods through the electronic systems of China Power Cable Material Exchange. We believe trading our copper wirerods on an electronic platform, which is designated for trading materials used in manufacturing cable products, enables us to reach a broader customer base. Furthermore, to be admitted as a dealer on such trading platform, Xiangbei and Tongxin must satisfy the relevant quality standards. We believe such admission helps to promote our brand awareness and brand recognition. Trading on the exchange can also help to reduce our receivable turnover days as buyers are usually required to pay the purchase price within a certain period of time, which is generally shorter than the time periods we agree to when negotiating with our customers on a case-by-case basis. Separately, we plan to establish a warehouse facility in Shanghai from which our customers will be able to collect our products directly. We believe this collection option will provide an attractive alternative to our customers in the surrounding area.

For the nine months ended September 30, 2013, we sold approximately 2,170 metric tons and 8,446 metric tons of communication cable and power transmission and distribution cable products, respectively. Some of our cable products are produced at our interim manufacturing facilities temporarily housed in our Tongxin facility while most of these cable products are produced by Guangzhou Taiyue and Sichuan Xinshiji as part of our interim processing arrangements until construction of our two cable production facilities is completed and these facilities become fully operational. Our interim facilities and contract manufacturers use copper wirerods we produce as raw materials. The selling prices of our recycled copper products supplied to our cable business are determined on an arm's length basis and are comparable to the selling prices of our recycled copper products sold to third-party independent customers. We expect to use, under the interim processing arrangements and through our own manufacturing, between one quarter and one third of the recycled copper that we expect to produce to supply our communication cable and power transmission and distribution cable operations in 2014.

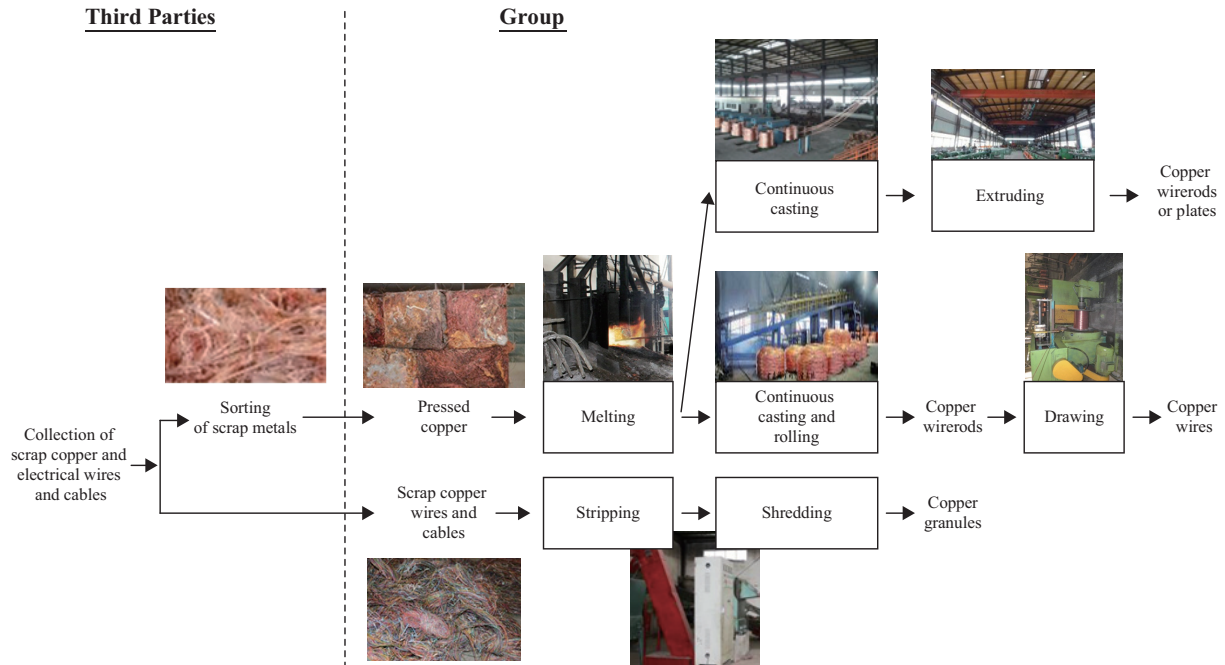
Production Processes

We process scrap copper into copper concentrates and through melting, continuous rolling and casting, and drawing, into copper wirerods and wires. We also process scrap copper wires and cables using copper wire granulators to strip off their plastic coating and then shear and cut them into copper granules in a shredding machine.

Copper wirerods are the principal raw materials for our communication cable and power transmission and distribution cable products, the production process of which involves copper wirerods being drawn, stranded and insulated.

Recycled Copper Products

The following chart illustrates the production process for our recycled copper products:



Copper Wirerods, Wires and Plates

Key steps in our copper wirerod, wires, bar and plate production processes are baling, pressing, feeding, melting and cold casting. We manually select copper raw materials out of the scrap copper we have obtained from our suppliers and press them into blocks using metal balers. The scrap copper blocks are then fed into the furnace and melted into liquid copper. In our Jinxin and Tongxin facilities, after oxidizing and restoring, liquid copper flows into chutes and processed into copper wirerods in casting and rolling machines. Copper wirerods are then drawn into wirerods or wires by drawing machines based on different specifications or in accordance with different requirements of the customers. Generally, thicker copper wirerods are drawn into thinner copper wirerods with diameters ranging from 3.00mm to 8.00mm and copper wires with diameters ranging from 0.125mm to 3.00mm. In our Xiangbei facility, liquid copper is processed into copper wirerods or bars in casting machines, which are then fed into extrusion machines to produce copper plates, wirerods or bars of different specifications.

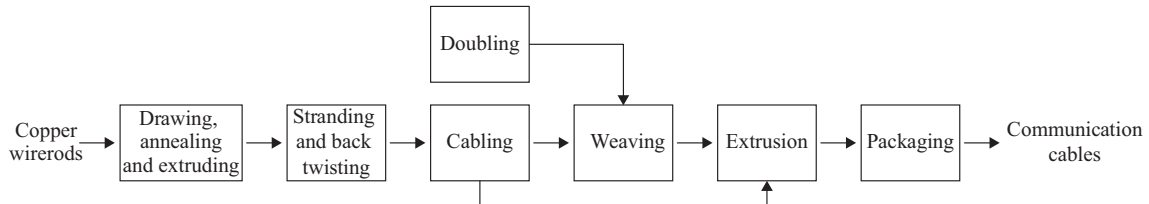
Production time for our recycled copper products varies from facility to facility. For example, the production process from scrap copper to recycled copper products at our Jinxin and Xiangbei facilities generally takes 20 to 26 hours and 30 to 40 hours, respectively, while it takes 15 to 18 hours at our Tongxin facility.

Copper Granules

Copper granules are produced from plastic-coated copper wires or cable scrap. In the separation process, a copper wire granulator is used to remove the insulating and outer layers of the copper wires and cable scrap and then further separate the copper cores. The shredders inside the machine then turn the copper cores into copper granules.

Communication Cable Products

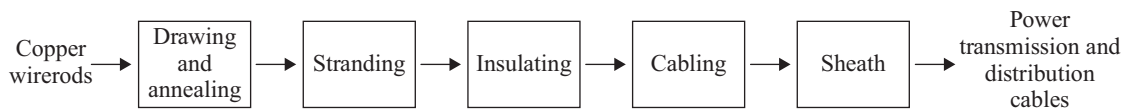
The following chart illustrates the production process for our communication cables by our contract manufacturer, Guangzhou Taiyue, which is expected to be substantially similar to our own production process.



Production of our communication cable products begins by drawing a copper wirerod through the drawing and annealing equipment until it reaches the desirable diameter, after which a sheath of PE and color masterbath composites are extruded onto the single wire to produce insulated cores of different colors. Every two cores are stranded at different back-twisting rates to form a twisted pair. Four different twisted pairs are then stranded tightly together through the stranding machine, some are further braided to become anti-jamming cables. The process ends with PE and PVC composites being fed into an extrusion machine, dyed and extruded evenly onto the stranded wires at the requisite temperature, pressure and speed.

Power Transmission and Distribution Cable Products

The following chart illustrates the production process for our power transmission and distribution cables by our contract manufacturer, Sichuan Xinshiji, which is expected to be substantially similar to our own production process.



Production of our power transmission and distribution cable products begins by drawing a copper wirerod until it reaches the desired diameter, after which the drawn wire goes through an annealing machine, in which the wire is heated in order to make the wire softer and more pliable. In order to improve the flexibility of the cable for easy installation, the conductor of the cable is typically made of several copper wires wound together by a stranding machine. In this process, wires are stranded and pressed together. Insulating materials such as PE and PVC and rubber composites are fed into an extrusion machine, dyed and extruded evenly and tightly onto the single wire or stranded wires at the requisite temperature, pressure and speed. The finished products of this process are referred to as “cores” or “insulated cores”. The insulated cores are stranded into a cable assembly through a process called “cabling”. An inner sheath of plastic or rubber composites is put through the extrusion machine and wrapped onto the cable assembly to hold the insulated cores together. At this stage, to add special characteristics to the cables, such as to increase the resistance of the cables to fire or erosion, different materials may be used. Some of our products also require an armoring process, which involves using an armoring machine to wrap steel wires or tapes over the inner-sheathed cable assemblies. To protect the insulating layer from erosion, a protective layer of plastic or rubber composites may be wrapped over the cable assembly or armored cable assembly.

BUSINESS

Production time for our cable products varies from production line to production line. We expect the production process at our Baohe Taiyue and Baohe Xinshiji facilities to take between two to 20 hours.

Raw Materials, Procurement and Suppliers

Recycled Copper Products

Raw materials

The raw materials for our recycled copper products primarily consist of scrap copper from a variety of sources, including used household appliances, electrical equipment and transportation equipment, and used cables and wires as well as scrap materials from certain industrial manufacturing processes.

Procurement

We have established an extensive raw materials procurement network, covering the Chengdu-Chongqing Economic Zone, the Pearl River Delta, the Yangtze River Delta, the Central Plains Economic Zone and the Wanjiang Urban Belt. During the Track Record Period, direct material costs accounted for over 95% of our cost of sales. Our major copper raw material suppliers were private enterprises and individuals engaged in the collection of unprocessed scrap copper in China. We have been sourcing more of our scrap copper from vendors who do not provide VAT invoices, which results in greater VAT refunds to us. All of these vendors are individuals.

Direct Branch of Mianyang State Taxation Bureau (綿陽市國家稅務局直屬稅務分局) issued a confirmation on November 28, 2013 to the effect that Jinxin can purchase raw materials from individual suppliers who do not provide VAT invoices and the tax bureau will continue to provide VAT refunds under the Comprehensive Utilization of Resources Policy so long as the raw materials Jinxin purchases and its products comply with the policy. In addition, Mianyang Youxian District State Taxation Bureau (綿陽市游仙區國家稅務局) issued a confirmation on November 29, 2013 to the effect that Tongxin can purchase raw materials from individual suppliers who do not provide VAT invoices and the tax bureau has issued and will continue to provide VAT refunds to Tongxin so long as the raw materials Tongxin purchases and its products comply with the Comprehensive Utilization of Resources Policy. Furthermore, Miluo State Taxation Bureau Tuanshan Branch (汨羅市國稅局團山分局) issued a confirmation on November 28, 2013 to the effect that (i) it is aware of Xiangbei's practice of purchasing scrap copper from individual suppliers who do not provide VAT invoices, (ii) such practice is in compliance with PRC laws and regulations, and (iii) the tax bureau has issued and will continue to provide VAT refunds to Xiangbei according to the relevant laws and regulations. Our PRC legal advisors, Chen & Co. are of the view that such confirmations were issued by relevant authorities in charge of such matters and are unlikely to be challenged by any higher level authorities based on (i) the stipulations under the Law of PRC on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) and the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》), (ii) the reasonable investigations and due inquiries of officers of the abovementioned authorities by our PRC legal advisors, Chen & Co., and (iii) the fact that Jinxin,

BUSINESS

Tongxin and Xiangbei have never been penalized by tax authorities at any level during the Track Record Period. Based on the confirmations issued by relevant authorities, Chen & Co. are of the opinion that our practice of purchasing scrap copper from individual suppliers who do not provide VAT invoices complies with applicable PRC laws and regulations, and is acceptable to the relevant PRC authorities providing VAT refunds and there are no adverse legal consequences to us. For additional information, see the section headed “Regulatory Overview” in this prospectus.

Although the average ex-VAT price at which we purchase scrap copper from suppliers that do not provide VAT invoices is generally higher than the average ex-VAT price at which we purchase scrap copper from suppliers that provide VAT invoices, we prefer suppliers that do not provide VAT invoices in our selection process so long as such higher purchase prices can be offset by our corresponding VAT refund income. For additional information, see the section headed “Financial Information – Factors Affecting our Results of Operations and Financial Condition – VAT refunds and other government incentives” in this prospectus.

According to a report from the Department of Circulation Industry Development of the Ministry of Commerce of the PRC, the recycling collection industry in the PRC is fragmented, consisting of a majority of small-scale participants, including enterprises and individuals. Established enterprises generally only account for 10% to 20% of the volume of recyclables collected. In the nine months ended September 30, 2013, approximately 86% of our scrap copper were sourced from individuals.

We mainly purchase scrap copper from suppliers on a spot basis, with pricing based on market prices at the time of purchase. Our suppliers invoice us promptly after shipping the scrap copper to our production facilities. The price of copper has fluctuated significantly since 2010. For example, the average monthly spot prices of copper (ex VAT) on the Shanghai Metal Exchange Market ranged from a low of approximately RMB50,475 per metric ton to a high of RMB73,283 per metric ton during the Track Record Period. Given the significant impact that market prices for copper have on our raw material costs, we use derivative contracts to manage our exposure to changes in the prices of scrap copper. The amount of derivative contracts we buy or sell is mainly determined by our scrap copper inventory level, which we target to maintain at a level that is sufficient for approximately 10 to 18 days of our manufacturing needs. If our inventory exceeds our target level, we will enter into cash-settled futures contracts to sell the excessive amount. If our scrap copper inventory falls below, we will enter into cash-settled futures contracts to purchase the amount of discrepancy. The contracts are usually settled when our inventory returns to our target level.

