*Prospective investors in the Offer Shares should consider carefully all information set forth in this prospectus and, in particular, the following risks in connection with the investment in our Company before making any investment decision. Our business, financial condition and results of our operations could be adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks and you may lose all or part of your investment.*

## RISKS RELATING TO OUR BUSINESS

### We may not achieve our future expansion plans in time, within budget, or at all.

Our future success depends on our ability to expand production capacity and product range and to increase our market share through organic growth as well as mergers and acquisitions. We are building our production facility for ultra high voltage cables, which allows us to expand into this high margin market. Details of our future expansion plans are set forth in the section headed "Future Plans and Use of Proceeds" of this prospectus. Our future expansion plans require substantial capital expenditures and dedicated management attention. We cannot assure you that these plans will be implemented in time, within budget, or at all, or may result in the anticipated benefits even if implemented successfully. If we are unable to identify suitable targets for mergers or acquisitions in line with our strategy or if we fail to successfully expand our business or integrate any new businesses into our existing business, our business, financial condition and results of operations could be adversely affected.

In addition, we cannot assure you that we are able to successfully develop and launch new products as anticipated by our customers. In which case, our ability to maintain or expand our position in the market for these products could be adversely affected. A poor response from the market for our new products may not generate the expected revenue to cover our costs for research and development, building production facilities and marketing.

In addition, these products may not achieve technological feasibility, meet prescribed national or industrial technical standards or gain market acceptance. Failure to successfully commercialise our new products could have an adverse effect on our business operations and financial performance. Furthermore, managing expansion is time-consuming and may distract our management from focusing on our existing operations. As a result, we may not be able to satisfy current customers demand and maintain product quality. In which case, our business, financial condition and results of operations, as well as the growth of our sales and earnings could be adversely affected.

Our business strategies are subject to significant business, economic and competitive uncertainties and contingencies in the market, many of which are beyond our control and could delay or increase our costs of implementation. Such uncertainties and contingencies include, but are not limited to, the inability to finance our expansion plans, delays in the delivery and installation of manufacturing equipment, operational difficulties resulting from technology imperfections, lack of experience in the new target markets, labour shortages and related issues.

**We may face price fluctuations or shortages of raw materials.**

Our products are made from raw materials including copper and aluminium (including aluminium alloy). We usually maintain one week of inventory for copper and aluminium. During the Track Record Period, our costs of copper and aluminium accounted for approximately 79.3%, 79.9% and 78.9%, respectively, of our total costs of goods sold. Copper and aluminium are commodity metals and subject to market price fluctuations. Significant price fluctuations could affect our results. During the Track Record Period, our annual average purchase price of copper ranged between RMB41,800 and RMB68,400 per tonne, while our annual average purchase price of aluminium ranged between RMB12,400 and RMB15,200 per tonne. As at the Latest Practicable Date, the spot copper price closed at RMB59,300 per tonne and the spot aluminium price closed at RMB16,000 per tonne.

For reference, the following table sets out a sensitivity analysis of the effect of the fluctuations of the prices of copper and aluminium during the Track Record Period, assuming no change of sales volume, gross profit margin and other expenses. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the effect on the increase or decrease of our cost of goods sold with a 31% increase or decrease of copper price, representing the maximum fluctuation of copper price during the Track Record Period, and with a 14% increase or decrease of aluminium price, representing the maximum fluctuation of aluminium price during the Track Record Period.

| Increase or Decrease in Cost of Goods Sold | | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2009 | 2010 | 2011 |
| | | (RMB in thousands) | | |
| % change in cost of copper | +/- 31% | +/- 560,209 | +/- 703,030 | +/- 886,652 |
| % change in cost of aluminium | +/- 14% | +/- 35,245 | +/- 35,310 | +/- 62,866 |
| Combined impact | | +/- 595,454 | +/- 738,340 | +/- 949,519 |

To illustrate the potential effect on our revenue and net profit, the following table sets out a sensitivity analysis of the combined effects of copper price and aluminium price movement. In addition, the sensitivity analysis excludes the effects of any measures (including hedging) that we may take to mitigate the effect of fluctuations in copper and aluminium prices.

| **Increase or Decrease in Turnover** | **Year ended 31 December** | | |
|---|---|---|---|
| | **2009** | **2010** | **2011** |
| | (RMB in thousands) | | |
| Copper price increased by 31% and aluminium price increased by 14% | 687,145 | 862,627 | 1,117,007 |
| Copper price decreased by 31% and aluminium price decreased by 14% | (632,623) | (795,067) | (1,025,136) |

| **Increase or Decrease in Net Profit** | **Year ended 31 December** | | |
|---|---|---|---|
| | **2009** | **2010** | **2011** |
| | (RMB in thousands) | | |
| Copper price increased by 31% and aluminium price increased by 14% | 77,937 | 105,645 | 142,365 |
| Copper price decreased by 31% and aluminium price decreased by 14% | (31,593) | (48,219) | (64,275) |

*Notes:*

The above analysis is made by relying on the following assumptions:

1. No change in our existing sales volume;

2. No change in our gross profit margin;

3. All other expenses including operating expenses, finance expenses and taxation remain unchanged;

4. Any force majeure events or unforeseeable factors that are beyond our control are not accounted for;

5. We are able to adjust upward the mark-up percentage when raw material prices drop to ensure that we generate sufficient gross profit to cover our fixed costs.

The above analysis is for reference only and based on above assumptions and should not be viewed as actual effects.

Furthermore, the fluctuation in raw material prices could also have an effect on the availability of raw materials. Although we have entered into contracts for purchase of raw materials with our suppliers, we cannot assure you that our suppliers can deliver the quantity we ordered on time. Any shortage of raw materials could cause a delay in our production and, in turn, could have an adverse effect on our profitability.

**Part of our sales is project-based. Our business and profitability could be adversely affected if we cannot procure orders from customers.**

Our turnover is generated from our sales of wire and cable products to our customers and we procure part of our sales contracts through the bidding process. These bids are usually project-based and as such, part of our turnover is generated on a project-by-project basis and is non-recurring. During the Track Record Period, our sales derived from the bidding process accounted for approximately 30.1%, 31.6% and 29.3% of our total turnover, respectively.

In the event that we are unable to procure orders through the bidding process, our business, financial condition and results of operations may be adversely affected.

**We rely on our major suppliers to provide us with raw materials for our production. Any discontinuation of the supply by such suppliers or any failure to source such raw materials and components on comparable prices or amounts on favourable terms from them could have an adverse effect on our profitability.**

During the Track Record Period, we relied on five major suppliers to provide us with raw materials, mainly copper, used in the production of wires and cables. During the Track Record Period, our top five suppliers accounted for approximately 58.1%, 77.6% and 78.7%, respectively, of our total cost of purchases and our largest supplier accounted for approximately 17.8%, 27.9% and 31.8%, respectively, of our total cost of purchases.

Whilst we do not rely on a single source of supply for any of our raw materials or components, we cannot assure you that our suppliers will continue to supply raw materials and components to us in the future. In the event that these suppliers fail to supply raw materials and components to us and we fail to source such raw materials and components on comparable prices or amounts on favourable terms to us from other suppliers, our business, financial condition and results of operations could be adversely affected.

**We have previously entered into certain bill financing transactions with our suppliers and banks and such transactions were not in compliance with PRC laws.**

During the two years ended 31 December 2010, Jiangnan Cable, our principal PRC subsidiary, and some of our suppliers, entered into certain non-compliant bill financing arrangements with certain PRC commercial banks that involved the issuance of bank bills and commercial bills for non-trade related purposes. During the two years ended 31 December 2010, Jiangnan Cable instructed the relevant banks to issue such bank bills in the total amount of approximately RMB1,200.4 million and RMB277.0 million, respectively, to its suppliers.

Further, during the two years ended 31 December 2010, Jiangnan Cable issued commercial bills to some of its suppliers in the total amount of RMB60.0 million and RMB80.0 million, respectively. For details, please refer to the paragraph headed "Non-compliant bill financing with suppliers" in the section headed "Business" of this prospectus.

We have ceased entering into any further non-compliant bill financing transactions since November 2010 and implemented measures to strengthen our internal controls since December 2010. We have settled all related bills in April 2011. However, we cannot assure you that the relevant regulatory authorities will not impose penalties and/or fines on Jiangnan Cable retrospectively for the previous non-compliant bill financing transactions. Any such penalties and/or fines could adversely affect our business, financial condition and results of operations.

**We are exposed to risks arising from credit terms extended to our customers.**

Our financial condition and profitability are dependent on the creditworthiness of our customers. If our customers encounter financial difficulties, cash flow problems, decreases in business revenue, or are subject to overall adverse economic condition, we could be exposed to defaults in payments by our customers to whom credit terms are granted. As at 31 December 2011, our trade and bills receivables balance amounted to approximately RMB1,371.2 million, representing 36.3% of our total current assets. Generally, credit terms extended to our customers vary from 30 days to 180 days. Our trade and bills receivables turnover days during the Track Record Period were 80 days, 83 days and 90 days, respectively. The amount of impairment for doubtful debts and bad debts written off (or reversed) during the Track Record Period was approximately RMB(7.4) million, RMB16.3 million and RMB11.5 million, respectively.

We cannot assure you the timeliness of our customers' payments. If our customers are unable to fulfil their obligations to settle any amounts due to us promptly, our business, financial condition and results of operations may be adversely affected.

**We are exposed to counterparty risks in our contracts and the ability of our counterparties to perform such contracts is dependent on, among other things, economic conditions that are beyond our control.**

We have entered into a number of contractual arrangements including, but not limited to, sales contracts and/or a master agreement with our customers and purchase contracts with our suppliers. Our business, operation and financial performance are dependent on, among other things, whether such contracts will be performed by the relevant counterparties. We cannot assure you that these contracts and master agreements will be fully performed by our counterparties, or at all. If our counterparties do not fully perform their obligations under the relevant contracts or the master agreements, our business, financial condition and results of operations could be adversely affected. In particular, for some of our sales contracts and for the master agreements, whether the relevant estimated indicative sales figures can be achieved will depend on a number of variables, such as the economic environment, the prevailing pricing of our products and the actual order quantity our customers receive, many of which are beyond our control. If the estimated indicative sale figures cannot be achieved, our business, profitability, financial condition and results of operations could be adversely affected.

**We face risks relating to our bank borrowings.**

Our gearing ratios (i.e. the total of our bills payable under financial arrangement and interest bearing borrowings divided by our total assets) were approximately 55.5%, 37.6% and 33.5% as at 31 December 2009, 2010 and 2011, respectively. As at 31 December 2011, we have outstanding bank borrowings amounting to approximately RMB1,401.8 million, all of which were repayable within one year. These borrowings were made mainly to finance our capital expenditure and working capital.

Whilst our operating cash flows and re-financing activities have, in the past, been sufficient to meet and/or service our debt repayment obligations, we cannot assure you that we will continue to be able to do so in the future. In the event that we are unable to meet our payment obligations in relation to our existing bank borrowings, we could face foreclosure of our material assets that have been mortgaged to the various banks. In addition, most of our bank borrowings are required to be guaranteed by third party guarantors and historically, we have relied on certain of our suppliers to provide such guarantees. In particular, one of our suppliers, Jinxiao Copper, guaranteed approximately RMB334.5 million, RMB450.4 million and RMB559.4 million, respectively, or approximately 38.1%, 45.3% and 46.5% of our total bank borrowings with guarantees as at 31 December 2009, 2010 and 2011, and was involved in approximately RMB638.4 million and RMB357.0 million, respectively, representing approximately 50.7% and 100.0% of our non-compliant bills financing arrangement during the years ended 31 December 2009 and 2010. We have ceased entering into any non-compliant bill financing arrangement in November 2010 and all of our related bills were settled in April 2011. In the event that Jinxiao Copper or other guarantors discharge their obligations under the guarantees or refuse to grant further guarantees in our favour, we may not be able to secure sufficient bank borrowings.

Further, any significant increase in the interest rates on our borrowings could increase our financing expenses and have an adverse effect on our financial performance. Our borrowings may also limit our ability to pay dividends, undertake major capital expenditure or investments, raise additional capital or pursue our growth plan. If such borrowings fall due and we are unable to source alternative fundings, our operations could be adversely affected.

**We rely on certain suppliers to provide guarantees for our bank borrowings.**

Some of our bank borrowings during the Track Record Period and as at the Latest Practicable Date were guaranteed by our suppliers, including Jinxiao Copper, Sanmu Group, Dongfeng Cable and Siwei Copper. In particular, Jinxiao Copper was one of our top five suppliers during the Track Record Period and had involved in both the non-compliant bill financing arrangement with us and the provision of guarantees for our bank borrowings.The following table summarizes the guarantees provided by these suppliers as at 31 December 2009, 2010, 2011 and 29 February 2012 and the percentage of our total bank borrowings as at the relevant dates.

| | As at 31 December | | | As at 29 February |
|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 |
| | RMB'million | RMB'million | RMB'million | RMB'million |
| Jinxiao Copper | 334.5 | 450.4 | 559.4 | 583.9 |
| Sanmu Group | 250.0 | 210.0 | 335.0 | 335.0 |
| Dongfeng Cable | 123.6 | 108.6 | 153.6 | 153.6 |
| Siwei Copper | 70.0 | 130.0 | 150.0 | 150.0 |
| % of total bank borrowings | 84.7% | 90.5% | 85.5% | 85.7% |

We cannot assure you that these suppliers will continue to provide guarantees to us in the future or that the banks will continue to accept these suppliers' guarantees for our bank borrowings. Our business and financial position may be adversely affected should the guarantees from these suppliers no longer be available to us and we are not able to find alternative suppliers or guarantee companies or other independent third parties to provide guarantees we need for our bank borrowings in the future.

**We are exposed to potential product liability claims.**

We are subject to prescribed industry technical standards in relation to the manufacture and sale of our products. As our products are important components used by power supply companies, power generation plants, as well as contractors of infrastructure projects, any defect or malfunction in our products or the failure of our products to meet our customers' specifications could lead to damages or losses to our customers. The possible consequences include widespread blackouts, or in cases of extreme overheating, fire breakouts that in turn could lead to damage and loss of property, as well as personal injuries or death. If such consequences result from defects in our products, we could be required to compensate our customers and victims for such losses, damages, personal injuries or death. We may also have to spend a significant amount of resources to defend ourselves in the event where claims or legal proceedings are instituted against us.

During the Track Record Period, we had not encountered any material product liability claim against us nor any material product recall. As at the Latest Practicable Date, we had not effected any product liability insurance for our products as it is neither an industry requirement nor general practice to do so. However, any successful product liability claim against us in the future could, nevertheless, have an adverse effect on our business, prospects, financial condition and results of operations.

**If we are unable to retain, recruit and hire skilled and experienced personnel, our ability to effectively manage our operations and meet our strategic objectives could be harmed.**

Our future success depends, in large part, on the continued service of our executive Directors, in particular Mr. Rui Fubin and Mr. Rui Yiping, and other key managerial, sales and technical personnel. Any loss or interruption of the services of any of our senior management or key personnel could significantly reduce our ability to effectively manage our operations and to meet our strategic objectives. In addition, we could incur additional expenses and devote significant time to recruit and train new personnel, which could disrupt our business and growth.

Furthermore, as we expect to continue to expand our operations and develop new products, we will need to attract, retain and motivate skilled and experienced personnel. We compete for such personnel with our competitors and we expect such competition to intensify as the wire and cable industry in China is growing. We may be unable to attract or retain the personnel required to achieve our business objectives and the failure to do so could adversely affect our competitiveness, and therefore affecting our business, financial condition and results of operations.

**We may not be able to protect our intellectual property rights.**

We rely on our intellectual property rights in the sales and distribution of most of our products, in particular, the “” trademark, which has been recognised as a renowned trademark in the PRC. As at the Latest Practicable Date, we had obtained 53 patents that are material to our business in the PRC, two trademarks that are material to our business in the PRC, two trademarks that are material to our business in Hong Kong and two trademarks that are material to our business in South Africa and were in the process of applying for 15 additional patents in the PRC. Details of our intellectual property rights are set out under the sub-paragraph headed “Intellectual property rights” in the paragraph headed “Further information about the business of our Company” in Appendix V to this prospectus.

Although our intellectual property rights are under the protection of the relevant PRC, Hong Kong and South Africa laws and regulations, we cannot assure you that no third party would infringe our intellectual property rights. In which, we may need to resort to litigation or other proceedings to enforce our intellectual property rights, protect our proprietary technologies and determine the validity and scope of third-party proprietary rights. Since the validity, enforceability and scope of protection of intellectual property rights under the PRC, Hong Kong and South Africa laws and regulations are uncertain, we may not be able to enforce these rights against the infringers. As a result, the degree of protection on our intellectual property rights is uncertain and may not be adequate. Any litigation, proceedings or other effort to protect our intellectual property rights could result in substantial costs, time loss, diversion of our resources and distraction of attentions from the management team and key personnel on our business operation, which could, in turn, harm our business, financial condition and results of operations. We cannot assure you that our means of protecting our intellectual property rights will be adequate. If we are unable to protect our trademarks, patents and other propriety information from infringement, our competitiveness position could be undermined, and we could suffer losses.

**We may inadvertently infringe third party intellectual property rights.**

As we may not be aware that third party's intellectual property rights are involved in the techniques, designs and services that we use, we may inadvertently infringe the intellectual property rights of third parties. Others may assert infringement claims against us or claim that we have infringed their intellectual property rights. Any litigation regarding patents or other intellectual property rights could be costly and time consuming and could divert our management and key personnel from our business operations. In addition, we may be forced to enter into technology licencing agreements or to seek alternative designs or techniques when facing intellectual property infringement claims. If we are unable to enter into technology licencing agreements within acceptable terms or to find alternative designs or techniques, we may have to stop producing certain types of products or using certain techniques.

**Any disruption of our production facilities could adversely affect our business, financial condition and results of operations.**

We rely heavily on our production facilities located at Yixing city, Guanlin town, Jiangsu province, the PRC for the production of our products. Significant damages to any parts of our production facilities from natural or other causes, such as extreme weather conditions, floods, fires, earthquakes, raw material and component supply disruptions, labour shortages, utility shortages, workforce actions and other disruptions such as system failures could disrupt our manufacturing activities. Any such disruption or delay in our manufacturing capacity could, in turn, stop, limit or delay our production, delay or obstruct the delivery of our products and, as such, rendering us to incur additional expenses in order to produce sufficient products or impairing our ability to meet customer demands and causing cancellation of customer orders, any of which could adversely affect our reputation, business, financial condition and results of operations.

**We did not fully comply with PRC employee housing fund contribution regulations.**

We are required to make housing fund contributions for our employees since 2007. During the two years ended 31 December 2010, we did not fully comply with the housing fund requirements for our employees because a number of our employees declined our payment of housing fund contributions on their behalf as they did not foresee that they would purchase properties in the near future and given that the contributions made would not be refunded to them in cash, they preferred not to make such contributions. As advised by our PRC Legal Adviser, starting from January 2011, we have paid the housing fund contribution in full and are in full compliance with the PRC housing fund requirements. We estimate that the aggregate outstanding amount payable by us to the housing fund authority for the two years ended 31 December 2010 was approximately RMB1.46 million and RMB1.79 million, respectively. We have not made any provision for such housing fund contributions. According to the deed of indemnity dated 5 April 2012, our Controlling Shareholders will bear all the costs and liabilities in connection with our non-compliance of the housing fund contribution regulations prior to 2011.

As advised by our PRC Legal Adviser, under the relevant PRC laws and regulations, we may be ordered by the relevant housing fund authority to pay the outstanding housing fund contributions within the prescribed period and be liable for a fine of RMB10,000 to RMB50,000. Our PRC Legal Adviser has further advised that in case an employee of us succeeds in a labour dispute against us with respect to the outstanding housing fund contributions, we may be required to make such outstanding contributions to such employee. Any orders from the government authorities imposing penalties retrospectively could also have a negative effect on us.

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

Following the Global Offering, our Controlling Shareholders will beneficially own approximately 71.72% of our Shares (assuming no exercise of the Over-allotment Option) with substantial control over our issued share capital. The interests of our Controlling Shareholders may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of our Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders from an opportunity to receive a premium of their Shares in a sale of our Company or may reduce the market price of our Shares. In addition, without the consent of some or all of the Controlling Shareholders, our Company may be prevented from entering into transactions that could be beneficial to our Group. These actions may be taken even if they are opposed by the other Shareholders, including those who purchased the Shares in the Global Offering.

**We may not have adequate insurance coverage for our potential losses and liabilities.**

Our insurance policies for ongoing operations include general insurances on machinery. We also maintain social security insurance policies for our employees pursuant to the PRC laws and regulations. As it is not required by the PRC laws and regulations, we have not maintained any insurance on our business operations, including insurance to cover any incidents regarding disruption in operations and product liabilities. We cannot assure you that the insurance coverage we maintain will be adequate to cover all potential losses or liabilities. In addition, there are certain types of risks that are either uninsurable or for which insurance cannot be obtained at a reasonable cost. Should an uninsured liability or a loss in excess of our insured coverage occur, we would have to fund such losses or damages from internal resources, which, in turn, could adversely affect our business, financial condition and results of operations.

**Failure to obtain ownership certificates for 17 properties may have an adverse effect on our financial condition and results of operations.**

As at the Latest Practicable Date, we had 17 buildings located at one of our four parcels of land in China with a total gross floor area of approximately 2,242.9 sq.m. without having obtained the relevant building ownership certificates. These buildings are used for storage or other non-production related ancillary purposes. In accordance with the relevant PRC laws and regulations, a building ownership certificate can only be issued upon submission of certain documents in respect of the subject building (including but not limited to the land use right certificate (房屋用地土地使用權證), planning permit on land for construction use (建設用地規劃許可證), construction project planning permit (建設工程規劃許可證), building construction permit (建設工程施工許可證) and public inspection report (竣工驗收報告)). As such documents must be obtained at the time when the building was under construction and we did not so obtain the relevant documents in respect of the 17 buildings at the time when such buildings were being built, we are not able to obtain these building ownership certificates and we will not be able to transfer, lease or pledge these buildings to third parties. Our PRC Legal Adviser also advised that we may be required to demolish these 17 buildings by the competent authorities. The total estimated demolishment and relocation costs for these 17 buildings (including the estimated aggregate amount of construction cost for replacement of approximately RMB1.5 million) are approximately RMB2.0 million and it would take approximately one full day to demolish the buildings and a month to relocate and build new buildings. In such event, our business, financial condition and results of operations may be adversely affected.

## RISKS RELATING TO THE INDUSTRY

**We face fierce competition in a fragmented industry.**

The wire and cable manufacturing industry in China is highly competitive. Along with the strong domestic demand and high economic growth across China, the wire and cable manufacturing industry in China has developed dramatically over the last few years. Strong demand for the industry's products has stimulated rapid industry expansion. Therefore, it is expected that the competition in the wire and cable manufacturing industry in China will continue to intensify.

We face competitions from both domestic and international companies on product quality, price, brand recognition, manufacturing capacity, marketing and customer service. We cannot assure you that we would be able to maintain our existing profitability, market share and competitive pricing. If the commercial terms of our competitors are more competitive than what we can offer, we could lose on sales and experience a decline in profitability.

**Our business relies on the power industry, the prospect of which may vary from time to time.**

The majority of our products sold are used in the power generation and transmission industry, which is estimated to account for approximately 41% of the wire and cable industry revenue in China in 2011 according to IBISWorld. Our established customers in the power industry include, among others, the State Grid Corporation Group, 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). Our sales derived from the power generation and transmission industry accounted for approximately 22.5%, 17.3% and 21.8% of our total turnover, respectively, during the Track Record Period.

The power industry itself is affected by a number of factors, including but not limited to, the PRC government policy and the demand for electricity. Our customers in the power industry are subject to the PRC governmental and power grid regulations that are undergoing constant reform and their business could be adversely affected by such policy reform. Our close connection with the PRC power industry could render us susceptible to its uncertainty and any decline in the power industry could adversely affect our business, financial conditions and results of operations.

**We are dependent on the development of power grids, infrastructure and construction projects in the PRC.**

Our customers operate in the power industry and other general industries, including oil and gas, metal and mining, transportation, shipbuilding and construction. The development of these industries is subject to various factors including economic, political, financial and other factors. The capital expenditure budgets and spending plans for power generators and grids and infrastructure developments as well as relevant government policies could change and result in a decline in demand for our wire and cable products that could in turn adversely affect our revenue and profitability.

**We are subject to risks associated with technological changes.**

We are engaged in an industry where technological changes play a critical role in determining the competitiveness of our products. In particular, increasing emphasis has been placed on the ability to effect high voltage electricity transmission, reduction of electricity loss, sustainability under extreme weather conditions, reduce effect on environment, as well as fulfil reliability and safety requirements. Our ability to anticipate such changes and develop new products with new technology on a timely basis will be instrumental for us to grow and to remain competitive within the industry.

Despite the fact that we commit time, effort and other resources to the research and development of new products, materials as well as technical know-how to meet the changing market demands, rapid changes in market demand could render our efforts obsolete as we may not be able to achieve the technological advances necessary to enable us to keep pace with the industrial development. Accordingly, we cannot assure you that the results of our research and development efforts will attain market acceptance or that such efforts will be commercially successful or that our products and processes will not become obsolete. In such event, our business, financial condition and results of operation could be adversely affected.

**Failure to meet the prescribed industry technical standards of relevant authorities and specifications provided by our customers, or any failure to obtain or renew any or all certifications for quality control could adversely affect our business, financial condition and results of operations.**

We are required to manufacture our products in accordance with industrial technical standards set by various authorities and organisations in China and overseas, as well as the specifications required by our customers. Some of these industrial standards or customers' specifications are evolving as scientific progress continues to advance. If such technical standards or specifications are modified, or any compulsory technical standards are prescribed by the PRC authorities to require higher or more stringent technical requirements beyond our existing technical capacities, additional unexpected costs and investments in upgrading our business lines, enhancing our production facilities and recruiting more experienced technical expertise will be required in order to comply with the new product standards.

Our products have obtained national mandatory certifications in the PRC, including the CCC, the Export Quality License (出口產品質量許可證) and the Safety Certificate of Approval for Mining Products (礦用產品安全標誌認證) and were accredited with various certifications by foreign authoritative organisations, including SABS (South African Bureau of Standards) Certification and European CE Mark Certification. Please refer to the paragraph headed "Certifications" under the section headed "Business" of this prospectus for details. These certifications are often viewed by our PRC and overseas customers as prerequisite in purchasing our products. Obtaining such certifications is important for us to attract new customers and strengthen our competitiveness in the PRC and overseas market. Some of these certifications are subject to periodic renewal. We cannot assure you that such certifications will be renewed or will not be revoked by the relevant issuing organisations and authorities in the future.

Failure to meet prescribed technical standards set by the relevant PRC authorities or specifications provided by our customers or to maintain some certifications required by our customers, or non-renewal or a delay in renewal or revocation of any of these certifications could tarnish our reputation or cause us to incur product liability claims, which could, in turn, adversely affect our reputation, business, financial condition and results of operations.

**We face risks related to natural disasters and health epidemics, which could have an adverse effect on our business, financial condition and results of operations.**

Our business could be adversely affected by natural disasters or the outbreak of health epidemics in China. In May 2008, a major earthquake registering 8.0 on the Richter scale struck Sichuan Province and many parts of China, devastating much of the affected areas and causing tens of thousands of deaths and widespread injuries. In addition, in early 2008, certain areas in China experienced what was reportedly the most severe winter weather in the country in half a century, which resulted in significant and extensive damages to factories, power lines, homes, automobiles, crops and other properties, blackouts, transportation and communications disruptions and other losses in the affected areas. Moreover, in recent years, certain countries and regions, including China, have encountered incidents of the H5N1 strain of bird flu, or avian flu, as well as severe acute respiratory syndrome (SARS) and, in 2009, the outbreak of influenza A (H1N1). We are unable to predict the effect, if any, that any future natural disasters and health and public security hazards may have on our business. Any future natural disasters and health and public security hazards could, among other things, significantly disrupt our ability to adequately staff our business, and could generally disrupt our operations. Furthermore, such natural disasters and health and public security hazards could severely restrict the level of economic activity in affected areas, which could in turn adversely affect our business, prospects, financial condition and results of business.

## RISKS RELATING TO DOING BUSINESS IN THE PRC

### Uncertainty in the PRC legal system could make it difficult for us to predict the outcome of any disputes that we may be involved in.

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, circulars and directives. The PRC government is still in the process of developing its legal system, so as to meet the needs of investors and to encourage foreign investments. As the PRC economy is undergoing development generally at a faster pace than its legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances.

Some of the laws and regulations, and the interpretation, implementation and enforcement thereof, are still subject to policy changes. The introduction of new laws, changes to existing laws and the interpretation or application thereof or the delays in obtaining approvals from the relevant authorities could have an adverse effect on our business or prospects.

Further, precedents on the interpretation, implementation and enforcement of PRC laws and regulations are limited. As such, the outcome of dispute resolutions may not be consistent or predictable as in the other more developed jurisdictions and it may be difficult to obtain swift or equitable enforcement under the PRC laws, or to obtain enforcement of judgment by a court of another jurisdiction.

### Changes in the PRC governmental rules and regulations could have a significant effect on our business.

Currently, our business and operations in the PRC entail the procurement of licences and permits from relevant authorities. Thus, our business and operations in the PRC are subject to PRC governmental rules and regulations. From time to time, changes in the rules and regulations or the implementation thereof may require us to obtain additional approvals and licences from the PRC authorities for the conduct of our operations in the PRC. In such event, we may need to incur additional expenses in order to comply with such requirements. This could in turn affect our financial performance as our business costs could increase. Furthermore, we cannot assure you that such approvals or licences could be granted promptly or at all. If we experience delay in or are unable to obtain such required approvals or licences, our operations and business in the PRC, and hence our overall financial performance, could be adversely affected. Please refer to the section headed "Regulatory Overview" of this prospectus for details.

**Our operating results and financial conditions are susceptible to changes in the PRC's political, economic and social conditions as our revenue is currently mainly derived from our operations in the PRC.**

Since 1978, the PRC government has undertaken various reforms of the economic systems. Such reforms have resulted in economic growth in the PRC in the last three decades. However, many of the reforms are unprecedented or experimental, and are expected to be refined and modified from time to time. Other political, economic and social factors may also lead to further readjustment of the reform measures. This refinement and adjustment process may consequently have an effect on our operations in the PRC and on our financial performance. Our results and financial condition may be adversely affected by changes in the PRC's political, economic and social conditions and by changes in policies of the PRC government or changes in laws, regulations or the interpretation or implementation thereof.

**The global financial markets have experienced significant deterioration and volatility, which have negatively affected the global economy. Any further downturn may adversely affect our financial condition and results of operations.**

The global financial markets have been affected by a general slowdown of economic growth globally, resulting in substantial volatility in global equity securities markets and tightening of liquidity in global credit markets. During the third quarter of 2011, the tightening monetary policies and high inflation in the PRC, global economic uncertainties and the euro zone sovereign debt crisis have resulted in adverse market conditions and increased volatility in the PRC and overseas financial markets. While it is difficult to predict how long these conditions will exist and the extent to which we may be affected, these developments may continue to present risks to our business operations for an extended period of time, including increase in interest expenses on our bank borrowings, or reduction in the amount of banking facilities currently available to us. These challenging market conditions have resulted in reduced liquidity, widening of credit spreads in credit markets, a reduction in available financing and a tightening of credit terms.

Should there be a further economic downturn or credit crisis for any reason, our ability to borrow funds from current or other funding sources may be further limited, causing our continued access to funds to become more expensive, which would adversely affect our business, liquidity, financial condition, results of operations, and most importantly, our expansion projects. Moreover, apart from our access to funds, further economic downturn will also affect our customers, and may in turn reduce the demand for our products or affect their abilities to settle amounts owed to us in respect of previously supplied cable products. As such, we cannot assure you that our business operations will not suffer further adverse effects caused by the previous or future credit crisis in the near future.

**Inflation in the PRC and the tightened credit control and increase in lending rate implemented by the PRC government could adversely affect our profitability, liquidity and growth.**

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products and services rise at a rate that is insufficient to compensate for the rise in our costs, our profits may be adversely affected. In the past, in order to control inflation, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austerity policy can lead to a slowdown of economic growth. A slowdown in the PRC economy could also adversely affect our business and prospects.

We may rely upon short-term loans to finance our expansion and operation. Part of the funding we need may be financed by interest-bearing borrowings. As at 31 December 2011, our bank borrowings amounted to approximately RMB1,401.8 million. During the Track Record Period, the interest rates of our short-term bank loans ranged from 2.50% to 8.27%. The PRC government's policy to increase lending rate would increase our finance costs, which could adversely affect our business, expansion plan and financial condition and we may have difficulty in obtaining bank financing as a result of the tightened credit control.

**We depend on Jiangnan Cable, our principal operating subsidiary in the PRC, to distribute dividends and there are certain restrictions on payment of dividends under the PRC laws.**

Most of our business operations are conducted through our PRC operating subsidiary, Jiangnan Cable. Our ability to pay dividends to our Shareholders is dependent upon the earnings of Jiangnan Cable and its distribution of funds to us, primarily in the form of dividends. The ability of Jiangnan Cable to make distributions to us depends upon, among other things, its distributable earnings. Under the PRC laws, dividends may be paid only out of distributable profits. Distributable profits of Jiangnan Cable refer to its after tax profits (as determined under PRC GAAP) less any recovery of accumulated losses and allocations to statutory funds. Any distributable profits that are not distributed in a given year are retained and are available for distribution in subsequent years. The calculation of distributable profits under PRC GAAP differs in many aspects from the calculation under HKFRS. As a result, Jiangnan Cable may not be able to pay any dividend in a given year to our Company if it does not have distributable profits as determined under PRC GAAP, even if it has distributable profits for that year as determined under HKFRS. Accordingly, since we derive majority of our profits from Jiangnan Cable, we may not have sufficient distributable profits to pay dividends to our Shareholders, even if there is such an amount as shown in our accounts prepared under HKFRS.

**Our Company may be deemed to be a PRC resident enterprise under the new PRC Enterprise Income Tax Law and be subject to the PRC taxation on our worldwide income.**

Our Company was incorporated under the laws of the Cayman Islands and indirectly holds the entire equity interests in Jiangnan Cable. The Enterprise Income Tax Law (企業所得稅法) (the "EIT Law"), which became effective on 1 January 2008, and its implementation rules stipulate that for any non-PRC entity without office premise in the PRC, withholding tax at the rate of 10% will be applicable to any dividends paid to it by its PRC subsidiary, unless it is entitled to reduction of such tax under applicable tax treaties. On the other hand, if an enterprise incorporated outside the PRC has its "de facto management bodies" located within the PRC, the enterprise may be deemed to be a "PRC resident enterprise" and thus be subject to an enterprise income tax at a rate of 25% on its worldwide income.

Under the implementation rules for the EIT Law, "de facto management bodies" is defined as bodies having the material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the PRC tax authority promulgated a circular stating that the "de facto management bodies" of an offshore enterprise are located within the PRC if its controlling shareholders are PRC enterprises or PRC citizens. In our case, all of our management team members currently reside in the PRC. If most of them continue to reside in the PRC, our Company may be deemed a PRC resident enterprise and therefore subject to the PRC enterprise income tax at a rate of 25% on its worldwide income, which excludes the dividends received directly from another PRC resident enterprise. In that case, our Company's distributable profits may be adversely affected. Please refer to the sub-paragraph headed "Enterprise Income Tax Law" in the section headed "Regulatory Overview" of this prospectus.

**Dividends payable by our Company to our foreign investors and gain on the sale of our Shares could become subject to withholding taxes under the PRC tax laws.**

Under the EIT Law and its implementation regulations, PRC income tax at a rate of 10% is applicable to dividends payable to investors that are "non-PRC resident enterprises" (and which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business, i.e. the PRC) to the extent such dividends are sourced within the PRC. Similarly, any gain realised on the transfer of Shares by such investors is also subject to PRC income tax at a rate of 10% if such gain is regarded as income derived from sources within the PRC. Investors who are established in Hong Kong and are considered non-resident enterprises by the PRC tax authority are subject to a PRC withholding tax at a rate of 5%. If our Company is considered as a "PRC resident enterprise", it is unclear whether the dividends it pays with respect to our Shares, or the gain investors may realise from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. If our Company is required under the EIT Law to withhold PRC income tax on its dividends payable to our foreign Shareholders, or if investors are required to pay PRC income tax on the transfer of our Shares, the value of their investment in our Shares may be adversely affected.

**Changes in or discontinuation of the favourable tax treatments currently available to us and promulgation of tax regulations in the PRC could adversely affect our business, financial condition and results of operation.**

The EIT Law replaced the previous two separate tax legal regimes for foreign investment enterprises ("FIEs") and Chinese domestic companies and imposes a single uniform income tax rate of 25% for all enterprises, including FIEs, unless they qualify under certain exceptions. In accordance with Article 28 of the New Income Tax Law, enterprises which are accredited as High Technology Enterprises are entitled to a tax concession under the current income tax laws. Jiangnan Cable has been accredited as a High Technology Enterprise by the Science and Technology Department of Jiangsu Province (江蘇省科學技術廳), Finance Department of Jiangsu Province (江蘇省財政廳), State Taxation Bureau of Jiangsu Province (江蘇省國家稅務局) and Local Taxation Bureau of Jiangsu Province (江蘇省地方稅務局) in March 2009, and is therefore subject to a reduced income tax rate of 15% for a period of three years from 2009.

We cannot assure you that there will not be further change to the PRC tax laws which may result in the removal, loss, suspension or reduction of the above tax concession, and we cannot assure you that Jiangnan Cable will be accredited as a high technology enterprise again and therefore enjoy such reduced income tax rate in the future. In the event that such tax concession granted to Jiangnan Cable ceases or expires, our financial performance will be adversely affected.

