
CONNECTED TRANSACTIONS

We have entered into certain agreements with entities that will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon Listing, and transactions contemplated under such agreements will constitute continuing connected transactions of our Company under the Listing Rules.

OVERVIEW OF CONTINUING CONNECTED TRANSACTIONS AND WAIVERS

The following is a summary of our connected transactions upon Listing, and the relevant waivers sought:

Nature of transaction	Applicable Listing Rule	Waiver sought
Master Production Agreement with Guangzhou Taiyue	Rule 14A.34	Waiver from announcement requirement
Master Production Agreement with Sichuan Xinshiji	Rule 14A.34	Waiver from announcement requirement
Master Sale Agreement with Guangzhou Taiyue	Rule 14A.34	Waiver from announcement requirement
Master Sale Agreement with Sichuan Xinshiji	Rule 14A.34	Waiver from announcement requirement
Master Purchase Agreement with Sichuan Xinshiji	Rule 14A.34	Waiver from announcement requirement

CONNECTED PERSONS

The table below sets forth the connected persons of our Company who will conduct continuing connected transactions with our Group and the nature of their connection with our Group:

Name	Connected relationship
Guangzhou Taiyue	Guangzhou Taiyue is 40% owned by Mr. Fan Dunxian, a director of Baohe Taiyue, our wholly-owned subsidiary. Accordingly, Guangzhou Taiyue is our connected person pursuant to Rules 1.01 and 14A.11(1) of the Listing Rules.
Sichuan Xinshiji	Sichuan Xinshiji is 19.5% owed by Mr. Chen Hai, a director of Baohe Xinshiji, our wholly-owned subsidiary. Mr. Chen Hai is also in charge of the daily operation of Sichuan Xinshiji and has de facto control of the board of directors. Accordingly, Sichuan Xinshiji is our connected person pursuant to Rules 1.01 and 14A.11(1) of the Listing Rules.

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CONTINUING CONNECTED TRANSACTIONS

Non-exempt Continuing Connected Transactions

Continuing Connected Transactions which are subject to the Reporting, Annual Review, Announcement Requirements but exempted from the Independent Shareholders' Approval Requirements

Following the Listing Date, the following transactions will be regarded as continuing connected transactions exempt from the independent shareholders' approval requirements under Rule 14A.48 of the Listing Rules, but subject to the reporting, annual review and announcement requirements under the Listing Rules.

Master Production Agreement with Guangzhou Taiyue

We are currently planning to construct Baohe Taiyue's facility in Mianyang, Sichuan Province. Prior to the completion of the construction of this facility and the transfer of assets of Guangzhou Taiyue to Baohe Taiyue as agreed in the Taiyue Asset Transfer Agreement, Guangzhou Taiyue has been engaged and will continue to be engaged by Baohe Taiyue as a contract manufacturer. For information on the asset transfer and interim production and processing arrangement, see the section headed "Business – Our Products and Business Activities – Acquisitions of Cable Businesses and Interim Processing Arrangements" in this prospectus. We acquired 80% and 20% of the equity interests in Baohe Taiyue from Guangzhou Taiyue and Baohe Fushan, respectively, on December 31, 2012. As Guangzhou Taiyue is 40% held by Mr. Fan Dunxian, a director of Baohe Taiyue, the production and processing arrangement between our Group and Guangzhou Taiyue will constitute continuing connected transactions of our Company upon Listing.

Baohe Taiyue has entered into a series of processing agreements with Guangzhou Taiyue on an order-by-order basis since November 2012. In January 2013, Baohe Taiyue entered into a processing agreement with Guangzhou Taiyue, pursuant to which Guangzhou Taiyue agreed to provide production and processing services for communication cable products for a fee. 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.

Subsequent to our acquisition of Baohe Taiyue, for the nine months ended September 30, 2013, Baohe Taiyue paid approximately RMB9.4 million to Guangzhou Taiyue for the production and processing services.

The Taiyue Master Production Agreement will take effect upon Listing and will continue until December 31, 2014. The Taiyue Master Production Agreement is subject to an annual cap of RMB5.0 million for the financial year ending December 31, 2014. In arriving at the annual cap, our Directors considered the following factors:

- the monthly average of the historical transaction values and volume of the production and processing service provided by Guangzhou Taiyue for the nine months ended September 30, 2013; and

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- the expected termination of the production and processing arrangement with Guangzhou Taiyue after the new production facility of Baohe Taiyue commences commercial production, which is currently expected to be in the second or third quarter of 2014.

Taking into account such factors, the annual cap has been primarily calculated by multiplying the monthly average of the historical transaction values for the nine months ended September 30, 2013 by four, and adding a buffer to provide the Company with some flexibility to cater for any unexpected increase in transactions.