During the Track Record Period, the unrealized change in fair value on the futures contracts premeasured at fair value was a loss of RMB3,000 and RMB321,000 as of December 31, 2012 and September 30, 2013, respectively. We recognized a net loss on copper futures contracts of RMB1.5 million for the year ended December 31, 2011 and a net gain of nil, RMB0.9 million and RMB2.2 million for the period ended December 31, 2010, the year ended December 31, 2012 and the nine months ended September 30, 2013, respectively. Our cost associated with the hedging activities is not significant and we are of the view that the purpose of our hedging activities has generally been achieved, and the impacts of fluctuations in copper price to our cost of raw materials have been partially reduced and the hedging activities have been overall beneficial to us.

BUSINESS

We did not have a formal hedging policy to govern our hedging activities until September 2013. Currently, we plan to conduct our hedging activities through Tongxin and Xiangbei only and we have established at each of Tongxin and Xiangbei a decision-making committee and a futures department. All hedging activities to be entered into by Jinxin must be approved by the decision-making committee and executed by the futures department at Tongxin. We plan to conduct the hedging activities necessary for Jinxin through its wholly-owned subsidiary, Tongxin. We have not established a decision-making committee and a futures department at Jinxin because we believe that it is more cost-effective to handle any hedging activities required by Jinxin through Tongxin, which is under the same management as Jinxin.

Under the policy, the decision-making committees are responsible for planning our hedging activities based on market condition and our business needs, such as our inventory level and product demand. The futures departments are responsible for submitting plans to the relevant subsidiary's general manager for approval, executing transactions related to our hedging activities as well as monitoring the related risks. The decision-making committees consist of the general managers and heads of the sales, procurement and finance departments of the relevant subsidiary. The futures department at Tongxin has one member, who has more than two years of experience in the finance industry and joined us in 2013. The futures department at Xiangbei has two members, of whom one has more than seven years of experience in the finance industry and joined us in 2013 and one joined us in 2011 with no prior experience in the copper industry. The decision-making committee at Tongxin has three members, which includes Mr. Liu Hanjiu, its general manager who is also in charge of procurement, Mr. Peng Lin, its vice president for sales and Ms. Zhu Yufen, its vice president for finance. The decision-making committee at Xiangbei has three members, which includes Mr. Huang Weiping, its general manager which is also in charge of sales, Mr. Xiong Mingfei, its procurement manager and Mr. Huang Shuming, its finance manager. Mr. Peng Lin has more than 10 years of experience in the copper industry and joined us in 2010. Mr. Xiong Mingfei has more than five years of experience in the copper industry and joined us in 2012. Mr. Huang Shuming has more than 10 years of experience in the finance industry and joined us in 2011. For experience and qualifications of Mr. Liu Hanjiu, Mr. Huang Weiping and Ms. Zhu Yufen, see the section headed "Directors and Senior Management" in this prospectus. Two of the three members of our futures departments have also received tertiary education or training in securities.

As stated in the policy, the futures departments are required to submit hedging plans to the relevant subsidiary's general manager for approval and approved hedging plans will be submitted to our risk control center, which is headed by our Vice General Manager, Mr. Chen Wei, for risk assessment. Upon occurrence of any abnormal price fluctuation, the futures departments are required to report to the relevant subsidiary's general manager and our risk control center promptly. In addition, the futures departments are required to prepare monthly reports of our hedging activities and provide them to their respective decision-making committees and other officers involved in the decision-making process. The futures departments and the decision-making committees at Tongxin and Xiangbei are required to prepare bi-annual reports, analyzing our hedging activities, our needs and the market trends and submit such reports to our Board for review.

BUSINESS

Although the amount of derivative contracts we buy or sell is required under the policy not to exceed the actual amount of product we sold or an amount sufficient for 10 days of our manufacturing needs, the policy requires different levels of approvals if the margins demanded by the futures contracts or the transaction volume exceeds a certain amount. The following table specifies the reviews and approvals required if the margins demanded by the futures contracts or the transaction volume exceeds a certain amount:

	Review/Approval required
<i>Margins</i>	
Less than RMB1 million	An approval from the relevant subsidiary's general manager
Between RMB1 million and RMB10 million	A review by the risk management manager and an approval by our Vice General Manager
Over RMB10 million	Approvals from our Chief Financial Officer and our Chairman
<i>Volume/position limit in each transaction</i>	
200 lots ⁽¹⁾ or below	An approval from our Vice General Manager
More than 200 lots ⁽¹⁾	Approvals from our Chief Financial Officer and our Chairman

Note:

(1) Each lot represents five tons.

Each of Tongxin's and Xiangbei's finance department prepares reports of the futures transactions of Tongxin and Xiangbei, respectively, on a weekly basis. After checking the weekly reports against the transaction reports prepared by third-party brokerage firms to ensure accuracy, the finance departments are required to submit such weekly reports to risk control center and to our Chief Financial Officer for review. Based on such weekly reports and the historical variations of copper prices, our Chief Financial Officer assesses the potential loss in the value of our future contracts. Our Chief Financial Officer is also required to report to and discuss with our Chairman any potential significant loss.

For additional information on our commodity risk, see "Financial Information – Qualitative And Quantitative Disclosure About Market Risk – Commodity Risk".

During the Track Record Period, we entered into contracts with most of scrap copper suppliers on an order-by-order basis and did not enter into long-term purchase contracts. None of our major suppliers failed to meet our purchase orders and we did not experience difficulties in any material aspects with our suppliers or in obtaining from them a sufficient supply of raw materials that materially and adversely affected our business during the Track Record Period. Although some of our suppliers experienced financial difficulties or ceased operation, none of our major suppliers fall into this category.

Our scrap copper suppliers generally grant us credit periods of approximately five to 10 days. We pay our suppliers in cash or by bank transfer. Some of our major suppliers require us to prepay approximately 30% of the purchase price before delivery.

BUSINESS

For sensitivity analysis and breakeven analysis of our cost of raw materials, see the section headed “Financial Information – Factors Affecting Our Results of Operations and Financial Condition – Supply and prices of scrap copper and recycled copper products” in this prospectus.

During the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013, we also purchased copper wirerods in the aggregate amount of approximately 10,246 metric tons from certain of our suppliers in addition to scrap copper.

Arrangement with Anhui Xingang Luliao

In order to enable Anhui Xingang Luliao, one of our largest suppliers during the Track Record Period, and its wholly-owned subsidiary, Anhui Xingang Zaisheng, to produce copper wirerods to supply to us, on June 25, 2012, Jinxin and Anhui Xingang Zaisheng entered into two lease agreements, pursuant to which Anhui Xingang Zaisheng is permitted to use certain equipment in our Jinxin facility and related production permits for an aggregate fee of RMB0.8 million.

On June 27, 2012, Jinxin entered into an annual purchase contract with Anhui Xingang Zaisheng, under which Jinxin is required to purchase and Anhui Xingang Zaisheng is required to sell 500 metric tons of copper wirerods and wires per month at prices to be determined at the time of purchase based on market prices.

In addition, on October 25, 2012, Jinxin and Anhui Xingang Luliao entered into two lease agreements, pursuant to which Anhui Xingang Luliao is permitted to use certain equipment in our Jinxin facility and related production permits for an aggregate fee of RMB0.8 million.

On October 27, 2012, each of Jinxin and Tongxin entered into an annual purchase contract with Anhui Xingang Luliao, under which each of Jinxin and Tongxin is required to purchase and Anhui Xingang Luliao is required to sell to each of Jinxin and Tongxin, 500 metric tons and 1,500 metric tons of copper wirerods and wires per month at prices to be determined at the time of purchase based on market prices.

On November 1, 2012, Jinxin, on behalf of Jinxin and Tongxin and Anhui Xingang Luliao entered into a supplemental agreement, under which Anhui Xingang Luliao is required to sell all of the copper wirerods it produces at our Jinxin facility to Jinxin and Tongxin.

We entered into these arrangements mainly because Anhui Xingang Luliao and Anhui Xingang Zaisheng are entitled to enjoy a preferential tax policy of a refund of 50% of the VAT paid and are able to produce copper wirerods at a more competitive price than us. We have terminated all related agreements because since late 2012, Tongxin has been enjoying the same preferential policy of a refund of 50% of the VAT paid.

BUSINESS

Impacts of our acquisitions of Baohe Taiyue and Baohe Xinshiji

Because our acquisitions of Baohe Taiyue and Baohe Xinshiji were only completed on December 31, 2012 and we have since then sourced most of the copper needs for our cable businesses internally, our top five suppliers during the Track Record Period were all suppliers to our recycled copper product business and were all located in China. We maintained business relationships for over two years on average with our five largest suppliers during the Track Record Period. They are all private enterprises or individuals in the business of collecting and separating unprocessed scrap copper in China. The table below sets forth our top five suppliers during the Track Record Period:

Rank for 2013 9M	Background	Credit terms granted	Years of relationship with us⁽¹⁾
1st	Supplier A principally engaged in recycling, processing and sales of used metal materials, cables, environmental friendly devices, and others	5 days	3 years
2nd	Supplier B an individual engaged in the metal recycling business	10 days	2 years
3rd	Supplier C principally engaged in recycling, processing and sales of used home appliances, used electronics, used plastics, and others	10 days	3 years
4th	Supplier D an individual engaged in the metal recycling business	10 days	2 years
5th	Supplier E an individual engaged in the metal recycling business	5-7 days	1 year

Note:

(1) Rounded to the nearest whole year.

BUSINESS

Rank for 2012		Background	Credit terms granted	Years of relationship with us⁽¹⁾
1st	Supplier A	principally engaged in recycling, processing and sales of used metal materials, cables, environmentally friendly devices, and others	5 days	2 years
2nd	Supplier F	principally engaged in producing and sales of copper pipes, cable related devices, environmentally friendly cable devices, and others	5 days	1 year
3rd	Supplier G	principally engaged in acquiring and sales of the used metal materials, used home appliances, electric products and machines, and others	7 days	2 years
4th	Supplier C	principally engaged in recycling, processing and sales of used home appliances, used electronics, used plastics, and others	10 days	2 years
5th	Supplier H	principally engaged in processing and sales of non-ferrous metals; sales of mining products, metal devices, and others	10 days	1 year

Note:

(1) Rounded to the nearest whole year.

BUSINESS

Rank for 2011		Background	Credit terms granted	Years of relationship with us⁽¹⁾
1st	Supplier C	principally engaged in recycling, processing and sales of used home appliances, used electronics, used plastics, and others	7 days	2 years
2nd	Supplier I	principally engaged in dismantling and processing of used electric products, used cable wires, and others	0 day	1 year
3rd	Supplier G	principally engaged in acquiring and sales of the used metal materials, used home appliances, electric products and machines, and others	7 days	1 year
4th	Supplier J	principally engaged in recycling used automobiles and used electronic devices, used metal materials, and others	0 day	1 year
5th	Supplier K	principally engaged in import and sales of metal materials, mining product, petrochemical products, and others	0 day	1 year

Note:

(1) Rounded to the nearest whole year.

Rank for 2010		Background	Credit terms granted	Years of relationship with us⁽¹⁾
1st	Supplier C	principally engaged in recycling, processing and sales of used home appliances, used electronics, used plastics, and others	7 days	1 year
2nd	Supplier L	principally engaged in recycling and sales of used metal materials	7 days	1 year
3rd	N/A			
4th	N/A			
5th	N/A			

Note:

(1) Rounded to the nearest whole year.

BUSINESS

Suppliers

For the period ended December 31, 2010, we had two scrap copper suppliers who supplied all of the raw materials for our recycled copper product business, while our largest supplier represented 70.6% of our total cost of purchases. In 2011, our five largest suppliers accounted for 60.6% of our total cost of purchases, while our largest supplier represented 18.0% of our total cost of purchases. In 2012, our five largest suppliers accounted for 45.6% of our total cost of purchases, while our largest supplier represented 17.7% of our total cost of purchases. For the nine months ended September 30, 2013, our five largest suppliers accounted for 32.3% of our total cost of purchases, while our largest supplier represented 11.1% of our total cost of purchases.

We also source power transmission and distribution cable products from Sichuan Xinshiji. For the nine months ended September 30, 2013, we sourced 4,195 metric tons of power transmission and distribution cable products, or 49.6% of all of our power transmission and distribution cable products. On February 6, 2014, we entered into the Xinshiji Master Purchase Agreement with Baohe Xinshiji. For additional information, see the section headed “Connected Transactions – Continuing Connected Transactions – Non-exempt Continuing Connected Transactions – Master Purchase Agreement with Sichuan Xinshiji” in this prospectus.

For the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013, we used 4,404 metric tons, 23,177 metric tons, 24,390 metric tons and 36,189 metric tons of scrap copper, respectively, in our recycled copper product business. With the exception of Baohe Jiahao, which was our largest external supplier in 2012 and the first half of 2013 and which is 20.0% owned by Baohe Fushan, none of our Directors or their associates or any Shareholder who owns 5% or more of the issued share capital of our Company had any interest in any of the above five largest suppliers in each of the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013. For additional information regarding Baohe Fushan and us, see the section headed “History, Reorganization and Corporate Structure – Background of Baohe Fushan and its joint venture investment in Baohe Taiyue” in this prospectus.

Purchase Agreements

With a view to enhancing the stability of its supply of scrap copper and to prepare for commencement of operations at our new Tongxin facility, which has an estimated annual production capacity for recycled copper products of 100,000 metric tons, we entered into purchase agreements in early 2013 with 19 of our suppliers, including Baohe Jiahao and certain individuals in the business of collecting and separating unprocessed scrap copper. The agreements are effective for one year. The contractual amount under the agreements is approximately 66,800 metric tons. We are only required to purchase and the suppliers are only required to sell the scrap copper if the parties agree on price for specific purchases, which is to be determined at the time of purchase based on market price and the amount to be purchased, and these agreements do not impose any penalty on us in case the target volume for the year is not met. Although the purchase agreements are subject to further agreement between the parties on purchase price for individual orders as copper prices fluctuates, the agreements provide the approximate supply amount, and strengthen the business relationship between us and the suppliers, and confirm the suppliers’ willingness and ability to provide such raw materials. Under the agreements, the suppliers grant us a credit period of 10 days.

BUSINESS

The actual amount procured under the agreements from January 1, 2013 to December 31, 2013 was approximately 24,349 metric tons. We do not expect to purchase the full amounts contemplated under these agreements in 2013, but expect to continue to do business with these suppliers in 2013. From January 1, 2013 to December 31, 2013, we purchased approximately 38,448 metric tons of scrap copper from suppliers with whom we do not currently have purchase agreements. We intend to revise the threshold or roll-over the excess to 2014 with the suppliers.

