

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is only a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” of this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.

OVERVIEW

We are one of the largest manufacturers of wires and cables for power transmission, distribution systems and electrical equipment in China. Our products are widely used in power and other general industries, including metals and mining, oil and gas, transportation, shipbuilding, construction and others. According to IBISWorld, we were the third largest supplier of electric wires and cables in China in terms of sales in 2010 with a market share of approximately 1.4%. We conduct our business through Jiangnan Cable, our principal operating subsidiary based in Jiangsu province, China.

Our principal products can be classified into three segments: (i) power cables, (ii) wires and cables for electrical equipment, and (iii) bare wires, among which power cable is our largest product segment, accounting for approximately 66.2% of our total turnover in 2011. Our products are primarily marketed and sold under our “” brand, which is recognised as a China Well-known Trademark (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局). Our quality control system has been ISO9001 certified. Our products were accredited as “Customer Satisfaction Products” (用戶滿意產品) by China Association for Quality (中國質量協會) and National Committee for Customers (全國用戶委員會) in December 2007.

We experienced significant growth in our business during the Track Record Period. Our total turnover increased from RMB2,995.0 million in 2009 to RMB3,686.4 million in 2010 and further increased to RMB4,929.9 million in 2011, representing a CAGR of approximately 28.3% for the three-year period ended 31 December 2011. During the three years ended 31 December 2011, our profit for the year was RMB163.6 million, RMB231.8 million and RMB317.4 million, respectively, representing a CAGR of approximately 39.3%. In particular, sales of power cables, our principal products, have recorded continuous growth with turnover of RMB2,139.4 million, RMB2,462.9 million and RMB3,264.7 million, accounting for approximately 71.4%, 66.8% and 66.2% of our total turnover, respectively, during the Track Record Period. We have also steadily improved our profitability during the Track Record Period. For the three years ended 31 December 2011, we recorded gross profit margin of approximately 13.3%, 14.4% and 14.9% and net profit margin of approximately 5.5%, 6.3% and 6.4%, respectively. The increase of our gross profit margin and net profit margin during the Track Record Period reflected (i) the improved gross profit margin of bare wires, as a result

SUMMARY

of increased sales of higher margin bare wires to South Africa and overall improvement in the gross profit margin of power cables from approximately 15.2% in 2010 to approximately 15.9% in 2011, driven by increased sales of copper-based power cables, (ii) our effective measures in managing our key material costs by procuring copper after signing fixed price contracts and setting up price adjustment mechanisms in some contracts, and (iii) our economies of scale and stringent controls on our selling and distribution costs and administrative expenses, as these expenses (as a percentage of our total turnover) decreased from approximately 5.5% to 4.4% and 4.0%, respectively, during the Track Record Period.

Our Customers

China is our primary market. During the Track Record Period, we generated approximately 97.7%, 97.3% and 91.3% of our total turnover from China. South Africa is our second largest market, accounting for approximately 1.9%, 2.6% and 7.6% of our total turnover during the Track Record Period.

We are a qualified supplier of power cables for many of the industry leaders in the PRC, as we meet many stringent requirements, including, among others, obtaining all relevant qualifications, licences, certificates and permits to produce and supply products to various industries of our customers, passing comprehensive evaluation of product quality, having high research and development capabilities, providing sophisticated production processes and high quality after sales services, and maintaining a reputable brand name and successful track record in the industries of our customers. Our established customers include, among others, the State Grid Corporation Group, China Southern Power Grid Corporation, Beijing Electric Power Construction Company (北京電力建設公司) (together with other companies in the same group) and Huadian Tangyuan Wind Power Company Limited (華電湯原風發電有限公司) in the power industry; China Petroleum & Chemical Corporation (中國石油化工股份有限公司) and Petrochemical Company (Guangxi Branch) of PetroChina Company Limited (中國石油天然氣股份有限公司廣西石化分公司) in the oil and gas industry; Shanghai Shentong Metro Group Co., Ltd. (上海申通地鐵集團有限公司) and Shenzhen Metro Group Co., Ltd. (深圳市地鐵集團有限公司) in the metro and railway industry; and Huainan Mining Industry (Group) Co. Ltd. (淮南礦業(集團)有限責任公司) in the coal mining industry. Our sales to the aforementioned industry leaders accounted for approximately 8.5%, 5.6% and 18.5% of our total turnover, respectively, during the Track Record Period.