The production and processing fee is determined by reference to Guangzhou Taiyue's cost plus a profit margin not exceeding 5% in providing the production and processing service. Our Directors (including the independent non-executive Directors) consider that the Taiyue Master Production Agreement was entered into on normal commercial terms and the transactions contemplated thereunder are fair and reasonable and in the interests of our Company and the Shareholders as a whole. As the applicable percentage ratios (other than the profit ratio) (as defined under Chapter 14A of the Listing Rules) for the Taiyue Master Production Agreement are expected to be more than 0.1% but less than 5.0% on an annual basis, the transactions under the Taiyue Master Production Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review, announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Master Production Agreement with Sichuan Xinshiji

We are currently constructing Baohe Xinshiji's facility in Mianyang, Sichuan Province. Prior to the completion of the construction of this facility and the transfer of assets of Sichuan Xinshiji to Baohe Xinshiji as agreed in the Xinshiji Asset Transfer Agreement, Sichuan Xinshiji has been engaged and will continue to be engaged by Baohe Xinshiji as a contract manufacturer. For information on the asset transfer and interim production and processing arrangement, see the section headed "Business – Our Products and Business Activities – Acquisitions of Cable Businesses and Interim Processing Arrangements" in this prospectus. We acquired 80% and 20% of the equity interests in Baohe Xinshiji from Sichuan Xinshiji and Baohe Fushan, respectively, on December 31, 2012. As Mr. Chen Hai, a director of Baohe Xinshiji, has de facto control over Sichuan Xinshiji, the production and processing arrangement between our Group and Sichuan Xinshiji will constitute continuing connected transactions of our Company upon Listing.

In September 2012, Baohe Xinshiji entered into a processing agreement with Sichuan Xinshiji, pursuant to which Sichuan Xinshiji agreed to provide production and processing services for power transmission and distribution cable products for a fee. 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.

Subsequent to our acquisition of Baohe Xinshiji, for the nine months ended September 30, 2013, Baohe Xinshiji paid approximately RMB26.4 million to Sichuan Xinshiji for the production and processing services.

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The Xinshiji Master Production Agreement will take effect upon Listing and will continue until December 31, 2014. The Xinshiji Master Production Agreement is subject to an annual cap of RMB30.0 million for the financial year ending December 31, 2014. In arriving at the annual cap, our Directors considered the following factors:

- the continuous increase in the historical transaction values and volume of the production and processing service provided by Sichuan Xinshiji in the nine months ended September 30, 2013;
- the actual sales of Baohe Xinshiji for the nine months ended September 30, 2013 and the expected continuing growth of our power transmission and distribution cable business; and
- the expected termination of the production and processing arrangement with Sichuan Xinshiji after the new production facility of Baohe Xinshiji commences commercial production, which is currently expected to be in the second quarter of 2014.

Taking into account such factors, the annual cap has been primarily calculated by multiplying the monthly average of the historical transaction value for October and November 2013, which amount to RMB7.8 million and RMB8.8 million, respectively, by three and adding a buffer to the product to provide the Company with some flexibility to cater for any unexpected increase in transactions. We believe that the monthly average of the transaction values for October and November 2013 is a more appropriate basis for determining the annual cap for the Xinshiji Master Production Agreement as we expect the level of transaction in October and November 2013, which is higher than the level in the previous months in 2013, will continue in 2014.

The production and processing fee is determined by reference to Sichuan Xinshiji's cost plus a profit margin not exceeding 5% in providing the production and processing service. Our Directors (including the independent non-executive Directors) consider that the Xinshiji Master Production Agreement was entered into on normal commercial terms and the transactions contemplated thereunder are fair and reasonable and in the interests of our Company and the Shareholders as a whole. As the applicable percentage ratios (other than the profit ratio) (as defined under Chapter 14A of the Listing Rules) for the Xinshiji Master Production Agreement are expected to be more than 0.1% but less than 5.0% on an annual basis, the transactions under the Xinshiji Master Production Agreement constitute continuing connected transactions for our Company and are subject to the reporting, annual review, announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Master Sale Agreement with Guangzhou Taiyue

We have been selling copper products, mainly copper wires, to Guangzhou Taiyue as part of our ordinary and usual course of business since September 2012. We acquired 80% and 20% of the equity interests in Baohe Taiyue from Guangzhou Taiyue and Baohe Fushan, respectively, on December 31, 2012. As Guangzhou Taiyue is 40% held by Mr. Fan Dunxian, a director of Baohe Taiyue, the sale of copper products by our Group to Guangzhou Taiyue will constitute continuing connected transactions of our Company upon Listing.

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Subsequent to our acquisition of Baohe Taiyue, for the nine months ended September 30, 2013, Guangzhou Taiyue paid approximately RMB32.3 million to us for our products.