For additional information on our counterparty risk and concentration risk, see the sections headed “Risk Factors – Risks Relating to Our Business – We are exposed to counterparty risks in our contracts” and “Risk Factors – Risks Relating to Our Business – Our dependence on a limited number of third-party raw material suppliers could increase our costs or adversely impact our production, which could materially and adversely affect our business, results of operations and financial condition” in this prospectus.

Communication Cable Products

Copper wirerod is the principal raw material for our communication cable products. Other raw materials include PE, PVC, aluminum foil and modular plugs. Under the interim processing arrangement with our contract manufacturer, Guangzhou Taiyue, we are required to supply to Guangzhou Taiyue principal raw materials such as copper wirerods and rubber and Guangzhou Taiyue is required to purchase auxiliary materials. We expect to source most of the copper needs for our communication cable business internally.

Power Transmission and Distribution Cable Products

Copper wirerod is the principal raw material for our power transmission and distribution cable products, and other raw materials include PE, PVC, rubber, aluminum foil and modular plugs. Under the interim processing arrangement with our contract manufacturer, Sichuan Xinshiji, we are required to supply to Sichuan Xinshiji copper wirerods or wires. We expect to source most of the copper needs for our power transmission and distribution business internally.

Utilities

We rely on electricity, natural gas and water in the operation of our production facilities. Accordingly, the successful operation of our production facilities requires a reliable supply of such utilities. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disruptions in water supply; however, we experienced periodic disruptions in the supply of electricity and natural gas at our Jinxin facility since the electricity and natural gas infrastructure of the district where the facility is located was designed for agricultural purposes and is not adequate for industrial use. In March 2013, we completed the construction of a 2,500 kVA indoor power distribution system and a 1,000 kVA transformer project at our Tongxin facility. Under the Baohe Taiyue Project Investment Agreement and the Baohe Xinshiji Project Investment Agreement, Baohe Fushan guaranteed that Baohe Taiyue and Baohe Xinshiji would get sufficient electricity and gas for their production. Also, we entered into a natural gas supply contract on March 12, 2013 with Sichuan Tianxin Gas Company Limited (四川天新燃氣有限責任公司), pursuant to which a daily supply of 10,000 cubic meters will be available to our Tongxin facility from March 12, 2013 to December 31, 2013. We believe these facilities will have a more reliable supply of utilities.

Sales and Marketing

Each of our operating subsidiaries conducts its direct sales through marketing by its own sales personnel. As of the Latest Practicable Date, we employed 19 sales and marketing personnel for our recycled copper product business and 12 sales and marketing personnel for our communication cable and power transmission and distribution cable businesses, most of the sales and marketing personnel for our cable business were previously with Guangzhou Taiyue and Sichuan Xinshiji. Our sales and marketing personnel have accumulated experience of five years on average in the copper or cable industries. Our sales teams place a strong emphasis on building long-term relationships with our customers, with a focus on product quality, credibility and a high level of service. We plan to centralize all of our sales and marketing activities to manage all of our products and brands, to have more of our subsidiaries admitted as dealers for trading our products through electronic systems in order to promote our brand awareness, broaden our customer base and reduce our receivable turnover days, and to set up warehouses in cities, such as Shanghai, where our customers can collect our products directly, thereby reducing transportation time and expenses. We are in the process of setting up a sales and marketing office in Shanghai.

Members of our sales team are mainly responsible for contacting potential customers, preparing sales plans, negotiating sales terms, following up on outstanding payables and providing after-sales services, including coordinating on transportation logistics and obtaining and handling feedback on our products.


Recycled copper products

We sell our recycled copper products to customers located throughout China under our “Jinxin”, “Tongxin” and “Xiangbei” brands.

Communication cable products

We sell our communication cable products mainly to domestic PRC customers and customers in Southeast Asia, and we also plan to sell to Guangzhou Taiyue’s customers in Europe, United States, Mexico, Brazil, Australia, New Zealand and other Asian countries. Pursuant to the Taiyue Asset Transfer Agreement, all trademarks of Guangzhou Taiyue should be transferred to us. The Trademark Office of the State Administration for Industry & Commerce of PRC has approved the transfer of trademarks on December 13, 2013 and it has been completed. We plan to sell our communication cable products under these trademarks. In addition to selling communication cable products under these brands, we may also act as an original equipment manufacturer, or an OEM, for other communication cable companies.

Power Transmission and Distribution Cable Products

We sell our power transmission and distribution cable products to customers located throughout China. Pursuant to the Xinshiji Asset Transfer Agreement, all trademarks of Sichuan Xinshiji, which include “**新世纪线缆**”, “”, “**龍騰新川东**”, “**海辰新世纪**” and “**坤佑新世纪**”, have been transferred to us. We plan to sell our communication cable products under these trademarks.

Distribution

We ship our products to customers promptly after we accept the orders and to the extent that our products need to be made to customer specifications, we ship our products to customers promptly after the production of such products is completed. We invoice our customers promptly following shipment of our products. We are generally responsible for the delivery of our products to customers as well as the cost of delivery and transportation. We distribute our recycled copper products and power transmission and distribution cable products to our customers, and our communication cable products to our domestic customer, by trucks, and our communication cable products to overseas customers by sea. We use our own trucks and engage other transportation service providers on an as-needed basis to distribute our products. Currently, we also deliver our communication cable and power transmission and distribution products through our contract manufacturers, Guangzhou Taiyue and Sichuan Xinshiji. During the Track Record Period, we did not experience any material disruptions to or delays in the delivery of our products.

For the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013, our selling and distribution expenses accounted for approximately 0.6%, 0.3%, 0.4% and 0.4%, respectively, of our consolidated turnover.

Customers

Customers of our recycled copper products are primarily power transmission and distribution cable manufacturers, communication cable manufacturers and companies in various industries such as electrical engineering, municipal engineering, transportation, construction and mechanical manufacturing. We also sell our recycled copper products to trading companies and other copper processing manufacturers.

We currently provide our contract manufacturers, Guangzhou Taiyue and Sichuan Xinshiji, with copper wirerods and wires we manufactured for further processing into communication cables and power transmission and distribution cables under the processing arrangements and expect to use between one quarter and one third of the recycled copper products that we expect to produce to supply our communication cable and power transmission and distribution cable operations in 2014. We expect to conduct communication cable and power transmission and distribution cable production ourselves upon completion of our facilities.

Our acquisitions of Baohe Taiyue and Baohe Xinshiji were only completed on December 31, 2012 and we source most of the copper needs for our cable businesses internally. For the period ended December 31, 2010 and the two years ended December 31, 2011 and 2012, all of our customers were customers of our recycled copper product business and most of our five largest customers were power transmission and distribution cable manufacturers. For the nine months ended September 30, 2013, one of our five largest customers was a customer of our communication cable products, while the remaining four largest customers were customers of our recycled copper products, which included power transmission and distribution cable manufacturers, copper processing companies and trading companies. We typically grant our five largest customers credit periods of up to 30 days. As of September 30, 2013, we had maintained business relationships with our five largest customers

BUSINESS

ranging from over three months to over three and a half years. For the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013, our five largest customers contributed approximately 54.1%, 46.5%, 41.6% and 26.2% of our consolidated turnover, respectively, while our largest single customer contributed approximately 19.9%, 14.3%, 18.0% and 9.8% of our consolidated turnover, respectively. For the period ended December 31, 2010, two of our customers each accounted for more than 10.0% of our consolidated turnover. In 2011, three of our customers each accounted for more than 10.0% of our consolidated turnover. In 2012, one of our customers accounted for more than 10.0% of our consolidated turnover. In the nine months ended September 30, 2013, none of our customers accounted for more than 10.0% of our consolidated turnover. None of our Directors or their associates or any Shareholder who owns 5% or more of the issued share capital of our Company had any interest in any of the above five largest customers during the Track Record Period. The table below sets forth our top five customers during the Track Record Period:

Rank for 2013 9M	Background	Credit terms granted	Years of relationship with us⁽¹⁾
1st	Customer A principally engaged in sales of metal materials, construction materials, office supplies, and others	10 days	1 year
2nd	Customer B principally engaged in the business of domestic and international trading	30 days	1 year
3rd	Customer C principally engaged in the sales of metal materials, chemical products and materials, mining products, among others	30 days	4 years
4th	Customer D principally engaged in processing copper materials, aluminum, and coal rods	10 days	3 years
5th	Customer E principally engaged in producing, manufacturing and sales of computer software and hardware, electric equipment, metal materials, and others	30 days	less than 1 year

Note:

(1) Rounded to the nearest whole year.

BUSINESS

Rank for 2012		Background	Credit terms granted	Years of relationship with us⁽¹⁾
1st	Customer F	principally engaged in manufacturing and sales of flame-retardant wire, cable, plastic, and others	5 days	2 years
2nd	Customer G	principally engaged in producing and sales of copper, aluminum conductor wires, tinned wires, cable materials, and others	15 days	3 years
3rd	Customer D	principally engaged in processing of copper, aluminum, and coal rods	10 days	2 years
4th	Customer H	principally engaged in producing and sales of cable and copper	15 days	3 years
5th	Customer I	principally engaged in producing and sales of cables	5 days	3 years

Note:

(1) Rounded to the nearest whole year.

Rank for 2011		Background	Credit terms granted	Years of relationship with us⁽¹⁾
1st	Customer F	principally engaged in the manufacturing and sales of flame-retardant wire, cable, plastic, and others	5 days	1 year
2nd	Customer J	principally engaged in producing, marketing and processing wires and cables, electronic products, and others	5 days	2 years
3rd	Customer I	principally engaged in producing and sales of electrical cables	5 days	2 years
4th	Customer H	principally engaged in producing and sales of cables and copper materials	7 days	2 years
5th	Customer K	principally engaged in manufacturing and sales of wires, cables, and high and low voltage switch devices	5 days	2 years

Note:

(1) Rounded to the nearest whole year.

BUSINESS

Rank for 2010	Background	Credit terms granted	Years of relationship with us ⁽¹⁾
1st	Customer L principally engaged in processing non-ferrous metal, and sales of wires, motors, and others	0 day	1 year
2nd	Customer M principally engaged in producing and processing copper pipes, tape, foil, and others	3 days	1 year
3rd	Customer J principally engaged in producing, marketing and processing wires and cables, electronic products, and others	7 days	1 year
4th	Customer N principally engaged in producing and sales of wires, cables, and others	0 day	1 year
5th	Customer O principally engaged in producing, processing and sales of wires, cables and cable accessories	5 days	1 year

Note:

(1) Rounded to the nearest whole year.

For additional information on our counterparty risk and concentration risk, see the sections headed “Risk Factors – Risks Relating to Our Business – We are exposed to counterparty risks in our contracts” and “Risk Factors – Risks Relating to Our Business – We derive a significant portion of our turnover from a small number of customers and the loss of any of our major customers may cause significant declines in our turnover” in this prospectus.

Sales of recycled copper products to two of our customers, Guangzhou Taiyue and Sichuan Xinshiji, have been affected since 2013 because we are required under the processing arrangements to supply them with copper wire rods. We expect sales to Guangzhou Taiyue and Sichuan Xinshiji to discontinue since they will discontinue all of their business activities which might compete with us once the equipment transfer is completed. For additional information, see the section headed “Connected Transactions” in this prospectus.

Following our entry into the communication cable and power transmission and distribution cable businesses in late 2012, we have expanded our customer base to include companies in industries such as power transmission, household appliance manufacturing, installation engineering, real estate, mechanical engineering, electrical equipment manufacturing, telecommunications, electronics manufacturing and mining. In addition, we sell our cable products to trading companies.

On January 24, 2013 and April 10, 2013, respectively, Xiangbei and Tongxin entered into an agreement with China Power Cable Material Exchange pursuant to which each of them is qualified as a dealer eligible to sell its copper wire rods on China Power Cable Material Exchange, an electronic trading platform for materials used in manufacturing power transmission and distribution cables. We

BUSINESS

believe trading on such electronic trading systems can broaden our customer base and help to reduce our receivable turnover days as buyers are usually required to pay the purchase price within a certain period of time, which is generally shorter than the time periods we agree to when negotiating with our customers on a case-by-case basis.

In addition, on February 1, 2013, we entered into a framework agreement with Huayi Compressor Co., Ltd. (華意壓縮機股份有限公司), the largest shareholder of which is Sichuan ChangHong Electric Co., Ltd. Huayi Compressor Co., Ltd., which has been listed on the Shenzhen Stock Exchange since June 1996 and is one of the largest manufacturers in PRC of compressors used by refrigerators, freezers, water dispensers, ice machines and other refrigeration appliances. Huayi Compressor Co., Ltd. is headquartered in Jingdezhen, China and has more than 6,500 employees and accounts for about 16% of the global market share, with total assets RMB4.2 billion. Huayi Compressor Co., Ltd. typically has a procurement volume of approximately 20,000 metric tons of enameled wires per annum. Pursuant to the terms of the framework agreement, Huayi Compressor Co., Ltd. has agreed to purchase from us no less than 50% of its total procurement of enameled wires after we are qualified as one of its suppliers and assuming that we offer the same products of same price and quality as its other suppliers. The exact quantity and other material terms, such as procurement time, will be determined in each purchase order. The price of our copper enameled wires under the agreement is based on the sum of the weighted average of the futures prices of copper on the Shanghai Changjiang Nonferrous Metals Market in the preceding month, the procurement price of copper wirerods quoted on the Shanghai Futures Exchange as specified by Huayi Compressor Co., Ltd. and our processing fee. The price of our aluminum enameled wires under the agreement is based on the sum of the weighted average of the futures prices of aluminum on the Shanghai Changjiang Nonferrous Metals Market in the preceding month, the procurement price of aluminum wirerods quoted on the Shanghai Futures Exchange as specified by Huayi Compressor Co., Ltd. and our processing fee. Our processing fee in both cases is determined by the prices quoted in the procurement tenders of Huayi Compressor Co., Ltd. and the payment method will be specified in the procurement tenders. The framework agreement will be valid for five years from the date of the agreement and will be renewed automatically unless the parties agree otherwise. As of the Latest Practicable Date, we had not yet sold any of our products to Huayi Compressor Co., Ltd. and Huayi Compressor Co., Ltd. had not entered into purchase order with us since we had not yet commenced our enameled wire production.

