This section is a summary of the PRC laws and regulations related to our business and industry.

1. Establishment, Operation and Management of a Wholly Foreign-owned Enterprise

A wholly foreign-owned enterprise is mainly governed by the Corporate Law of the PRC (《中華人民共和國公司法》) (the "Corporate Law"), the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) (the "Foreign Enterprise Law"), the Implementation Regulation under the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法實施細則》) (the "Implementation Regulation") and the Guidance Catalogue of Industries for Foreign Investment (2011 Revision) (《外商投資產業指導目錄(2011年修訂)》) (the "Catalogue").

1.1 PRC Laws Relating to Wholly Foreign-owned Enterprises

The establishment, operation and management of corporate entities in China are governed by the Corporate Law, which was promulgated by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) on 29 December 1993, became effective on 1 July 1994 and was subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005. The Corporate Law generally governs two types of companies, namely limited liability companies and joint stock limited companies. The Corporate Law also applies to foreign-invested limited liability companies; but in case laws on foreign investment have other stipulations, such stipulations will prevail over the Corporate Law.

The establishment procedures, verification and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of wholly foreign-owned enterprises are governed by the Foreign Enterprise Law, which was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Regulation, which was promulgated on 12 December 1990 and amended on 12 April 2001.

1.2 Procedures to Establish a Wholly Foreign-owned Enterprise

It is necessary for the MOFCOM or its local branches to approve the establishment of a wholly foreign-owned enterprise. Before operating its business, a wholly foreign-owned enterprise must obtain a business licence from SAIC or its local branches. Jiangnan Cable has obtained valid business licence, under which its business term is from 25 February 2004 to 24 February 2054. In addition, foreign investors and foreign-owned enterprises that conduct any investments in the PRC must comply with the Catalogue, which was amended by the MOFCOM and the National Development and Reform Commission (國家發展和改革委員會) on 24 December 2011. The amended Catalogue became effective on 30 January 2012 and has since been guiding the market access of foreign capital. It sets out in detail differentiation of industries into 3 categories: industries in which foreign investment is encouraged, industries in which foreign investment is restricted and industries in which foreign investment is prohibited. Any industry that is not listed in the Catalogue allows for foreign investments. None of Jiangnan Cable's current business was categorised into "prohibited industries" or "restricted industries". Jiangnan Cable has obtained the approval certificate of foreign-invested enterprises (商外資蘇府資字[2004]52185號) and all necessary governmental approvals in relation to its establishment.

1.3 The Distribution of the Dividends

As the Rules for the Implementation of the Foreign Enterprise Law provides, a wholly foreign-owned enterprise must make contributions to a reserve fund and an employee bonus and welfare fund after the payment of taxes. The allocation ratio of the employee bonus and welfare fund may be determined by the enterprise. However, at least 10% of the after-tax profits must be allocated to the reserve fund. If the cumulative total of the reserve funds reaches 50% of an enterprise's registered capital, the enterprise will not be required to make any additional contribution. The reserve fund may be used by a wholly foreign-owned enterprise to make up its losses, expand its production operations and to increase its capital with the consent of the examination and approval authority. The enterprise is prohibited from distributing dividends unless the losses of previous years have been made up. Jiangnan Cable must comply with the aforesaid provisions and make contributions to the reserve fund and the employee bonus and welfare fund.

2. Industry Regulations

Jiangnan Cable is required to obtain or renew certifications issued by the various PRC authorities, including Jiangsu Bureau of Quality and Technical Supervision (江蘇省質量技術監督局), China Quality Certification Center (中國質量認證中心), the Mining Products Safety Approval and Certification Center (安標國家礦用產品安全標誌中心), National Center for Quality Supervision and Testing of Fire Building Materials (國家防火建築材料質量監督檢驗中心) and other authorities. Jiangnan Cable had obtained all necessary permits, certificates and licences for its operations.

2.1 Manufacturing Licence

According to Interim Regulation on the Manufacturing License for Industrial Products (《工業產品生產許可證試行條例》), which was promulgated by the State Council on 7 April 1984 and had been replaced by the Regulation on the Administration of Manufacturing License for Industrial Products of PRC (《中華人民共和國工業產品生產許可證管理條例》), which was promulgated on 9 July 2005 and took effect on 1 September 2005, Jiangnan Cable has obtained the valid manufacturing licences since 15 April 2004. According to the two regulations mentioned above, enterprises can apply for the renewal of their licences. Jiangnan Cable renewed its manufacturing licence on 12 May 2011 issued by the Jiangsu Bureau of Quality and Technical Supervision.

2.2 Certification of China Compulsory Product Certification

According to the Provisions on the Administration of Compulsory Product Certification (《強制性產品認證管理規定》), which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) and came into force on 1 September 2009 and the First Catalogue of Products Subject to Compulsory Certification (《第一批實施強制性產品認證的產品目錄》) issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督

檢驗檢疫總局) and Certification and Accreditation Administration of PRC (國家認證認可監督管理委員會) and came into force on 3 December 2001, the production of wires and cables, including cord sets, flexible rubber-sheathed cables for mining, insulated cables (wires) for railway vehicles of rated voltages up to and including 3kV, rubber insulated cables of rated voltages up to and including 450/750V and PVC insulated cables of rated voltages up to and including 450/750V are governed by the Certification and Accreditation Administration of the PRC (國家認證認可監督管理委員會), and certification from designated certification center are required. Jiangnan Cable has obtained all necessary certifications from the China Quality Certification Center (中國質量認證中心). Most of such certificates remain valid through regular supervision.

However, according to the Guidance Catalogue for Industrial Structure Adjustment (2011 Version) (產業結構調整指導目錄(2011年本)) (the "Guidance Catalogue"), which was promulgated by National Development and Reform Commission (國家發展和改革委員會) and became effective on 1 June 2011, wire and cable industry, other than the special wire and cable that are used for new energy, information industry, aeronautics and astronautics, rail traffic, oceanographic engineering, has been categorised as one of the "restricted industries". Furthermore, in terms of the related rules, China Compulsory Certification (中國國家強制性產品認證證書), or CCCs, obtained on or before 31 May 2011 are still effective and renewable on expiry, but only for products covered by the existing CCCs. The application for new CCCs or CCCs for new type of products on or after 1 June 2011 will not be accepted except for the above-mentioned special wire and cable.