We also provided our products for many of China's prominent infrastructure projects that require stringent quality assurance for their power supply and transmission systems. In particular, we provided LSZH power cables for the National Olympic Sports Centre (國家奧林匹克體育中心) and six other stadiums for the 2008 Beijing Olympic Games, the BT Subway to the National Stadium (鳥巢BT地鐵支線), the Performance Center for the 2010 Shanghai World Expo (上海世博會演藝中心), the Shanghai World Financial Center (上海環球金融中心), as well as bare wires and aerial conductors for Power Transmission from West to East Project (西電東送工程) and Yunnan to Guangdong $\pm 800\text{kV}$ Direct Current Transmission Project (雲南-廣東 $\pm 800\text{kV}$ 直流輸變電工程), which was the first ultra high voltage power transmission system in China. In addition, our cable products were also used for the No. 5 line of the

SUMMARY

Shenzhen Metro Project (深圳地鐵5號線工程), the No. 7 line of the Shanghai Metro Project (上海地鐵7號線工程), the No. 8 line of the Beijing Metro Project (北京地鐵8號線工程) and high speed railways from Fuzhou to Xiamen (福廈高鐵). Revenue generated from the aforementioned projects accounted for approximately 3.2%, 1.6% and 1.2% of our total turnover, respectively, during the Track Record Period.

In South Africa, a fast growing market for power cables, we are a qualified supplier of Eskom, a state-owned power generation and transmission company in South Africa. We began to supply our products to Eskom in 2007 and we are a SABS certified manufacturer of wires and cables in the PRC that can supply such products to South Africa. During the Track Record Period, revenue generated from Eskom accounted for approximately 1.8%, 2.0% and 6.1% of our total turnover, respectively. In 2011, we also began to supply our products to National Grid USA, a subsidiary of National Grid, a multinational electricity and gas company headquartered in London and with principal businesses in the UK and northeast US. Revenue generated from National Grid USA was approximately RMB19.7 million and accounted for approximately 0.4% of our total turnover for 2011.

We obtain sales orders directly from our customers and through actively participating in the bidding processes of large projects. The combination of our strong brand name and reputation in the industry, high product quality with competitive pricing, ability to deliver large orders under tight project schedules and our successful track record in the industry have contributed to our increase in sales during the Track Record Period through both orders placed directly by our customers and from winning bids. In particular, sales through winning bids accounted for approximately 30.1%, 31.6% and 29.3% of our total turnover during the Track Record Period. Although revenues from winning bids are project-based and non-recurring, our established capabilities and long-term relationships with our customers have helped us in winning projects operated by our customers on a continuous basis. For risks associated with our sales through winning bids, please refer to the paragraph headed “Risks relating to our business” in the section headed “Risk Factors” of this prospectus.

Our Suppliers

We procure our raw materials from suppliers locally in China. Raw materials for our production are primarily copper, aluminium, insulating materials and sheath materials (such as XLPE and PVC). During the Track Record Period, purchases from our top five suppliers (including 11 companies in total) amounted to RMB1,318.4 million, RMB2,495.5 million and RMB3,440.2 million, respectively, representing approximately 58.1%, 77.6% and 78.7% of our total purchases respectively. We maintained business relationships for over four years on average with our top five suppliers during the Track Record Period. They are all private companies located in China and are engaged in the manufacturing and sales of aluminium and copper-based materials. In order to minimise the potential negative effect on our profitability due to raw material price fluctuations, particularly for copper and copper-based materials, we generally procure copper upon receiving orders from customers or set out price adjustment mechanisms based on the price of copper in our contracts, so that the fluctuations of the price of copper are reflected in the prices of our products sold. During the Track Record Period,

SUMMARY

approximately 81.9%, 83.9% and 80.3% of our sales were generated from fixed price contracts for which we procured copper within one week upon signing of the contracts with our customers and the remaining approximately 18.1%, 16.1% and 19.7% of our sales were generated from contracts or agreements with price adjustment mechanisms. These contracts or agreements with price adjustment mechanisms usually have terms of over six months.