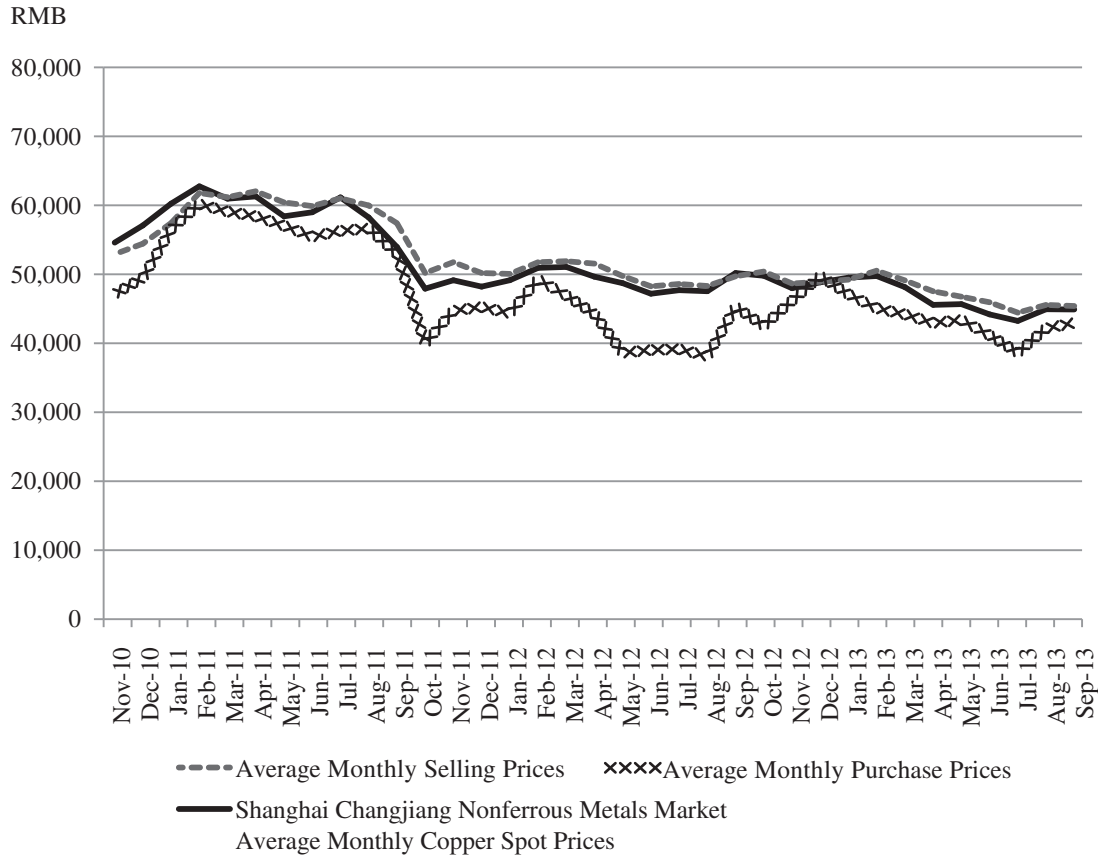
Pricing Policy, Terms of Sale and Credit Policy

We sell recycled copper products to over half of our major customers under annual contracts where volume and pricing are determined under specific sales contracts to be entered into when they place purchase orders with us.

We believe that we are generally able to reflect, to a certain extent, increases in raw material prices in the selling prices of our products. The selling prices of our recycled copper products are generally based on market rates that follow the movements of the spot prices of copper on the Shanghai Changjiang Nonferrous Metals Market. We typically grant credit periods of approximately five to 30 days to major customers of our recycled copper products and sell to other customers on a cash-on-delivery basis. The sales contracts typically provide for the product name, specification, quantity, price, settlement and payment terms, delivery terms and transportation arrangement. The sales contracts normally require our customers to raise any quality concern within three to five days after they receive the delivery and product return is permitted only due to quality issues. During the Track Record Period, we did not have any material product returns.

BUSINESS

The following chart and table set forth the average monthly selling prices of our recycled copper products (ex VAT), our average monthly purchase prices of scrap copper and electrolytic copper (ex VAT) and the average monthly spot prices of copper (ex VAT) on the Shanghai Changjiang Nonferrous Metals Market for the periods indicated:



Notes:

- (1) The average monthly selling prices are calculated by dividing the total amount of sales by the total volume of recycled copper products sold in a given month. The average monthly purchase prices are calculated by dividing the total amount of scrap and electrolytic copper purchases by the total volume of raw materials purchased in a given month. Thus, there is no guarantee that we bought scrap copper and electrolytic copper or sold recycled copper products at such prices.
- (2) In December 2012, the average monthly purchase prices of our scrap copper and electrolytic copper was higher than the average monthly selling prices of our recycled copper products. It is mainly because we increased the purchase of raw materials in anticipation of an increase in copper prices in December 2012, but the price of copper products did not increase as expected. To a lesser extent, as Tongxin became entitled to the preferential tax treatment of 50% VAT refund starting from December 3, 2012, we have been sourcing more of our scrap copper from vendors who do not provide VAT invoices, which results in greater VAT refunds to us, and these vendors generally sell scrap copper at a higher price.
- (3) the differences between our average monthly purchase prices of scrap copper and electrolytic copper (ex VAT) and the average monthly spot prices of copper (net of tax) on the Shanghai Changjiang Nonferrous Metals Market may not be meaningful, since the latter is an average of spot prices and we do not purchase scrap copper and electrolytic on a daily basis. Therefore, the differences could be the result of the timing of our purchases.

BUSINESS

Selected Selling and Purchase Price Information in Our Recycled Copper Products Segment

	2010		2011											
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Average Selling Price (ex VAT, in RMB'000/metric ton)	52.81	54.33	57.32	61.67	61.06	61.92	60.31	59.77	60.90	59.86	57.30	50.09	51.65	50.08
Monthly Revenue (ex VAT, in RMB million)	83.0	120.4	89.1	23.8	107.5	104.0	78.6	118.0	146.4	185.5	123.2	123.1	116.7	106.4
Monthly Sales (in metric tons)	1,571.5	2,215.9	1,553.5	386.1	1,761.2	1,680.0	1,302.9	1,974.2	2,404.4	3,099.2	2,150.3	2,457.5	2,260.1	2,124.5
Average Purchase Price (ex VAT, in RMB thousands/metric tons)	47.05	49.38	56.43	60.04	58.98	58.30	56.93	55.34	56.19	56.52	52.88	39.90	44.61	45.16
Monthly Cost of Purchase (ex VAT, in RMB million)	101.6	191.0	34.4	31.2	68.4	57.3	70.4	91.1	177.7	153.2	102.6	142.0	82.3	125.9
Monthly Purchases (in metric tons)	2,159.3	3,868.0	610.3	520.2	1,158.8	982.9	1,236.9	1,645.8	3,162.1	2,710.1	1,941.0	3,559.5	1,845.3	2,786.9
	2012													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
Average Selling Price (ex VAT, in RMB'000/metric ton)	49.95	51.62	51.79	51.44	49.64	48.15	48.49	48.20	49.60	50.29	48.56	48.79		
Monthly Revenue (ex VAT, in RMB million)	28.1	123.3	118.8	65.6	71.9	63.0	98.9	121.8	135.2	160.2	144.2	355.3		
Monthly Sales (in metric tons)	561.7	2,386.7	2,294.1	1,275.8	1,448.2	1,308.8	2,038.8	2,527.3	2,725.1	3,185.9	2,970.4	7,282.5		
Average Purchase Price (ex VAT, in RMB thousands/metric tons)	44.26	49.14	46.84	44.12	38.53	38.93	39.06	38.05	45.15	42.46	46.07	49.62		
Monthly Cost of Purchase (ex VAT, in RMB million)	54.8	83.4	110.6	67.3	88.1	98.3	63.2	53.6	65.7	142.0	97.0	136.3		
Monthly Purchases (in metric tons)	1,237.9	1,696.8	2,361.5	1,525.2	2,285.0	2,525.1	1,617.0	1,407.7	1,455.9	3,344.4	2,104.9	2,747.3		
	2013													
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep				
Average Selling Price (ex VAT, in RMB'000/metric ton)		49.11	50.42	49.01	47.43	46.65	45.84	44.34	45.46	45.30				
Monthly Revenue (ex VAT, in RMB million)		172.7	62.8	93.1	195.3	137.2	170.5	81.5	139.3	136.8				
Monthly Sales (in metric tons)		3,517.2	1,245.1	1,898.7	4,117.3	2,940.9	3,720.2	1,838.4	3,064.8	3,020.4				
Average Purchase Price (ex VAT, in RMB thousands/metric tons)		46.99	44.97	44.09	42.85	43.28	41.06	38.56	42.06	42.85				
Monthly Cost of Purchase (ex VAT, in RMB million)		148.1	110.7	191.6	57.8	214.9	190.0	185.5	275.8	280.1				
Monthly Purchases (in metric tons)		3,151.9	2,461.3	4,345.4	1,349.2	4,964.8	4,627.2	4,810.9	6,556.4	6,536.0				

BUSINESS

For our communication cable and power transmission and distribution cable products, we typically do not enter into long-term contracts with our customers. Although our customers are required to pay us once the quality check is complete, we generally grant customers in our communication cable business a credit period up to 30 days and customers in our power transmission and distribution cable business a credit period up to 90 days. The sales contracts normally require our customers to raise any quality concern within seven days after they receive the delivery and product return is permitted only due to quality issues. We price our communication cable and power transmission and distribution cable products by adding a mark-up to our cost of raw materials, mainly copper wirerods. The mark-up is determined based on various factors, such as China Shanghai Changjiang Copper Spot Prices, demand and supply of the specific product in the market, the quantity of the order, and the prevailing market rate at the location where the purchase orders are placed.

We require some of our recycled copper products customers to pay a portion of the contract amount to us in advance. As of December 31, 2010, 2011 and 2012 and September 30, 2013, our receipts in advance was approximately RMB1.5 million, RMB1.9 million, RMB7.6 million and RMB9.0 million, respectively. We require some of our communication cable and power transmission and distribution cable product customers to pay 30% of the contract price upon entering into the sale contracts, with the remaining balance to be paid upon completion of the quality check at delivery by customer. The payments made by domestic customers of our communication cable and power transmission and distribution cable businesses are mainly settled in RMB by way of direct bank transfers. We expect the overseas customers of our communication cable business to settle payments in US dollars by way of direct payments into our domestic bank account. Other than the period during which we allow our customers to raise quality concerns, we do not provide warranties for replacement of any defective products.

To minimize credit risk, we implemented certain internal control procedures for our recycled copper product business, including determination of credit limits for each customer, credit evaluation based on the customer's past history of making payments when due and current ability to pay, and credit approvals by our risk control officer for contracts with a value between RMB5 million to RMB10 million and by our directors for contracts with a value over RMB10 million. We adjust the credit limits for our customers based on their business condition and credit record and evaluate their payment history periodically. We also closely monitor the credit limits for each customer. In the event that the outstanding amount of accounts receivable exceeds the credit limits for particular customers, we will cease entering into sales contracts with these customers and will stop delivery of our products. We apply the same policy in our communication cable and power transmission and distribution cable businesses. For additional information on our credit policy, please see the section headed "Financial Information – Qualitative and Quantitative Disclosure about Market Risk – Credit risk" in this prospectus. Our senior managers, Mr. Chen Wei and Ms. Luo Guidi, are responsible for our business and financial risk management policies. For addition information, see the section headed "Directors and Senior Management – Senior Management" in this prospectus.

In the first half of 2013, we ceased to sell to a customer who had been one of our five largest customers in 2011 and 2012 because the customer did not fulfill the volume requirement under its annual contract with us and was late in its payments due to us in 2012. In the third quarter of 2013, we resumed our business relationship with this customer after considering our relationship history

BUSINESS

with this customer and the fact that all outstanding amounts had been paid. For the period ended December 31, 2010, the two years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013, sales of recycled copper products to this customer amounted to RMB8.5 million, RMB154.3 million, RMB56.3 million and RMB1.8 million, respectively. As of September 30, 2013, we had no outstanding receivables from this customer. We evaluated operation condition of this customer and granted it a credit term of 10 days. After resumption of business relationship, our sale to this customer is conducted on a single transaction basis to minimize credit risk. During the period from October 1, 2013 to the Latest Practicable Date, sales of recycled copper products (net of value-added taxes) to this customer amounted to approximately RMB11.8 million and all the outstanding receivables due from this customer had been received as at the Latest Practicable Date. We believe our reduced reliance on this customer will not have any material adverse impact on our business.

In late 2012 and early 2013, we entered into annual contracts with some of our customers, mainly power transmission and distribution cable manufacturers and trading companies. Under these contracts, we are required to sell to our customers and our customers are required to buy from us copper wirerods and wires over a period of one year an aggregate of approximately 39,504 metric tons, subject to agreement on price for specific purchases as described below. Such amount is approximately 8% more than the total amount of recycled copper products we sold in 2012. Our sales volume of recycled copper products increased by 52.1% from 16,341 metric tons for the nine months ended September 30, 2012 to 24,854 metric tons for the nine months ended September 30, 2013.

Under these sales contracts, the price is to be determined when a purchase order is placed, and purchases and sales will only occur if the parties agree on price. Consequentially, there is no assurance that our customers will purchase the full amounts specified in these contracts. From the effective date of the sales contracts until November 30, 2013, we sold approximately 9,243 metric tons under these sales contracts. The total contractual amount is determined on the basis of estimated amount of purchase provided by the customers. These agreements do not impose any penalty on us or the customers in case the target volume for the year is not met. Although the sales contracts are subject to further agreement between the parties on the sales price for individual orders, the contracts provide approximate sales amount, confirm the customers' willingness and ability to purchase such products and strengthen the business relationship between us and the customers. Our products must meet the applicable national quality standard stipulated therein. Our customers may raise any quality concern within two days of receipt of our products. Any dispute over product quality is to be determined by the relevant national quality examination department. Under these sales contracts, we are responsible for the delivery of the products and the expenses of such delivery.