2.3 Safety Sign Certificates of Products

In accordance with the Detailed Rules and Regulations for Safety Signs Certificate of Products for Mining Purpose (《礦用產品安全標誌證書管理細則》), which was issued by State Administration of Coal Mine Safety (國家煤礦安全監察局) and State Administration of Work Safety (國家安全生產監督管理局) and came into force on 10 August 2004, Jiangnan Cable must obtain safety certification for the relevant products and affix thereon appropriate safety signs before the products are sold and used. Jiangnan Cable has obtained the said certificate from the Mining Products Safety Approval and Certification Center (安標國家礦用產品安全標誌中心). The expiry dates of such certificates are different, ranging from 14 September 2012 to 20 December 2015.

2.4 Certification of Inflaming Retarding in Public and Using Component Mark

According to the Provisional Measures on the Mark Administration of Flame Retardant Products (《阻燃製品標識管理辦法(試行)》), which came into effect on 1 May 2007, and the Circular on Strengthening the Administration of the Flame Retardant Products in Public (《關於進一步加強公共場所阻燃製品管理工作的通知》), which came into force on 7 December 2007, both of which were issued by the Fire Department of the Ministry of Public Security (公安部消防局), enterprises must obtain the Certification of Inflaming Retarding in Public and Using Component Mark. Jiangnan Cable has obtained the Certification of Using Flame Retardant Product Marks in Public, issued by the National Center for Quality Supervision and Testing of Fire Building Materials (國家防火建築材料質量監督檢驗中心) and the Certification will be valid until 20 July 2012.

2.5 Industrial Standards

Industrial standards relevant to the products of Jiangnan Cable include, among others, (1) GB20286-2006, which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of PRC (國家質量監督檢驗檢疫總局) and the Standardization Administration of PRC (國家標準化管理委員會) on 19 June 2006 and became effective as of 1 March 2007, (2) GB/T 5013-2008, which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) and the Standardization Administration of the PRC (國家標準化管理委員會) on 22 January 2008 and became effective on 1 September 2008, and (3) GB/T 5023-2008, which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) and the Standardization Administration of the PRC (國家標準化管理委員會) on 30 June 2008 and became effective as of 1 May 2009.

Jiangnan Cable has obtained and renewed all approvals, licenses and certifications required by the above-mentioned standards.

3. Enterprise Income Tax Law

The Enterprise Income Tax Law of PRC (《中華人民共和國企業所得税法》), or the EIT Law, which was promulgated on 16 March 2007 and became effective on 1 January 2008, replaced the previous two separate tax legal regimes for foreign invested and the PRC domestic companies and imposes a single uniform income tax rate of 25% for all enterprises, including foreign-invested enterprises, unless they qualify under certain exceptions.

According to Article 2 of EIT Law, enterprises are classified into resident and non-resident enterprises. Resident enterprise refers to an enterprise that is established inside the PRC, or which is established under the law of a foreign country (region) but whose de facto management organisation is inside the PRC. Non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose de facto management organisation is not inside the PRC but which has offices or establishments inside the PRC; or which does not have any offices or establishments inside the PRC but has incomes derived from the PRC. According to Article 3 of EIT law, a resident enterprise shall pay the enterprise income tax on its incomes derived from both inside and outside the PRC. For a non-resident enterprise having offices or establishments inside the PRC, it shall pay enterprise income tax on its incomes derived from the PRC as well as on incomes that it earns outside the PRC but which has real connection with the said offices or establishments. For a non-resident enterprise having no office or establishment inside the PRC, or for a non-resident enterprise whose incomes have no actual connection to its institution or establishment inside the PRC, it shall pay enterprise income tax on the incomes derived from the PRC. Since our de facto management organisation is inside the PRC, our Company may be regarded as the resident enterprise under the EIT Law and be subject to the PRC taxation on its worldwide income.

According to Article 57 of the EIT Law, for enterprises established prior to the promulgation of the EIT Law enjoying lower tax rates according to the provisions of the previous tax laws and administrative regulations, their income tax rates will, according to the provisions of the State Council, be gradually increased to the tax rate provided in the EIT Law within five years after the EIT Law is promulgated. The enterprises that have enjoyed the preferential treatment of tax exemption for a fixed term may, according to the provisions of the State Council, continue to enjoy such treatment after the promulgation of the EIT Law until the fix term expires. However, for enterprises failing to enjoy the preferential treatment due to failure in profit-making, the term of preferential treatment begins when the EIT Law is promulgated. According to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (《關於實施企業所得税過渡優惠政策的通知》) issued and took effect on 26 December 2007, as the enterprises that previously enjoyed "2-year exemption and 3-year half payment" (二免三減半) may, after the implementation of the Enterprise Income Tax Law, continue to enjoy the relevant preferential treatments under the preferential measures for the time period prescribed in the former tax law, administrative regulations and relevant documents until the expiration of the said time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period commenced from 2008. Jiangnan Cable is one of the enterprises that enjoy "2-year exemption and 3-year half payment" (二免三減半) until the end of 2008. Therefore, Jiangnan Cable enjoyed the 12.5% income tax rate in 2008.

In accordance with Article 28 of Enterprise Income Tax Law, the enterprise income tax on important high and new-tech enterprises that are necessary to be supported by the state must be levied at the reduced tax rate of 15%. In accordance with Article 8 of Administrative Measures for Determination of High and New-Tech Enterprises (《高新技術企業認定管理辦法》) which took effect since 1 January 2008, Jiangnan Cable has been accredited as a high and new technology enterprise by the appropriate competent authorities, namely, 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 (江蘇省國家税務局) and Local Taxation Bureau of Jiangsu Province (江蘇省地方税務局) in March 2009, and is therefore subject to a reduced income tax rate of 15% for a period of three years commercing from 2009.

According to the Notice on Issues Concerning the Prepayment of Enterprise Income Tax During High and New Tech Enterprises Qualification Reexamination (SAT Notice No.4 (2011)) (《關於高新技術企業資格複審期間企業所得税預繳問題的公告》), high and new tech enterprises should file their reexamination applications in the three months prior to the expiration date of their qualification, and shall provisionally prepay their enterprise income tax at the rate of 15% in the effective period of the high and new tech enterprises certificate before approval of reexamination. Jiangnan Cable has filed its high and new technology enterprise reexamination application and it can provisionally prepay the enterprise income tax at the rate of 15% during the effective period of the high and new tech enterprises certificate in 2012.

4. Laws and Regulations on Environmental Protection, Occupational Health and Safety

Environmental protection laws and regulations mainly include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and the Administrative

Measures for Urban Drainage License (《城市排水許可管理辦法》). The laws on occupational health and safety mainly include the Management Measure on the Occupational Health (《職業健康監護管理辦法》). The laws on production safety mainly include the Production Safety Law of the PRC (《中華人民共和國安全生產法》) and the Regulation on the Safety and Protection of Radioisotopes and Radiation Devices (《放射性同位素與射線裝置安全和防護條例》).

4.1 Environmental Protection Laws and Regulations

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), promulgated and effective since 26 December 1989, entities that may cause pollution or produce other toxic materials must take steps to protect the environment and establish an environmental protection and management system. The system includes the adoption of effective measures to prevent and control exhaust gas, sewage, waste residues, dust or other waste materials. According to Article 3 of the Administrative Measures for Urban Drainage License (《城市排水許可管理辦法》), promulgated on 25 December 2006 and effective since 1 March 2007, the drainage users who discharge sewage to the urban drainage pipelines and affiliated facilities must obtain the urban drainage certificate. Jiangnan Cable has obtained the urban drainage certificate from Municipal Public Affairs Management Bureau in Yixing (宜興市公用事業管理局).

4.2 Occupational Health and Safety Laws and Regulations

According to the Management Measure on the Occupational Health (《職業健康監護管理辦法》), which was promulgated by Ministry of Health of the PRC and came into force on 1 May 2002, the employing units must establish and perfect the occupational health system and implement the occupational health programme and organise the employees engaged in the occupational disease inductive operation to carry out occupational health examinations. We have carried out periodic occupational health examination in accordance with laws and there has been no practice resulting in breach of the related laws and regulations. During the Track Record Period, there is no material occupational health incidents or safety incidents occurred in our operations.

4.3. Production Safety Certifications

Enterprises and institutions must be equipped with the measures for safe production as provided in the PRC Production Safety Law (《中華人民共和國安全生產法》) and other relevant regulations. According to the Production Safety Law, any entity that is not equipped with the measures for safe production is not allowed to engage in production and business operation activities. According to Article 5 of the Regulation on the Safety and Protection of Radioisotopes and Radiation Devices (《放射性同位素與射線裝置安全和防護條例》), issued on 14 September 2005 and effective since 1 December 2005, the entities producing, selling and using radioisotopes and radiation devices must obtain the relevant licences in accordance with the provisions of this Regulation. Jiangnan Cable has obtained the Radiation Safety Certification (《輻射安全許可證》) issued by the Environmental Protection Department of Jiangsu Province (江蘇省環境保護廳).

5. Labour Laws

Labour laws mainly include the Labour Contract Law of the PRC (《中華人民共和國劳動合同法》, or the Labour Contract Law, and the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), or the Regulations on paid Annual Leave, both effective since 1 January 2008, and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (the "Social Insurance Law"), effective since 1 July 2011.

Labour contracts must be concluded in writing if labour relationships are to be or have been established between enterprises or institutions and the labourers under the Labour Contract Law of the PRC. Enterprises and institutions are forbidden to force the labourers to work beyond the time limit and employers must pay labourers for overtime work in accordance with national regulations. In addition, the requirement of entry into fixed term employment contracts and dismissal of employees is very strict. In particular, the Labour Contract Law requires the payment of a statutory severance pay upon the termination of an employment contract in most cases, including in cases of the expiration of a fixed-term employment contract. According to the Labour Law of the PRC, enterprises and institutions must establish and perfect their system of work place safety and sanitation, strictly abide by the rules and standards on work place safety.

Under the Regulations on Paid Annual Leave, effective since 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 work time. Employees who consent to waive such vacation at the request of employers must be compensated an amount equal to three times their normal daily salaries for each vacation day being waived.

According to the Social Insurance Law, there are five basic types of social security insurance, which include basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. Both employees and employers make contributions for the first three kinds of insurances and only employers make contributions for the latter two kinds. If the employers fail to pay the full amount of social insurance as scheduled, the competent authorities may order them to make the social insurance payment or make up the difference within a stipulated period and levy a surcharge equal to 0.05% of the overdue social insurance for each day from the date on which the social insurance became overdue. If the social insurance payment is not made within the stipulated period, the relevant administration department may impose a fine of one to three times the amount of overdue social insurance on the employers. It is stipulated that basic pension, basic medical and unemployment insurance are portable for individuals in case an individual changes a job or moves to another province or city. Under the Social Insurance Law, all citizens, including city residents, flexible employment, migrant workers and foreigners working in China can enjoy the five basic types of social insurance. Since the Social Insurance Law did not specify the contribution rates or the calculation basis for each kind of insurance, employers would need to refer to the local regulations for contribution rates of the social insurance schemes.

6. Laws and Regulations related to Intellectual Property Rights

The PRC has adopted comprehensive legislation governing intellectual property rights, including the Patent Law of the PRC (《中華人民共和國專利法》) (the "Patent Law"), which was adopted in 1984 and amended in 1992, 2000 and 2008, and the Trademark Law of the PRC (《中華人民共和國商標法》) (the "Trademark Law"), which was adopted in 1982 and amended in 1993 and 2001.

6.1 Patent Law

According to the Patent Law, the Intellectual Property Administrative Department under the State Council (國務院專利行政部門) is responsible for receiving, examining and approving patent applications. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation or designs used primarily for the identification of pattern, colour or the combination of the two on printed flat works. A patent is valid for a term of 20 years in the case of an invention and a term of ten years in the case of a utility model or design, starting from the application date. A third-party user must obtain consent or a proper licence from the patent owner to use the patent except for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights.

6.2 Trademark Law

According to the Trademark Law, 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) is responsible for the registration and administration of trademarks throughout China. The PRC Trademark Office's decisions on rejection, opposition or cancellation of an application may be appealed to the Trademark Review and Adjudication Board of SAIC (國家工商行政管理總局商標評審委員會), whose decision may be further appealed through judicial proceedings. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark must not prejudice the existing right of others obtained by priority, nor may any person register in advance a trademark that has already been used by another person and has already gained "sufficient degree of reputation" through that person's use. If no opposition is filed within three months after the public announcement period or if the opposition has been overruled, the PRC Trademark Office will approve the registration and issue a registration certificate, upon which the trademark is registered and will be effective for a renewable ten-year period, unless otherwise revoked.

7. Laws and Regulations on Foreign Currency

Foreign currency laws involve the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Administration Regulations"), Circular 142, and the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), namely the SAFE Circular No. 75.

7.1 Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China is the Foreign Exchange Administration Regulations, promulgated by the State Council on 29 January 1996 and became effective on 1 April 1996 and amended on 14 January 1997 and 1 August 2008. Under these rules, Renminbi is freely convertible for payments of current account items, including profit distribution, interest payments and expenditures from trade related transactions, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the State Administration of Foreign Exchange, or SAFE, is obtained. Under the Foreign Exchange Administration Regulations, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of SAFE for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities or to pay dividends. In addition, foreign exchange transactions involving direct investment, loans and investment in securities outside China are subject to limitations and require approvals from SAFE.

Circular 142 regulates the conversion by a foreign-invested company of foreign currency into Renminbi by restricting how the converted Renminbi may be used. 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 and not be used to repay Renminbi loans if the proceeds of such loans have not yet been used. Any violation may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations.

7.2 Foreign Exchange Registration

Pursuant to the SAFE Circular No. 75, issued on 21 October 2005, a PRC resident must register with the local branch of the SAFE before it establishes or controls an overseas special purpose vehicle ("SPV"), or an overseas SPV, for the purposes of overseas equity financing (including convertible debt financing). When a PRC resident contributes the assets of or his or her equity interests in a domestic enterprise into an overseas SPV, or engages in overseas financing after contributing such assets or equity interests into an overseas SPV, such PRC resident must register his or her interest in the overseas SPV and the change thereof with the local branch of the SAFE. When the overseas SPV undergoes a material event outside of China, such as change in share capital or merger or acquisition, the PRC resident must, within 30 days from the occurrence of such event, register or file such change with the local branch of the SAFE.

On 29 May 2007, SAFE issued Notice on Implementation of SAFE Circular No. 75 (《國家外匯管理局綜合司關於印發國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知操作規程的通知》), or SAFE Circular No. 106, to its local branches, which strengthens the supervision on the registration requirement set forth in SAFE Circular No. 75 and further requests PRC residents holding any equity interests or options on SPV, directly or indirectly, controlling or nominal, to register with SAFE. Failure to comply with the registration procedures set forth in SAFE Circular No. 75 may result in restrictions imposed on the foreign exchange activities of such domestic company, including the payment of dividends and other distributions to its overseas parent companies or affiliates and the capital inflow from these overseas entities, and may also subject such PRC residents to penalties under PRC regulations on the administration of foreign exchange.

On 20 May 2011 SAFE issued the Implementation Procedure on SAFE Circular No. 75 (《境內居民通過境外特殊目的公司融資及返程投資外匯管理操作規程》) (the "New Implementation Procedure"), which come into effect on 1 July 2011. The New Implementation Procedure stipulates the detailed procedures on how to register with the SAFE, change the registration and cancel the registration.

Under the SAFE Circular No.75 and relevant SAFE rules, failure to comply with the registration procedures set forth above may result in restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the overseas SPV, and penalties on the PRC residents and/or the PRC subsidiary of the overseas SPV. In case a PRC resident refuses to make required registration and filings, the relevant onshore company may be exempted from penalties if it has reported such refusal to the SAFE in writing.

This section elaborates a summary of the related South Africa laws and regulations, involving SA Asia Cable

SA Asia Cable, a wholly-owned subsidiary of Jiangnan Cable, is subject to certain legislations and regulations in South Africa. Some of the principal South African legislations regulating SA Asia Cable are highlighted below. These legislations are not necessarily industry-specific but apply on a broader and general level to all companies, employers, importers, suppliers, etc, as the case may be, in South Africa.

It should be noted that all legislations are subject to amendment and it is not possible to predict the timing or effect of future amendments and/or modifications to the applicable legislations and regulations. Further, the contents of this part are by no means a comprehensive exposition of the relevant legislation in South Africa but are intended to be a brief overview only.

The Companies Act of South Africa, No. 71 of 2008 (the "SA Companies Act")

South African corporate and company law comprises mainly the SA Companies Act, the Close Corporations Act, No. 69 of 1984 and common law relating to corporate entities. South African company law, which is largely derived from, and based on, the framework and the general principles of English law, covers requirements for incorporation, existence or maintenance, and dissolution of corporate entities. The SA Companies Act is currently administered by the Companies and Intellectual Property Commission (the "CIPC").

Corporate entities in South Africa may opt to abide by corporate governance standards set by the King Commission of Institute of Directors of Southern Africa, i.e. the King Report on Governance for South Africa, 2009 (commonly known as "King III"), effective on 1 March 2010. There is a growing trend in South Africa for courts to use King III as a yardstick against which the conduct of companies and directors are measured.

All pre-existing companies were required to obtain a certificate to commence business issued by the Registrar of Companies before carrying on any business activities. Companies must lodge annual returns with the CIPC (recording directorship, registered office, registered auditors, etc.) and may face deregistration if they fail to do so.

The SA Companies Act is a legislation of general application which applies to all companies in South Africa. The SA Companies Act may affect SA Asia Cable in the following aspects:

- The relationship between SA Asia Cable and its directors and shareholders is governed by the SA Companies Act and the common law in South Africa pertaining to companies;

- SA Asia Cable must, on an annual basis, lodge an annual return with the CIPC; otherwise it may be deregistered as a company;

- The public is entitled to inspect the share register of SA Asia Cable. This affects our Group in that there is no confidentiality in respect of the shareholding of SA Asia Cable;

- SA Asia Cable may only make distributions to its shareholder(s) if the directors of SA Asia Cable are satisfied that the solvency and liquidity test in the SA Companies Act will be satisfied. This affects our Group in that there are restrictions imposed in the SA Companies Act as to when a company may pay dividends to shareholders;

- SA Asia Cable must keep proper accounting records in terms of the SA Companies Act and this may require costs to be incurred to accountants and auditors;

- SA Asia Cable may be found guilty of offences if it contravenes certain sections of the SA Companies Act, with concomitant liability for fines to be paid; and

- SA Asia Cable and its directors may be held liable to third parties for any losses or damages suffered by these third parties as a result of a contravention of the SA Companies Act by SA Asia Cable or its directors.

SA Asia Cable is incorporated under the terms of the previous, repealed the South African Companies Act of 1973. The new SA Companies Act came into force on 1 May 2011.

Pre-existing companies incorporated and registered under the old South African Companies Act will continue in existence as if they have been incorporated and registered under the new SA Companies Act. SA Asia Cable will retain its corporate name and registration number.

The SA Companies Act has been designed to introduce fundamental changes to South African company laws. In reforming South Africa's company laws, the South African Government's stated objectives were to simplify the existing regime, increase flexibility, ensure corporate efficiency, provide transparency and accountability as well as predictable regulation.

The coming into effect of the SA Companies Act may necessitate some changes to be made to the constitutive documents of SA Asia Cable to bring these in alignment with the SA Companies Act, although all pre-existing companies' constitutive documents will generally, in the case of any inconsistency with the SA Companies Act, prevail over the SA Companies Act for the first two years following the effective date of the SA Companies Act (i.e. a transitional period), subject to certain exceptions.

The SA Companies Act applies to all companies in South Africa. Certain changes may have to be made to the memorandum and articles of association of SA Asia Cable in order to bring it in harmony with the SA Companies Act and certain professional costs and expenses will have to be incurred in ensuring SA Asia Cable complies with the new legislation.

Customs and Excise Act of South Africa, No. 91 of 1964 (the "SA Customs Act")

The SA Customs Act prohibits or controls the importation, export, manufacture or use of certain goods in or out of South Africa. Despite any other registration required by the SA Customs Act, the Commissioner of the South African Revenue Service (the "SA Commissioner") may require all persons or classes of persons participating in activities regulated by the SA Customs Act to register with the SA Commissioner. Customs duties and excise duties are prescribed for various goods at various rates. The SA Customs Act provides for refunds, drawbacks and rebates of customs and excise duties paid on imports used in exported manufactured goods and in goods imported for re-export.

The SA Customs Act affects our operations in that certain tariffs are charged to us on the importation of goods into South Africa. Goods will not be released to their proposed destination unless the importation costs are paid.

Consumer Protection Act of South Africa, No. 68 of 2008 (the "SA CPA")

The SA CPA was assented to on 24 April 2009 and came into force in April 2011. The SA CPA is a watershed development in the field of consumer protection in South Africa and it will have a material effect on the relationships between consumers and businesses.

The SA CPA establishes a comprehensive legal framework in so far as consumers' entitlements and suppliers' responsibilities are concerned. The main purpose of the SA CPA is to promote and advance the social and economic welfare of consumers in South Africa.

Section 1 of the SA CPA, which sets out definitions, defines what is meant by "consumer" for purposes of the SA CPA, which, *inter alia*, means a person to whom goods or services are marketed in the ordinary course of business, a person who has entered into a transaction with a supplier (a person who markets any goods or services) in the ordinary course of business and someone who is a user, or a recipient or beneficiary of those particular services. The SA CPA regulates "transactions" as contemplated therein, which are defined as, in respect of a person acting in the ordinary course of business:

- an agreement between or among that person and one or more other persons for the supply or potential supply of any goods or services in exchange for consideration;

- the supply by that person of any goods to or at the direction of a consumer for consideration; or

- the performance by, or at the direction of, that person of any services for or at the direction of a consumer for consideration.

The SA CPA establishes a form of strict liability (i.e. it is not necessary for the consumer to prove negligence) and provides that any producer or importer, distributor or retailer of any goods is liable for any harm caused wholly or partly as a consequence of supplying any unsafe goods, a product failure, defect or hazard in any goods, or inadequate instructions or warnings provided to the consumer pertaining to any hazard arising from or associated with the use of any goods, irrespective of whether the harm resulted from any negligence on the part of the producer, importer, distributor or retailer, as the case may be.

SA Asia Cable will be regarded as a "supplier" under the SA CPA. There may be strict liability (i.e. liability incurred regardless of whether negligence has been proven) for defective goods imported into South Africa. Legal action may be instituted against us by consumers in South Africa and we will be liable for such claims.

The Occupational Health and Safety Act of South Africa, No. 85 of 1993 (the "SA OHS Act")

The SA OHS Act will be applicable to our manufacturing facility and operations in South Africa once they have commenced. The SA OHS Act provides for the health and safety of persons at work and for the health and safety of persons in connection with the use of plant and machinery. It also provides for the protection of persons other than persons at work against hazards to health and safety arising out of or in connection with the activities of persons at work and establishes an Advisory Council for Occupational Health and Safety and other matters connected therewith.

The relevant entity within our Group which will operate the facility will be regarded as an "employer" under the SA OHS Act. Under the SA OHS Act, employers are obliged to provide and maintain, as far as is reasonably practicable, a working environment that is safe and without risk to the health of employees. In this regard various duties are imposed on employers, such as *inter alia*:

- the provision and maintenance of systems of work, plant and machinery that, as far as is reasonably practicable, are safe and without risks to health;

- taking such steps as may be reasonably practicable to eliminate or mitigate any hazard or potential hazard to the safety or health of employees, before resorting to personal protective equipment;

- making arrangements for ensuring, as far as is reasonably practicable, the safety and absence of risks to health in connection with the production, processing, use, handling, storage or transport of articles or substances;

- establishing, as far as is reasonably practicable, what hazards to the health or safety of persons are attached to any work which is performed, any article or substance which is produced, processed, used, handled, stored or transported and any plant or machinery which is used in his business, and the employer must, as far as is reasonably practicable, further establish what precautionary measures should be taken with respect to such work, article, substance, plant or machinery in order to protect the health and safety of persons, and it must provide the necessary means to apply such precautionary measures;

- providing such information, instructions, training and supervision as may be necessary to ensure, as far as is reasonably practicable, the health and safety at work of its employees;

- as far as is reasonably practicable, not permitting any employee to do any work or to produce, process, use, handle, store or transport any article or substance or to operate any plant or machinery, unless appropriate or legally prescribed precautionary measures have been taken;

- taking all necessary measures to ensure that the requirements of the OHS Act are complied with by every person in its employment or on premises under its control where plant or machinery is used;

- enforcing such measures as may be necessary in the interest of health and safety;

- ensuring that work is performed and that plant or machinery is used under the general supervision of a person trained to understand the hazards associated with it and who have the authority to ensure that precautionary measures taken by the employer are implemented.

The South African Minister of Labour may make various regulations in terms of the SA OHS Act. The South African Minister may, inter alia, make regulations which, in his or her opinion, are necessary or expedient in the interest of the health and safety of persons at work or the health and safety of persons in connection with the use of plant or machinery, or the protection of persons other than persons at work against risks to health and safety arising from or connected with the activities of persons at work.

Section 10 of the SA OHS Act applies to manufacturers in particular and provides that any person who designs, manufactures, imports, sells or supplies any article for use at work must ensure, as far as is reasonably practicable, that the article is safe and without risks to health when properly used and that it complies with all prescribed requirements. It further provides that any person who erects or installs any article for use at work on or in any premises must ensure, as far as is reasonably practicable, that nothing about the manner in which it is erected or installed makes it unsafe or creates a risk to health when properly used. Further, any person who manufactures, imports, sells or supplies any substance for use at work must:

- ensure, as far as is reasonably practicable, that the substance is safe and without risks to health when properly used; and

- take such steps as may be necessary to ensure that information is available with regard to the use of the substance at work, the risks to health and safety associated with such substance, the conditions necessary to ensure that the substance will be safe and without risks to health when properly used and the procedures to be followed in the case of an accident involving such substance.

An employer must also, in some instances, appoint health and safety representatives and committees to monitor and report on health and safety issues in every workplace pertaining to that employer's business.

Various other duties and obligations are imposed by the SA OHS Act in relation to occupational health and safety. In addition, numerous regulations have been promulgated under the SA OHS Act in connection with the operation and handling of certain machinery, substances, articles and various other health and safety matters. Employers must comply with these regulations.

If an employee meets with an accident resulting in disablement or death, such employee or the dependants of such employee is entitled to the benefits provided for and prescribed in the SA OHS Act.

The importation, sale, use or application of certain "hazardous substances" as contemplated under the South African Hazardous Substances Act No. 15 of 1973 (the "SA HS Act") is also regulated. The handling, storage and other matters pertaining to hazardous substances is regulated. Licences must be obtained from the relevant authorities in South Africa in relation to certain hazardous substances, chemicals and materials. The classification of substances as hazardous or otherwise is also subject to change from time to time by way of regulations promulgated by the state. To the extent that our manufacturing operations in South Africa will make use of any such hazardous substances, chemicals or materials, they will be regulated by the SA HS Act.

Taxation of South Africa

Taxes on income and profits are levied by the national government under the terms of the Income Tax Act No. 58 of 1962 ("the SA Income Tax Act"). The SA Income Tax Act is administered by the Commissioner for the South African Revenue Service (SARS). The SA Income Tax Act contains provisions for the levying of four different types of tax, namely:

- normal tax (on income and on capital gains);
- secondary tax on companies ("STC");
- donations tax; and
- withholding taxes.

Income tax is an annual tax and represents a levy imposed on all persons who have a taxable income. The tax is calculated by applying pre-determined rates to the taxable income of a person. For this purpose, a distinction is drawn between natural persons (individuals) and juristic persons (such as companies and close corporations).

As from 2001, South Africa moved from a source-based income tax system to a residence-based income tax system. Residents (juristic and non-juristic), such as SA Asia Cable, are (subject to certain exclusions) taxed on their worldwide income, irrespective of where the income is earned.

However, source continues to be relevant since persons who are not resident in South Africa are subject to tax in South Africa on all income from a South African source.

South Africa has entered into agreements for the avoidance of double taxation ("DTA") with various countries, which are aimed at regulating the taxation of income which is earned in one state and subject to tax in the other state. The principal objective of the DTA is to avoid double taxation. Where, however, the same income is taxed twice, any foreign taxes that are required to be paid by South African residents in respect of the foreign income would be credited against any South African tax payable on that foreign income. The credit cannot exceed the South African tax liability arising on such foreign income (determined as a ratio of total foreign taxable income to total South African income).

Capital gains tax ("CGT") is a tax levied on capital gains arising from the disposal of assets. A capital gain arises when the proceeds from the disposal of an asset exceed the base cost of that asset. South African resident companies, such as SA Asia Cable, and individuals would be subject to CGT on the disposal of their worldwide assets subject to the applicability of a DTA.

In the case of a South African resident company, 50% of the capital gain is included in taxable income, giving rise to an effective tax rate of 14% for companies.

Non-residents, such as Jiangnan Cable, would be liable for CGT on the following assets: immovable property situated in South Africa (e.g. land and buildings); any right or interest in immovable property in South Africa (e.g. a long-term lease); an equity share in a company or ownership or the right of ownership or a vested interest in assets of a trust where 80% or more of the market value (at the time of disposal of that share or interest) is attributable to immovable property in South Africa which is held otherwise than as trading stock and, in the case of a company or other entity, the non-resident holds directly or indirectly 20% or more of the equity shares or ownership in the company; and assets of a permanent establishment (e.g. a branch of a foreign company) situated in South Africa. As noted above, relief from double taxation may be granted by an applicable DTA.

Generally dividends are exempt from income tax. Accordingly, the receipt of local dividends would not be subject to income tax. With effect from 1 April 2012, a dividend withholding tax will apply at the rate of 10%. The dividend withholding tax will apply to non – residents except where relevant DTA applies.

Dividends declared by a South African resident company (such as dividends declared by SA Asia Cable to its shareholder) are subject to STC at a rate of 10% on the net amount by which dividends declared exceed dividends received in a dividend cycle. STC is a tax on the company and not a withholding tax levied on the shareholder. STC therefore increases the effective tax rate of the company. STC is to be replaced by a dividend tax at the shareholder level in 2012. A 10% final withholding tax is to be imposed on shareholders (other than income tax exempt entities such as retirement funds and public benefit organisations), subject to an applicable DTA. Cascading relief will apply so that dividends will only be taxed when declared to persons other than companies, or to non-residents (such as the shareholder of SA Asia Cable). There is at present no withholding tax on the remittance of dividends from South Africa. However, with effect from 1 April 2012 a withholding tax rate of 10% will apply, subject to a reduction provided under the terms of relevant DTAs.

With effect from 1 January 2013, South Africa will introduce a 10% withholding tax on interest payable to non-residents. The legislation has an extensive number of debt instruments which will be exempt from the withholding. Most importantly, inter-company cross border debt will be subject to the withholding, subject to a reduction provided in terms of relevant DTAs.

Value added tax ("VAT") is largely directed at the domestic consumption of goods and services and at goods and services imported into South Africa. The tax is designed to be paid mainly by the ultimate consumer or purchaser in South Africa. VAT is levied at a standard rate of 14%. Most business transactions carried out in South Africa are subject to VAT. The tax is collected by businesses that are registered as vendors with SARS. Vendors charge VAT on supplies made (output tax) and deduct VAT on expenses (input VAT). The output tax collected may be reduced by the input tax paid. The net amount is payable to or refundable by SARS.

SA Asia Cable is subject to tax at a flat rate of 28% in South Africa, which means that all income received by SA Asia Cable, whether from South Africa or otherwise, is taxed at the said rate. For instance, re-imbursements for handling, importation and clearance fees received by SA Asia Cable from Eskom in respect of the supply contract entered into with Eskom, would be subject to such tax, and to the extent that SA Asia Cable contracts as principal with customers in South Africa or elsewhere, the proceeds of such supplies are subject to the said tax rate. Thereafter, where SA Asia Cable decides to distribute its income to its shareholder, Jiangnan Cable, SA Asia Cable will be subject to STC at a rate of 10% on the net amount of dividends declared, which will be replaced by a dividend withholding tax of 10% with effect from 1 April 2012. The dividend withholding tax may be reduced with reference to a DTA. In the context of dividends paid to a PRC resident company, which is the beneficial owner of the dividends, the dividend withholding tax may be reduced to 5%.

SA Asia Cable would be entitled to claim deductions in determining its taxable income, provided the expenses are actually incurred in the production of income and not of a capital nature.

Accordingly, the main impact of South African taxation is that our Group's income derived through SA Asia Cable acting as principal, is subject to, and reduced by, South African taxation. To the extent that the tax rate on companies fluctuates, this will impact the amount derived from our Group's South African operations, either adversely or positively depending on the nature of the fluctuation.

SA Asia Cable will in addition be liable for VAT at 14% on supplies made by it, which it can subsequently recover from its customers.

There is also the instance where Jiangnan Cable contracts as principal with South African entities, as is the case with the supply agreements entered into with Eskom. According to South African law, non-residents (such as Jiangnan Cable) are only taxed on income which is from a South African "source". "Source" is not defined in the South African Income Tax Act. Based on South African case law and interpretation at present (which has not been definitive and precise on this specific question), the mere fact that goods manufactured overseas (for example, PRC) are sold to a South African entity (e.g. Eskom) would not in itself result in the "source" of such income being South African, because the dominant, originating source of the income, namely the manufacturing of the cable in this instance, takes place in the foreign country, PRC. On this basis, Jiangnan Cable, as principal, is not subject to income tax in South Africa on the current arrangements. The position is similar in relation to VAT. A person is liable to register as a VAT vendor in South Africa where such person conducts an enterprise for VAT purposes in South Africa. South Africa does not have place of supply rules. Essentially a person is regarded as carrying on an enterprise for VAT purposes if such person carries on any enterprise or activity continuously or regularly in, or partly in, South Africa, and in the course or furtherance of which goods or services are supplied to any other person for a consideration. On this basis, Jiangnan Cable would not be subject to VAT on the current arrangements.

National Credit Act of South Africa, No. 34 of 2005 (the "SA NCA")

The SA NCA applies to existing credit agreements and all written credit agreements between parties dealing at arm's length and concluded within South Africa, subject to certain exceptions, for instance, where: (i) the debtor is the South African government or an organ of South African government, (ii) the debtor is a juristic person whose asset value or annual turnover at the time of the conclusion of the agreement is Rand 1 million or higher, (iii) the principal debt under the credit agreement is Rand 250,000 or higher, or (iv) where the credit provider is located outside South Africa, but only if it is exempted pursuant to an application made to the South African Minister of Finance. These exceptions will probably be applicable to most of SA Asia Cable's and/or Jiangnan Cable's credit dealings in South Africa, if any. The SA NCA defines "credit agreement" as a credit facility, credit transaction, credit guarantee or any combination thereof.

Specific rights of consumers are entrenched by the NCA. In particular, the credit provider is compelled to embark on certain intermediary procedures of referring the consumer to debt counselling before the credit provider is entitled to take legal steps to enforce the credit agreement or re-possess goods sold in terms thereof, impeding credit providers' ability to recover outstanding debts.

Non-compliance with the SA NCA can result in credit agreements being declared null and void.

The SA NCA may affect SA Asia Cable in that the SA NCA makes it procedurally difficult for creditors to recover certain debts. However, the SA NCA will not apply where the debtor is a juristic person with an annual turnover of Rand 1 million or higher or an asset value of Rand 1 million or higher at the time of conclusion of the agreement. The SA NCA will not apply to the dealings between us and Eskom. The effect is that any debts which fall under the SA NCA may be difficult to recover which may affect the cash flow of SA Asia Cable and/or any other entity in our Group.

The Competition Act of South Africa, No. 89 of 1998 (the "SA Competition Act")

The SA Competition Act regulates competition and anti-competitive behaviour in South Africa. Broadly speaking, the SA Competition Act deals with both prohibited practices and merger control. Prohibited practices include anti-competitive agreements and practices between competitors, as well as decisions by associations of competitors, such as price fixing. Dominant enterprises are also prohibited in terms of the SA Competition Act from abusing their positions of dominance.

With regard to merger control, qualifying mergers and acquisitions (dependent on certain thresholds relating to the size of the merging entities) must be approved by the relevant competent authorities.

Should SA Asia Cable or any other entity in our Group engage in any prohibited practices under the SA Competition Act, it would be sanctioned in accordance with the legislation. Further, in terms of the merger control provisions in the Competition Act, if any entity in our Group proposes to implement a takeover or merger with any other entity in South Africa, such takeover or merger may require approval from the relevant competent authorities. Competition law in South Africa will generally only affect us if any entity in our Group engages in any of the aforementioned conduct.

South Africa labour related legislation

In South Africa, there is extensive legislation governing labour relations, workmen's compensation, unemployment insurance, basic conditions of employment, skills development, employment equity, and occupational health and safety.

The principal labour relations legislation in South Africa is the Labour Relations Act, No. 66 of 1995 (the "SA LRA") which came into force on 11 November 1996. The LRA gives effect to fundamental labour relations rights as contained in the Constitution of South Africa. This Act applies to all workers except those in the National Defence Force, National Intelligence Agency, South African Secret Services and South African National Academy of Intelligence and Electronic Communications Security (Pty) Ltd (Comsec).

The Basic Conditions of Employment Act, No. 75 of 1997 regulates minimum leave periods, working hours, maternity leave, family responsibility leave, sick leave, overtime, termination of employment, remuneration, employment of children and enforcement of its provisions.

The Employment Equity Act, No. 55 of 1998 provides measures to enforce affirmative action in the workplace and ensures that anti-discriminatory legislation applies to and establishes practical frameworks to redress past discrimination in, the work place (see also the "Black Economic Empowerment" below).

The Skills Development Act, No. 97 of 1998 provides an institutional framework to devise and implement overall strategies to develop and improve skills of the national work force.

SA LRA will affect us when SA Asia Cable employs any persons in South Africa, as such employment relationship will be subject to the labour laws of South Africa. This legislation protects employees against unfair dismissals, unfair labour practices, employees' right to strike and to severance pay under certain circumstances where they are dismissed for operational requirements.

Black Economic Empowerment

In 1994, the South African Government introduced its Black Economic Empowerment, or the BEE policy, designed to promote transformation in the South African economy and redress the country's history of racial disparities.

In April 2004, the Broad-Based Black Economic Empowerment Act, No. 53 of 2003, or the BBBEE Act, came into effect. The BBBEE Act obligates organs of state and public entities to take into account and apply, as far as reasonably possible, the so-called Codes of Good Practice on Broad-Based Black Economic Empowerment, or the BBBEE Codes (discussed below) issued pursuant thereto, when doing certain specified activities including determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of any law. The BBBEE Act establishes the legislative framework for the promotion of BEE, in particular, what it refers to as "broad based" BEE. Broad-based BEE involves the economic empowerment of all South African black people, including women, youth, people with disabilities and people living in rural areas through strategies which seek to, amongst other things, increase the number of black people that manage, own and control enterprises and productive assets.

The BBBEE Codes specify empowerment measurement and targets consistent with the objectives of the BBBEE Act, and the periods within which those targets must be achieved. Whilst the private sector is not obliged to comply with BEE requirements, organs of state and public bodies must take into account and, as far as is reasonably possible, apply the BBBEE Codes when issuing licences or concessions, developing and implementing a preferential procurement policy, determining qualification criteria for the sale of state owned enterprises and developing criteria for entering into partnerships with the private sector. In turn, in order to obtain certain BEE ratings under the BBBEE Codes, in particular under the "procurement" element, large enterprises in the private sector will often insist that their suppliers and service providers must carry a certain BEE rating. Thus the Codes have a significant effect within the private sector. The BBBEE Codes set out the requirements for and measurement of BEE for

businesses in South Africa in general, and provide a generic scorecard with weightings for the various elements of BEE which are used to measure the level of compliance with the targets set out in the Codes by an enterprise.

Environmental laws of South Africa

The environmental laws with which persons in South Africa have to comply with are: the National Environmental Management Act, No. 107 of 1998, which regulates the enforcement and administration of environmental law and the principles to be applied in matters pertaining to environmental law; the National Water Act, No. 36 of 1998, which aims to protect and conserve water resources in South Africa; and the Atmospheric Pollution Prevention Act, No. 45 of 1965, which provides for the prevention of atmospheric pollution.

We may be subject to fines and civil liability if any entity in our Group is held liable for polluting the environment.

Exchange control of South Africa

South Africa is a country which has exchange control regulations. Therefore, as a general rule, currencies are not freely convertible or capable of remission out of South Africa; approval from so called "authorised dealers" is required in this regard. As at the Latest Practicable Date, there were 37 authorised dealers in South Africa. These are commercial banks and bureau de change. They are privately owned entities, and operate through their exchange control departments.

The President of South Africa has the powers by virtue of the Currency and Exchanges Act, No. 9 of 1933 to make Exchange Control Regulations. The powers of the President to make such regulations are as wide as they can possibly be. The President may make regulations in regard to any aspect of currency, banking or exchange. The object of the Exchange Control Regulations is to control foreign exchange in the public interest. They are intended, *inter alia*, to prohibit the transfer of money or capital from the Republic without the permission of the National Treasury of South Africa.

A person who wishes to obtain foreign currency must purchase it from an authorised dealer. The dealer may only sell it on the terms and subject to the conditions imposed by the South African Reserve Bank. The Exchange Control Regulations restrict the purchase and sale of foreign currency and the export of currency; require residents to transfer their rights to foreign currency to the treasury and to declare their foreign assets and liabilities; and restrict the export of capital and dealings in securities belonging to non-residents.

Every person other than an authorised dealer desiring to deal in foreign currency must make application to an authorised dealer and must furnish such information and submit such documents as the authorised dealer may require for the purpose of ensuring compliance with any conditions determined by the treasury. Accordingly, the conversion into other foreign currencies in South Africa must be done on application to an authorised dealer, and there are no limitation on the amount that can be handled by the authorised dealers.

Further, the Exchange Control Regulations provide that no person may, without permission granted by the treasury, or by such person, and in accordance with such conditions as the treasury, or such person, may impose, take or send out of South Africa any foreign currency, or make any payment to, or in favour or on behalf of a person resident outside South Africa, or place any sum to the credit of such person.

The South African Government is committed to phasing out controls and all remaining exchange controls will be dismantled as soon as circumstances are favourable.

Any funds which are to be transferred to us from South Africa are subject to exchange control approvals in South Africa, and the average time involved in the conversion of currency for remittance out of South Africa through the authorised dealer is two business days.

Patents and trademarks in South Africa

Patents are regulated in South Africa by the Patents Act, No. 57 of 1978 (the "SA Patents Act"). The basis of this statute is originally modelled on English law but European Patent Conventions is now being followed more closely. There are special procedures for applications for grants of patents for new inventions capable of being used in trade, industry or agriculture. Novelty is judged in terms of any matter made public anywhere in the world prior to the date of application. There are also provisions for infringement actions and amendments. Patent must be novel but not obvious and contain "inventive step" of sufficient magnitude and be capable of use or application in industry. Application must be made by the inventor or his duly authorised representative. Patents run for 20 years, subject to payment of annual fees, with no extension.

South African trade-mark law is contained in the Trade Marks Act, No. 194 of 1993 (the "SA Trademark Act"); which became operative on 1 May 1995. The SA Trademark Act sets out to streamline South African law relating to trademarks and to keep abreast of international developments. It takes cognisance of the European Directive on Trade Marks (which requires member countries of the European Union to adopt their national trademark laws in accordance with the Directive's provisions) and furthermore closely resembles the British Trade Marks Act 1994.

To be registrable, a trademark must be used on goods or services of the proprietor of the mark "capable of distinguishing" from goods or services of another person. Registration is initially for a period of ten years but is renewable in perpetuity.

As at the Latest Practicable Date, Jiangnan Cable had registered two trademarks which are material to our business in South Africa. The said registered trademarks in South Africa enjoy protection under the trademark laws of South Africa, subject to the trademarks being duly renewed under the SA Trademark Act.

Measures Adopted to Ensure Future Compliance of Our Operations

We have taken various measures to ensure ongoing compliance with the relevant requirements for our operations, including various applicable manufacturing licence and certifications standards for our products, laws and regulations in relation to environmental protection and labour relationship. We have adopted and put in place a comprehensive set of procedures and guidelines for our operations, which are based on the laws and regulations and cover all aspects of our operations, including detailed descriptions of officer and employee responsibilities, internal controls, quality control and certification application and maintenance.

We have also taken specific measures in order to ensure compliance with the relevant laws and regulations related to bill financing activities. Please refer to the paragraph headed "Strengthening our internal control systems" under the sub-section headed "Non-compliant bill financing with suppliers" under the section headed "Business" of this prospectus for the details.

In respect of the compliance of the South African laws and regulations, our South African subsidiary, namely SA Asia Cable, has designated personnel to ensure compliance with the relevant South African laws and regulations. We have engaged a qualified South African attorney. Our designated personnel will seek legal advice from the attorney from time to time, particularly when we come across problems in relation to the compliance with South African laws and regulations.