Furthermore, in connection with the EIT Law, the Ministry of Finance and SAT jointly issued, on 30 April 2009, the Circular on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (Cai Shui [2009] No. 59) (《關於企業重組業務企業所得稅處理若干問題的通知》) (財稅[2009]59號), which became effective retrospectively in January 2008. In addition, the SAT issued the Notice on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises' Equity Transfer Income (Guo Shui Han [2009] No. 698) (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (國稅函[2009] 698號) on 10 December 2009, effective on 1 January 2008, and the Administrative Measures on Enterprise Income Tax in relation to Enterprise Restructuring Business (《企業重組業務企業所得稅管理辦法》) (國家稅務總局公告2010年第4號) on 26 July 2010, effective on 1 January 2010. Under the said circular, notice and administrative measures, the transfer of equity interest in certain PRC subsidiaries directly or indirectly held by our offshore subsidiaries to our other offshore subsidiaries is subject to an income tax of 10% on capital gains which may be determined as the difference between the fair value of the equity interests transferred and cost of investment, and special tax treatment will be applicable if certain conditions are satisfied. For more details of the Reorganisation, please refer to the sub-section headed "Further information about our Company and the subsidiaries of our Group – Reorganisation" in Appendix V to this prospectus. It is currently unclear how the relevant PRC tax authorities will implement or enforce the above circular and administrative measures and whether such income tax on capital gains treatment will be subject to further change. In case we are required to pay the income tax on capital gains as a result of the Reorganisation, our tax liability may increase and our net profits and cash flow may be affected.

**We are subject to a wide variety of PRC environmental, health and safety laws and regulations and establishment of an effective monitoring system could be onerous or require significant amount of financial or other resources.**

We are required to comply with various and extensive laws and regulations in the PRC governing the protection of the environment and occupational health and safety, including laws regulating (i) the generation, storage, handling, use and transportation of waste materials; (ii) the emission and discharge of waste materials into soil, air or water; and (iii) the health and safety of employees. We are also required to obtain and comply with environmental permits for certain operations. If we violate or fail to comply with the requirements, we could be exposed to penalties, fines, suspension or revocation of our licences or permits to conduct business, administrative proceedings and litigation. In some instances, such a fine or sanction could be material. Given the magnitude and complexity of these laws and regulations, the compliance with them or the establishment of an effective monitoring system may be onerous or require a significant amount of financial and other resources. As these laws and regulations continue to evolve, we cannot assure you that the PRC government will not impose additional or more onerous laws or regulations, compliance with which may cause us to incur significantly increased costs. Such events could adversely affect our business, financial condition and results of operations.

**The implementation of the Labour Contract Law and the increase in labour costs in the PRC could adversely affect our business and profitability.**

On 29 June 2007, the PRC National People's Congress enacted the Labour Contract Law (《勞動合同法》) (the "Labour Contract Law"), which became effective on 1 January 2008. Compared with the PRC Labour Law, which took effect on 1 January 1995 and was amended on 27 August 2009, the Labour Contract Law imposes more stringent requirements on employers in relation to entering into fixed term employment contracts and the dismissal of employees. In particular, the Labour Contract Law requires the payment of a statutory gratuity upon termination of an employment contract in most cases, including the expiration of a fixed-term employment contract. As there has not been much detailed guidance as to how the Labour Contract Law will be interpreted and enforced by the relevant PRC authorities, it remains substantially uncertain as to its potential effect on our business and results of operations. Also, under the newly promulgated "Regulations on Paid Annual Leaves for Employees" (《企業職工帶薪年休假實施辦法》), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the employees' working time. Employees who consent to waive such vacation at the request of employers must be compensated an amount which equals three times their normal daily salaries for each vacation day waived. As a result of the new laws and regulations, our labour costs may increase. We cannot assure you that disputes, work stoppages or strikes will not arise in the future. Increase in our labour costs and future disputes with our employees could adversely affect our business, financial condition and results of operations.

**Fluctuations in the value of the Renminbi could have an adverse effect on your investment.**

The value of the Renminbi against the Hong Kong dollar, the US dollar and other foreign currencies is affected by, among other things, changes in the PRC's economic and political conditions. In 2005, the PRC government changed its policy of pegging the value of the Renminbi to the US dollar. Under the new policy, the Renminbi is permitted to fluctuate within a band against a basket of currencies, determined by the People's Bank of China, against which it could rise or fall by as much as 0.3% each day. On 21 May 2007, the PRC government further widened the daily trading band to 0.5%. Between 21 July 2005 and 31 December 2009, the Renminbi has appreciated significantly against the US dollar. In June 2010, the PRC government indicated that it would make the foreign exchange rate of the Renminbi more flexible, which increases the possibility of sharp fluctuations of the Renminbi's value in the near future and the unpredictability associated with the Renminbi's exchange rate. Notwithstanding, there still remains significant international pressure on the PRC government to further liberalise its currency policy, which could result in a further and more significant fluctuation in the value of the Renminbi against the US dollar.

As we rely on dividends paid to us by our PRC subsidiary, any significant revaluation of the Renminbi may have an adverse effect on our revenue and financial condition and the value of any dividends payable on the Shares in foreign currency terms. In addition, even though majority of our revenue and expenses are denominated in Renminbi, fluctuations in exchange rates may nonetheless in the future adversely affect the value of our net assets, earnings or any declared dividends. Also, any unfavourable movement in the exchange rate may lead to an increase in our costs or a decline in sales, which could adversely affect our business, financial condition and results of operations.

**PRC government control over currency conversion could affect the value of your investment and limit our ability to use our cash effectively.**

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of foreign currencies out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distribution, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenditures. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. Our Company relies on our sole PRC subsidiary, Jiangnan Cable, to pay dividends to us. If the PRC foreign exchange control system prevents us from obtaining sufficient foreign currency, including Hong Kong dollars, to satisfy our requirements, we may not be able to pay dividends in Hong Kong dollars to the Shareholders.

**PRC regulation of direct investment and loans by offshore holdings companies to PRC entities could delay or limit us from using the proceeds of the Global Offering to make additional contribution or loans to our PRC subsidiary.**

Any capital contribution or loans that we, as an offshore entity, make to our PRC subsidiary, including the proceeds of the Global Offering, are subject to PRC regulations. For example, any of our loans to our PRC subsidiary must not exceed the difference between the total amount of investment that our PRC subsidiary was allowed to make under relevant PRC laws and their respective registered capital, and any such loans must be registered with the local branch of SAFE. In addition, our additional capital contributions to our PRC subsidiary must be approved by MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make equity contribution or provide loans to our PRC subsidiary or to fund our operations may be adversely affected, which could harm our PRC subsidiary' liquidity and our ability to fund working capital, expansion projects, meet our obligations and commitments.

In addition, in August 2008, SAFE promulgated Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises (《國家外匯局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), or Circular 142, a notice regulating the conversion by a foreign-invested company of foreign currency into Renminbi by restricting how the converted Renminbi may be used. Circular 142 requires that Renminbi converted from the foreign currency-denominated capital of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC unless otherwise specifically provided for. In addition, SAFE strengthened its oversight over the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested company. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used. Violations of Circular 142 may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations (《外匯管理條例》). This may restrict our ability to implement our acquisition strategy and could adversely affect our business, financial condition, results of operations and future prospects.

**Failure to comply with SAFE laws and regulations, particularly SAFE Circular No.75, could limit the ability of our PRC subsidiaries to distribute dividends to us or otherwise adversely affect our business operations.**

In 2005, SAFE issued a number of rules regarding offshore investments by PRC residents. The currently effective rule, the SAFE Circular No.75, was issued in October 2005 and further clarified by relevant operative directives. The SAFE Circular No.75 requires domestic residents of the PRC to register with and obtain approvals from SAFE before establishing or controlling any company outside the PRC for the purpose of capital financing with assets or equities of PRC companies, referred to therein as a "special purpose company". In addition, any PRC resident that is a shareholder of an offshore special purpose company is required to amend its SAFE registration within 30 days after any major change in the share capital of the offshore special purpose company without any return investment being made, such as any increase or decrease in share capital, stock right assignment or exchange, consolidation or subdivision of shares, investment with long term stock rights or credits, provision of guaranty to a foreign party etc. Please refer to the sub-paragraph headed "Laws and regulations on foreign currency" in the section headed "Regulatory Overview" of this prospectus.

Three of our beneficial Shareholders who are PRC domestic residents as defined under SAFE Circular No.75 (namely, Mr. Rui Fubin, Mr. Rui Yiping and Mr. Wang Fucai) have registered with the SAFE Jiangsu branch in respect of the establishment of our Company and its investment in Jiangnan Cable. However, we may not be fully informed of the identities of all our future Shareholders who are PRC residents. Moreover, we do not have control over our Shareholders and we cannot assure you that all of our PRC resident beneficial owners will comply with SAFE Circular No.75. The failure of our beneficial Shareholders who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular No.75 or the failure of future Shareholders who are PRC residents to comply with the registration requirements set out in SAFE Circular No.75 may subject such beneficial owners and/or our PRC subsidiaries to fines and legal sanctions and may also limit our ability to contribute additional capital to our PRC subsidiaries, limit the ability of our PRC subsidiaries to distribute dividends to us or otherwise adversely affect our business.

As it is uncertain how the SAFE regulations will be interpreted or implemented, we cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our business, financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that our Company or the owners of our Company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the SAFE regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business, financial condition, results of operations and future prospects.

**The M&A Rules established more complex procedures for acquisitions by foreign investors, which could make it more difficult for us to pursue growth through acquisitions.**

On 8 August 2006, six PRC regulatory agencies, including MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), the State Administration for Industry and Commerce, CSRC and SAFE, jointly adopted the M&A Rules, which became effective on 8 September 2006 and was revised on 22 June 2009. The M&A Rules established stringent procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In the future, we may grow our business in part by acquiring complementary businesses, although we have not identified any target this time. Complying with the requirements of the M&A Rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

**It may be difficult to enforce judgments against us in the PRC.**

Our business operations are primarily conducted through our PRC operating subsidiary and most of our Directors and other members of our senior management reside within the PRC, and substantially all of our assets are located within the PRC. Therefore, it may not be possible for investors to enforce any judgments obtained from non-PRC courts against us, our PRC subsidiary and/or our Directors or members of our senior management in the PRC.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the US, the United Kingdom, Japan, the Cayman Islands and some other Western countries. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or impossible.

## RISKS RELATING TO DOING BUSINESS IN SOUTH AFRICA

**SA Asia Cable may in the future be subject to competition or antitrust laws that could adversely affect its business, financial condition and results of operations.**

SA Asia Cable is subject to competition and antitrust laws in South Africa. The Competition Amendment Bill, if approved in its current form, will introduce significant reforms to the existing SA Competition Act, including the criminalisation provisions and provisions relating to "complex monopolies". Under the concept of "complex monopolies", if (i) more than 75% of the goods or services in a particular market are supplied to/by five or fewer firms; and (ii) two or more of the said firms conduct their respective business affairs in a cooperative or coordinated manner; and (iii) the above conducts substantially prevent or lessen competition in the market, then even if there has been no agreement, arrangement or understanding between the firms, they may be held liable under the Competition Amendment Bill. Our South African Legal Adviser advised that, on the basis of the scope of its legal due diligence investigation in respect of SA Asia Cable, it was not aware of any circumstances which indicate that our existing business relationship with Eskom breaches the provisions of the SA Competition Act or the Competition Amendment Bill and as at the Latest Practicable Date, we did not have any business relationship with other entities in South Africa that may result in a breach of such provisions. However, as we are expanding our operation in South African market, we may cooperate with other entities or conduct our business in a coordinated manner with other entities, with or without agreement, which may expose us to sanctions by the South Africa authorities to the extent our partner or any entity in our Group contravenes these laws or participates in any conduct prohibited by these laws.

**We are exposed to a higher risk of potential liability due to strict liability introduced by the Consumer Protection Act of South Africa.**

The Consumer Protection Act of South Africa establishes a form of "modified strict liability" of producers, importers, distributors or retailers in respect of harm caused by, or as a result of, the supply of any unsafe goods, product failures, defects or hazards in any goods, or inadequate instructions or warnings provided to the consumers, and pertaining to any hazard arising from or associated with the use of any goods, irrespective of whether the harm is resulted from any negligence on the part of the producers, importers, distributors or retailers. This is a significant departure from the existing common law in terms of which a consumer generally has to prove negligence on the part of the manufacturers, producers or suppliers as the case may be, in order to be successful with a claim for damages. The Consumer Protection Act was fully operational in April 2011. Despite the coming into effect of the Consumer Protection Act, we have not taken out any product liability insurance for the supply of our products to Eskom since this is not a legal requirement in South Africa nor have we increased our quality control measures to cater for any possible legal consequence. Whilst we are confident of the quality of our products, we cannot assure you that there will not be any product failures or defects in our goods that may result in a breach of any provision of the Consumer Protection Act, and if such breach occurs, the business, financial condition and results of operations of SA Asia Cable will be adversely affected.

**We may be exposed to potential liability under the Occupational Health and Safety Act of South Africa.**

Our manufacturing plant and operations in South Africa, once commenced, will, on an ongoing basis, be subject to South Africa's occupational health and safety laws, in particular the Occupational Health and Safety Act No. 85 of 1993 (the "SA OHS Act") and the regulations thereunder. Serious criminal liability may be incurred in respect of non-compliance with these laws, which could result in severe fines and imprisonment. Civil liability could also potentially be incurred although the general rule under the SA OHS Act is that any damages or loss suffered by employees as a result of an occupational injury or disease must be claimed from the Compensation Commissioner, which is a state body. The South African courts have held, however, that gross negligence or willful misconduct of an employer is an exception to this rule and that sometimes therefore civil action may be brought by employees directly against their employers in this regard. Legal action could also be instituted to prevent us from carrying on any operations which contravene such laws (i.e. an interdict). If the manufacturing plant and operations do not adhere to the relevant laws, our operations can be harmed by the potential criminal and civil liability, or even prevented from carrying on. All of the aforegoing risks apply in much the same way insofar as the Hazardous Substances Act No. 15 of 1973 is concerned.

**South African exchange control restrictions could hinder the ability of SA Asia Cable to make foreign investments and procure foreign denominated financings.**

South Africa's exchange control regulations restrict business transactions between residents of the Common Monetary Area on the one hand, which consists of South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland, and non-residents of the Common Monetary Area on the other hand. In particular, South African companies:

- are generally not permitted to export capital from South Africa, hold foreign currency in excess of certain limits or incur indebtedness denominated in foreign currencies without the approval of the South African exchange control authorities; and

- are generally not permitted to acquire an interest in a foreign venture without the approval of the South African exchange control authorities and subject to having complied with the investment criteria of the South African exchange control authorities.

These restrictions, among others, could hinder the ability of SA Asia Cable to make foreign investments and procure foreign denominated financings in the future. While the South African government has relaxed exchange controls in recent years, it is difficult to predict what action, if any, the government may take in the future with respect to exchange controls. If the government were to tighten exchange controls, these restrictions could further hinder the ability of SA Asia Cable to make foreign denominated investments and procure foreign denominated financings in the future and could adversely affect our results of operations and financial condition. Our funds may not be freely payable or transferable from South Africa to persons residing outside South Africa as such payments or transfers are subject to approval by the relevant authorities in South Africa.

**The requirements of Black Economic Empowerment could have an effect on the operations of Jiangnan Cable and/or SA Asia Cable in South Africa.**

As discussed in more detail in the paragraph headed "Black Economic Empowerment" in the section headed "Regulatory Overview", the Broad-Based Black Economic Empowerment Act, No.53 of 2003 ("BBBEE Act") and the Codes of Good Practice on Broad-Based Black Economic Empowerment (the "BBBEE Codes") came into effect in April 2004. The BBBEE Act and the BBBEE Codes apply to organs of state and public bodies but not the private sector. They provide for certain measurements and targets with respect to the Black Economic Empowerment ("BBE") policy which are general in nature and the specific BEE requirements on a particular enterprise are then determined on a case-by-case basis. For instance, in a particular tender, a State department may require that, in order to qualify, tenderers must have at least a minimum percentage of shareholding owned by black individuals including Africans, Indians and the other Coloureds. In order to obtain a better BEE rating under the BBBEE Codes, large enterprises in private sector will often insist that their suppliers and service providers must carry a certain BEE rating. SA Asia Cable has, as a result of its procurement policies, obtained a BEE rating as a "Level 6 contributor" from an independent BEE rating agency in South Africa. This certification is valid until 23 November 2012. There are 8 levels, the highest being 1 and the lowest being 8. Accordingly, SA Asia Cable's BEE rating is fairly low. Though our contracts with Eskom do not provide that SA Asia Cable or Jiangnan Cable must have a certain BEE rating and therefore Eskom is not entitled to terminate the contracts solely for that reason, we cannot assure you that state-owned entities (like Eskom) and/or large private enterprises in South Africa, in order to obtain certain BEE ratings under the BBBEE Codes and facilitate the obtaining of licences and concessions from government authorities, will be willing to enter into future contracts with us for the supply of goods or otherwise in the future. In the case that the enterprises in South Africa are not willing to enter into future contracts or enter into other business relationships with us, our financial condition and results of operations in South Africa will be adversely affected.

**Corporate fraud such as "corporate hijackings" may affect SA Asia Cable.**

Recently, some companies have fallen victim to a phenomenon which has been referred to as "company hijackings" in South Africa, which entails fraudulent alteration of the details of the directors of a company in the records of the Registrar of Companies of South Africa and the substitution thereof with certain other parties' details, thereby misleading third parties into believing that certain persons are the directors of that company. This type of fraud essentially takes advantage of certain vulnerabilities in the Registrar's systems. Even though the Registrar of Companies of South Africa has recently imposed various measures with a view to preventing such fraud, we cannot assure you that we would not become a victim. There is a risk that monies owing to SA Asia Cable (from whatever source), and which could have been distributed ultimately to us, would be fraudulently diverted from SA Asia Cable, in which case our financial performance will be adversely affected.

## RISKS RELATING TO THE GLOBAL OFFERING

**There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.**

Prior to the Global Offering, there has been no public market for our Shares. The initial public offering price range per Share was determined through negotiations among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), on behalf of the Underwriters. The Offer Price may differ significantly from the market price for our Shares following the Global Offering. Our Company has made application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in our Shares on the Stock Exchange. We cannot assure you that the Global Offering will result in the development of an active, liquid public trading market for our Shares. In addition, the price and trading volume of our Shares may be volatile. Factors including variations in our revenues, earnings and cash flows or any other developments may affect the volume and price at which our Shares will be traded.

**We may require additional financing in the future, which could lead to dilution of investment or limits our operation of business.**

We may need to obtain additional debt or equity financing to fund equipment purchases, capital expenditures and other investment plans that we may undertake in the future. Equity financing could result in dilution to the interests of our Shareholders who are unwilling or unable to subscribe for any Shares newly issued by us.

Furthermore, any debt financing, if available, may limit our operating flexibility because debt increases may lead to:

- reduction of our ability to stand industry or economic risks;
- limits on our dividends payments;

- reduction of our cash flow applicable in capital expenditure, working capital and other daily operations because part of the operation cash flow will be applied to the debt repayment; and

- limits on our operation flexibility because financing facilities may involve restrictive covenants.

In addition, we cannot assure you that we can obtain additional financing on terms acceptable to us. If we fail to obtain necessary funding on acceptable terms or at all, we may be forced to delay our research and development activities, potential acquisitions and investments or otherwise curtail or cease operations of business.

**The subscribers of our Shares may experience immediate dilution and may experience further dilution if we issue additional Shares in the future.**

The Offer Price is higher than the combined net tangible assets value per Share immediately prior to the Global Offering. Subscribers of our Shares in the Global Offering may experience an immediate dilution in unaudited pro forma adjusted combined net tangible assets value to HK$1.37 per Share, based on the maximum Offer Price of HK$2.05.

To expand our business, we may offer and issue additional Shares in the future. Shareholders may experience dilution in the combined net tangible assets book value per Share of their Shares if we issue additional Shares in the future at a price lower than the combined net tangible assets book value per Share.

**Sales of a substantial number of our Shares in the public market could adversely affect the prevailing market price of the Offer Shares.**

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could impair our future ability to raise capital through offerings of our Shares. There will be 1,538,600,000 Shares outstanding immediately following the Global Offering, assuming the Over-allotment Option is not exercised. The Controlling Shareholders, subject to certain exceptions, have agreed to a lock-up with the Underwriters until six months from the Listing Date, and such Shares will be freely tradable after the expiry of the lock-up period subject to the Listing Rules. Shares which are not subject to a lock-up represent approximately 28.28% of the total issued share capital immediately following the Global Offering (assuming no exercise of the Underwriters' Over-allotment Option) and will be freely tradable immediately following the Global Offering. If our existing Shareholders sell a substantial amount of their Shares in the public market upon Listing, or such Controlling Shareholders sell their Shares upon the expiration of the lock-up period, such sales may create a circumstance commonly referred to as an "overhang" and in anticipation of which the market price of our Shares may fall. The existence of an overhang, whether or not such sales have occurred or are occurring, may make it more difficult for us to raise additional financing through the sale of equity or equity-related securities in the future at a time and price we deem reasonable or appropriate. The sale of such Shares may have a negative effect on the price of our Shares. Please refer to the section headed "Underwriting" of this prospectus for information regarding the lock-up arrangements of our current Controlling Shareholders.

**The trading volume and share price of our Shares may fluctuate.**

The price and trading volume of our Shares may be highly volatile. Factors such as actual or anticipated fluctuations in our quarterly results of operation, announcements of new products by us or our competitors, changes in financial estimates by securities analysts, changes in the economic performance or market valuations of other companies involved in the manufacture and sales of wire and cable products, changes in government regulations and policies affecting the wire and cable production industry, including those relating to the pricing of wire and cable products, announcements by our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments, additions or departures of key personnel or potential litigation could cause large and sudden changes in the volume and price at which our Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also adversely affect the market price of our Shares.

**Certain information and statistical data used in this prospectus have been derived from research reports and supplied by other parties and should not be unduly relied upon.**

Certain information and statistical data included in this prospectus, including statements about China and the global economy and the cable industry have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties such as IBISWorld. We believe that the sources of the information are appropriate sources for such information, and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. We have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sole Sponsor nor any of the parties involved in the Global Offering have independently verified, or make any representation as to, the accuracy of such information and statistics. We cannot assure you that statistics derived from such sources were prepared on a comparable basis or that such information and statistics were stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside China. Accordingly, such information and statistics should not be unduly relied upon.

**Forward-looking statements contained in this prospectus are subject to risks and uncertainties.**

This prospectus contains certain statements that are "forward-looking" and uses forward-looking terminology such as "aim", "anticipate", "believe", "consider", "continue", "could", "expect", "estimate", "intend", "may", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" or similar expressions or the negative thereof. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources. Purchasers and subscribers of the Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In view of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. There is no intention to update these forward-looking statements in addition to our ongoing disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

**We strongly caution investors not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.**

We wish to emphasise to the potential investors that we do not accept any responsibility for the accuracy or completeness of the information regarding us and the Global Offering revealed by public press or any other sources without our authorisation (the "Information"). We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the Information and the underlying assumptions. To the extent that any of the Information is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.