During the Track Record Period, our annual average purchase price of copper increased from RMB41,800 per tonne in 2009 to RMB59,300 per tonne in 2010 and further increased to RMB68,400 per tonne in 2011, while our annual average purchase price of aluminium increased from RMB12,400 per tonne in 2009 to RMB14,200 per tonne in 2010 and further increased to RMB15,200 per tonne in 2011. Our total cost of copper and aluminium accounted for approximately 79.3%, 79.9% and 78.9% of our total cost of goods sold during the Track Record Period, respectively.

Price fluctuations of our raw materials could affect our results of operations. For details of the risks associated with price fluctuations of our raw materials, please refer to the paragraph headed “Risks relating to our business” in the section headed “Risk Factors” of this prospectus.

During the Track Record Period, certain suppliers, including some of our top five suppliers, provided guarantees for our bank borrowings. The outstanding bank borrowings guaranteed by these suppliers amounted to approximately RMB778.1 million, RMB899.0 million and RMB1,198.0 million, respectively, as at 31 December 2009, 2010 and 2011.

Our Research & Development

Our capabilities in continued innovation and product development are crucial to our success in the industry. Since 2007, we have developed and introduced 35 innovative products, including ACSR wires for ultra high voltage direct current transmission lines of maximum rated voltage of up to $\pm 800\text{kV}$ ($\pm 800\text{kV}$ 超高壓直流輸電線路用鋼芯鋁絞線), supporting bare wire with expanded diameter (支撐型擴徑導線), flame retardant power cable for railways (生態輻照型軌道用阻燃電力電纜) and control, instrument, meter and communication cable for offshore oil platforms (海上石油平台用控制、儀表和通信電纜). As at the Latest Practicable Date, we had obtained 53 patents that are material to our business in the PRC and had submitted another 15 patent applications to the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局). During the Track Record Period, our sales of such new products accounted for approximately 73.2%, 71.8% and 71.2% of our total turnover, respectively.

We established a research workstation (院士工作站) in conjunction with the China Academy of Engineering (中國工程院) and China Academy of Sciences (中國科學院) in July 2009 as well as a state postdoctoral research workstation (國家級博士後工作站) in August 2010. We have also participated in the drafting and formulating of 29 national industry standards for the manufacturing processes for power cables, wires and cables for electrical equipment and bare wires. In addition, Jiangnan Cable was one of the first seven companies

SUMMARY

in the PRC cable industry that were accredited as a Key High Technology Enterprise under the revised standard of the State Torch Program (國家火炬計劃重點高新技術企業) by the Torch High Technology Industry Development Center, the Ministry of Science and Technology (科學技術部火炬高技術產業開發中心) in December 2010 (with a three years initial validity period).

During the Track Record Period, our research and development expenditures were approximately RMB4.9 million, RMB7.4 million and RMB9.9 million, respectively, representing approximately 0.16%, 0.20% and 0.20% of our total turnover, respectively.

Key Operational Data

The table below sets out our production capacities and approximate utilisation rates of our production lines for each category of our principal products during the Track Record Period:

	Year ended 31 December					
	2009		2010		2011	
	Annual Production Capacity ⁽¹⁾	Approximate Utilisation Rate ⁽²⁾	Annual Production Capacity ⁽¹⁾	Approximate Utilisation Rate ⁽²⁾	Annual Production Capacity ⁽¹⁾	Approximate Utilisation Rate ⁽²⁾
Power cables ⁽³⁾	36,000 km	79.4%	36,000 km	86.7%	60,000 km	77.2%
Wires and cables for electrical equipment ⁽⁴⁾	535,000 km	53.5%	535,000 km	77.3%	540,000 km	85.3%
Bare wires ⁽⁵⁾⁽⁶⁾	46,800 tonnes/ 72,230 km	48.8%	50,000 tonnes/ 77,169 km	73.2%	50,000 tonnes/ 77,169 km	62.2%

Notes:

- (1) The maximum annual production capacities for power cables, wires and cables for electrical equipment and bare wires were calculated on the basis of three shifts per day of 8 hours each and 300 working days per year.
- (2) Approximate utilisation rates were determined by reference to the actual production output measured in km computed as a percentage of the maximum production capacity measured in km in the relevant period.
- (3) The utilisation rate of power cables increased from 2009 to 2010 mainly due to the increase of sales volume of such products and decreased from 2010 to 2011 mainly due to the increase in our annual production capacity.
- (4) The increase in the utilisation rate of wires and cables for electrical equipment during the Track Record Period was principally attributable to the increase in the production output as a result of the increased purchase orders from customers.
- (5) Sales and purchases of bare wires are priced by weight, hence the volumes sold or produced during the Track Record Period are indicated by weight. However, for the measurement of production capacity, it is more appropriate to use kilometers.
- (6) The utilisation rate of bare wires in 2009 was relatively low because the actual demand for our products from Eskom was lower than expected due to the global economic recession.

SUMMARY

The following table sets out the average selling price of each category of our products during the Track Record Period:

	Year ended 31 December		
	2009	2010	2011
	(RMB)		
Power cables (per km)	66,857.0	78,939.8	67,869.9
Wires and cables for electrical equipment (per km)	1,902.0	2,324.9	2,388.0
Bare wires (per tonne)	13,643.5	14,439.6	14,402.2

The following table sets out the sales volume of each category of our products during the Track Record Period:

	Year ended 31 December		
	2009	2010	2011
Power cables (km)	32,000	31,200	48,103
Wires and cables for electrical equipment (km)	292,000	406,000	461,243
Bare wires (tonne)	22,000	19,360	39,140

Our Future Plans and Prospects

A key initiative of the PRC 12th “Five-Year Plan” is to expand and upgrade China’s high voltage power infrastructure. Our product strategy has positioned us well to capture the high demand for high voltage and ultra high voltage power cables. We are also well positioned to grow business in various industries, such as mining, shipbuilding, wind power and railways.

In view of the potential growth for ultra high voltage cables, in addition to a production facility for high and ultra high voltage cables with rated voltage of 220-500kV with an estimated annual production capacity of approximately 1,000 km that commenced commercial production in October 2011, we will further invest approximately RMB173.0 million to build three additional production lines for high and ultra high voltage cables with rated voltage of 220-500kV, of which approximately RMB145.8 million would be from the net proceeds from the New Issue.

We intend to strengthen our presence in South Africa and its surrounding countries through establishing a manufacturing facility in South Africa for power cables, wires and cables for electrical equipment and bare wires. Demand for power cables in South Africa and its neighbouring countries has been increasing as a result of mining investment, infrastructure upgrades driven by a growing population and an increase in wealth among the general population. We also plan to use our South African manufacturing facility to produce some products for Eskom. The proposed manufacturing operation in South Africa will lower shipping

SUMMARY

costs and shorten delivery time, allowing us to benefit from the favourable growth trends in South Africa and its surrounding markets.

In view of the increasing demand for aluminium-based power cables, bare wires and double capacity conductors (a type of bare wire), we intend to invest approximately RMB160.0 million to build a production facility for aluminium alloy materials in Yixing with an annual capacity of 70,000 tonnes and a production facility for double capacity conductors with an annual capacity of 30,000 tonnes, of which approximately RMB114.2 million would be from the net proceeds from the New Issue. The construction of this production facility is expected to commence in the second half of 2012 and the commercial production is expected to commence in the first half of 2013.

The table below summarises our expansion plans for the three additional production lines for high and ultra high voltage cables with rated voltage of 220-500kV, the manufacturing facility in South Africa and the construction facilities for aluminium alloy and double capacity conductors:

Expansion plan	Location	Status of obtaining necessary Government approval	Project status	Expected production capacity	Total investment amount incurred and to be incurred	Source of funding
Construction of three additional production lines for high and ultra high voltage cables with rated voltage of 220-500kV	Yixing, China	Obtained	Construction to commence in the second half of 2012, and commercial production to commence in the first half of 2013	300 km ultra high voltage cables per annum for each production line	Incurred investment amount: None as at the Latest Practicable Date Estimated further investment amount: RMB173.0 million (equivalent to approximately HK\$213.6 million)	Net proceeds from the New Issue, internal resources and bank borrowings
Construction of manufacturing facility in South Africa	South Africa	Plan to apply in the second quarter of 2012	Construction to commence in the second half of 2012 and expected to be completed around the second quarter of 2013; Commercial production to commence in the third quarter of 2013	10,000 km of power cables, wires and cables for electrical equipment and bare wires	Incurred investment amount: None as at the Latest Practicable Date Estimated further investment amount: RMB100.0 million (equivalent to approximately HK\$123.5 million)	Net proceeds from the New Issue, internal resources and bank borrowings
Construction of production facilities for aluminium alloy and double capacity conductors	Yixing, China	Obtained	Construction to commence in the second half of 2012 and commercial production to commence in the first half of 2013	70,000 tonnes aluminium alloy and 30,000 tonnes double capacity conductors per annum	Incurred investment amount: None as at the Latest Practicable Date Estimated further investment amount: RMB160.0 million (equivalent to approximately HK\$197.5 million)	Net proceeds from the New Issue, internal resources and bank borrowings

SUMMARY

The successful implementation of the above expansion plans is subject to various economic and market conditions. Please refer to the section headed “Risk Factors” of this prospectus for more details on potential risks associated with our expansion plan.

OUR COMPETITIVE STRENGTHS

Our Directors believe that we have the following competitive strengths:

- We are a market leader in China with a solid customer base;
- We have a strong brand in the industry;
- We have strong research and development capabilities;
- We provide a comprehensive range of products to meet our customers’ specific needs and maintain customer loyalty;
- We are an experienced manufacturer with large scale operations;
- We have a successful track record of entering into overseas markets; and
- We have an experienced management team.

OUR BUSINESS STRATEGIES

We will continue to grow our business through implementing the following strategies:

- Continue to expand our product offerings to meet our customers’ needs, especially in the higher-growth and higher-margin product categories;
- Increase our market share in the PRC during industry consolidation;
- Develop selected overseas markets with growth potential;
- Strengthen our research and development capabilities in new product development and low-cost manufacturing; and
- Explore strategic opportunities.

SUMMARY

SUMMARY OF TRACK RECORD PERIOD

The following table sets out a summary of our audited combined results and financial positions during the Track Record Period which has been prepared in accordance with HKFRS issued by the HKICPA. This summary should be read in conjunction with the Accountants' Report as set out in Appendix I to this prospectus.

Combined Statements of Comprehensive Income

	Year ended 31 December		
	2009	2010	2011
	(RMB in thousands)		
Turnover	2,994,966	3,686,366	4,929,876
Cost of goods sold	(2,595,328)	(3,155,232)	(4,194,986)
Gross profit	399,638	531,134	734,890
Other income	18,682	8,414	14,434
Selling and distribution costs	(97,658)	(92,936)	(103,421)
Administrative expenses	(67,135)	(70,125)	(95,958)
Other expenses	(4,893)	(7,427)	(23,495)
Other gains and losses	7,355	(17,042)	(11,499)
Finance costs	(59,727)	(68,869)	(126,352)
Profit before taxation	196,262	283,149	388,599
Taxation	(32,706)	(51,330)	(71,154)
Profit for the year	163,556	231,819	317,445
Other comprehensive income			
Exchange differences arising from translation of a foreign operation	5,471	3,288	(11,167)
Total comprehensive income for the year	169,027	235,107	306,278
Earnings per share			
Basic	14.2 cents	20.1 cents	26.5 cents

SUMMARY

Combined Statements of Financial Position

	At 31 December		
	2009	2010	2011
	(RMB in thousands)		
Current assets	2,163,324	2,661,182	3,773,360
Current liabilities	(1,929,375)	(2,102,216)	(2,977,837)
Net current assets	233,949	558,966	795,523
Non-current assets	346,604	408,397	411,993
Non-current liabilities	(5,933)	(91,630)	(25,505)
	340,671	316,767	386,488
Net assets	574,620	875,733	1,182,011

Breakdown of Our Turnover

The following table sets forth the breakdown of our turnover by products during the Track Record Period:

	Year ended 31 December					
	2009		2010		2011	
	(RMB in thousands, except percentages)					
Power cables	2,139,423	71.4%	2,462,922	66.8%	3,264,747	66.2%
Wires and cables for electrical equipment	555,387	18.6%	943,894	25.6%	1,101,426	22.3%
Bare wires	300,156	10.0%	279,550	7.6%	563,703	11.5%
Total	2,994,966	100.0%	3,686,366	100.0%	4,929,876	100.0%

SUMMARY

The following summarises the primary reasons for the changes in turnover from each segment of products during the Track Record Period:

- **Power cables.** The increase in turnover from 2009 to 2010 was principally due to the increase in the average sales price of our products while the sales volume remained stable. The increase in turnover from 2010 to 2011 was principally due to the increase in the sales volume of power cables as a result of increase in sales to certain industry leaders.
- **Wires and cables for electrical equipment.** The increase in turnover of wires and cables for electrical equipment from 2009 to 2011 was mainly due to the increase in sales volume as a result of rapid recovery of the PRC economy.
- **Bare wires.** The decrease in turnover of bare wires from 2009 to 2010 was mainly due to a decrease in sales volume. The increase in turnover of bare wires from 2010 to 2011 was mainly due to an increase in sales volume as a result of increase in sales to Eskom.

Sustained Growth Through Volatile Global and PRC Economic Environment

During the Track Record Period, we experienced global financial crisis, the Euro Zone sovereign debt crisis and the slowdown of economic growth globally and in China. Although we have managed to endure these unfavourable economic conditions with positive growth in sales and net profit during the Track Record Period, it is difficult to predict how long the current unfavourable conditions will continue and their potential impact on our future operations.

Certain Non-compliant Bill Financing Activities

For the year ended 31 December 2009 and the eleven months ended 30 November 2010, Jiangnan Cable and some of its suppliers entered into certain non-compliant bill financing transactions with certain PRC commercial banks. As a result of these bill financing arrangements, Jiangnan Cable instructed the relevant banks to issue certain bank bills to its suppliers in the aggregate amount of approximately RMB1,200.4 million and RMB277.0 million, respectively, and issued commercial bills to its suppliers in the aggregate amount of RMB60.0 million and RMB80.0 million, respectively, during the years ended 31 December 2009 and 2010. We entered into such bill financing activities to lower our overall financial costs and to increase overall interest income on bank deposits. We have ceased entering into any further non-compliant bill financing transactions in November 2010 and have implemented measures to strengthen our internal controls since December 2010. We have settled all related bills in April 2011. For details, please refer to the paragraph headed “Risks relating to our business” in the section headed “Risk Factors” and the paragraph headed “Non-compliant bill financing with suppliers” in the section headed “Business” of this prospectus.

SUMMARY

RECENT DEVELOPMENT

Based on our management accounts, our total turnover for the two months ended 29 February 2012 was approximately RMB485.3 million, which is higher than that for the two months ended 28 February 2011 of approximately RMB427.0 million mainly due to the increase in our overseas sales, including South Africa and Singapore. Our Directors confirm that there has been no material adverse change in our financial position since 31 December 2011 and up to the date of this prospectus. In addition, we expect that we would incur listing expenses of approximately HK\$8.8 million for the year ending 31 December 2012.

GLOBAL OFFERING STATISTICS

	<u>Based on an Offer Price of HK\$1.42</u>	<u>Based on an Offer Price of HK\$2.05</u>
Market capitalisation of our Shares ⁽¹⁾	HK\$2,184.8 million	HK\$3,154.1 million
Unaudited pro forma adjusted combined net tangible assets per Share ⁽²⁾	HK\$1.24 (RMB1.00)	HK\$1.37 (RMB1.11)

Notes:

- (1) The calculation of market capitalisation is based on the assumption that 1,538,600,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering and the Capitalisation Issue but excludes any Shares which may be issued pursuant to the exercise of the Over-allotment Option.
- (2) The unaudited pro forma adjusted combined net tangible assets per Share has been arrived at after the adjustments referred to in the section headed “Unaudited Pro Forma Financial Information – Unaudited Pro Forma Adjusted Combined Net Tangible Assets” in Appendix II to this prospectus and on the basis that 1,538,600,000 Shares were in issue at the respective Offer Price of HK\$1.42 and HK\$2.05 per Offer Share assuming that the Global Offering and the Capitalisation Issue had been completed on 31 December 2011. This calculation takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

DIVIDEND POLICY

Our Board has the absolute discretion in determining whether to declare any dividend for any period and, if it decides to declare a dividend, the amount of dividend to declare. During the Track Record Period, we did not declare or pay any dividend. We currently intend to pay dividends, of not less than 25% of our profits available for distribution in respect of each of the years ending 31 December 2012 and 2013. Going forward, we will re-evaluate our dividend policy based on our financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future.

SUMMARY

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.74 per Share (being the midpoint of the stated Offer Price range of HK\$1.42 to HK\$2.05 per Share), the net proceeds from the New Issue, after deducting the underwriting fees and estimated expenses borne by us in connection with the Global Offering, are estimated to be approximately HK\$553.8 million.

We intend to apply such net proceeds as follows:

- up to 33%, or approximately HK\$180.0 million, will be used starting from the second half of 2012 to expand our production facilities for high and ultra high voltage cables with rated voltages of 220-500kV;
- up to 16%, or approximately HK\$90.0 million, will be used starting from the second half of 2012 to upgrade and expand our existing production facilities and enhance our research and development capabilities;
- up to 20%, or approximately HK\$109.0 million, will be used starting from the second half of 2012 to set up a manufacturing facility in South Africa to support our expansion in South Africa and its surrounding markets;
- up to 25%, or approximately HK\$141.0 million, will be used starting from the second half of 2012 to set up production facilities for aluminium alloy and double capacity conductors; and
- up to 6%, or approximately HK\$33.8 million, will be used for the potential acquisitions to further expand our market share and leadership through consolidation of upstream businesses or companies with complementary products, technologies and customers. Please refer to the paragraph headed “Explore strategic opportunities” in the section headed “Business” of this prospectus for further details. We had not identified any acquisition target as at the Latest Practicable Date.

In the event that the Offer Price is determined at the high end of the indicative Offer Price range between HK\$1.42 to HK\$2.05 per Share, the net proceeds from the New Issue will be approximately HK\$656.1 million. In such case, the additional net proceeds from the New Issue will be applied towards potential acquisitions. Save for the above changes, there will not be any further changes in the use of net proceeds from the New Issue under such circumstance.

SUMMARY

In the event that the Offer Price is determined at the low end of the indicative Offer Price range between HK\$1.42 to HK\$2.05 per Share, the net proceeds from the New Issue will be approximately HK\$448.1 million. In such case, the net proceeds from the New Issue to be applied towards (i) expansion of our production facilities for high and ultra high voltage cables, (ii) upgrade and expand existing production facilities and enhance research and development capabilities; (iii) set up a manufacturing facility in South Africa; (iv) set up production facilities for aluminium alloy and double capacity conductors and (v) potential acquisitions, will be decreased to approximately HK\$148.0 million, HK\$74.0 million, HK\$97.0 million, HK\$115.0 million, and HK\$14.1 million, respectively. We intend to finance these shortfall, if necessary, by internal resources or bank borrowings. Save for the above changes, there will not be any further changes in the use of net proceeds from the New Issue under such circumstance.

The estimated net proceeds from the Sale Shares to be received by the Selling Shareholder will be approximately HK\$77.6 million (assuming the same midpoint of the stated Offer Price range as stated above), after deducting the underwriting fees and estimated expenses payable by the Selling Shareholder in relation to the Global Offering. Our Company will not receive any of the net proceeds from the Sale Shares by the Selling Shareholder.

Should the Over-allotment Option be exercised in full, we will receive additional net proceeds of approximately HK\$97.9 million (assuming the same midpoint of the stated Offer Price range as stated above). We intend to adjust our allocation of the net proceeds for the purposes described above on a pro rata basis. The Selling Shareholder will not receive any of the net proceeds from the exercise of the Over-allotment Option.

To the extent that the net proceeds from the New Issue are not immediately used for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short term deposits with licenced banks and/or authorised financial institutions in Hong Kong and/or the PRC.