Inventory Management

We monitor inventory levels of our raw materials and finished products to balance our production needs and our exposure to changes in copper prices. For our recycled copper products, to minimize the risk of raw material price fluctuations, our scrap copper purchase amounts are generally based on our customer orders and our inventory levels. We also use commodity futures contracts to hedge our exposure against short-term price fluctuations of copper raw materials. For our downstream cable business, we typically source our copper needs internally after our customers place

BUSINESS

their purchase orders and enter into sales contracts with us. In order to monitor our inventory level, our procurement departments prepare monthly procurement plans based on our sales and production plans as well as our current inventory level. The plans must be approved by the managers of our PRC subsidiaries and submitted to our risk management department and futures departments. In addition, our futures departments also monitor our inventory level on a daily basis based on the information provided by our warehouse departments and finance departments. If our inventory level is above or below the level we usually maintain, our futures departments will consider entering into futures contracts and submit their proposals to our decision-making committees for their approval. For additional information on our commodity risk, please see the sections headed “Financial Information – Qualitative and Quantitative Disclosure about Market Risk – Commodity risk” and “– Raw Materials, Procurement and Suppliers” in this prospectus.

All of our inventories are stored in our warehouses, workshops and outdoor areas at our production facilities. We generally maintain an inventory of scrap copper sufficient for approximately 10 to 18 days of manufacturing needs.

We do not engage in scrap material trading apart from sale of scrap material generated from our manufacturing processes. For a breakdown of our turnover from sales of scrap materials, see the section headed “Financial Information – Discussion of Certain Key Income Statement Items – Turnover” in this prospectus.

COMPETITION

Many of our products are made to industry specifications, and are therefore functionally interchangeable with those of competitors. Some competitors have greater financial, engineering, manufacturing, and marketing resources than we have. The market can be influenced by economic downturns as some competitors that are highly leveraged both financially and operationally could become more aggressive in their pricing. However, we believe that significant opportunities exist to differentiate our products on the basis of quality, consistent availability, conformity to manufacturer’s specifications and customer service. We believe our competitive strengths include breadth of product offering, brand recognition, distribution and logistics, strong customer relations, operating efficiency, and commitment to quality control and continuous improvement.

Recycled Copper Products

The recycled copper industry in China is fragmented and highly competitive. We compete with numerous other recycled copper companies, especially those located close to our production facilities, for both raw materials and sales of recycled copper products. Competition for raw materials is based on price and proximity to the source of raw materials. Competition for sales is primarily based on price, quality of products, production capacity, customer services and proximity to customers. Due to the fragmented nature of the industry, we compete primarily with local metal recycling companies. The barriers to entry in the copper recycling industry are relatively low. However, many copper recycling companies in China have small production capacity and relatively low efficiency. We also compete with companies who import recycled scrap copper from overseas. Further appreciation of the Renminbi, which may have the effect of lowering the cost of imported scrap copper, may intensify the competition in the recycled copper industry.

BUSINESS

Communication Cable and Power Transmission and Distribution Cable Products

The markets for our communication cable and power transmission and distribution cable products are both relatively competitive. The number and size of our competitors vary depending on the product line.

We expect the ability to use our own copper raw materials in our communication cable and power cable businesses to provide us with an advantage over many of our competitors who source principal raw materials from independent parties. The vertical integration of our mid-stream product business with our downstream cable business is expected to increase the stability of raw material supply for our downstream cable business, broaden our overall product range, enable us to benefit from synergies between the two businesses and give us a competitive advantage over companies engaged solely in the manufacture of either mid-stream or downstream products.

However, we only entered communication cable and power transmission and distribution cable businesses in December 2012 and full integration of our mid-stream and downstream businesses may take significant time and might be challenging. For additional information on related risks, see the sections headed “Risk Factors – Risks Relating to Our Business – We face significant competition, and if we do not compete successfully against existing and new competitors as well as competing technologies and other products, we may lose our market share and our results of operations may be materially and adversely affected” and “Risk Factors – Risks Relating to Our Business – We may not successfully integrate our newly acquired businesses or achieve expected profitability from our acquisitions” in this prospectus.

QUALIFICATIONS, PERMITS AND LICENSES

We require various qualifications, permits, licenses and registration for our business which include the Registration Certificate for Operators of Renewable Resources Recycling Business (《再生資源回收經營者備案證明》) granted by local MOFCOM or its authorized institutions and the Registration for Security Administration of Scrap Metal Recycling (《廢舊金屬收購業治安管理備案登記》) granted by local public security authorities. Except for the Registration of Security Administration of Scrap Metal Recycling of Xiangbei, which expires on January 17, 2031, the registration certificates obtained by our subsidiaries in the recycling copper business do not contain an expiry date. Our PRC legal advisors, Chen & Co., have confirmed that we have obtained all necessary licenses and approvals for our operations in China.

Upon completion of the construction of our Baohe Xinshiji facilities, we are also required to obtain the National Production License for Industrial Products (《全國工業產品生產許可證》) granted by the local Administration of Quality Supervision, Inspection and Quarantine, the National Compulsory Authentication Product Certification (《中國國家強制性產品認證證書》) granted by China Quality Certification Center, the Safety Certificate of Approval for Mining Products (《礦用產品安全標誌證書》) granted by the Mining Products Safety Approval and Certification Center for manufacturing our own power transmission and distribution cable product. For additional information, see the section “Regulatory Overview” in this prospectus.

BUSINESS

For certificates related to tax benefits granted under preferential tax policies and additional information on the tax benefits, please see the sections headed “Financial Information – Factors Affecting our Results of Operations and Financial Condition – VAT refunds and other governmental incentives”, “Regulatory Overview – Value-Added Tax” and “Regulatory Overview – Corporate Income Tax” in this prospectus.

QUALITY CONTROL

We conduct rigorous quality control tests at different stages of our production processes, including rigorous quality tests of our raw materials and products in process, and quality testing on finished products to ensure their compliance with our customers’ specifications and applicable national or international industrial standards.

We assess our raw material suppliers regularly in accordance with specified criteria on pricing, quality of raw materials supplied, source of scrap copper and quality of service. Before entering into a business relationship with a new supplier, we conduct diligence on the supplier’s background and reputation in the market to assess its suitability. In addition, we physically inspect each delivery of raw materials to ensure its compliance with contract specifications, including purity and copper content.

For our recycled copper products, we focus primarily on their electrical resistance, electrical conductivity, tensile strengths, elongation, bending rate and torsional properties by using equipment such as electronic universal testing machines, digital resistance meter, portable digital conductivity meter and torsion testing machine.

For our communication cable products, our contract manufacturer, Guangzhou Taiyue, uses equipment such as electronic inspection machines, micrometers, diameter gauges, resistance meters and density meters to conduct quality test of our communication cable products. We expect to use the same equipment for testing our products in our Baohe Taiyue facility. In addition, for our power cable products, our contract manufacturer, Sichuan Xinshiji, uses equipment such as voltage withstanding testing system, deviation meter and fault locators to test our power transmission and distribution cable products on voltage, concentricity of the insulation or sheath and other quality requirements. We expect to use the same equipment for testing our products in our Baohe Xinshiji facility.

Our PRC legal advisors, Chen & Co., have confirmed that Guangzhou Taiyue and Sichuan Xinshiji, our contract manufacturers, have all necessary certificates and qualifications for the production of the cable products they manufacture for us.

As of the Latest Practicable Date, we had not encountered any significant quality issues relating to our finished products nor had we received any material complaints or claims in relation to the products sold that would affect our financial position or results of operations.

As of the Latest Practicable Date, our quality control department had 13 employees with experience in the copper industry, the communication cable industry and the power transmission and distribution cable industry. These employees are mainly responsible for conducting quality control tests on our raw materials, products in process and finished products in accordance with our quality control manual.

BUSINESS

Our Xiangbei facility obtained ISO 9001 certification on quality control management systems on April 26, 2013. We will apply for ISO 9001 certification for our Baohe Taiyue and Baohe Xinshiji facilities upon completion of their construction.

AWARDS AND CERTIFICATIONS

We have received a number of awards and certifications from various PRC government authorities and other associations. Some of these awards and certifications are summarized as follows:

Recipient	Year	Award/Certificate	Issuing organization
Jinxin	2012	Advance Enterprise Award for Employing the Disabled Persons (安置殘疾人就業先進單位)	Disabled Persons' Federation of Mianyang City (綿陽市殘疾人聯合會)
	2012	Advance Enterprise Award for Employing the Disabled Persons (安置殘疾人就業先進單位)	Disabled Persons' Federation of Santai County (三台縣殘疾人聯合會)
	2010	Top 50 Enterprises of Mianyang City (綿陽市50強企業)	League of Enterprises of Mianyang City (綿陽市企業聯合會)and Enterprisers Association of Mianyang City (綿陽市企業家協會)
Xiangbei	2011	Advanced Enterprise for the Promotion of New Industrialization (推進新型工業化先進企業)	The Team of Leaders in the Evaluation Office of Miluo City (汨羅市考評辦領導小組)
	2011	Top 50 Enterprises of Nonferrous Metal Industry in Hunan Province (湖南省有色金屬行業50強企業)	Administration of Nonferrous Metals, Hunan Province (湖南省有色金屬管理局)
Tongxin	2012	Largest-Scale Enterprise in Scrap and Recycled Copper Processing Industry (最大規模一廢料及再生銅加工業)	Sichuan Development and Reform Commission (四川省發展和改革委員會), Sichuan Provincial Economic and Information Commission (四川經濟和資訊化委員會) and State-owned Assets Supervision and Administration Commission of Sichuan Province (四川省政府國有資產監督管理委員會)

BUSINESS

Recipient	Year	Award/Certificate	Issuing organization
	2012	Most Efficient Enterprise in Scrap Metals and Recycled Copper Processing Industry (最佳效益—金屬廢料及再生銅加工業)	Sichuan Development and Reform Commission (四川省發展和改革委員會), Sichuan Provincial Economic and Information Commission (四川經濟和資訊化委員會) and State-owned Assets Supervision and Administration Commission of Sichuan Province (四川省政府國有資產監督管理委員會)
	2012	Advanced Entity in Social Consolidated Governance (社會綜合治理先進單位)	Political and Legal Affairs Commission of Youxian District (游仙區委政法委員會)
	2012	Financial Contribution Award (財政貢獻獎)	People's Government of Youxian District (游仙區人民政府)

RESEARCH AND DEVELOPMENT

We focus our research and development efforts on the efficiency of manufacturing processes and application of new technologies in manufacturing. We possess the proprietary know-how in copper wirerods manufacturing; specifically, the use of a combination of shaft furnace, energy-efficient, flat-plate refining furnace and continuous casting and rolling machines. As of the Latest Practicable Date, we had 13 employees working on research and development projects. They have accumulated experience of 11 years on average in the copper or cable industry.

We also co-operate with certain external research institutions on research and development. We have an arrangement with Central Research Institute of Building and Construction of China Metallurgical Group Corporation pursuant to which both parties agreed to develop and improve the fuel-efficiency and environmental friendliness of furnaces, intelligent control of burning systems and casting and rolling production as well as rapid analysis of product quality during copper wirerod production for a period of three years. Under the arrangement, we are required to provide the raw materials and equipment reasonably necessary for the development and share the intellectual property rights of technologies developed or improved with Central Research Institute of Building and Construction of China Metallurgical Group Corporation equally, and Central Research Institute of Building and Construction of China Metallurgical Group Corporation is required to send its specialists and technicians to our Jinxin facility for formulating research and development topics with our technicians.

In addition, we have a technology development arrangement with Central South University in Hunan Province for developing continuous extrusion technics for copper particles for a period from January 25, 2013 to December 31, 2014. Under the arrangement, both Xiangbei and Central South University are entitled to apply for patents regarding the technologies developed and such applicant or applicants will enjoy the intellectual property ownership rights of such technologies, and we are required to pay a technology fee of RMB250,000 to Central South University.

BUSINESS

Pursuant to a technology development cooperation agreement, Baohe Xinshiji formed a strategic partnership with Chengdu Product Quality Supervision and Inspection Institute to develop fire-resistant, flame retardant, rat-proof and ant-proof power cables as well as power cables for wind power for a period of five years. No fee is required to be paid under the agreement and we will share the ownership of any intellectual property rights emerging from this partnership with Chengdu Product Quality Supervision and Inspection Institute.

In addition, Xiangbei also received a one-time unconditional grant of RMB8.0 million in 2012 from the National Development and Reform Commission of Hunan Province in relation to the Integrated Use of Scrap Copper Project.

Historically, our research and development activities have not entailed any substantial capital investment. Therefore, the costs incurred in our research and development activities have been relatively low as compared to our sales and were recognized as part of our production cost and administration cost during the Track Record Period. However, we may allocate further resources on specific research and development projects in the future, where we find necessary and appropriate. We estimate that our research and development expenses for 2013 will be in excess of RMB10.0 million, of which approximately 43%, 31% and 26% is allocated to our recycled copper, communication cable and power transmission and distribution cable businesses, respectively. These expenditures will be used principally to purchase research and development equipment for our new Baohe Taiyue and Baohe Xinshiji facilities, testing equipment for our Jinxin facility and accessories for research and development equipment in our Xiangbei facility and to pay the salaries and cash incentives of our employees working on research and development projects. We plan to fund these expenditures by our operating cash flows and proceeds from the Global Offering. The scope of our research and development projects in 2013 includes technological improvement in our recycled copper production techniques, such as the utilization of a vertical oxidation furnace and a refining furnace, and improvement of the quality of our cable products.

The table below sets forth details regarding our research and development projects and the relevant expenses.

No.	Entities	Project name	As of December 31, 2013		Expected source of funding
			Actual expenses incurred	Total estimated expenditure	
			<i>(RMB in millions)</i>		
1.	Tongxin	Joint production of copper billets with vertical oxidation furnace, energy-saving flat refining furnace, and continuous casting and rolling research and development project and other applied research	1.39	1.70	Working capital

BUSINESS

No.	Entities	Project name	As of December 31, 2013		Expected source of funding
			Actual expenses incurred <i>(RMB in millions)</i>	Total estimated expenditure	
2.	Tongxin	Anti-clogging vertical oxidation furnace front chamber research and development project (using purple mixed copper particles as raw material and melting at the rate of 16 to 20 metric tons per hour)	0.08	0.59	Working capital
3.	Tongxin	Regenerative combustion technology in refining furnace	0.05	0.25	Working capital
4.	Tongxin	Pure oxygen combustion technology in refining furnace	0.14	1.04	Working capital
5.	Tongxin	Copper refinery natural gas reduction technology research and development project	0.01	0.09	Working capital
		Subtotal	1.67	3.67	
6.	Baohe Taiyue	Category 6 Double vessel single shielded cable research and development project	0.13	1.28	Proceeds from the Global Offering
7.	Baohe Taiyue	High temperature cable (cable performance not to change at 60 degree Celsius) research and development project	0.10	1.03	Proceeds from the Global Offering
		Subtotal	0.23	2.31	
8.	Baohe Xinshiji	Aluminum cable rare earth material ratio, conductive, extensive, twisting and fatigue resistance research and development project	1.18	2.30	Proceeds from the Global Offering

BUSINESS

No.	Entities	Project name	As of December 31, 2013		Expected source of funding
			Actual expenses incurred	Total estimated expenditure	
			<i>(RMB in millions)</i>		
9.	Baohe Xinshiji	Use of new insulation material research	0.07	0.38	Proceeds from the Global Offering
10.	Baohe Xinshiji	Insulation and conductor package manufacturing research and development project	0.03	0.17	Proceeds from the Global Offering
		Subtotal	<u>1.28</u>	<u>2.85</u>	
11.	Xiangbei	Continuous extrusion of purple mixed copper particles technology	0.52	0.52	Working capital
12.	Xiangbei	Vertical and flat energy efficient copper refining furnace	0.22	0.30	Working capital
13.	Xiangbei	Copper furnace energy saving applications	0.09	0.17	Working capital
14.	Xiangbei	New product hot extrusion mould development and application	1.16	1.50	Working capital
15.	Xiangbei	Continuous casting and rolling production line control system upgrade	0.17	0.26	Working capital
		Subtotal	<u>2.16</u>	<u>2.75</u>	
		Total	<u>5.34</u>	<u>11.58</u>	

For our strategy and incentive policy in relation to research and development, see the section headed “– Business Strategies – Improve our operating efficiency and strengthen our research and development capacity” in this prospectus.

BUSINESS

For information on the patents we have obtained, see the section headed “C. Further Information About Our Business – 2. Intellectual property rights of our Group” in Appendix VI in this prospectus.

We are developing a new technology for producing aluminum-alloy power cables and aluminum-alloy enameled wires. We believe that successful development of such technology could greatly benefit us.

MAINTENANCE

As of the Latest Practicable Date, we had approximately 19 employees responsible for regular repairs and maintenance of our equipment and machinery at our production facilities. The maintenance employees carry out regular monthly, quarterly or annual inspections and maintenance of our principal equipment and facilities in accordance with our maintenance plans to extend their lifespan and enhance their performance and safety.

The flat-topped refining furnaces at our Jinxin facility generally require replacement of the refractory materials every six to 12 months, with each replacement taking approximately 15 to 18 days. The upward casting production line and downward semi-continuous casting production line at our Xiangbei facility require replacement of the refractory materials in the line-frequency induction furnaces every six to 12 months, with each replacement taking approximately seven to ten days. The main equipment in our Jinxin and Xiangbei facilities generally has a lifespan of ten years, and most of this equipment has been used for two to three years, and the main equipment in our Tongxin, Baohe Xinshiji and Baohe Taiyue facilities will generally have a lifespan of no less than ten years.

We use our back-up equipment and facilities during maintenance. We plan to extend our rigorous maintenance program to our new production facilities. During the Track Record Period, we did not experience any maintenance issues leading to material disruptions to our operations.

INSURANCE AND SAFETY MEASURES

We maintain insurance policies for certain of our properties, including our production facilities, equipment, and inventory that cover loss arising from fire, floods and a wide range of other natural disasters, other than earthquakes.

Consistent with customary industry practice in the PRC, we do not carry any business interruption insurance, third-party liability insurance for personal injury or insurance covering potential liability relating to the release of hazardous materials. Neither do we carry insurance coverage against war or acts of terrorism. Although we do not maintain product liability insurance for our recycled copper product business, we maintain product liability insurance for some of our power transmission and distribution cable products. We believe that our insurance policies are adequate and consistent with industry practice in the PRC. For additional information, see the section headed “Risk Factors – Risks Relating to Our Business – Our insurance coverage may not be sufficient” in this prospectus.

In July 2013, heavy rains in Sichuan province resulted in flooding and a suspension of 34 days of production in our Jinxin facility and a repairment cost of approximately RMB130,000 in relation to the roof of our Jinxin facility. Our business (including sales and procurement of raw materials) was

BUSINESS

not materially affected by the rains or this suspension. Also, none of our employees was injured as a result. We have implemented a policy to minimize flooding risks. The policy requires, among other things, periodic cleaning of drains and taking water discharge into consideration in designing our new facilities.

Our management team has implemented policies to proactively safeguard against accidents. We have also implemented safety procedures at all of our production facilities and we will implement the same safety procedures at our new facilities. Our production staff are provided with regular training on operation of production equipment and occupational safety gears. All of our five PRC subsidiaries have established a system of recording and handling accidents. During the Track Record Period, we did not experience any material industrial accidents or any claims under our product liability policies.

As advised by our PRC legal advisors, Chen & Co., during the Track Record Period and up to the Latest Practicable Date, we were in compliance with all applicable occupational health and safety laws and regulations in all material respects.

EMPLOYEES

As of the Latest Practicable Date, we had 621 employees, of which 618 are located in the PRC and three are located in Hong Kong. The following table sets forth the number of employees in our different departments as of the Latest Practicable Date:

Department	Number
Administration	34
Executive management	31
Finance	21
Production (including maintenance and logistics)	325
Purchasing	16
Research and development	13
Sales and marketing	31
Others	150
Total	621

In accordance with the Labor Contract Law that became effective on January 1, 2008, we have entered into labor contracts with all of our employees in the PRC. Most of our employees in our communication cable business and our power transmission and distribution business were formerly with Guangzhou Taiyue and Sichuan Xinshiji. We expect to recruit a majority of the employees of Guangzhou Taiyue and Sichuan Xinshiji after the completion of our manufacturing facilities. For additional information, see the sections headed “– Acquisitions of Cable Businesses and Interim Processing Arrangements” in this prospectus. Our PRC legal advisors, Chen & Co., have confirmed that we are not liable for any disputes, if any, between Guangzhou Taiyue and its former employees or between Sichuan Xinshiji and its former employees.

BUSINESS

We recruit personnel from the open market and a large number of our employees are disabled persons. We provide technical as well as operational training to our new employees and on-going training for all employees. The compensation package of the employees includes salary, bonus and other cash subsidies. In general, the salaries of our employees largely depend on their performance and length of service with us.

Two of our PRC subsidiaries, Xiangbei and Baohe Xinshiji, have labor unions; however, our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. During the Track Record Period and as of the Latest Practicable Date, we did not experience any material labor disputes with our employees. For additional information about certain of our employees, see the section headed “Directors and Senior Management” in this prospectus.

In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay for and on behalf of our employees a monthly social insurance and housing reserve fund. Except for the above contributions, we are not required by laws to pay other employee benefits.

For additional information of our non-compliance with respect to social insurance and housing fund, see the sections headed “– Compliance” and “Risk Factors – Risks Relating to Our Business – Non-compliance with PRC employee social welfare contribution regulations could lead to the imposition of fines or penalties” in this prospectus.

In Hong Kong, we participate in a mandatory provident fund scheme established under the Mandatory Provident Fund Schemes Ordinance. Under such ordinance, the employer and its employees are each required to make monthly contributions to the plan at 5% of the employee’s relevant income. For this purpose, the monthly relevant income is subject to a cap of HK\$25,000.

We are in compliance with applicable PRC laws and regulations in relation to occupational health and safety. During the Track Record Period, we did not have any violation, material safety claims, lawsuits, penalties, disciplinary actions or any material work accidents.

PROPERTIES

As of the Latest Practicable Date, we occupied land with an aggregate site area of approximately 283,013 square meters, of which we held land use rights for land with an aggregate site area of approximately 148,240 square meters in the eastern suburb of Mianyang, Sichuan Province and 24,563 square meters in Miluo Industrial Park, Miluo, Hunan Province. As of the Latest Practicable Date, we had not obtained land use rights to two parcels of land of approximately 110,210 square meters, of which an area of 53,200 square meters is for Baohe Taiyue facility and 57,010 square meters is for Baohe Xinshiji facility, and we expect to obtain land use rights by the end of the first quarter of 2014 for these two parcels of land in the Youxian Industrial Park through public tender, auction or listing. According to the written confirmations issued by Mianyang Municipal Government on March 27, 2013, the uses of the land by Baohe Taiyue and Baohe Xinshiji are in compliance with the Regulations on Post-Wenchuan Earthquake Rehabilitation and Reconstruction (《汶川地震災害恢復重建條例》). Our PRC legal advisors, Chen & Co., are of the view that these government confirmations were issued by competent PRC authorities and are unlikely to be challenged by higher authorities.

BUSINESS

As of the Latest Practicable Date, our offices, production, residential and other ancillary buildings or units had an aggregate gross floor area of approximately 121,007 square meters in the PRC, and additionally, we had begun construction of six buildings or units which after the construction is completed, will have an aggregate gross floor area of approximately 9,316 square meters. Among the 32 buildings or units whose construction has already completed, we have obtained the building ownership certificates or real estate ownership certificates for 16 buildings or units, with an aggregate gross floor area of approximately 56,145 square meters, and we are in the process of obtaining the building ownership certificates or real estate ownership certificates for the additional 16 buildings or units, with an aggregate gross floor area of approximately 64,862 square meters. According to the confirmation from the Mianyang Youxian District Real Estate Administration (綿陽市游仙區房產管理局) and the legal opinion of our PRC legal advisors, Chen & Co., there will not be any material legal impediment for us to obtain the building ownership certificates for the additional 16 buildings or units. For the six buildings or units which are still under construction, we have obtained construction approvals for four buildings or units and are in the process of obtaining relevant construction approvals for the remaining two buildings or units. As advised by our PRC legal advisors, Chen & Co., enforcement by the Mianyang Urban and Rural Planning Bureau Youxian District Branch Bureau (綿陽市城鄉規劃局游仙規劃分局) and Mianyang Youxian District Urban and Rural Planning Construction and Housing Security Bureau (綿陽市游仙區城鄉規劃建設和住房保障局) due to lack of these certificates or approvals is remote.

We commenced construction of certain production workshops or other ancillary facilities in our Jinxin, Tongxin and Baohe Xinshiji facilities prior to obtaining the construction approval required by PRC construction law. However, according to the Regulations on Post-Wenchuan Earthquake Rehabilitation and Reconstruction (《汶川地震災害恢復重建條例》) and the Notice of Ministry of Land and Resources on the Policies of Special Supports for Post-Earthquake Rehabilitation and Reconstruction (《國土資源部關於實行保障災後恢復重建特殊支持政策的通知》), land for approved projects of the post-earthquake restoration and reconstruction can be used in accordance with the overall planning of land use while construction approval is in the process of being obtained and relevant approvals for land used for approved projects of the post-earthquake restoration and reconstruction can be obtained while the projects are being constructed. For additional information, see the section headed “Regulatory Overview – regulation of post-Wenchuan earthquake rehabilitation and reconstruction” in this prospectus. Local governmental authorities have confirmed the projects as Post-Wenchuan-Earthquake Restoration and Reconstruction and therefore the construction is permitted to commence prior to obtaining such construction approval.

BUSINESS

The table below sets forth details of the buildings in respect of which we failed to obtain construction approvals or building ownership certificates and the status of such approvals and certificates:

		Jinxin facility	Tongxin facility	Baohe Xinshiji facility	Xiangbei facility
Buildings completed	Location	Songya Town, Nongke District, Mianyang, Sichuan Province	Youxian Industrial Park, Mianyang, Sichuan Province	Youxian Industrial Park, Mianyang, Sichuan Province	–
	Description of buildings	8 buildings with an aggregate GFA of approx. 13,881 sq.m.	4 buildings with an aggregate GFA of approx. 305 sq.m.	4 buildings with an aggregate GFA of approx. 50,676 sq.m.	–
	Status of construction approvals	Obtained	Not yet obtained	Not yet obtained	–
.....					
Buildings under construction	Location	–	–	Youxian Industrial Park, Mianyang, Sichuan Province	Miluo Industrial Park, Miluo, Hunan Province
	Description of buildings	–	–	2 buildings with an aggregate GFA of approx. 2,020 sq.m.	4 buildings with an aggregate GFA of approx. 7,296 sq.m.
	Status of construction approvals	–	–	Not obtained	Obtained
	Status of building ownership certificate	Not yet obtained	Not yet obtained	Not yet obtained	Not yet obtained
.....					
Covered by Regulations on Post-Wenchuan Earthquake Rehabilitation and Reconstruction		Yes	Yes	Yes	No
.....					
Governmental confirmations obtained	Date of the confirmation	August 13, 2013	August 13, 2013	August 13, 2013	–
	Identity of the governmental authorities	Mianyang Youxian District Municipal Real Estate Administration Bureau (綿陽市游仙區房產管理局)	Mianyang Youxian District Municipal Real Estate Administration Bureau (綿陽市游仙區房產管理局)	Mianyang Youxian District Municipal Real Estate Administration Bureau (綿陽市游仙區房產管理局)	–
		Mianyang Youxian District Municipal Real Estate Administration Bureau (綿陽市游仙區房產管理局)	Mianyang Youxian District Urban and Rural Planning Bureau (綿陽市游仙區城鄉規劃建設和住房保障局)	Mianyang Youxian District Urban and Rural Planning Bureau (綿陽市游仙區城鄉規劃建設和住房保障局)	
		Mianyang Youxian District Urban and Rural Planning Bureau (綿陽市游仙區城鄉規劃建設和住房保障局)	Mianyang Youxian District Urban and Rural Planning Bureau (綿陽市游仙區城鄉規劃建設和住房保障局)	Mianyang Youxian District Urban and Rural Planning Bureau (綿陽市游仙區城鄉規劃建設和住房保障局)	
		Mianyang Youxian District Urban and Rural Planning Bureau (綿陽市游仙區城鄉規劃建設和住房保障局)	Mianyang Youxian District Urban and Rural Planning Bureau (綿陽市游仙區城鄉規劃建設和住房保障局)	Mianyang Youxian District Urban and Rural Planning Bureau (綿陽市游仙區城鄉規劃建設和住房保障局)	

BUSINESS

Our PRC legal advisors, Chen & Co., are of the view that the governmental confirmations set forth above were issued by competent PRC authorities and are unlikely to be challenged by higher authorities.

For additional information and our non-compliance with respect to properties, see the sections headed “– Compliance” and “Risk Factors – Risks Relating to Our Business – We do not possess valid title to certain buildings that we occupy and we commenced construction of certain buildings prior to obtaining the requisite construction approvals, and we are applying for land use right certificates with respect to the land where our certain facilities are or will be located” in this prospectus.

Please refer to the valuation report prepared by DTZ Debenham Tie Leung Limited, an independent property valuer, in “Property Valuation Report” in Appendix IV in this prospectus for further details on the valuation. Except for the property interests set forth in Appendix IV in this prospectus, no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

ENVIRONMENTAL MATTERS

According to PRC environmental laws and regulations, we are required to adopt effective measures to prevent and control pollution to the environment in connection with our businesses. We are committed to following environmentally responsible practices and have adopted measures to lower the impact and risk of our operations on the environment. We monitor our compliance with applicable environmental regulations relating to noise and solid waste discharge and have established an environmental control system pursuant to the applicable regulations.

Our environmental control system consists of three major components, dust precipitation system, smoke reduction system and wastewater processing system. Dust precipitation system and smoke reduction system are used for removal of dust and smoke generated in our production processes, and wastewater processing system is used for wastewater treatment and disposal. As advised by our PRC legal advisors, Chen & Co., no permit or approval is required for installing or using the equipment that is part of our environmental control system.

In addition, we have adopted environmental protection manuals to govern environmental related matters of the Group, including standard procedures for waste management. We also have an environmental officer at each of our operating subsidiaries to ensure implementation and compliance of the environmental protection manuals.

For the period ended December 31, 2010, the years ended December 31, 2011 and 2012 and the nine months ended September 30, 2013, we incurred environmental protection costs of RMB0.8 million, RMB3.7 million and RMB20.2 million and RMB0.2 million, respectively, of which RMB0.8 million, RMB3.6 million, RMB19.8 million and RMB0.1 million were incurred for the purchase and installation of environmental protection system at our facilities. We estimate that our environmental protection costs incurred in 2013 are approximately of RMB4.6 million and have budgeted to incur environmental protection costs of RMB10.4 million in the first half of 2014. The substantial increase in environmental protection costs from RMB3.7 million in 2011 to RMB20.2 million in 2012 was mainly due to the establishment of an environmental control system at our new Tongxin facility. Our environmental protection costs incurred in 2013 were mainly for the improvement of the existing environmental control system and environmental protection equipment at our Xiangbei facility. In the first half of 2014, we plan to establish environmental control systems and purchase environmental protection equipment for our new Baohe Taiyue and Baohe Xinshiji facilities and to further improve the existing environmental control system and environmental protection equipment at our Xiangbei









BUSINESS

facility. We intend to purchase “explosion-proof low pressure pollutant precipitator” and “high-temperature smoke channeling system” to improve our dust precipitation and smoke reduction systems in our Xiangbei facility which is estimated to cost approximately RMB8.3 million in the last quarter of 2013 and the first quarter of 2014. For our Baohe Taiyue and Baohe Xinshiji facilities, we intend to purchase and install “air exchange and smoke purification system” for each facility which is expected to cost approximately RMB4.4 million and RMB1.0 million, respectively, in the first quarter and the second quarter of 2014.

Other than the non-compliances described in the section headed “– Compliance” of this prospectus, all of our facilities and products meet the relevant requirements under PRC laws and we have not been subject to any material fines or legal action involving non-compliance with any relevant environmental regulation, nor are we aware of any threatened or pending action, including by any environmental regulatory authority.

For additional information, see the section headed “Risk Factors – Risks Relating to Our Business – Failure to comply with environmental regulations could harm our business” in this prospectus.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had registered the trademark “” and had obtained “WE COM”, “”, “” and “” trademarks from Guangzhou Taiyue and “”, “”, “” and “” trademarks from Sichuan Xinshiji in China and had obtained ten patents relating to certain of our manufacturing processes. We have also filed eight patent applications relating to certain of our manufacturing processes with the State Intellectual Property Office of the PRC and five trademark applications with the Trademark Office of the State Administration for Industry and Commerce of the PRC. Details of our intellectual property rights are set forth in the section headed “C. Further Information About Our Business – 2. Intellectual property rights of our Group” in Appendix VI in this prospectus.

During the Track Record Period, we did not have any pending or threatened claims against us, nor has any claim made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

For information on our know-how, see “– Research and Development”.

LEGAL PROCEEDINGS

There are no pending or threatened litigation or other proceedings that may, and we are not involved in any litigation or other proceedings the outcome of which we believe might, individually or taken as a whole, materially and adversely affect our business, financial condition or results of operations.

COMPLIANCE

We confirm that as of the Latest Practicable Date, save as disclosed in this prospectus, we had obtained and held all licenses, permits, approvals and certificates necessary to conduct our business operations and have complied with all applicable laws, rules and regulations in all material aspects.

The table below sets out summaries of certain incidents of our non-compliance with applicable regulations during the Track Record Period. Our Directors are of the view that these incidents of non-compliance, whether individually or collectively, will not have a material operational or financial impact on us, and we will disclose the progress of rectification in our interim or annual reports.

Non-compliance incident	Reason for the non-compliance	Legal consequences and potential maximum penalties	Remedies and measures to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
<p>Xiangbei did not make any contribution to maternity insurance for its employees from January 2011 to March 2013 and Baohe Xinshiji did not make contribution to the social insurance scheme for certain of its employees from September 2012 to June 2013.</p>	<p>The non-compliance is mainly caused by our local management at the relevant time being not familiar with the relevant regulatory requirements, different levels of acceptance of the social insurance scheme by our employees, and inconsistent implementation or interpretation by local authorities in the PRC of the relevant regulations.</p>	<p>As advised by our PRC legal advisors, Chen & Co., if we fail to pay the full amount of the social insurance as required, the relevant authorities may order us to make payment within a stipulated period and (i) in respect of any overdue social insurance incurred before July 1, 2011, if payment is not made within the stipulated period, the relevant authorities may levy a surcharge equal to 0.2% of the overdue social insurance for each day from the date on which the social insurance became overdue; and (ii) in respect of any overdue social insurance incurred on or after July 1, 2011, the relevant authorities may levy a surcharge equal to 0.05% of the overdue social insurance for each day from the date on which the social insurance became overdue. In addition, if payment is not made within the stipulated period, the relevant administration department may impose a fine between one to three times the amount of overdue social insurance on us.</p>	<p>Miluo Labor and Social Insurance Administrative Station (汨羅社會勞動保險事業管理站), Miluo Job-related Injury Insurance Funds Administrative and Service Center (汨羅市工傷保險基金管理服務中心), Miluo Employment Service Bureau (汨羅市就業服務局) and Miluo Medical Insurance Funds Administrative and Service Center (汨羅市醫療保險基金管理服務中心) issued written confirmations on July 26, 2013. Mianyang Youxian District Human Resources and Social Security Bureau (綿陽市游仙區人力資源與社會保障局) and Mianyang Fucheng District Social Insurance Administrative Bureau (綿陽市涪城區社會保險事業管理局) issued written confirmations on August 12 and August 13, 2013, respectively. Based on such confirmations, we are not liable for any administrative penalty and the risk of such confirmations to be revoked or invalidated government authorities is low.</p>	<p>Mr. Chen Wei, our Vice General Manager</p>	<p>Our PRC legal advisors, Chen & Co., are of the opinion that, although our PRC subsidiaries' social insurance contribution is not in strict compliance with the relevant laws, the possibility that we will be required by local authorities to make payments for the outstanding social insurance contributions is remote.</p>
<p>As of the Latest Practicable Date, we had been making contributions to the social insurance schemes for our employees based on the local minimum wage in their work locations instead of their actual wages as required by relevant laws.</p>	<p>Based on independent research, interview with officers of the above-mentioned authorities and the confirmations from the above-mentioned authorities, our PRC legal advisors, Chen & Co., are of the view that such confirmations were issued by the competent PRC authorities.</p>	<p>Based on independent research, interview with officers of the above-mentioned authorities and the confirmations from the above-mentioned authorities, our PRC legal advisors, Chen & Co., are of the view that such confirmations were issued by the competent PRC authorities.</p>	<p>We did not make any provision for this non-compliance during the Track Record Period because we believe that the risk of being requested by the relevant authorities to pay this amount is low.</p>	<p>We did not make any provision for this non-compliance during the Track Record Period because we believe that the risk of being requested by the relevant authorities to pay this amount is low.</p>	<p>We did not make any provision for this non-compliance during the Track Record Period because we believe that the risk of being requested by the relevant authorities to pay this amount is low.</p>
<p>As of September 30, 2013, the total outstanding amount payable by us in relation to the social insurance was approximately RMB0.6 million.</p>	<p>As of September 30, 2013, the total outstanding amount payable by us in relation to the social insurance was approximately RMB0.6 million.</p>	<p>As of September 30, 2013, the total outstanding amount payable by us in relation to the social insurance was approximately RMB0.6 million.</p>	<p>As of September 30, 2013, the total outstanding amount payable by us in relation to the social insurance was approximately RMB0.6 million.</p>	<p>As of September 30, 2013, the total outstanding amount payable by us in relation to the social insurance was approximately RMB0.6 million.</p>	<p>As of September 30, 2013, the total outstanding amount payable by us in relation to the social insurance was approximately RMB0.6 million.</p>

Senior management in charge of rectification	Potential impact on our operations and financial condition	Legal consequences and potential maximum penalties	Remedies and measures to prevent future breach and ensure ongoing compliance	Reason for the non-compliance	Non-compliance incident
			<p>We have applied for making contributions to the social insurance schemes for our employees based on their actual wages in November 2013. According to written responses from Mianyang Youxian District Social Insurance Administrative Bureau (綿陽市游仙區社會保險事業管理局), Miluo Job-related Injury Insurance Funds Administrative and Service Center (汨羅市工傷保險基金管理服務中心), Miluo Employment Service Bureau (汨羅市就業服務局), Miluo Medical Insurance Funds Administrative and Service Center (汨羅市醫療保險基金管理服務中心), Miluo Social Insurance Administrative Institution (汨羅市社會勞動保險事業管理機構) and Mianyang Fucheng District Social Insurance Administrative Bureau (綿陽市涪城區社會保險事業管理局), the calculation basis of contributions under the social insurance schemes can only be adjusted once every year and based on the confirmations from the relevant government authorities. We have requested to resubmit our applications for Baohe Taiyue, Baohe Xinshiji, Tongxin, Jinxin and Xiangbei. As at the Latest Practicable Date, we were still awaiting notification from the authorities to resubmit the applications.</p> <p>On October 26, 2013, Mr. Yu gave an irrevocable and unconditional undertaking to make full compensation to us if we are required to make payments into the social insurance schemes by the competent social insurance authorities for any outstanding contribution to the social insurance schemes.</p> <p>We plan to prevent the recurrence of similar incident of non-compliance by providing relevant trainings to our employees in respect of the relevant rules and regulations and we engaged our PRC legal advisors, Chen & Co., to provide the relevant training in September 2013.</p>		

Non-compliance incident	Reason for the non-compliance	Legal consequences and potential maximum penalties	Remedies and measures to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
<p>None of our PRC subsidiaries participated in the housing fund schemes operated by the relevant government authorities for our employees from their inception to April 2013. We made housing fund contributions only for certain employees from May 2013 to September 2013. We started to make contributions to the housing fund schemes for all of our employees in October 2013.</p> <p>Furthermore, as of the Latest Practicable Date, we had been making contributions to housing fund schemes for our employees based on the local minimum wage in their work locations instead of their actual wages as required by relevant laws.</p> <p>As of September 30, 2013, the outstanding amount payable by us in relation to our required contribution was approximately RMB1.4 million.</p>	<p>The non-compliance is mainly caused by our local management at the relevant time being not familiar with the relevant regulatory requirements, different levels of acceptance of the housing fund scheme by our employees, and inconsistent implementation or interpretation by local authorities in the PRC of the relevant regulations.</p>	<p>As advised by our PRC legal advisors, Chen & Co., under the relevant PRC laws and regulations, our PRC subsidiaries may be ordered by the relevant housing fund authorities to pay the outstanding housing fund contributions within a prescribed period of time and may be liable for a fine between RMB10,000 to RMB50,000. If one of our employees succeeds in a labor dispute against us with respect to such outstanding housing fund contributions, we may be required to make the outstanding contributions to such employee. Our PRC legal advisors, Chen & Co., have advised us that our employees, including those who are no longer employed by us, are entitled to request that we make the relevant housing fund contributions.</p>	<p>Each of our PRC subsidiaries registered and established an account of housing fund in April 2013.</p> <p>Mianyang City Youxian District Housing Funds Administrative Center (綿陽市游仙區住房公積金管理中心), Mianyang City Housing Funds Administrative Center (綿陽市住房公積金管理中心) and Miluo Department of Yueyang Municipal Housing Funds Administration Center (岳陽市住房公積金管理中心汨羅市管理部) issued confirmations on August 13, 14 and 15, 2013, respectively. Based on such confirmations, we are not liable for any administrative penalty and the risk of such confirmations to be revoked or invalidated by government authorities is low.</p> <p>Based on independent research, interview with officers of the above-mentioned authorities and the confirmations from the above-mentioned authorities, our PRC legal advisors, Chen & Co., are of the view that such confirmations were issued by the competent PRC authorities.</p> <p>We have applied for making contributions to the housing fund schemes for our employees based on their actual wages in November 2013. According to the written responses from Miluo Department of Yueyang Municipal Housing Funds Administrative Center (岳陽市住房公積金管理中心汨羅市管理部), Mianyang City Youxian District Housing Funds Administrative Center (綿陽市游仙區住房公積金管理中心) and Mianyang City Housing Funds Administrative Center (綿陽市住房公積金管理中心), the calculation basis of contributions under the housing fund schemes can only be adjusted once every year and based on the confirmations from the relevant government authorities, we have requested to resubmit our applications for Baohe Taiyue, Baohe Xinshiji, Tongxin, Jinxin and Xiangbei. As at the Latest Practicable Date, we were still awaiting notification from the authorities to resubmit the applications.</p> <p>On October 26, 2013, Mr. Yu gave an irrevocable and unconditional undertaking to make full compensation to us if we are required to make payments into the housing fund by the competent housing fund authorities for any outstanding contribution to the employee housing fund.</p> <p>We plan to prevent the recurrence of similar incident of non-compliance by providing relevant trainings to our employees in respect of the relevant rules and regulations and we engaged our PRC legal advisors, Chen & Co., to provide the relevant training in September 2013.</p>	<p>Mr. Chen Wei, our Vice General Manager</p>	<p>Our PRC legal advisors, Chen & Co., are of the opinion that, although our PRC subsidiaries' housing fund contribution is not in strict compliance with the relevant laws, the possibility that we will be required by local authorities to make payments for the outstanding housing fund contributions is remote.</p> <p>We did not make any provision for this non-compliance during the Track Record Period because we believe that the risk of being requested by the authorities to pay this amount is low.</p>

Non-compliance incident	Reason for the non-compliance	Legal consequences and potential maximum penalties	Remedies and measures to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
<p>One equipment upgrade project which involves our existing copper wirerod production line in our Jinxin facility commenced production in September 2010 before obtaining the required environmental assessment approval and completion verification.</p>	<p>The non-compliance was because our local management at the relevant time were not familiar with the relevant regulatory requirements and the application progress of an environmental completion verification took longer than expected.</p>	<p>As advised by our PRC legal advisors, Chen & Co., according to Article 28 of the "Regulations on the Administration of Construction Project Environmental Protection" adopted and promulgated by the State Council in 1998 and Article 23 of the "Environment-related Acceptance of Construction Projects Measures" issued by the State Environmental Protection Administration, if the main body of a project formally goes into production or is delivered for use without the completion of the construction of matching environmental protection facilities required by law, without going through acceptance checks or without passing the acceptance checks, we may be ordered by the competent department or environmental protection administration to stop the production or use, and may be liable for a maximum fine of RMB100,000.</p>	<p>Mianyang City Environmental Protection Bureau (绵阳市环境保护局) issued a confirmation on April 18, 2013 that the project is a project of the post-earthquake restoration and reconstruction, and we have not been subject to environmental administrative penalty.</p> <p>Based on independent research, interview with officers of the above-mentioned authority and the confirmation from the above-mentioned authority, our PRC legal advisors, Chen & Co., are of the view that such confirmation was issued by the competent PRC authority.</p> <p>We have obtained the required environmental assessment approval from the local environmental protection bureau in Mianyang on August 20, 2013. We have submitted our application for an environmental completion verification and have obtained the required completion verification on November 25, 2013.</p> <p>We plan to prevent the recurrence of similar incident of non-compliance by providing relevant trainings to our employees in respect of the relevant rules and regulations and we engaged our PRC legal advisors, Chen & Co., to provide the relevant training in September 2013.</p>	<p>Mr. Chen Wei, our Vice General Manager</p>	<p>Our PRC legal advisors, Chen & Co., are of the opinion that, although this project is not in strict compliance with the relevant environmental laws, the possibility that we will be penalized by local authorities is remote and there will not be any material legal impediment for us to obtain the required completion verification.</p> <p>We did not make any provision for this non-compliance during the Track Record Period because we believe that the risk of being fined by the authorities is low.</p>

Non-compliance incident	Reason for the non-compliance	Legal consequences and potential maximum penalties	Remedies and measures to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
<p>Xiangbei commenced construction of some ancillary facilities with an aggregate GFA of approximately 7,296 sq.m. in June 2013 prior to obtaining the construction approvals.</p>	<p>The non-compliance was because our local management at the relevant time were not familiar with the relevant regulatory requirements.</p>	<p>As advised by our PRC legal advisors, Chen & Co., under the relevant PRC laws and regulations, Jiangbei may be ordered by the relevant authorities to suspend the construction, and construction which affects planning but can still be remedied shall be corrected within a prescribed period of time and be concurrently punishable with a fine of not less than 5% but not more than 10% of the total cost of the construction project; construction which affects planning but cannot be remedied shall be removed within a prescribed period of time or be punishable by the confiscation of any products and illegal income and be concurrently punishable with a fine of not more than 10% of the total cost of the construction project, and the maximum amount of penalty for this non-compliance is RMB985,000.</p>	<p>Xiangbei has obtained the land planning approval, the construction planning approval and the construction permit.</p> <p>Miluo Industrial Park District Land Planning Bureau (汨羅工業園區國土規劃局) and Miluo Circular Economy and Industrial Park District Construction and Real Estate Administration Bureau (汨羅循環經濟產業園區建設房產局) issued confirmations respectively on August 15, 2013 that we are not liable for any administrative penalty and the risk that such confirmations will be rebutted or invalidated by other government authorities is low.</p> <p>Based on independent research, interview with officers of the above-mentioned authorities and the confirmations from the above-mentioned authorities, our PRC legal advisors, Chen & Co., are of the view that such confirmations were issued by the competent PRC authorities.</p> <p>We plan to prevent the recurrence of similar incident of non-compliance by providing relevant trainings to our employees in respect of the relevant rules and regulations and we engaged our PRC legal advisors, Chen & Co., to provide the relevant training in September 2013.</p>	<p>Mr. Chen Wei, our Vice General Manager</p>	<p>Our PRC legal advisors, Chen & Co., are of the opinion that, although some construction of Jiangbei is not in strict compliance with the relevant laws and regulations, the possibility that we will be required by local authorities to stop construction and pay the fine is remote, and there will not be any material legal impediment for us to obtain the building ownership certificates.</p> <p>We did not make any provision for this non-compliance during the Track Record Period because we believe that the risk of being fined by the authorities is low.</p>

BUSINESS

Non-compliance incident	Reason for the non-compliance	Legal consequences and potential maximum penalties	Remedies and measures to prevent future breach and ensure ongoing compliance	Senior management in charge of rectification	Potential impact on our operations and financial condition
<p>We entered into a loan agreement, as borrower, with Mianyang Fule Investment Company Limited in the amount of RMB60.0 million in August 2013 for our working capital. In addition, there are loan and advances between our PRC subsidiaries and other companies in the PRC. As of December 31, 2010, 2011 and 2012 and September 30, 2013, the aggregate amounts due from other companies in the PRC were nil, nil, RMB1.4 million and nil, respectively, and the aggregate amounts due to other companies in the PRC were nil, RMB8.0 million, RMB10.0 million and RMB70.0 million, respectively. During the Track Record Period, the principal amount of loans and advances that we made to other companies in the PRC was RMB1.4 million.</p>	<p>The non-compliance is because our management at the relevant time being was not familiar with the relevant regulatory requirements.</p>	<p>As advised by our PRC legal advisors, Chen & Co., under the General Lending Provision (貸款通則), PBOC may impose on the lender a fine equivalent to one to five times of the income derived by the lender. We may be required to repay the amount outstanding under the loans and advances. Also, we may be imposed a fine equivalent to one to five times of the income we derived from the loans which were in violation of the General Lending Provision.</p>	<p>Mianyang Fule Investment Company Limited gave confirmations on October 18, 2013 and November 25, 2013 that it has not mainly engaged in the lending business nor depended on lending interest as its major income source, and the capital it provided to Tongxin is self-owned. It undertook not to demand early repayment, terminate the agreement or seek invalidation of the loan through litigation or arbitration. It further undertook not to seek early repayment even if the loan is declared invalid, so long as the loan is not in violation of any PRC law, regulation or specific order by relevant authorities.</p> <p>We will not borrow or lend any further loans or advances in violation of the General Lending Provisions. We have replaced the loan from Mianyang Fule Investment Company Limited with an entrusted loan in January 2014 and have repaid in full all other such loans and advances made to us. All loans and advances made by us to other companies have been repaid in full.</p>	<p>Mr. Chen Wei, our Vice General Manager</p>	<p>Our PRC legal advisors, Chen & Co., are of the opinion that, based on judicial precedents in the PRC, loans and/or advances received from a non-financial institution lender are still valid, provided that (a) the lender is not primarily engaged in lending business and (b) the lender does not depend on the interest derived from lending as its major source of income. In light of the above and the confirmations from Mianyang Fule Investment Company Limited, our Directors believe that the risk of having such loans and advances declared invalid is low.</p> <p>In the nine months ended September 30, 2013, without taking into account the loan from Mianyang Fule, we obtained bank loans and other borrowings with an aggregate principal amount of RMB226.0 million.</p>

BUSINESS

In order to enhance the effectiveness of our internal control system, we engaged RSM China Consulting Co., Ltd. (“RSM”) in January 2013 to advise us on the adequacy of our accounting and management procedures, systems and controls. RSM is the consulting arm of RSM International in Greater China with a client base of over 40 state-owned enterprises and 125 publicly trade companies and with expertise in providing transaction support, risk management, capital market and corporate services. RSM performed a first round on-site review from January 14, 2013 to February 8, 2013. After completion of such review, RSM conducted monthly conference calls with us to discuss the status of remediation measures recommended by RSM. In November 2013, RSM performed a week-long on-site follow up review. The table below sets forth RSM’s major findings and recommendations and our status of implementation:

Major findings	Recommendations	Status of implementation
We did not have a clear organizational structure and division of work responsibilities of the senior management due to our recent restructuring.	We should establish a clear organizational structure and clearly define the responsibilities of our senior management. Members of the management should, on a regular basis, conduct review of their respective responsibilities and update their responsibilities promptly to be in line with our development or change.	In July 2013, we adopted a clear organizational structure and clearly defined the responsibilities of our senior management.
We had not formally established a board of directors, an audit committee, a remuneration committee, a nomination committee, and other committees of the board. The memorandum and articles of association appropriate for a listed company and the charters for these committees were still being prepared.	We should establish the board of directors as soon as possible, and adopt the revised memorandum and articles of association, appoint non-independent directors, define the responsibilities of each director of the board and the format of board meetings in accordance with the Listing Rules. We should establish an audit committee, a remuneration committee and a nomination committee in accordance with the suggested responsibilities in Appendix 14 of the Listing Rules.	In August 2013, we appointed four additional executive directors and three independent non-executive directors to the board of directors. In September 2013, we established the audit and corporate governance committee, the remuneration committee and the nomination committee, and adopted respective terms of reference in accordance with the Listing Rules. We will adopt memorandum and articles of association in compliance with the Listing Rules prior to Listing.

BUSINESS

Major findings	Recommendations	Status of implementation
<p>We did not have an effective management and approval system for related party transactions.</p>	<p>We should develop a system for managing related party transactions and major transactions in accordance with the Listing Rules.</p> <p>We should clearly define related parties and implement an approval process and disclosure procedures for related party transactions. We should periodically ask our directors and principal shareholders to fill in questionnaires in order to obtain the updated information on related party transactions. Such information should be delivered to our finance department promptly.</p>	<p>In September 2013, we adopted a related party transaction management policy to clearly define related parties and related party transactions, and to set out procedures for identification, approval, supervision and disclosure of related party transactions.</p>
<p>We did not have a formal information disclosure procedure or standardized checklists to ensure proper and sufficient disclosure of our financial information required under the Listing Rules.</p>	<p>We should have a complete financial statement disclosure procedure, including standardized information disclosure checklists to ensure compliance with the disclosure requirements under the Listing Rules. The management should review the information disclosure checklists periodically to ensure compliance and accuracy of the disclosure. Further, a designated personnel should be appointed to ensure the compliance of disclosure requirements under the Listing Rules.</p>	<p>In September 2013, we adopted an information disclosure management policy, and arranged for training of relevant management personnel in respect of the relevant disclosure regulations in Hong Kong.</p>

BUSINESS

Major findings	Recommendations	Status of implementation
We did not have adequate review and approval procedures for hedging transactions.	Jinxin and Xiangbei should have a hedging policy, which sets out review and approval procedures. The policy should include details of hedged items and related risks and any details required by the PRC GAAP.	In September 2013, we adopted a hedging policy. For additional information, see the section headed “Business – Our Products and Business Activities – Raw Materials, Procurement and Suppliers – Recycled Copper Products – Raw materials” in this prospectus.
We did not have adequate supervision of compliance with terms of our bank loans.	We should strengthen our supervision of compliance with bank loan covenants and designate personnel to monitor the status of compliance. In the event of potential non-compliance instances, we need to obtain written consent from the relevant banks prior to the potential breach.	In September 2013, we adopted a loan management policy. For additional information, see the section headed “Finance Information – Indebtedness” in this prospectus.

In conducting its review, RSM followed, where applicable, the guidance manual, Internal Control and Risk Management – A Basic Framework, issued by the Hong Kong Institute of Certified Public Accountants. In addition, RSM held discussions with our management to assess whether internal policies and procedures were in place, identified and recorded issues discovered, and tested and implemented internal control plans to assess their effectiveness.

RSM did not identify any material weakness in our internal control system which led to the non-compliance incidents.

In addition, we have prepared a licensing and approval requirement checklist, which has been reviewed by the PRC legal advisors, Chen & Co.. We have also assigned our Vice General Manager, Mr. Chen Wei, to closely monitor the compliance status of each of our operating subsidiaries in accordance with the checklist. Mr. Chen Wei is also responsible for supervising the renewal of all required licenses, permits and approvals by monitoring the pending expiration dates of all licenses, permits and approvals and coordinating the timely preparation and submission of the relevant renewal applications and report to our Board to ensure that we have obtained all required permits, licenses and approvals and these permits, licenses and approvals are valid. We have also established an audit and corporate governance committee to oversee our internal control procedures.

BUSINESS

Furthermore, we have engaged Chen & Co. as our PRC compliance advisors which will conduct annual compliance training for our employees to enhance their understanding of the current laws and regulations applicable to us, the obligations to fulfill the conditions of our licenses, permits, approvals held or required, the importance of compliance and consequences of non-compliance, the methods to improve compliance and ensure that the relevant rules are implemented in practice. In addition, to prevent the recurrence of non-compliances, the internal control measures outlined above have been designed to enhance our understanding of the local rules and regulations. We have implemented the abovementioned remedial actions.

As of the Latest Practicable Date, we had established internal procedures to comply with all of the regulatory and legal requirements imposed on us by the approvals, permits, licenses and certificates held by us. Our Vice General Manager, Mr. Chen Wei, is responsible for monitoring the continued compliance with such regulatory and legal requirements imposed by the approvals, permits, licenses and certificates and will be advised by our PRC compliance advisors. Our audit and corporate governance committee will also oversee the continued compliance with such regulatory and legal requirements.

In light of the reasons for and the legal, operational and financial impacts on us resulting from these incidents of non-compliance as well as the remedial measures taken by us, our Directors are of the view that our enhanced internal control measures are adequate and effective under Rule 3A.15(5) of the Listing Rules, our Directors are suitable to be directors of our Company under Rules 3.08 and 3.09 of the Listing Rules, and we are suitable for listing under Rule 8.04 of the Listing Rules. The Sole Sponsor concurs with the views of our Directors.