On February 6, 2014, we entered into the Taiyue Master Sale Agreement to govern the terms and conditions of the transactions between our Group and Guangzhou Taiyue in connection with the sale of copper products (mainly copper wires). The Taiyue Master Sale Agreement will take effect upon Listing and will continue until December 31, 2014. The Taiyue Master Sale Agreement is subject to an annual cap of RMB17.0 million for the financial year ending December 31, 2014. The annual cap has been determined with reference to the market rates for copper products which our Group sells to Independent Third Parties. In arriving at the annual cap, our Directors have considered the following factors:

- the monthly average of the historical transaction values and volume of the sale of products to Guangzhou Taiyue for the nine months ended September 30, 2013; and
- the expected decrease in sales to Guangzhou Taiyue after the new facility of Baohe Taiyue commences commercial production, which is expected to be in the second or third quarter of 2014. For information on the asset transfer, see the section headed “Business – Our Products and Business Activities – Our Manufacturing Facilities – Baohe Taiyue Facility” in this prospectus.

Taking into account such factors, the annual cap has been calculated by multiplying the monthly average of the historical transaction value for the nine months ended September 30, 2013 by four, and adding a buffer to the product to provide the Company with some flexibility to cater for any unexpected increase in transactions.

Given that the sale of products to Guangzhou Taiyue is based on the market price of relevant copper products, our Directors (including the independent non-executive Directors) consider that the Taiyue Master Sale Agreement was entered into on normal commercial terms and the transactions contemplated thereunder are fair and reasonable and in the interests of our Company and the Shareholders as a whole. As the applicable percentage ratios (other than the profit ratio) (as defined under Chapter 14A of the Listing Rules) for the Taiyue Master Sale Agreement are expected to be more than 0.1% but less than 5.0% on an annual basis, the transactions under the Taiyue Master Sale Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Master Sale Agreement with Sichuan Xinshiji

We have been selling copper products, mainly copper wirerods and copper wires, to Sichuan Xinshiji as part of our ordinary and usual course of business since November 2010. We acquired 80% and 20% of the equity interests in Baohe Xinshiji from Sichuan Xinshiji and Baohe Fushan, respectively, on December 31, 2012. As Mr. Chen Hai, a director of Baohe Xinshiji, has de facto control over Sichuan Xinshiji, the sale of copper products by our Group to Sichuan Xinshiji will constitute continuing connected transactions of our Company upon Listing. Subsequent to our acquisition of Baohe Xinshiji, for the nine months ended September 30, 2013, the amount that

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Sichuan Xinshiji paid to us for our products was approximately RMB125.8 million. For further details in relation to the recognition of such amount in the consolidated income statement of the Group for the nine months ended September 30, 2013, please refer to note 29(a)(ii) of the Accountants' Report in Appendix I to this prospectus.

On February 6, 2014, we entered into the Xinshiji Master Sale Agreement to govern the terms and conditions of the transactions between our Group and Sichuan Xinshiji in connection with the sale of copper products including copper wirerods and copper wires. The Xinshiji Master Sale Agreement will take effect upon Listing and will continue until December 31, 2014. The Xinshiji Master Sale Agreement is subject to an annual cap of RMB50.0 million for the financial year ending December 31, 2014. The annual cap has been determined with reference to the market rates for copper products which our Group sells to Independent Third Parties. In arriving at the annual cap, our Directors have considered the following factors:

- the monthly average of the historical transaction values and volume of the sale of products to Sichuan Xinshiji for the nine months ended September 30, 2013; and
- the expected decrease in sales to Sichuan Xinshiji after the new facility of Baohe Xinshiji commences commercial production, which is expected to be in the second quarter of 2014. For information on the asset transfer, see the section headed "Business – Our Products and Business Activities – Our Manufacturing Facilities – Baohe Xinshiji Facility" in this prospectus.

Taking into account such factors, the annual cap has been calculated by multiplying the monthly average of the historical transaction value for the nine months ended September 30, 2013 by three, and adding a buffer to the product to provide the Company with some flexibility to cater for any unexpected increase in transactions.

Given that the sale of products to Sichuan Xinshiji is based on the market price of relevant copper products, our Directors (including the independent non-executive Directors) consider that the Xinshiji Master Sale Agreement was entered into on normal commercial terms and the transactions contemplated thereunder are fair and reasonable and in the interests of our Company and the Shareholders as a whole. As the applicable percentage ratios (other than the profit ratio) (as defined under Chapter 14A of the Listing Rules) for the Xinshiji Master Sale Agreement are expected to be more than 0.1% but less than 5.0% on an annual basis, the transactions under the Xinshiji Master Sale Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Master Purchase Agreement with Sichuan Xinshiji

Baohe Xinshiji has been purchasing power transmission and distribution cables from Sichuan Xinshiji as part of its ordinary and usual course of business since November 2012. We acquired 80% and 20% of the equity interests in Baohe Xinshiji from Sichuan Xinshiji and Baohe Fushan, respectively, on December 31, 2012. As Mr. Chen Hai, a director of Baohe Xinshiji, has de facto control over Sichuan Xinshiji, the purchase of copper products by our Group from Sichuan Xinshiji will constitute continuing connected transactions of our Company upon Listing. Subsequent to our acquisition of Baohe Xinshiji, for the nine months ended September 30, 2013, the amount that we paid to Sichuan Xinshiji for the products we purchased was approximately RMB146.2 million.

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On February 6, 2014, we entered into the Xinshiji Master Purchase Agreement to govern the terms and conditions of the transactions between our Group and Sichuan Xinshiji in connection with the purchase of certain cable products including power transmission and distribution cables. The Xinshiji Master Purchase Agreement will take effect upon Listing and will continue until December 31, 2014. The Xinshiji Master Purchase Agreement is subject to an annual cap of RMB55.0 million for the financial year ending December 31, 2014. In arriving at the annual cap, our Directors have considered the following factors:

- the monthly average of the historical transaction values and volume of the purchase of products from Sichuan Xinshiji for the nine months ended September 30, 2013; and
- the expected decrease in purchases from Sichuan Xinshiji after the new facility of Baohe Xinshiji commences commercial production, which is expected to be in the second quarter of 2014. For information on the asset transfer, see the section headed “Business – Our Products and Business Activities – Our Manufacturing Facilities – Baohe Xinshiji Facility” in this prospectus.

Taking into account such factors, the annual cap is calculated by multiplying the monthly average of the historical transaction value for the nine months ended September 30, 2013 by three, and adding a buffer to the product to provide the Company with some flexibility to cater for any unexpected increase in transactions.

The price of the cable products is determined with reference to Sichuan Xinshiji’s cost plus a profit margin not exceeding 5% in producing the relevant cable products. As a result, our Directors (including the independent non-executive Directors) consider that the Xinshiji Master Purchase Agreement was entered into on normal commercial terms and the transactions contemplated thereunder are fair and reasonable and in the interests of our Company and the Shareholders as a whole. As the applicable percentage ratios (other than the profit ratio) (as defined under Chapter 14A of the Listing Rules) for the Xinshiji Master Purchase Agreement are expected to be more than 0.1% but less than 5.0% on an annual basis, the transactions under the Xinshiji Master Purchase Agreement constitute continuing connected transactions for our Company which are subject to the reporting, annual review and announcement requirements but exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Confirmation of the Directors

Our Directors (including our independent non-executive Directors) are of the view that (1) all the continuing connected transactions disclosed above have been entered into, and will be carried out in the ordinary and usual course of business of our Company, are on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Our Directors (including our independent non-executive Directors) are also of the view that the proposed annual caps of all of the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

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Confirmation of the Sole Sponsor

After review of the relevant documentation and historical figures provided by us, the Sole Sponsor is of the opinion that (i) the agreements in relation to the non-exempt continuing connected transactions referred to in the section headed “Connected Transactions – Continuing Connected Transactions – Non-exempt Continuing Connected Transactions” above have been entered into in the ordinary and usual course of business of our Company and on normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the annual caps for the continuing connected transactions referred to in the section headed “Connected Transactions – Continuing Connected Transactions – Non-exempt Continuing Connected Transactions” above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

WAIVER FROM THE STOCK EXCHANGE

In respect of the transactions under the section headed “Connected Transactions – Continuing Connected Transactions – Non-exempt Continuing Connected Transactions – Continuing Connected Transactions which are subject to the Reporting, Annual Review, Announcement Requirements but exempted from the Independent Shareholders’ Approval Requirements” above, since the applicable percentage ratios (other than the profit ratio) are expected to be more than 0.1% but less than 5.0% on an annual basis, such transactions are exempt from the independent shareholders’ approval requirement but are subject to the reporting, annual review and announcement requirements under the Listing Rules.

As described above, we expect these non-exempt continuing connected transactions to be carried out on a continuing basis and to extend over a period of time, and our Directors consider that strict compliance with the announcement requirement under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs to our Company. Accordingly, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules at the time of the Listing of our Shares on the Stock Exchange in respect of the transactions referred to in the section headed “Connected Transactions – Continuing Connected Transactions – Non-exempt Continuing Connected Transactions – Continuing Connected Transaction which are subject to the Reporting, Annual Review, Announcement Requirements but exempted from the Independent Shareholders’ Approval Requirements” above. In addition, we will comply with the applicable provisions under Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules.