


OVERVIEW

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

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

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

In view of the potential growth for ultra high voltage cables, we have built a production facility for high and ultra high voltage cables with rated voltage of 220-500kV and have commenced commercial production since October 2011. We estimate our annual production capacity for high and ultra high voltage cables using this new facility will reach approximately 1,000 km. We will further invest approximately RMB173.0 million to build three additional production lines for high and ultra high voltage cables with rated voltage of 220-500kV. We expect to start the construction of additional production lines in the second half of 2012 and expect to commence the commercial production in the first half of 2013.

We have experienced significant growth in our business during the Track Record Period. Our total turnover increased from RMB2,995.0 million in 2009 to RMB3,686.4 million in 2010 and further increased to RMB4,929.9 million in 2011, representing a CAGR of approximately 28.3% for the three-year period ended 31 December 2011. During the three years ended 31 December 2011, our profit for the year was RMB163.6 million, RMB231.8 million and RMB317.4 million, respectively, representing a CAGR of approximately 39.3%. In particular, sales of power cables, our principal products, have recorded continuous growth with turnover of RMB2,139.4 million, RMB2,462.9 million and RMB3,264.7 million, accounting for approximately 71.4%, 66.8% and 66.2% of our total turnover, respectively, during the Track Record Period. We have also steadily improved our profitability during the Track Record

BUSINESS

Period. For the three years ended 31 December 2011, we recorded gross profit margin of approximately 13.3%, 14.4% and 14.9% and net profit margin of approximately 5.5%, 6.3% and 6.4%, respectively. The increase of our gross profit margin and net profit margin during the Track Record Period reflected (i) the improved gross profit margin of bare wires, as a result of increased sales of higher margin bare wires to South Africa and overall improvement in the gross profit margin of power cables from approximately 15.2% in 2010 to approximately 15.9% in 2011, driven by increased sales of copper-based power cables, (ii) our effective measures in managing our key material costs by procuring copper after signing fixed price contracts and setting up price adjustment mechanisms in some contracts, and (iii) our economies of scale and stringent controls on our selling and distribution costs and administrative expenses, as these expenses (as a percentage of our total turnover) decreased from approximately 5.5% to 4.4% and 4.0%, respectively, during the Track Record Period.

OUR COMPETITIVE STRENGTHS

Our Directors believe that we have the following competitive strengths:

We are a market leader in China with a solid customer base


According to IBISWorld, we were the third largest supplier of electric wires and cables in China in terms of sales in 2010 with a market share of approximately 1.4%.

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

We also provided our products to many of China's prominent infrastructure projects that require stringent quality assurance for their power supply and transmission systems. In particular, we provided LSZH power cables for the National Olympic Sports Centre (國家奧林匹克體育中心) and six other stadiums for the 2008 Beijing Olympic Games, the BT Subway

to the National Stadium (鳥巢 BT地鐵支線), the Performance Center for the 2010 Shanghai World Expo (上海世博會演藝中心), the Shanghai World Financial Center (上海環球金融中心), as well as bare wires and aerial conductors for the Power Transmission from West to East Project (西電東送工程) and Yunnan to Guangdong $\pm 800\text{kV}$ Direct Current Transmission Project (雲南-廣東 $\pm 800\text{kV}$ 直流輸變電工程), which was the first ultra high voltage power transmission system in China. In addition, our cable products were also used for the No.5 line of the Shenzhen Metro Project (深圳地鐵5號線工程), the No.7 line of the Shanghai Metro Project (上海地鐵7號線工程), the No.8 line of the Beijing Metro Project (北京地鐵8號線工程) and high speed railway from Fuzhou to Xiamen (福廈高鐵). Revenue generated from the aforementioned projects accounted for approximately 3.2%, 1.6% and 1.2% of our total turnover, respectively, during the Track Record Period.

We have a strong brand in the industry

Our “” brand is widely recognised in the wire and cable industry in China, and is associated with good quality and advanced technology. Among others, our brand was recognised as a China Well-known Trademark (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局) in January 2010. It has been recognised as a Jiangsu Province Renowned Trademark (江蘇省著名商標) by Jiangsu Administration for Industry and Commerce (江蘇省工商行政管理局) four times since 2000. We were also awarded the Certificate of Jiangsu Quality Honour (江蘇省質量獎證書) by the Quality Award Examination Committee of Jiangsu Province (江蘇省質量獎審定委員會) in December 2008 with a valid term of three years. Our products were accredited as “Customer Satisfaction Products” (用戶滿意產品) by China Association for Quality (中國質量協會) and National Committee for Customers (全國用戶委員會) in December 2007.

We have strong research and development capabilities

Our capabilities in continuous innovation and product development are crucial to our success in the industry. We place great emphasis on our research and development capabilities, which our Directors believe is crucial to keep us ahead of our competitors. As at 31 December 2011, we had 145 engineers and technicians working on research and development projects. All of them hold a college degree and have accumulated experience of six years on average in the wire and cable industry. In addition to having education qualifications and work experience, our engineers and technicians need to attend technical training before they are allowed to work on our research and development projects.

Since 2007, we have developed and introduced 35 innovative products, including ACSR wires for ultra high voltage direct current transmission lines of maximum rated voltage of up to $\pm 800\text{kV}$, supporting wire with expanded diameters, flame-retardant power cable for railways, and control, instrument, meter and communication cable for offshore oil platforms. As at 31 December 2011, one of our products, Class 1E control and instrumentation cable for nuclear power stations, was designated as a National Key New Product (國家重點新產品) (December 2007 – December 2010), and 29 products were designated as High Technology

BUSINESS

Products (高新技術產品). As at the Latest Practicable Date, we had obtained 53 patents that are material to our business in the PRC and had submitted 15 additional patent applications to the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局).

Our strong research and development capabilities have been highly recognised in the wire and cable industry in the PRC. We established a research workstation (院士工作站) in conjunction with the China Academy of Engineering and China Academy of Science (中國科學院) in July 2009 as well as a state postdoctoral research workstation (國家級博士後工作站) in August 2010. We have also participated in the drafting and formulating of 29 national industry standards for the manufacturing processes for power cables, wires and cables for electrical equipment and bare wires. In addition, Jiangnan Cable was one of the first seven companies in the PRC cable industry that were accredited as the Key High Technology Enterprise under the revised standard of the State Torch Program (國家火炬計畫重點高新技術企業) by the Torch High Technology Industry Development Center, the Ministry of Science and Technology (科學技術部火炬高技術產業開發中心) in December 2010 (with a three years initial validity period).

Our new product pipeline has been further strengthened by our participation in four projects under the State Torch Program (國家火炬計畫), one Key Technology Support Program of Jiangsu Province (江蘇省重大科技支撐計畫項目) and three projects under the Torch Program of Jiangsu Province (江蘇省火炬計畫). In November 2008, we have established a provincial-level technology research centre for special cable materials and applications. Our testing and inspection centre is the first one in the wire and cable industry that has received the National Laboratory Accreditation Certificate (國家實驗室認可認證) in the PRC. We also actively collaborate with a number of renowned academic institutes and universities to strengthen our research and development capabilities.

We provide a comprehensive range of products to meet our customers' specific needs and maintain customer loyalty

We provide over 10,000 products tailored to meet our customers' diverse needs and help us to retain customer loyalty. Our products possess different characteristics that are valued by our customers, including LSZH, low smoke low halogen, water resistance, photoelectricity, flame retardance, fire resistance, rodent and termite proof, oil resistance, heat resistance, all weather and radiation resistance. We have also developed and introduced a variety of products that are suitable for special environments or our customers' specific requirements, such as flame retardant power cable for railways, 150°C heat resistant LSZH flame retardant cable for vehicles and 53 patented products (such as easy-to-tear cable for household connections and all weather power distribution cable). In addition, we are capable of producing cables for use in extremely low temperature environments in the polar regions, which has been recognised as a Dedicated Product for China North & South Pole Research by the China Polar Region Research Center (中國極地研究中心). We are also qualified to manufacture fire proofing and coal mining safety cable products.

We believe that our capabilities to produce bare wires with maximum rated voltage of up to $\pm 800\text{kV}$ and $1,000\text{kV}$ and with a maximum sectional area of $1,000\text{mm}^2$ are unmatched in the

BUSINESS

China market. We provided our bare wires to the $\pm 800\text{kV}$ Direct Current Power Transmission Project from Yunnan to Guangzhou, the first ultra high voltage power transmission system in China. We have obtained one patent each for utility and invention and four design patents for anti-theft bare wires, a product that solved a long-term problem of the industry. We have also obtained one patent for new applications and two design patents for the “supporting wire with expanded diameter”, which efficiently expands the diameter of supporting wires by 180%, saves conductor materials and significantly reduces cost for our customers. We have successfully developed an electrical conductor with rated voltage of up to 1,000kV and cables with rated voltage of 220-500kV to capture the growing demand for high and ultra high voltage cables.

We are an experienced manufacturer with large scale operations

We have one of the largest production capacities for wires and cables in China with annual capacity of approximately 60,000 km for power cables, 540,000 km for wires and cables for electrical equipment and 50,000 tonnes for bare wires for 2011. Our production lines are well equipped. We have accumulated significant manufacturing experience and proprietary know-how since commencement of our business in 1997. Our large scale operations allows us to bid for large projects and ensure timely supply for projects with demanding schedules, which are particularly important for high profile infrastructure projects, such as airport and railways, Olympic stadiums and the Shanghai World Expo.

Our economies of scale also allows us to have a lower cost base by spreading the fixed costs (i.e. research and development, licencing and certification, selling, general and administrative expenses) among a larger output volume. We believe that our new production facility for high and ultra high voltage products will further expand our production capacity and strengthen our ability to serve our customers.

We have a successful track record of entering into overseas markets

Although China remains by far our largest market (accounting for approximately 91.3% of our 2011 sales), our products have been exported to more than 50 countries from developing countries in Africa, South and South East Asia and Latin America to developed countries in Europe and North America. Our products have received a variety of international quality certifications, including CE, CB and RoHS, some of which are prerequisites to enter into certain international markets.

During the Track Record Period, Eskom, a state-owned power generation and transmission company in South Africa, has become one of our top five customers. In 2007, we entered into a five-year master supply agreement with Eskom to supply conductor with agreed estimated contract value of ZAR2.0 billion up to ZAR2.3 billion (approximately RMB1.7 billion to RMB1.9 billion). In 2010, we entered into three five-year master supply agreements with Eskom to supply medium or low voltage power cables and aerial bundled conductors with agreed estimated contract value of over ZAR300.0 million (approximately RMB247.9 million) in total. The actual quantity of goods to be purchased by Eskom and supplied by us and the

BUSINESS

actual price of the goods will be determined at the time of sale transaction pursuant to such agreements during the relevant five-year period. Please refer to the paragraph headed “Customers” in this section for details of these agreements. Revenue generated from Eskom accounted for approximately 1.8%, 2.0% and 6.1% of our total turnover during the Track Record Period. We are a SABS certified manufacturer of wires and cables in the PRC that can supply such products to South Africa. In 2011, we also began to supply our products to National Grid USA, a subsidiary of National Grid, a multinational electricity and gas company headquartered in London and with principal businesses in the UK and northeast US. Revenue generated from National Grid USA was approximately RMB19.7 million and accounted for approximately 0.4% of our total turnover for 2011.

We have an experienced management team

Our experienced management team is headed by our chairman, chief executive officer and executive Director, Mr. Rui Fubin, who has more than 25 years of management experience in the wire and cable industry. He has won numerous awards from various authorities and organisations, including China Outstanding Entrepreneur (中國優秀企業家) in 2004 and Asia Most Influential Brand Personality Award (亞洲品牌最具影響力人物) in 2008. Our executive Director and general manager (marketing and sales), Mr. Rui Yiping, has more than ten years of management and marketing experience in the industry. He was named China Outstanding Entrepreneur (中國優秀企業家) in May 2006.

Our senior management team also possesses many years of experience in the wire and cable industry. Ms. Xia Yafang, our executive Director and our executive vice president and chief engineer of Jiangnan Cable, our operating subsidiary, is a senior engineer with nearly 20 years of experience in the industry. Mr. Jiang Yongwei, our executive Director and vice president, has more than 20 years of experience in production management.

OUR BUSINESS STRATEGIES

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

Continue to expand our product offerings to meet customers’ needs, especially in the higher-growth and higher-margin product categories

We will continue to develop high-end products such as ultra high voltage cable and renewable energy products. In view of the potential growth for ultra high voltage cables, we have built a production facility with an annual capacity of approximately 1,000 km at our Yixing production base for high and ultra high voltage cables with rated voltage of 220-500kV and commenced commercial production in October 2011. We will continue to expand our high and ultra high power cable capacity by building three additional production lines with expected annual production capacity of 300 km ultra high voltage cables for each production line. We also intend to build a new production facility for aluminum alloy materials and a new production facility for double capacity conductors. Please refer to the paragraph headed “Production facilities” in this section and the section headed “Future Plans and Use of Proceeds” of this prospectus for further details.

To meet the growing demand for green products, we have developed and will continue to develop environmentally friendly power cables and energy-saving wires. In addition, we will continue to develop specialty cables with enhanced features for industrial use, such as cables for mining, shipbuilding, wind power and railways.

Develop selected overseas markets with growth potential

We intend to strengthen our presence in selected overseas markets with growth potential. We will focus our efforts mainly on developing countries in Africa, South and South East Asia and Latin America. We expect high demand for our products in these markets as a result of robust mining investment and infrastructure development in these countries. We also expect operational growth in certain developed countries where we have a presence, such as the US and Singapore.

Based on our successful marketing experience in South Africa, we plan to expand our sales to its neighbouring countries. In particular, in order to benefit from the growth in South Africa and its surrounding countries, we plan to start the construction of a new manufacturing facility in South Africa with a designed annual production capacity of approximately 10,000 km power cables in the second half of 2012. Please refer to the paragraph headed “Production facilities” in this section and the section headed “Future Plans and Use of Proceeds” of this prospectus for further details.

In addition, we will leverage our established business relationships and engage experienced international trading agencies to expand our overseas sales channels. We also intend to improve our brand recognition in overseas markets by actively participating in international trade exhibitions.

Strengthen our research and development capabilities in new product development and low-cost manufacturing

Our research and development activities will be focused on developing new products such as ultra high voltage cables, energy efficient and environmentally friendly cables. We plan to acquire more advanced machinery and testing equipment, and recruit more engineers and skilled technicians to increase our research and development capabilities. We will also expand our collaborations with renowned academic institutes and universities on new product development.

We will continue to direct our research and development efforts at improving production process and production technologies to drive down our manufacturing cost and to further enhance our product quality. We have adopted a market-oriented research and development approach. Generally, our research and development team works closely with our sales department to formulate a research and development plan in accordance to our customers’ needs. Our research and development team will then perform feasibility studies based on the new product design and requirements. Our senior management will review the feasibility studies report and obtain feedback from the sales department before approving the product development.

BUSINESS

Explore strategic opportunities

We intend to make strategic investments, form strategic alliances, and carry out acquisitions of the following to solidify and expand our market share and provide integrated solutions to our customers: (i) businesses that complement our products, technologies and customers; (ii) upstream businesses (e.g., manufacturers of copper and copper-based materials and specialty raw materials such as aluminium alloy) to better manage our material supply and costs; or (iii) downstream businesses such as installation services. We will take into consideration a number of factors including, but not limited to, the scale, profitability and synergies when assessing acquisition targets. In particular, we will look for opportunities that could bring us incremental earnings. While we had not identified any specific acquisition target as at the Latest Practicable Date, we intend to use up to approximately RMB33.8 million out of the net proceeds from the New Issue for our strategic initiatives. Please also refer to the section headed “Future Plans and Use of Proceeds” of this prospectus for more details.

PRINCIPAL PRODUCTS

We are primarily engaged in the research and development, production and sales of a wide variety of power cables, wires and cables for electrical equipment and bare wires. Our products are widely used in the power industry and a wide range of other general industries, including petrochemicals, metal and mining, communication and railways, shipbuilding and construction.

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

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

BUSINESS

Products

Currently, we primarily manufacture and sell the following products:

Power cables

Power cables are principally used for power transmission and distribution systems (overhead, underground and submarine) in the power and other general industries. We manufacture a wide range of cables with high to low voltage and various features: concentric conductor, flame retardant, fire resistant, LSZH (low smoke zero halogen), low smoke low halogen and water resistant. The main structural components of power cables include conductor, insulation and sheath.

<u>Principal Products</u>	<u>Rated Voltage</u>	<u>Applications</u>
0.6/1kV Power cable	0.6/1kV	Power transmission and distribution and fixed installations for industrial plants of rated voltage of 0.6/1kV and below
6-35kV Power cable	6/6kV 6/10kV 8.7/15kV 12/20kV 18/30kV 21/35kV 26/35kV	Power transmission and distribution (especially high voltage power grid) and fixed installations for industrial plants of rated voltage of 26/35kV and below
38-500kV Power cable	38/66kV 64/110kV 127/220kV 220/500kV	Large-scale power stations and urban power grids

Wires and cables for electrical equipment

Our wires and cables for electrical equipment are principally used to supply and distribute electricity for a wide range of applications, including industrial machinery, instruments, meters and household appliances. The voltage capacities of our wires and cables for electrical equipment vary, depending on the specific type of equipment and working environment. The components of wires and cables include conductor, insulation, extruded insulation and protection layer.

Principal Products	Rated Voltage	Applications
Plastic insulated wire and cable of rated voltage $\leq 450/750V$	450/750V 300/500V	Connection wires used in the household power supply and lighting systems of rated voltage $\leq 450/750V$; and short connection wires in industrial plants
Rubber insulated wire and cable of rated voltage $\leq 450/750V$	450/750V	Low voltage systems for household use with rated voltage $\leq 450/750V$; suitable for usage in situations where frequent movement of wires is required
Plastic insulated control cable	450/750V	Connection wires used in the control, signalling and measurement systems of industrial and household appliances of rated voltage $\leq 450/750V$

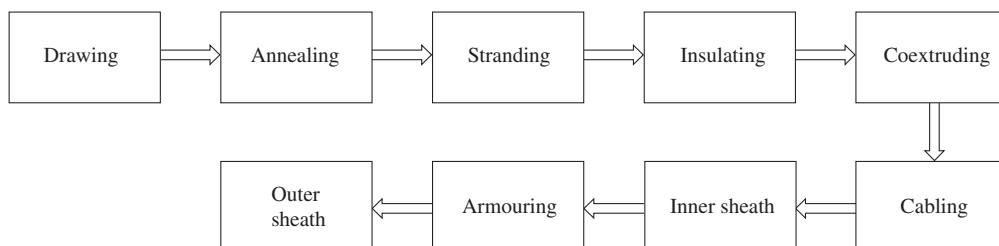
Bare wires

Our bare wires, including aluminium wire and ACSR (aluminium conductor steel reinforced) wire, are principally used as overhead power lines for power transmission. Unlike our product line for power cables and wires and cables for electrical equipment, bare wires have no insulation layers or conductor wire sheath.

Production Process

The production process for our principal products is set out below:

Power cable and wires and cables for electrical equipment



Our power cables and wires and cables for electrical equipment follow a similar manufacturing process, which is described below:

Drawing

Aluminium or copper rods are first pulled through drawing machines and stretched into wires during the drawing process. When the rods are forced through a die, the metal cross-section is also compressed in order to meet size and shape requirements set forth by our customers.

Annealing

During the drawing process, the wires are also simultaneously heated and subsequently crystallised by cool water so as to soften the wires and increase their flexibility in accordance with specifications of our products.

Stranding

Several aluminium wires or copper wires are stranded together to add flexibility to the cable, which makes installation easier.

Insulating

The wires are then coated with materials, such as PVC, PE and XLPE, to provide insulation.

Coextruding

Insulating materials and rubber composites are extruded evenly and tightly onto the single wire or stranded wires under specified temperature, pressure and speed. A medium voltage power cable would require a three-layer extruding process. The coextruding process also includes a step where a shield is added in order to isolate the electromagnetic field of the cable itself from the electromagnetic field existing in its surrounding. The resulting product of this process is a “core” cable.

Cabling

Similar to the stranding process, cabling consists of joining insulated cores into a cable assembly.

Inner sheath

A layer of plastic or rubber composite is wrapped onto the cable assembly to hold the insulated cores together. This stage of the process allows our employees to add special characteristics to the cable such as waterproof and fire-resistance qualities.

Armouring

Armouring requires a machine to wrap metal wires and tapes over the inner-sheathed cable assemblies, which allows cables to withstand certain pressure and tension during use.

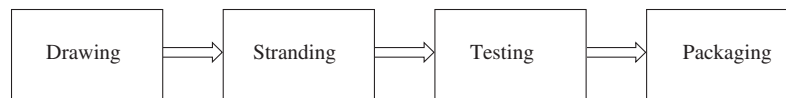
Outer Sheath

The final step is adding an additional layer of plastic or rubber composite as an outer sheath to protect the finished products from chemical erosion. Both sheathing processes are necessary to guarantee the cable's insulation property.

In the production process of high and ultra-high cables rated voltage of 220-500kV, no cabling, inner sheath or armouring is involved. The final step for production of high and ultra-high cables is the addition of an outer sheath during which a layer of metal material (such as aluminum) is wrapped and then a layer of plastic composite is added.

The typical production cycle for power cables ranges from 17 hours to 174 hours, while the typical production cycle for wires and cables for electrical equipment ranges from 11 hours to 51.5 hours.

Bare wire



The production of bare wires follows a much simpler process as described below:

Drawing

As with power cables, the manufacturing process for bare wires requires a drawing process to stretch the raw aluminium and copper materials into wires.

Stranding

Several aluminium, copper or steel wires are stranded together.

Testing and packaging

After our finished products pass the testing of our internal quality control system, they are packaged and sent to the warehouse for shipping to our customers.

The typical production cycle for bare wires is about nine hours.

BUSINESS

PRODUCTION FACILITIES

Our production activities are primarily carried out at our principal production facility, our Yixing production facilities, located in Guanlin town, Yixing city, Jiangsu province, PRC (中國江蘇省宜興市官林鎮). As at the Latest Practicable Date, our production facilities occupied a site area of approximately 301,070.8 sq.m.

As at 31 December 2011, we had (i) 18 production lines for power cables, (ii) 25 production lines for wires and cables for electrical equipment, and (iii) nine production lines for bare wires.

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

	Year ended 31 December								
	2009			2010			2011		
	Annual Production Capacity ⁽¹⁾	Annual Production Volume	Approximate Utilisation Rate ⁽²⁾	Annual Production Capacity ⁽¹⁾	Production Volume	Approximate Utilisation Rate ⁽²⁾	Annual Production Capacity ⁽¹⁾	Production Volume	Approximate Utilisation Rate ⁽²⁾
Power cables ⁽³⁾	36,000 km	28,600 km	79.4%	36,000 km	31,200 km	86.7%	60,000 km	46,330 km	77.2%
Wires and cables for electrical equipment ⁽⁴⁾	535,000 km	286,200 km	53.5%	535,000 km	413,400 km	77.3%	540,000 km	460,886 km	85.3%
Bare wires ⁽⁵⁾⁽⁶⁾	46,800 tonnes/ 72,230 km	20,800 tonnes/ 35,230 km	48.8%	50,000 tonnes/ 77,169 km	20,600 tonnes/ 56,490 km	73.2%	50,000 tonnes/ 77,169 km	37,689 tonnes/ 48,034 km	62.2%

Notes:

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

We are well equipped with inspection and testing instruments to ensure that our products meet our customers' specifications and to achieve quality consistency.

BUSINESS

Construction of three additional production lines for high and ultra high voltage cables with rated voltage of 220-500kV

In view of the potential growth for high and ultra high voltage cables, we have built a production facility in Yixing city, Jiangsu, China with a gross floor area of 21,635 sq.m for high and ultra high voltage cables with rated voltage of 220-500kV. Equipped with sophisticated equipment from Germany, Switzerland and Finland, this new facility has an annual production capacity of approximately 1,000 km high and ultra-high power cables. Commercial production commenced in October 2011. As at 31 December 2011, we have invested approximately RMB120 million in constructing the production facility and purchasing equipment for producing high and ultra high voltage cables. We will further invest approximately RMB173.0 million to construct three additional production lines for high and ultra high voltage cables with rated voltage of 220-500kV, of which RMB145.8 million would be from the net proceeds from the New Issue. The investment will be applied towards building construction (as to approximately RMB5.0 million), plant and machinery (as to approximately RMB165.0 million) and other expenses (as to approximately RMB3.0 million). We plan to start the construction of these additional production lines in the second half of 2012 and expect to commence commercial production in the first half of 2013. The manufacturing facility will have a designed annual production capacity of 300 km ultra high voltage cables per production line.

Apart from procuring sales contracts from our existing customers, we have also hired a dedicated sales manager who is experienced in sales and marketing of ultra high voltage power cables. We intend to purchase raw materials for manufacturing of ultra high voltage power cables from our existing suppliers, and we believe that they will be able to meet our production needs.

In addition, in view of the increased demand for more sophisticated bare wires that enjoy high profit margin, we have built a production facility for electrical conductor with rated voltage of 1,000kV, and commenced commercial production in April 2010. With this facility, our annual production capacity of bare wires has increased to approximately 50,000 tonnes. Revenue generated from our sales of such product for the year ended 31 December 2010 and 31 December 2011 was approximately RMB21.8 million and RMB31.4 million, respectively, representing approximately 0.6% and 0.6% of our total turnover during the same periods. The utilisation rate of this facility was approximately 86.0% for the year ended 31 December 2011.

Construction of manufacturing facility in South Africa

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

BUSINESS

Subject to the approval from the relevant PRC authorities, and the approvals from the relevant governmental authorities in South Africa, we plan to invest approximately RMB100.0 million, of which RMB88.3 million would be from the net proceeds from the New Issue, in South Africa. Such amount will be used for purchasing of land (in the amount of RMB16.0 million), building construction (in the amount of RMB18.0 million), purchasing of machinery (in the amount of RMB50.0 million) and other expenses (each in the amount of RMB16.0 million). We intend to construct our manufacturing facility in South Africa through our wholly-owned subsidiary, SA Asia Cable. Our principal operating subsidiary, Jiangnan Cable, has obtained the necessary approvals under the PRC laws for making its foreign investment in South Africa (by setting up SA Asia Cable). While we are required to obtain the necessary approvals for the increase in investment in South Africa (for the construction of the manufacturing facility), as at the Latest Practicable Date, no application has been made and the timing of such application will depend on the construction progress. We currently plan to file such applications in the fourth quarter of 2012, and, as confirmed by our Directors and advised by our PRC Legal Adviser, there is no legal obstacle for Jiangnan Cable under the PRC laws to obtain all necessary approvals for making the increase in investment in South Africa. We estimate that, under normal circumstances, it will take approximately one to two months to obtain such approvals after all necessary documents are properly submitted to the relevant governmental authorities in the PRC.

Apart from the approvals that are required under the PRC laws and regulations, SA Asia Cable must also go through the prescribed process under the South Africa laws and regulations to obtain the necessary approvals from the relevant governmental authorities in South Africa in connection with the construction of the manufacturing facility in South Africa. While, as at the Latest Practicable Date, no application has been made, we plan to file such applications in the second quarter of 2012, and, as confirmed by our Directors and advised by our South Africa Legal Adviser, on the assumption that SA Asia Cable will make all relevant applications and seek all relevant authorities in accordance with the applicable laws, regulations and requirements in South Africa, our South African Legal Adviser is not aware of any legal impediments that could specifically prevent us from obtaining the approvals in relation to the construction of a manufacturing facility in South Africa in respect of power cables, wires and cables for electrical equipment and bare wires. We estimate that, under normal circumstances, it will take approximately six months to obtain such approvals after all necessary documents are properly submitted to the relevant governmental authorities in the South Africa under the applicable laws, rules and regulations in South Africa.

The planned annual production capacity of power cables, wire and cables for electrical equipment and bare wires for this facility is approximately 10,000 km, subject to any future adjustment due to market, regulatory or other factors. The construction is planned to commence in the second half of 2012 and completed around the second quarter of 2013. Commercial production is expected to commence in the third quarter of 2013.

We intend to use our South African manufacturing facility to produce some products for Eskom under the 2010 Contract (as described below). Please refer to the paragraph headed "Customers" in this section for further details on the 2010 Contract. Apart from sending some

BUSINESS

of our experienced management staff to South Africa, we intend to hire local sales and marketing personnel to expand our sales in South Africa and its neighbouring markets. We intend to source raw materials from our existing suppliers in China for our South African manufacturing facility at first while searching for local suppliers. We expect to recruit around 50 additional employees to expand the sales in South Africa. As at the Latest Practicable Date, we have hired 14 employees to satisfy the manpower needed for our current South African operation, of whom nine employees were from the PRC and five employees were from South Africa. After Listing, we expect to send more employees from China to South Africa and we plan to recruit the remaining headcount locally in South Africa.

Construction of production facilities for aluminium alloy and double capacity conductors

In view of the increasing demand for our wires and cables using aluminium alloy as their primary materials, such as all aluminium alloy conductors (“AAAC”) and aerial bundled conductors (“ABC”), and the limited number of suppliers of aluminium alloy materials available to us in China, we have considered the feasibility of establishing our own production facility for aluminium alloy materials for AAAC and ABC. We believe that having our own production facility for aluminium alloy materials for AAAC can secure sufficient and timely supply of high quality aluminium alloy materials that meet our customers’ specific requirements and can effectively eliminate the bottleneck we have for our AAAC and ABC production and sales due to limited supply of aluminium alloy materials. In addition, having our own in-house aluminium alloy material production capability should facilitate and speed up our research and development efforts and commercialisation of new types of AAAC, which, to a large extent, depended on our ability to develop high performance aluminium alloy materials. We believe the extension of our product offering of aluminium alloy based cable and wires will also increase our ability to cross-sale other products and benefit our overall business growth.

We also intend to commence our production of double capacity conductors, a new line of products that are expected to be in high demand arising from upgrading of existing power transmission systems in China and enable us to further cater to our customers’ needs. Double capacity conductors (a type of bare wire) can be aluminium alloy based or carbon fibre composite based. Replacing old wire with double capacity conductors can significantly increase power transmission capacity of existing infrastructure without construction of additional power transmission towers or requiring additional land use.

We intend to invest approximately RMB160.0 million to build a production facility for aluminium alloy materials in Yixing with an annual production capacity of 70,000 tonnes and a production facility for double capacity conductors with an annual production capacity of 30,000 tonnes, of which RMB114.2 million would be from the net proceeds from the New Issue. The construction of this production facility is expected to commence in the second half of 2012 and the commercial production is expected to commence in the first half of 2013.

We have management, engineers and technicians possessing the necessary skills and knowledge for the production of aluminium alloy materials and double capacity conductors, notwithstanding that aluminium alloy and double capacity conductors had not been one of our

BUSINESS

major products in the past. We expect to recruit more personnel with relevant skills and experience for our expansion plan. We intend to lease a workshop in Yixing for the proposed production facilities for aluminium alloy materials and double capacity conductors. As at the Latest Practicable Date, we were still in the process of searching for a suitable location. During the Track Record Period, we did not produce aluminium alloy or double capacity conductors.

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

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

CUSTOMERS

We sell our products to the power industry and a wide range of other general industries, including metals and mining, oil and gas, petrochemicals, railway, shipbuilding, construction, communication, transportation and others.

BUSINESS

The following table sets out a breakdown of our revenue derived from the PRC and overseas markets as a percentage of our total turnover during the Track Record Period:

	Year ended 31 December					
	2009		2010		2011	
	(RMB in thousands, except percentages)					
PRC sales	2,927,157	97.7%	3,585,049	97.3%	4,498,535	91.3%
Overseas sales						
South Africa	57,518	1.9%	96,449	2.6%	375,362	7.6%
Singapore	-	-	-	-	23,759	0.4%
US	1,619	0.1%	-	-	20,472	0.4%
South America	1,319	0.1%	3,473	0.1%	8,636	0.2%
Australia	253	0.0%	511	0.0%	2,843	0.1%
Philippines	-	-	-	-	239	0.0%
Middle East	309	0.0%	-	-	30	0.0%
Hong Kong	6,791	0.2%	884	0.0%	-	-
Total	2,994,966	100.0%	3,686,366	100.0%	4,929,876	100.0%

We are a qualified supplier to many of the industry leaders in the PRC. Our established customers include, among others, the State Grid Corporation Group, China Southern Power Grid Corporation, Beijing Electric Power Construction Company (北京電力建設公司) (together with other companies in the same group) and Huadian Tangyuan Wind Power Company Limited (華電湯原風發電有限公司) in the power industry; China Petroleum & Chemical Corporation (中國石油化工股份有限公司) and Petrochemical Company (Guangxi Branch) of PetroChina Company Limited (中國石油天然氣股份有限公司廣西石化分公司) in the oil and gas industry; Shanghai Shentong Metro Group Co., Ltd. (上海申通地鐵集團有限公司) and Shenzhen Metro Group Co., Ltd. (深圳市地鐵集團有限公司) in the metro and railway industry; and Huainan Mining Industry (Group) Co. Ltd. (淮南礦業(集團)有限責任公司) in the coal mining industry. To be a qualified supplier, we need to and have obtained all necessary certificates, licences and permits to produce and supply our products. Such certificates, licences and permits are often viewed by our customers as a prerequisite in purchasing our products. When selecting qualified suppliers, our customers would consider a number of factors, such as the operation scale, reputation and leadership in the industry, product quality and price, timely delivery and others. Sometimes they would also conduct on-site inspections before they approve us as their qualified supplier. During the Track Record Period, our sales to the aforementioned industry leaders accounted for approximately 8.5%, 5.6% and 18.5% of our total turnover, respectively. Our total sales to those industry leaders for the year ended 31 December 2011 significantly increased mainly because (i) our sales to the State Grid Corporation Group increased to approximately RMB796.9 million as a result of its increased investment in the electric grid system; and (ii) more purchase orders were secured from some other industry leaders, such as Petrochemical Company (Guangxi Branch) of PetroChina Company Limited (中國石油天然氣股份有限公司廣西石化分公司).

We also provided our products to many of China's most prominent infrastructure projects that require stringent quality assurance for their power supply and transmission systems. In

BUSINESS

particular, we provided LSZH power cables for the National Olympic Sports Centre (國家奧林匹克體育中心) and six other stadiums for the 2008 Beijing Olympic Games, the BT Subway to the National Stadium (鳥巢 BT地鐵支線), the Performance Center for the Shanghai World Expo (上海世博會演藝中心), as well as bare wires and aerial conductors for the Power Transmission from West to East Project (西電東送工程) and the Yunnan to Guangdong $\pm 800\text{kV}$ Direct Current Transmission Project (雲南-廣東 $\pm 800\text{kV}$ 直流輸變電工程), which was the first ultra high voltage power transmission system in China. In addition, our power cables were also used for the No. 5 Line of the Shenzhen Metro Project (深圳地鐵 5號線), the No. 7 Line of the Shanghai Metro Project (上海地鐵7號線), the No. 8 Line of the Beijing Metro Project (北京地鐵8號線工程) and high speed railway from Fuzhou to Xiamen (福廈高鐵). Revenue generated from the aforementioned projects accounted for approximately 3.2%, 1.6% and 1.2% of our total turnover during the Track Record Period, respectively.

Though China is by far our largest market (accounting for approximately 91.3% of our total turnover in 2011), our products have also been exported to more than 50 countries overseas. South Africa, a fast growing market for power cables, is our major overseas market (accounting for approximately 7.6% of our total turnover in 2011) and Eskom, a state-owned power generation and transmission company in South Africa, has been one of our top five customers during the Track Record Period. We began to supply our products to Eskom in 2007 and we believe that we are still the only manufacturer of wires and cables in the PRC that can supply such products to South Africa. In 2007, we entered into a five-year master supply agreement with Eskom to supply conductors with agreed estimated contract value of ZAR2.0 billion to ZAR2.3 billion (RMB1.7 billion to RMB1.9 billion) (the “2007 Agreement”). In 2010, we entered into three five-year master supply agreements with Eskom to supply medium or low voltage power cables and aerial bundled conductors with agreed estimated contract value of over ZAR300.0 million (RMB247.9 million) in total (the “2010 Agreements”). The actual quantity of goods purchased by Eskom and supplied by us and the actual prevailing price of the goods will be determined at the time of sale transaction pursuant to such agreements during the relevant five-year period. Our agreements with Eskom specified the term of the agreements, the product categories, the pricing mechanism that is mainly linked to inflation or raw material price, the credit terms, the warranty and warranty period. Under our agreements with Eskom, we would provide performance bonds in the amount of 5% or 10% of the total contract value and Eskom would pay the amount within 30 days upon receiving the invoice issued upon the delivery of our products. Actual sales and delivery would be subject to specific orders from Eskom during the term of the agreements. Please refer to the paragraph headed “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” in the section headed “Risk Factors” of this prospectus for risk relating to these agreements. As advised by our South African Legal Adviser, the 2007 Agreement and the 2010 Agreements are legally binding, subject to the parties to the agreements having obtained the necessary and proper authority to conclude the agreements and Eskom having complied with the relevant regulations when conducting the tender process. Our Directors confirm that, to their best knowledge and belief, the above conditions have been satisfied. During the Track Record Period, revenue generated from our sales to Eskom accounted for approximately 1.8%, 2.0% and 6.1% of our total turnover, respectively.

In 2011, we also began to supply our products to National Grid USA, a subsidiary of National Grid, a multinational electricity and gas company headquartered in London and with principal businesses in the UK and northeast US. Revenue generated from National Grid USA was approximately RMB19.7 million and accounted for approximately 0.4% of our total turnover for 2011.

BUSINESS

We have different settlement terms with different customers, which are negotiated on a case-by-case basis. In some sales contracts, our customers are entitled to hold 5% or 10% of the contract value as a quality bond that will be released to us when the quality assurance term expires after one or three years upon delivery.

We generally extend credit terms of 30 to 180 days to our customers. We maintained business relationships for over six years on average with our top five customers during the Track Record Period. Other than Eskom, our top five customers during the Track Record Period are all located in China and they have diversified backgrounds and businesses, including, state-owned electricity and infrastructure enterprises, electrical equipment installation and trading enterprises and power project contractors. During the Track Record Period, sales made to our largest customer were approximately RMB98.4 million, RMB73.1 million and RMB299.4 million, respectively, and accounted for approximately 3.3%, 2.0% and 6.1% of our total turnover, respectively. For the same period, sales made to our top five largest customers were approximately RMB292.4 million, RMB249.9 million and RMB557.5 million, respectively, and accounted for approximately 9.8%, 6.8% and 11.3% of our total turnover, respectively.

During the Track Record Period, none of our Directors or their associates or, to the best of our Directors' knowledge, any Shareholder who owned more than 5% of the issued share capital of our Company had any interest in any of the five largest customers.

The payments made by domestic customers are mainly settled in Renminbi by way of direct bank transfers, while the payments made by overseas customers are mainly settled in US dollars by way of direct payments into our foreign bank account.

PROCUREMENT AND SUPPLIERS

Raw materials for our production are primarily copper, aluminium, insulating materials and sheath materials (such as XLPE and PVC). During the Track Record Period, our total cost of raw materials accounted for approximately 96.0%, 96.2% and 95.9% of our total cost of goods sold, respectively. Copper and aluminium are the major raw materials we use. Our total cost of copper and aluminium accounted for approximately 79.3%, 79.9% and 78.9% of our total cost of goods sold during the Track Record Period, respectively.

We are strategically located in Guanlin town, which is one of the largest manufacturing bases for wire and cable products in China. We have access to a large pool of raw material suppliers that allows us to meet our production needs on a timely basis and at market prices. When selecting suppliers, we take into consideration their reputation, product quality, price, reliability, delivery time and credit terms.

We generally purchase raw materials upon entering into sales contracts with our customers in order to secure our target profit margin. During the Track Record Period, we have from time to time experienced cost fluctuations of raw materials, particularly in copper and aluminium due to volatility in the commodity markets. Since the selling prices of our products

BUSINESS

in China are generally determined based on the spot price of copper and aluminium, strong and rapid fluctuations in copper and aluminium price could negatively affect our operating results. To manage the risk of raw material price fluctuations, we generally; (i) purchase our raw materials upon entering into sales contracts with our customers; (ii) set out a price adjustment mechanism in some of our contracts so that such increase in cost could be reflected in the price; (iii) adjust our mark-up after considering various factors, such as the prevailing market rate, the demand and supply situation of the product in the market, the quantity of the order and the specification of the products; or (iv) find alternative sources of supply on commercially acceptable terms on a timely basis. Although we were able to reduce the adverse effect on our results from fluctuations of raw material prices during the Track Record Period, in the event that raw material prices fluctuate significantly, our financial performance could be adversely affected.

We have set out price adjustment mechanisms in some of our contracts, such as our contracts with two of our top five customers during the Track Record Period, namely Eskom and Xiamen Lianshang Logistics Co., Ltd. (廈門聯商物流有限公司), so that the fluctuations of raw material price could be reflected in the prices of our product sold to our customers. The sales revenue generated from Eskom and Xiamen Lianshang Logistics Co., Ltd. for the year ended 31 December 2011 accounted for approximately 6.1% and 2.0% of our total turnover, respectively. The price adjustment mechanisms are primarily based on the price of raw materials such as copper. We have different price adjustment mechanisms with different formula, price adjustment range and price adjustment rates for different customers, and such formula, price adjustment range and price adjustment rates are negotiated with the customers on a case-by-case basis. Generally, a fixed price on the raw materials will be agreed between the parties and the prices of our products will be increased or decreased by such price adjustment rate as agreed when the price of the raw materials is increased or decreased by certain prescribed range beyond the fixed price.

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

We generally receive credit terms of 30 days from our suppliers. During the Track Record Period, we settled 100% of our raw material purchase payments in Renminbi.

During the Track Record Period, we purchased our raw materials from over 700 suppliers. We maintained business relationships for over four years on average with our top five suppliers during the Track Record Period. They are all private companies located in China and are engaged in the manufacturing and sales of aluminium and copper-based materials. During the Track Record Period, purchases from our top five suppliers (including 11 companies in total) amounted to approximately RMB1,318.4 million, RMB2,495.5 million and RMB3,440.2 million, respectively, representing approximately 58.1%, 77.6% and 78.7% of our total

BUSINESS

purchases, respectively. Four out of the top five suppliers for the year ended 31 December 2010 and 31 December 2011 remained unchanged. During the Track Record Period, purchases from our single largest supplier (which were three different manufacturers of copper and copper-based materials during each financial period) amounted to approximately RMB404.3 million, RMB898.5 million and RMB1,391.2 million, respectively, representing approximately 17.8%, 27.9% and 31.8% of our total purchases, respectively.

During the Track Record Period, we purchased copper from Yixing Hengxin, which was a company previously incorporated in the PRC but deregistered on 10 November 2010. Yixing Hengxin was 90% owned by the wife of Mr. Rui Yiping, one of our Directors, and 10% owned by the brother of Mr. Rui Fubin, one of our Directors, in 2007 and 2008 (up to 16 October 2008). We continued our purchase of copper from Yixing Hengxin after it ceased to be our related company on 16 October 2008. Yixing Hengxin was one of our top five suppliers in 2008. During the year ended 31 December 2009, our purchases from Yixing Hengxin was RMB52.7 million, representing approximately 2.3% of our total purchase for the relevant year. During the two years ended 31 December 2011, our purchase from Yixing Hengxin was nil. Our Directors confirmed that there was no material price difference between the copper supplied by Yixing Hengxin and the copper supplied by other suppliers. Our Directors further confirmed that transactions between us and Yixing Hengxin had been entered into in the ordinary and usual course of business, on normal commercial terms, and were fair and reasonable and in the interests of our Shareholders as a whole. However, after Yixing Hengxin ceased to be a related party to us, even though we continued to purchase copper from it, our purchase of copper from it decreased due to (i) quality, delivery and production capacity issues, and (ii) to the best knowledge of our Directors, Yixing Hengxin had ceased operations since the second half of 2009 and was deregistered in November 2010.

During the Track Record Period, none of our Directors or their associates or, to the best of the Directors' knowledge, any Shareholders who owned more than 5% of the issued share capital of our Company, had any interest in any of the top five suppliers.

We usually do not enter into long-term agreements with our suppliers. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant difficulties in sourcing raw materials that could have materially and adversely affected our ordinary business operation. Our Directors further believe that as there are numerous other suppliers of raw materials in the market, we will not encounter any difficulty in procuring an adequate amount of required raw materials.

As at 31 December 2009, 31 December 2010 and 31 December 2011, some of our suppliers, including some of our top five suppliers during the Track Record Period, had given guarantees to certain banks for our bank borrowings amounting to approximately RMB778.1 million, RMB899.0 million and RMB1,198.0 million, respectively. As at 29 February 2012, the amount of our bank borrowings was approximately RMB1,426.8 million, of which RMB583.9 million was guaranteed by Jinxiao Copper, RMB335.0 million was guaranteed by Sanmu Group, RMB153.6 million was guaranteed by Dongfeng Cable and RMB150.0 million was guaranteed by Siwei Copper. Jinxiao Copper was involved in both the non-compliant bill

BUSINESS

financing arrangements and the provision of guarantees for our bank borrowings during the Track Record Period. Jinxiao Copper had provided guarantees for our borrowings in the aggregate amounts of approximately RMB334.5 million, RMB450.4 million and RMB559.4 million, respectively, as at 31 December 2009, 2010 and 2011, which accounted for approximately 38.1%, 45.3% and 46.5% of our bank borrowings guaranteed by third parties as at the respective dates. Please refer to the paragraph headed “We face risks relating to our bank borrowings” in the section headed “Risk Factors” of this prospectus for risks associated with guarantees provided by suppliers. In addition, during the two years ended 31 December 2010, Jiangnan Cable, our principal PRC subsidiary, and some of our suppliers entered into financing arrangements with certain PRC commercial banks. As a result of these arrangements, Jiangnan Cable instructed the relevant banks to issue certain bank bills and issued commercial bills to its suppliers in the aggregate amount of approximately RMB1,260.4 million and RMB357.0 million during the two years ended 31 December 2010. For details, please refer to the paragraph headed “Non-compliant bill financing with suppliers” in this section of this prospectus.

SALES AND MARKETING

We sell products to our customers directly through our sales and marketing team. As at 31 December 2011, our sales and marketing team had 272 well-trained, experienced and dedicated sales staff.

We have four departments to conduct sales and marketing activities, including marketing, bidding, sales and services departments. The marketing department collects information on potential clients and projects through various sources; the bidding department analyses the information and organises our bids for specific projects; the sales department signs and executes sales contracts; and the services department provides services before, during and after our sales to customers. These four departments work together at different stages of the selling process to maximize our chances of winning contracts. We sell our products in China directly, and have not appointed any sales agents.

We have an extensive sales and distribution network in China. Over the past 10 years, we have established a nationwide sales network with a focus on provincial capital cities and prefecture level cities. Our sales and marketing personnel are strategically located in more than 60 cities across China, including Beijing, Shanghai, Guangzhou, Nanjing and others to ensure direct and efficient communication with our customers and timely services.

In order to capture the opportunities brought by the international wire and cable market, we have also set up a dedicated international sales team in charge of overseas marketing and sales activities.

We obtain sales orders directly from customers and through actively participating in the bidding process of large projects. While revenues from such bidding processes are project-based and non-recurring, our established capabilities and long-term relationships with customers during the Track Record Period have helped us in winning large projects of our

BUSINESS

customers on a continuous basis. Sales through winning bids accounted for approximately 30.1%, 31.6% and 29.3% of our total turnover during the Track Record Period. The bidding process usually involves five stages: (i) collecting relevant information and preparing qualification documents; (ii) obtaining bidding requests and information; (iii) preparing our bid; (iv) submitting our bid; and (v) entering into contracts with the relevant customer in case of a winning bid. During this process, our project team, which consists of our deputy sales manager and representatives from the sales, manufacturing, technical, quality control and procurement departments work together to prepare our bid after careful consideration of various factors, including pricing, manufacturing plan, competition and others.

We price our products by adding a mark-up to our cost of raw materials, mainly copper and aluminum. The mark-up is usually determined after considering various factors, such as the prevailing market rate, the demand and supply situation of the product in the market, the quantity of the order and the specifications of the product.

QUALITY CONTROL

We have developed an effective quality control system with the ultimate goal of “100% customer satisfaction”. Our quality control system has been ISO9001 certified. We are constantly improving our quality control system in order to meet industry standards and to satisfy or exceed our customers’ expectations. As at 31 December 2011, we had a team of 60 quality management personnel with over seven years of experience on average in the electrical wire and cable industry.

We conduct our quality testing and inspections during each step of the production process. All finished products have to pass our internal inspections prior to shipment. We have adopted the following quality control measures throughout the entire manufacturing process (including the procurement of raw materials, testing methods, control of the manufacturing process, product inspection, product delivery and after-sales service) to ensure we have high quality products:

(a) Supplier qualification

Raw materials are purchased only from qualified suppliers after evaluation of their quality track record, pricing, timely delivery, financial condition, after-sales services and market reputation. We periodically review the quality of our suppliers’ raw materials to ensure that they maintain a high standard.

(b) Raw material inspection and testing

We inspect and test raw materials from our suppliers in accordance with our internal policies, the “Specifications for Raw Materials Procurement” (原材料採購規範), which is formulated in accordance with the national industrial standards, the “Raw Materials Specifications”. The objective for conducting such inspections and testings is to verify that the raw materials purchased from our suppliers meet the national industrial standards,

the technical requirements (mechanical, physical and electrical), exterior conditions and other requirements for our production. Such inspections and testings are conducted through a sampling process by our quality control personnel.

Our Raw Materials Specifications require tests on mechanical and physical features (such as, the density and tensile-strength), electrical features (such as, heat-resistance), exterior conditions and other quality control requirements for raw materials. The sampling size for copper and aluminium, our principal raw materials, is two reels for every two to eight reels and three reels for every nine to thirty reels. The average passing rate during the Track Record Period was approximately 97.8%. Raw materials that failed our tests are required to be returned to our suppliers.

(c) Production quality control

In line with our “Specifications for Inspection of Unfinished Products” (產品中間檢驗規範) that is formulated in accordance with the national industrial standards, we conduct quality control tests at each stage of the production process, the “Unfinished Products Specifications”. The objective is to ensure that the products meet the national industrial standard and the quality requirements (including cable diameter, thickness, voltage testing and insulation), and that quality issues be identified and resolved in time.

Our “Unfinished Products Specifications” require that we test samples of unfinished products visually with devices (such as micrometers and overhead projector). We generally conduct nine to ten sampling tests on unfinished products each day. In each sampling test, we would randomly choose one production process and conduct sampling test on the unfinished products of such production process. Our average passing rate during the Track Record Period was approximately 99.7%.

Unfinished products will flow to the next stage of the manufacturing process after they pass the inspection.

(d) Final inspection and testing

We conduct quality testing on all finished products to ensure that they comply with our customers’ specifications and the national industrial standards. We have implemented our “Specifications for Finished Wires and Cables Inspection and Testing” (電線電纜成品檢驗規範) in accordance with the national industrial standards, which sets out the technical requirements (such as correct voltages, sheath thickness and insulation properties), testing methods and finished products specifications.

Based on the finished products specifications, we take samples from the finished products for tests on the cable thickness, diameter, density, voltage, insulation and other quality requirements. The sampling size for testing is 0.01-0.02% of all finished products and the average passing rate during the Track Record Period was approximately 99.3%.

Additionally, regular meetings are held to discuss quality control process. If we encounter a problem with our quality control system, a dedicated team will be assembled to solve the problem.

BUSINESS

As a testimony to our commitment to a quality management system and quality products, we have obtained the following certifications:

Name of Certifications	Ranges of products applied	Significance	Issuing Authorities	Validity
ISO9001	Bare wire, power cables, wires and cables for electrical equipment, communication cable and special cable	Quality	China Quality Certification Centre (中國質量認證中心)	14 December 2009 to 13 December 2012
ISO9001	Marine electric wires and cables	Quality	China Classification Society Quality Assurance Ltd. (中國船級社質量認證公司)	4 May 2009 to 3 May 2012
ISO14001	Wires and cables	Environmental management	China Quality Certification Centre (中國質量認證中心)	18 December 2009 to 17 December 2012
OHSAS18001	Wires and cables	Occupational health safety	China Quality Certification Centre (中國質量認證中心)	18 December 2009 to 17 December 2012
ISO10012	Wires and cables	Measurement management system	China CMS Certification Centre (中啟計量體系認證中心)	19 May 2010 to 18 May 2014
ISO17025	Rubber insulated cable, PVC insulated cable, plastic insulated control cable, extruded insulation power cable and flame retarded cables in coal mines	Laboratory compliance	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)	9 June 2011 to 8 June 2014

BUSINESS

The aforementioned certifications are subject to periodic renewal. As at the Latest Practicable Date, we had successfully renewed all of the above certifications.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any significant rejection of our products by our customers due to quality issues, nor have we encountered any material product liability claim against us or any material product recall during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND CERTIFICATIONS

Awards

In recognition of our quality products, management and services, we have been granted a number of awards by various government authorities and other organisations.

Some of our significant awards are summarised as follows:

<u>Date</u>	<u>Awards</u>	<u>Significance</u>	<u>Awarding Authorities</u>
March 2011	Key High Technology Enterprise of Yixing under the State Torch Program (國家火炬計劃宜興 電線電纜產業基地骨 幹企業)	Recognition of our advanced technological capabilities	Torch High Technology Industry Development Center, The Ministry of Science and Technology (科學技術部火炬高技術產 業開發中心) in the PRC
December 2010	Electrical Wire and Cable Export Base Enterprise of Jiangsu Province (江蘇省電線電纜出 口基地企業)	Recognition of our electrical wire and cable export capacity in Jiangsu province	The Department of Commerce, Jiangsu Province (江蘇省商務廳)
	Jiangsu Famous Brand Product Certificate (December 2010 – December 2013) (江蘇名牌產品證書 (2010年12月至 2013年12月))	Recognition of our brand awareness in Jiangsu province	The Jiangsu Commission for Brand Promotion Strategy (江蘇省名牌戰略推進委員 會)

BUSINESS

<u>Date</u>	<u>Awards</u>	<u>Significance</u>	<u>Awarding Authorities</u>
January 2010	China Well-known Trademark (中國馳名商標)	Recognition of our trademark as a well- known trademark all over the PRC	Trademark Office of the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商 行政管理總局商標局)
November 2009	National Customer Satisfaction Enterprise (全國用戶滿意企業)	Recognition of customers' satisfaction	<ul style="list-style-type: none"> • China Quality Association (中國質量協會) • National Committee for Customers (全國用戶委員會)
March 2009	High Technology Enterprise (高新技術企業)	Recognition of our advanced technological capabilities	<ul style="list-style-type: none"> • 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) • Jiangsu State Administration of Taxation (江蘇省國家稅務局) • Jiangsu Province Local Taxation Bureau (江蘇省地方稅務局)
December 2010	Jiangsu Innovative Enterprise (江蘇省創新型企業)	Recognition of our advanced technological capabilities	<ul style="list-style-type: none"> • Science and Technology Department of Jiangsu Province (江蘇省科學技術局) • Finance Bureau of Yixing City (宜興市財政局)

BUSINESS

<u>Date</u>	<u>Awards</u>	<u>Significance</u>	<u>Awarding Authorities</u>
December 2008	Certificate of the First Class Enterprise Producing Export Industrial Products in Jiangsu Province (江蘇出口工業產品生產企業分類一類企業證書)	Recognition of our products as first class exports	<ul style="list-style-type: none"> Jiangsu Entry-Exit Inspection and Quarantine Bureau of PRC (中華人民共和國江蘇出入境檢驗檢疫局)
May 2008	Good Standardizing Practice Certificate (標準化良好行為證書)	Recognition of our success standardising production	<ul style="list-style-type: none"> Jiangsu Bureau of Quality and Technical Supervision (江蘇省質量技術監督局)
December 2007	Jiangsu Famous Brand Product Certificate (江蘇名牌產品證書)	Recognition of our brand awareness	<ul style="list-style-type: none"> The Jiangsu Commission for Brand Promotion Strategy (江蘇省名牌戰略推進委員會)
September 2007	Key High Technology Enterprise under the State Torch Program (國家火炬計劃重點高新技術企業)	Recognition of our advanced technological capabilities	<ul style="list-style-type: none"> Torch High Technology Industry Development Center, The Ministry of Science and Technology (科學技術部火炬高技術產業開發中心)

BUSINESS

Certifications

We have obtained all necessary permits, certifications and approvals for the purposes of carrying on our businesses.

A summary of our major certifications/permits is set out below:

	<u>Authorities</u>	<u>Types of Permit/Certification</u>	<u>Applications</u>	<u>Terms</u>
1.	Administration of Quality and Technology Supervision of Jiangsu Province	Product Certification	5 categories of products	• Jan 2010 – May 2016
2.	China Quality Certification Centre	CCC Certification	9 categories of products	• Subject to regular inspection
3.	National Center for Quality Supervision and Testing of Fire Prevention Building Materials	Certification for use of flame-retardant products in public	6 categories of products	• July 2009 – July 2012
4.	China Classification Society Certification Company	Quality Management System Certificate	Overall product category	• April 2010 – May 2012
5.	South African Bureau of Standards	SABS Permit for Sale in South Africa	4 certificates covering a range of wire and cable products	• December 2009 – December 2012 • August 2009 – August 2012
6.	China Quality Certification Centre	RoHS Compliance Certification	2 categories of products	• January 2011 – January 2014

BUSINESS

<u>Authorities</u>	<u>Types of Permit/Certification</u>	<u>Applications</u>	<u>Terms</u>
7. State Mining Product Safety Certificate Center	Permits for use of products in coal mines	58 categories of wires and cables	<ul style="list-style-type: none"> • May 2008 – September 2012, • September 2010 – September 2012, • December 2010 – December 2012
8. SARFT	SARFT Permit	1 category of cable products	<ul style="list-style-type: none"> • March 2009 – March 2012
9. China Jiangsu Entry – Exit Inspection and Quarantine Bureau	Permits for export quality	a range of wire and cable products	<ul style="list-style-type: none"> • April 2011 – April 2014
10. CCQS UK Ltd.	CE Certificate	7 certificates covering a range of wire and cable products	<ul style="list-style-type: none"> • Obtained in November 2007
11. Power (Beijing) Certification Center Co. Ltd.	PCCC Certificate	30 certificates covering a range of wires and cables	<ul style="list-style-type: none"> • January 2007 – January 2017
12. China Standardization Administration	International Standard Certificate	5 certificates covering a range of wires and cables	<ul style="list-style-type: none"> • May 2007 – May 2012 • October 2008 – October 2013
13. China Quality Certification Centre	CB Certificate	10 certificates covering a range of wire and cable products	<ul style="list-style-type: none"> • Obtained in March 2005, December 2005 or February 2005

BUSINESS

The aforementioned certifications/permits are subject to periodic renewal. The SARFT Permit has expired on 1 March 2012. As at the Latest Practicable Date, we were in the process of renewing the SARFT Permit.

RESEARCH AND DEVELOPMENT

We place great emphasis on our research and development capabilities, which our Directors believe is crucial to keep us ahead of our competitors. As at 31 December 2011, we had 145 engineers and technicians working on research and development projects. All of them hold a college degree and have accumulated experience of six years on average in the wire and cable industry. In addition to education qualifications and work experience, our engineers and technicians need to attend technical training before they are allowed to work on our research and development projects.

Since 2007, we have developed and introduced 35 innovative products, including the following, among others:

<u>Product Names</u>	<u>Characteristics</u>	<u>Applications</u>
ACSR wire for ultra high voltage direct current transmission lines of maximum rated voltage of up to $\pm 800\text{kV}$	High efficiency	Long distance and high capacity power transmission
Supporting wire with expanded diameter	Energy saving transmission	Long distance transmission
EPR insulated cable for wind power of rated voltage of 0.6/1kV	Flexible and applicable to windy area transmission	Wind power systems (such as a power converter and generator)
Control, instrumentation and communication cable for offshore oil platforms	Environmentally-friendly, flame-retardant, fireproof, no halogen, anticorrosion and water proof	Power cable for offshore oil platform
Flame-retardant power cable for railways	LSZH, anticorrosion, flame-retardant, UV-proof, waterproof, low toxicity, environmentally-friendly, safe and highly stable	Railway cable

BUSINESS

In addition, we led or participated in the drafting and formulation of 29 national industry technical standards for the wire and cable industry together with four to 12 industry peers or industrial research institutes, which cover all stages involved in the manufacture of power cables, wires and cables for electrical equipment and bare wires, from selection of raw materials to inspection of finished products. During the process of drafting these national standards, our principal responsibilities include, among others, proposing, analysing and assessing the standards and advising on amendments.

In November 2008, we have established a provincial-level technology research centre for specialty cable's materials and application engineering. Our testing and inspection centre has received the PRC National Laboratory Accreditation Certificate (國家實驗室認可認證). The centre is operated by a team of highly educated professionals with advanced test equipment.

In view of our strong research and development capabilities, we were awarded the status of Key High Technology Enterprise under the revised standard of the State Torch Program (國家火炬計劃重點高新技術企業) by the Torch High Technology Industry Development Center, the Ministry of Science and Technology (科學技術部火炬高技術產業開發中心) in December 2010 (with a validity period of three years) and were awarded the status of High Technology Enterprise jointly by the Science and Technology Department of Jiangsu Province (江蘇省科學技術廳), the Finance Department of Jiangsu Province (江蘇省財政廳), the Jiangsu State Administration of Taxation (江蘇省國家稅務局) and the Jiangsu Local Taxation Bureau (江蘇省地方稅務局) in March 2009 (with a three years initial validity period).

As at the Latest Practicable Date, we had obtained 53 patents that are material to our business in the PRC and were in the process of applying for 15 additional patents in the PRC. Please see the paragraph headed "Intellectual property rights" in Appendix V to this prospectus for details of our patents.

As at the Latest Practicable Date, we had undertaken four projects under the State Torch Program (國家火炬計劃) and three projects under the Torch Program of Jiangsu Province (江蘇省火炬計劃). The Torch Programs are sponsored by the State Council and supervised by the Ministry of Science and Technology of the PRC and its local branches. It is established to develop new and high technology industries in China through commercialisation and industrialisation of new and high technology developed through such programs. We have developed and commercialised three products under the Torch Program of Jiangsu Province and a product under Key Technology Support Program of Jiangsu Province (江蘇省重大科技支撐計劃項目), which is a program designed to promote research, development, application and industrialization of new technology in Jiangsu province, and we had received government subsidies in respect of the above mentioned projects in aggregate of approximately RMB1.28 million from 2008 to 2011 in relation to those completed programmes. The three products include flame retardant power cables for railways that are mainly used for railway transmission and distribution lines; cluster aerial insulated cables of rated voltage 1kV that are mainly used for urban and rural low-voltage power supply grids; and XLPE insulated LSZH A-type wires and cables that are mainly used for high-capacity electricity plants, nuclear power plants, subway systems, high-rise buildings and other important, densely-populated environments. During the Track Record Period, the turnover generated from sale of these three products

BUSINESS

amounted to approximately RMB40.4 million, RMB55.3 million and RMB90.7 million, respectively, representing approximately 1.4%, 1.5% and 1.8% of our total turnover. Our involvement in these programmes has also enhanced our reputation in the industry.

As at 31 December 2011, one of our products, Class 1E control and instrumentation cable for nuclear power stations, was designated as National Key New Product (國家重點新產品) (December 2007 – December 2010), and 29 products were designated as High Technology Products (高新技術產品). Sales contribution from our products certified as National Key New Product and the High Technology Products accounted for over 70% of our total turnover in 2010.

In addition, we are actively collaborating with a number of renowned academic institutions and universities to strengthen our research and development capabilities, and under such collaboration, we are undertaking 18 projects. Our collaboration with these institutions and universities can be classified into three types: (i) testing services where we pay the institutions or universities to conduct testing of new materials or products; (ii) joint research and development, where we pay the institutions or universities for the cost of research and share the ownership and intellectual rights with the institutions or universities that conducted the research and development; (iii) joint research and development, where we and the institutions or universities conduct the research jointly at our facilities and we bear all the cost of such research and are entitled to the result of the research exclusively. During the Track Record Period, we spent an aggregate of approximately RMB404,000, RMB180,000 and RMB648,000 for such collaboration.

We have established a research workstation (院士工作站) in conjunction with the China Academy of Engineering (中國工程院) and China Academy of Sciences (中國科學院) in July 2009 as well as a state postdoctoral research workstation (國家級博士後工作站) in August 2010.

We have established long term relationships with Shanghai Electric Cable Research Institute (上海電纜研究所) in order to have access to updates of the latest technological developments and international standards for cable production, and make use of its advanced technology to test and inspect our newly-developed products.

During the Track Record Period, our research and development expenditures incurred were approximately RMB4.9 million, RMB7.4 million and RMB9.9 million, respectively, representing approximately 0.2%, 0.2% and 0.2% of the total turnover for the same financial periods, respectively. Our research and development expenditures for 2012 is estimated to be approximately RMB10.0 million to RMB15.0 million. Our Directors believe that our research and development expenditures are comparable to our industry peers.

SAFETY

We have an internal safety manual compiled in accordance with the requirements under GB/T28001-2001, which provides guidance on how to maintain a safe working environment. Our safety management team carries out regular safety inspections of our production facilities to ensure compliance with the safety measures. All new production equipment and machinery are required to pass safety tests before commencement of production. Protective devices are installed and warning signs posted to ensure production equipment and machinery are operated safely. Our production staff are provided with regular training on the operation of production equipment and occupational safety gear.

As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material fire hazard or failure in our production equipment and machinery or other industrial accidents, and we were in compliance with all applicable occupational health and safety laws and regulations in all material respects.

ENVIRONMENTAL PROTECTION

We are subject to general PRC laws and regulations on environmental protection, such as the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Air Pollution Control Law (《中華人民共和國大氣污染防治法》), the PRC Water Pollution Law (《中華人民共和國水污染防治法》), the PRC Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》) and the “Regulations Governing Environmental Protection in Construction Projects” (《建設項目環境保護管理條例》).

For further details of the above laws and regulations, please refer to the section headed “Regulatory Overview” of this prospectus.

In December 2003, we have obtained the ISO 14001:2004 certification, an international standard used to measure the effect of an operation on the environment, taking into account compliance with applicable laws, regulations and other environmental oriented requirements.

Our Directors confirmed that our manufacturing processes do not generate significant chemical waste, waste water or other industrial waste. Therefore, we believe the negative effect of our production processes on the environment is very limited. Despite this, we have taken measures to ensure our compliance with all applicable environmental protection laws and regulations, such as, (i) collecting and recycling the cooling water used in the manufacturing processes; and (ii) separating waste water from rain.

BUSINESS

Before commencing production, we were required to carry out an environmental impact assessment, and to submit a report to the Environmental Protection Bureau of Jiangsu Province (江蘇省環境保護廳) for approval. We have passed such assessment. Further, our production facilities are also subject to regular environmental protection assessment and inspections by the authorities.

We believe that we have sufficient measures to address the environmental impact relevant to our production processes. We continue to monitor the situation to ensure compliance with the relevant laws and regulations. During the Track Record Period, our expenditures incurred for compliance with the environmental laws were approximately RMB99,000, RMB154,000 and RMB240,300, respectively, and we estimate that such expenditure to be incurred in 2012 will be approximately RMB250,000.

Our PRC Legal Adviser has confirmed that we have complied with all relevant environmental protection laws and regulations and have obtained all relevant necessary permits and licences for our business and operations in the PRC during the Track Record Period and up to the Latest Practicable Date. We have not been subject to any fines or administrative action involving non-compliance with any relevant environmental regulations, nor are our Directors aware of any pending or threatened action by an environmental regulatory authority.

INSURANCE

We have purchased insurances for our buildings, production plants, equipment and machinery, buildings under construction and vehicles. We also provide social insurance for our employees, covering areas such as retirement, sickness and injury. The PRC laws and regulations do not require us to maintain any insurance in relation to our business operations, and we have not taken out any insurance on product liability or disruption of operations. We also do not carry any insurance coverage against wars or acts of terrorism. Our Directors believe that our current insurance coverage is adequate and consistent with the general industry practice. We have made all necessary social insurance contributions for eligible employees since our establishment and have not been in default with respect to any such payment.


During the Track Record Period and up to the Latest Practicable Date, we had not made or been the subject of any insurance claim which had materially affected our financial conditions.

We will continue to review the situation and may make adjustments to our current insurance coverage as appropriate in case operational needs and/or industry practices change.

BUSINESS

INTELLECTUAL PROPERTY

We own and use a number of trademarks, patents and domain names in connection with our business.

We currently have registered two trademarks that are material to our business in the PRC, of which, “” brand has become a well-recognized brand name for wire and cable products in the PRC and is associated with good quality and advanced technology. Our “” brand was recognised as a China Well-known Trademark (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局) in January 2010 and the Jiangsu Renown Trademark in December 2006. In addition, we have registered two trademarks that are material to our business in South Africa and two trademarks that are material to our business in Hong Kong. Details of our trademarks that are material to our business are set out in the paragraph headed “Intellectual property rights” to Appendix V to this prospectus.

As at the Latest Practicable Date, we had registered 53 patents that are material to our business in the PRC and were in the process of applying for 15 additional patents in the PRC. For details of our patents, please refer to 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.

During the Track Record Period and up to the Latest Practicable Date, we had not encounter any material claims on actual or potential infringement of intellectual property rights that may be threatened or pending, in which we are the claimant or respondent.

PROPERTIES

As at the Latest Practicable Date, we had the land use rights for four parcels of lands occupying a total site area of approximately 301,070.8 sq.m. in China. On these four parcels of land, 39 buildings were built with a total gross floor area of approximately 154,032.4 sq.m.

We have built our production facility for ultra high voltage cables on one of our four parcels of lands with a total gross floor area of approximately 21,635 sq.m. As at the Latest Practicable Date, we had obtained the land planning permit, construction planning permit and construction permit for this construction.

In addition, we have 17 buildings with a total gross floor area of approximately 2,242.9 sq.m. without building ownership certificates. In accordance to 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 is under construction and we did not

BUSINESS

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 would 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 relevant authorities. As these buildings are used for storage or other non-production related ancillary purposes and the total gross floor area of such buildings accounts for only 1.4% of our total building areas, we do not expect the demolition of these 17 buildings to have a material effect on our operations. Our Directors confirm that these 17 buildings are not crucial to our operations.

We have leased out portions of the warehouse and open storage spaces to two storage management companies, each an Independent Third Party, for nil consideration, to monitor materials we have pledged as collateral for certain bank borrowings. Please refer to the section headed “Group I – Property interest held and occupied by the Group in the PRC” of the property valuation report as set out in Appendix III to this prospectus.

Our Independent Valuer has assessed our property interests as at 31 January 2012. The text of the letter issued by our Independent Valuer, the summary of valuation and the valuation certificate are set out in Appendix III to this prospectus. Save as disclosed above, we have obtained all land use right certificates and building ownership certificates in respect of properties owned by us as referred to in Group I of the property valuation report as set out in Appendix III to this prospectus.

Pursuant to the deed of indemnity dated 5 April 2012, our Controlling Shareholders have agreed to provide an indemnity to us in respect of, among other matters, all possible losses incurred by us in relation to the failure to obtain the building ownership certificates by any member of our Group in respect of the aforesaid 17 buildings.

The total estimated demolition and relocation costs for such 17 buildings (including the estimated aggregate amount of construction cost for replacement of approximately RMB1.5 million) are approximately RMB2.0 million and we expect it would take a day to demolish the buildings and a month to relocate and build new buildings.

NON-COMPLIANT BILL FINANCING WITH SUPPLIERS

Background

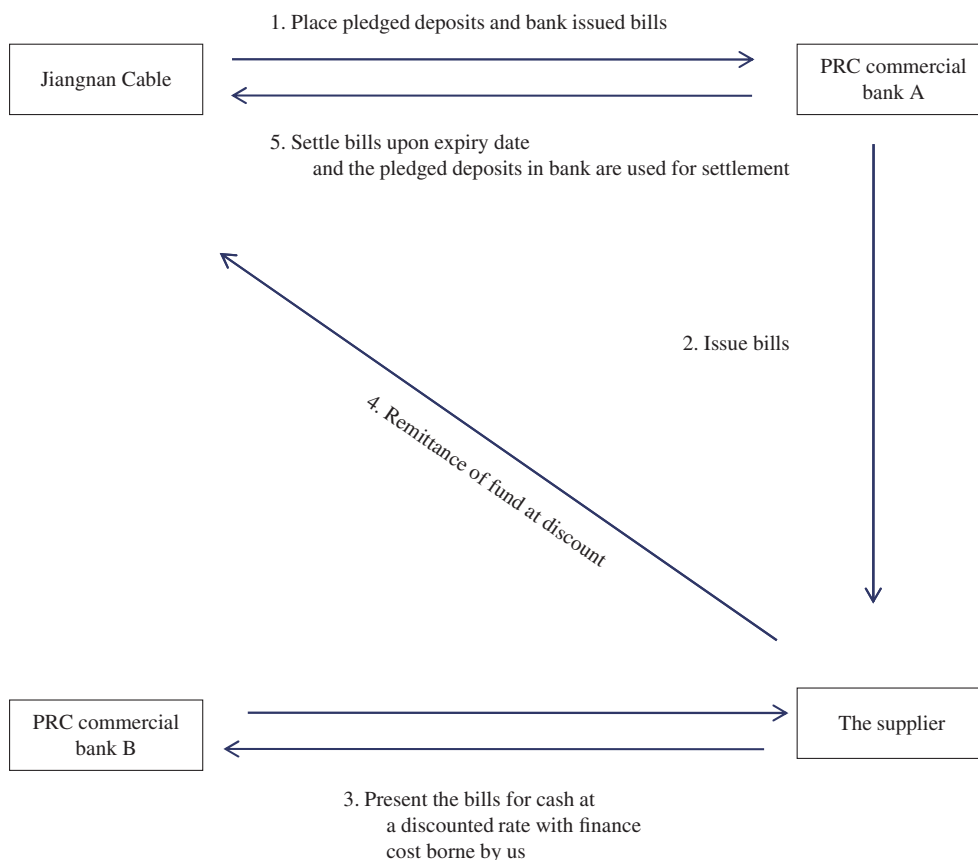
(i) Non-compliant bank bills

From 24 June 2004 to November 2010, Jiangnan Cable and some of its suppliers, including one of its top five suppliers, Jinxiao Copper, entered into financing arrangements with certain PRC commercial banks by issuing bank bills without underlying transactions. Under these arrangements, Jiangnan Cable instructed the relevant banks to issue bank bills to its suppliers at certain face values with pledged bank deposits ranging from 29.0% to 100.0% of the face value of bank bills. These suppliers then discounted these bank bills to other PRC commercial banks and remitted the proceeds back to Jiangnan Cable. During the two years

BUSINESS

ended 31 December 2010, bank bills of approximately RMB1,200.4 million and RMB277.0 million, respectively, were issued by the relevant banks under such financing arrangements, of which, Jinxiao Copper accounted for approximately RMB638.4 million and RMB277.0 million, respectively, for each of the two years ended 31 December 2009 and 2010, representing approximately 53.2% and 100.0% of the total amount of bank bills issued under such financing arrangements for the same periods. In addition, Jinxiao Copper had provided guarantees for our borrowings in the aggregate amounts of approximately RMB334.5 million, RMB450.4 million and RMB559.4 million, respectively, as at 31 December 2009, 2010 and 2011, which accounted for approximately 38.1%, 45.3% and 46.5% of our bank borrowings guaranteed by third parties as at the respective dates. In particular, bank bills of approximately RMB1,007.0 million were issued to Yixing Hengxin (a then related party) in 2008 and the rest were issued to Independent Third Party suppliers. As at 31 December 2009 and 31 December 2010, approximately RMB348.4 million and RMB30.0 million, respectively, were pledged to PRC commercial banks for such financing arrangements.

The diagram below illustrated the flows of the bank bills:



Set out below are the accounting entries and treatments in each step of the arrangement:

1. When the deposit is pledged, “Pledged Deposit” is to be debited, while “Cash at Bank” is to be credited with the same amount;

BUSINESS

2. When the bank bill is issued, “Trade Payable” shall be debited, while “Bill Payable” is to be credited with the same amount;
3. This step is not applicable to us and there is no accounting entry thereof;
4. When the discounted bill amount is received, “Cash at Bank” and “Interest Expenses” are to be debited, while “Trade Payable” is to be credited with the total of the above; and
5. When the bank bill is settled, “Bill Payable” is to be debited with the total amount of “Pledged Deposit” and “Cash at Bank” and “Pledged Deposit” are to be credited with the amount of deposit placed and “Cash at Bank” is to be credited with the balancing amount.

The aforementioned bank bills were issued with the following typical terms and conditions:

1. the bank bills were secured by pledged deposits with interest charged at prevailing bank interest rate;
2. PRC commercial banks would normally charge an amount equivalent to 0.05% of the face amount of the bank bills; and
3. Jiangnan Cable would make repayment on the payable amount of the bank bills upon maturity date.

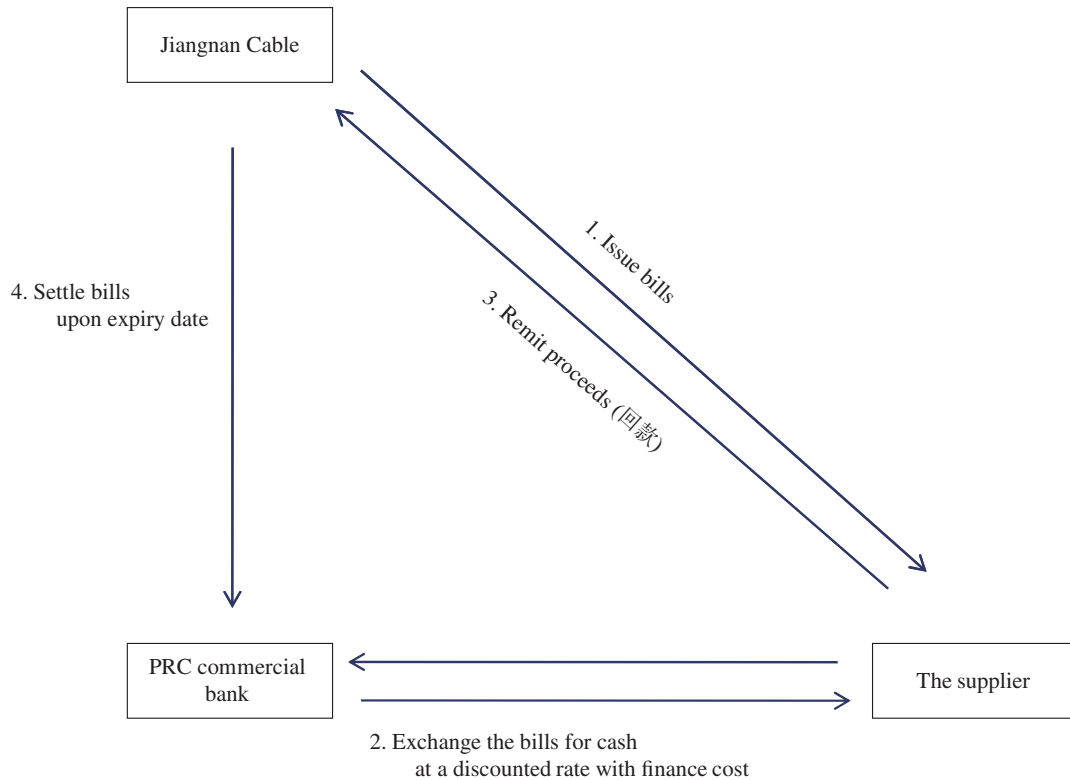
During the two years ended 31 December 2010, bank bills issued carried interests ranging from approximately 1.76% to 2.54% and 4.08% per annum, respectively. The interest expenses associated with these bills amounted to approximately RMB10.6 million and RMB3.8 million by Jiangnan Cable.

(ii) Non-Compliant commercial bills

From 17 March 2008 to November 2010, Jiangnan Cable and some of its suppliers, including one of its top five suppliers during the Track Record Period, Jinxiao Copper, entered into financing arrangements through commercial bills without underlying transactions. Under these financing arrangements, Jiangnan Cable issued commercial bills guaranteed by itself to its suppliers at certain face amounts (without placing any pledge bank deposits). These suppliers then presented these commercial bills to the PRC commercial bank for discounting and remitted the proceeds to Jiangnan Cable. During the two years ended 31 December 2010, commercial bills in the total amount of RMB60.0 million and RMB80.0 million were issued by Jiangnan Cable to its suppliers under these financing arrangements, of which, Jinxiao Copper accounted for nil and RMB80.0 million, respectively, for each of the two years ended 31 December 2009 and 2010, respectively, representing approximately nil and 100.0% of the total amount of commercial bills issued under such financing arrangements for the same periods. In particular, commercial bills were issued to Independent Third Party suppliers.

BUSINESS

The diagram below illustrated the flows of the commercial bills:



Set out below are the accounting entries and treatments in each step of the arrangement:

1. When the commercial bill is issued, “Trade Payable” is to be debited, while “Other Payable” is to be credited with the same amount;
2. This step is not applicable to us and there is no accounting entry thereof;
3. When the discounted bill amount is received, “Cash at Bank” and “Interest Expenses” are to be debited, while “Trade Payable” is to be credited with the total of the above; and
4. When the commercial bill is settled, “Other Payable” is to be debited and “Cash at Bank” is to be credited with the same amount.

The aforementioned commercial bills were issued with the following typical terms and conditions:

1. PRC commercial bank would normally charge an interest agreed on a case by case basis; and
2. Credit period would not be more than 6 months.

BUSINESS

During the two years ended 31 December 2010, the above-mentioned commercial bills carried interest at approximately 3.01% to 3.93% and 3.97% to 4.96% per annum, respectively. The interest expenses incurred were recognised as finance costs of approximately RMB1,039,000 and RMB984,000 by Jiangnan Cable during the same period.

As advised by our PRC Legal Adviser, the arrangements as described in items (i) and (ii) above were not related to any underlying transactions and were thus not in compliance with the relevant PRC laws and regulations. However, our PRC Legal Adviser confirmed that the non-compliance bill financing transactions had not involved any false documents or fraudulent activities as prescribed under the PRC Negotiable Instruments Law (《中華人民共和國票據法》).

Jiangnan Cable ceased entering into any such bill financing arrangement in November 2010 and all the related bills were settled in April 2011.

The reason for entering into such bill financing activities instead of taking loans directly from financial institutions was to lower our overall financing costs and to increase overall interest income on bank deposits. There was no rebate or incentive provided by Jiangnan Cable to the suppliers involved. Our Directors believe that the main reason for the suppliers to collaborate with us in such non-compliant bill financing activities was to maintain good business relationships with Jiangnan Cable. The bill financing arrangements were approved by the directors of Jiangnan Cable, namely Mr. Rui Fubin, Mr. Rui Yiping and Mr. Jiang Yongwei.

Based on our estimate, the total amount of interest saved during the two years ended 31 December 2010 as a result of the non-compliant bill financing activities was approximately RMB20.8 million and RMB2.0 million, respectively, representing approximately 12.3% and 0.8% of our net profit for the corresponding year.

Effect on Our Financial Position

We used the receipts/advances from the non-compliant bill financing arrangements as working capital to help finance part of our daily operations. Our Directors believe that, even if we had not entered into such bill financing transaction during the Track Record Period, we would still have had sufficient working capital for our operation for the following reasons that: (i) we could have used such cash deposits that were required to be pledged under the non-compliant bill financing arrangements as working capital, and (ii) there were other cash flows, such as cash generated from our operations, which we could have used to fund our working capital requirements during the Track Record Period. Moreover, as at 31 December 2009, 31 December 2010 and 31 December 2011, we had unused banking facilities of approximately RMB76.6 million, RMB127.5 million and RMB1,066.4 million, respectively. We had not encountered any difficulties in obtaining financing for our operations. Without entering into any further non-compliant bill financing arrangements after November 2010, we still had sufficient working capital based on our available banking facilities and the amount of pledged cash available for working capital following settlement of the related bills issued under the financing arrangements.

BUSINESS

The effect on our cash and cash equivalent had we not involved in any non-compliant bill financing arrangements is as follows:

	Year ended 31 December		
	2009	2010	2011
	(RMB in thousands)		
Cash and cash equivalent at end of the year represented by bank balances and cash	433,651	622,382	677,897
Less: Bills payable under non-compliant financing arrangement raised	(1,260,376)	(357,000)	–
Add: Repayment of bills payable under non-compliant financing arrangement	1,295,406	670,380	160,000
Cash and cash equivalent without the non- compliant bill financing arrangement	468,681	935,762	837,897

We would have had positive cash balances throughout the Track Record Period even if such non-compliant bill financing had not taken place. We had banking facilities in the aggregate amount of approximately RMB1,048.2 million, RMB1,517.3 million and RMB3,058.0 million as at 31 December 2009, 2010 and 2011, respectively. In addition, we have received confirmation from the respective commercial banks, which have granted banking facilities to us, confirming that they (i) had granted us certain banking facilities during the three years ended 31 December 2011, (ii) had no intention to withdraw or cancel such banking facilities granted to us, (iii) had intended to continue granting such banking facilities to us, and (iv) were willing to support our application for further increases of our banking facilities. Based on the above, our Directors believe that we would have had sufficient working capital had we not entered into the non-compliant bill financing arrangement during the Track Record Period.

In addition, we had approximately RMB482.2 million pledged bank deposits and approximately RMB677.9 million bank balances and cash as at 31 December 2011. Our Directors have also confirmed that, after taking into account the cash generated from our operations, the unused banking facilities and the estimated net proceeds from the New Issue, we will have sufficient working capital for at least the next 12 months following the date of this prospectus. All the bills under these financing arrangements were settled in April 2011, utilising our internal resources, such as our bank deposits. The settlement of the outstanding bills did not and will not have a significant effect on our working capital. Please refer to the paragraph headed “Working capital” in the section headed “Financial Information” of this prospectus for further details. For our financial position after ceasing the non-compliant bill financing arrangements as at 31 December 2011, please refer to the section headed “Financial Information” and Appendix I to this prospectus.

Confirmation from Regulatory Authorities, Relevant Banks and our Directors

We ceased entering into any further non-compliant bill financing transactions in November 2010, have implemented measures to strengthen our internal controls since December 2010 and have settled all non-compliant bills in April 2011. In addition, we have received confirmations addressed to Jiangnan Cable from the CBRC Wuxi Bureau, the PBOC Wuxi Branch and the relevant banks as described below. As advised by our PRC Legal Adviser, the confirmation letters are valid documents issued by CBRC Wuxi Bureau, PBOC Wuxi Branch and the relevant banks.

The CBRC is the regulatory body responsible for the supervision and regulation of banking institutes of the PRC and it is empowered to impose penalties on banking institutes which are in breach of relevant laws and regulations. It does not, however, have the authority to impose penalties on enterprises other than banking institutes. On 27 December 2010, the CBRC Wuxi Bureau, being the appropriate competent authority, issued a written confirmation and confirmed in accordance with Article 27 of the PRC Administrative Penalty Law that it will not take any punitive actions against the banks involved in the non-compliant bill financing activities since such bill financing activities have not resulted in any loss to those banks and we have taken remedial actions and have undertaken not to engage in such activities in the future.

The PBOC is responsible for monitoring bill financing activities in the PRC. However, there is no express provision in the relevant laws, rules and regulations in the PRC, which impose administrative or criminal liability on enterprises regarding the aforesaid non-compliant bill financing transactions. In addition, we have received a written confirmation from the PBOC Wuxi Branch, dated 27 December 2010, confirming that it will not take any punitive actions against Jiangnan Cable or senior management since it is not required to impose administrative penalties on enterprises that have entered into non-compliant bill financing arrangements under the relevant PRC laws and regulations.

As advised by our PRC Legal Adviser, the CBRC Wuxi Bureau and the PBOC Wuxi Branch are the appropriate competent authorities to issue the aforementioned confirmation letters and it is not necessary for Jiangnan Cable to obtain confirmations from the provincial or higher level regulatory authorities. Our PRC Legal Adviser has also advised that according to the provisions under the PRC Negotiable Instruments Law (《中華人民共和國票據法》), the Measures for the Implementation of the Administration of Negotiable Instrument (《票據管理實施辦法》), the Measures for Payment and Settlement (《支付結算辦法》) and the Notice of the People's Bank of China on Certain Improvements of the Negotiable Instruments Systems (《中國人民銀行關於完善票據業務制度有關問題的通知》), the PBOC is the authority monitoring the bill financing transactions in the PRC but there is no express provision in the aforesaid laws, rules and regulations, which impose administrative or criminal liability regarding the non-compliant bill financing transactions. Apart from the above laws, rules and regulations, there exists no other laws, rules or regulations in the PRC imposing administrative or criminal liability regarding the non-compliant bill financing transactions. As such, we do not expect any administrative or criminal liability will be imposed on us regarding the non-compliant bill financing transactions conducted by Jiangnan Cable.

BUSINESS

We have also received confirmation letters from each relevant bank that facilitated such non-compliant bill financing arrangements, which state that:

- such bill financing arrangements have been terminated and there are no similar arrangements with the relevant bank;
- the relevant bank will not take any legal action against Jiangnan Cable in relation to such bill financing arrangements;
- such activities had not caused any loss to the relevant banks;
- there is no potential or contingent disputes associated with such bill financing arrangements; and
- such bill financing arrangements will not negatively affect the future bank credit facilities that may be granted to Jiangnan Cable by the relevant banks.

To the best of their knowledge, our Directors confirm that:

- the parties involved complied with the stated terms and conditions under such bill financing arrangement;
- the parties involved understood that no actual underlying transaction were carried out in such bill financing arrangements, and such bill financing arrangements did not involve any false documents or fraudulent activities, which was made to defraud any party or to deceive for any money;
- the directors and senior management of Jiangnan Cable involved did not obtain any personal benefit from such bill financing arrangements; and
- the relevant suppliers and banks did not obtain any benefit from such bill financing arrangements other than maintaining good business relationships with Jiangnan Cable.

Opinion of the PRC Legal Adviser

As part of our preparation for the Listing, our PRC Legal Adviser advised us that the non-compliant bill financing transactions we entered into were not in compliance with the PRC Negotiable Instruments Law (《中華人民共和國票據法》) (in particular Article 10 which states that bank bills must be issued on the basis of actual underlying transactions) and certain banking regulations promulgated by the PBOC, including the Measures for the Implementation of the Administration of Negotiable Instruments (《票據管理實施辦法》), the Measures for the Payment and Settlement (《支付結算辦法》) and the Notice of the People's Bank of China on Certain Improvements of the Negotiable Instruments Systems (《中國人民銀行關於完善票據業務制度有關問題的通知》).

Our PRC Legal Adviser has advised us that the trade financing arrangements as described above would not have any material and adverse effect on Jiangnan Cable, its directors or senior managements on the basis that (i) Jiangnan Cable has ceased such trade financing arrangements and repaid all amounts due to the relevant banks; (ii) each of the relevant banks has confirmed that the trade financing arrangements were entered into with the consent of the relevant banks and they will not take any legal action against Jiangnan Cable; (iii) that PBOC Wuxi Centre Branch has confirmed that they will not take any punitive actions against Jiangnan Cable and its senior managers involved in the non-compliant bill financing activities; and (iv) there is no express provision in the laws, rules and regulations in the PRC which impose administrative or criminal liability for non-compliant bill financing transactions. In addition, our PRC Legal Adviser further advised that (a) the relevant banks are not entitled to claim against us on the interest saved by us as a result of the non-compliant trade financing activities according to Negotiable Instruments Law of the PRC (《中華人民共和國票據法》) and the relevant agreements entered into between us and the relevant banks; and (b) the independent suppliers had no legal basis to make any claims against us.

Strengthening our internal control systems

We ceased entering into any new non-compliant bill financing transactions in November 2010 and settled all related bills in April 2011. Since the cessation of the non-compliant bill financing transactions, we have undertaken a series of measures to ensure such non-compliant bill financing arrangements will not occur in the future. The key measures include:

- establishing an audit committee comprising four independent non-executive Directors to review and supervise our internal control systems. The establishment of the audit committee was formally approved by our Board on 25 February 2012;
- implementing internal guidelines and policies for approving, reporting and monitoring all bill financing transactions;
- engaging an independent consulting firm, which is an international accounting firm, to assess our overall internal control systems, and the scope of their review included our internal control policies and procedures in relation to our bank/commercial bill financing activities and management.

Internal control review in December 2010

Based on the assessment made by the independent consulting firm in December 2010, it was noted that:

- prior to late November 2010, our internal control policies and procedures were not effective in prohibiting the occurrence of non-compliant bill financing arrangements;
- prior to late November 2010, our internal policies and procedures of bill management were not comprehensive enough to (i) include the proper application and approval processes on bills; (ii) take into account of related laws and regulations on bill financing; and (iii) include compliance monitoring on bill financing activities;
- before the independent consulting firm was officially engaged on 13 December 2010, Jiangnan Cable had discussions with its auditors and various other professional parties and had announced and implemented certain preliminary measures to stop entering into any new non-compliant bill financing arrangements.

The preliminary measures announced and implemented by us prior to December 2010 included, among others, the following:

- announced internally a clear policy statement that non-compliant bill financing was forbidden;
- notified senior management members that bill financing without underlying transactions will not be approved;
- proposed disciplinary actions for breaching the new policy;
- provided preliminary training to employees involved in financing activities about the new policy and to the effect that bill financing without support of underlying transactions was not in compliance with relevant PRC laws and regulations; and
- considered and planned to develop more measures and engage external advisers to review, advise and help formalise and document internal control measures for bill financing activities and the overall internal control systems.

BUSINESS

In December 2010, our independent consulting firm reviewed the preliminary measures announced and implemented by Jiangnan Cable and has given us the following recommendations:

- continuing with the measures already undertaken by Jiangnan Cable prior to December 2010 and officially documenting and developing comprehensive policies and procedures for bill management with a clear statement that non-compliant bill financing arrangements are forbidden;
- implementing internal application and approval procedures with proper segregation of duties and delegation of approval authorities, including the preparation of a bill summary for management to review on a regular basis;
- establishing a mechanism to monitor the compliance of related laws and regulations; and
- providing training of related policies, procedure, laws and regulations to our personnel involved in the bill financing arrangements.

Based on the recommendations, we have, in January 2011, formulated and implemented a series of specific internal guidelines and corporate governance measures that provide for cross-checking of bank/commercial bills against underlying trading contracts and that all future bill financings will be properly supported by actual transactions or debtor-creditor relationships.

Internal control review in November 2011

Our independent consulting firm performed a follow-up assessment of internal controls over the procedure for bill financing management in November 2011. The internal control assessment was conducted on a factual basis, and no assurance or opinion on internal controls was expressed by our independent consulting firm.

In the follow-up assessments, there were no deficiencies found in the review of our bill financing management conducted by our independent consulting firm for the period between 1 November 2010 and 30 October 2011. Our independent consulting firm identified an improvement area and recommended that we include more details in the “payment application form” for the approving manager’s easy reference, as previously we only attached the relevant documents but had not listed the details, such as the bill number, total amount and payment process etc. in the payment application form. Such recommendation was adopted and implemented by us immediately after we received the internal control review report from the independent consulting firm on 1 December 2011. Our independent consulting firm has conducted a subsequent assessment in this respect in January 2012 and noted that the recommendation has been implemented.

Other than the identified improvement area, no further deficiencies (including bills payables under financing arrangement) were noted by our independent consulting firm.

BUSINESS

Key internal control measures implemented by us

Set out below are the key measures we have implemented so far to ensure that non-compliant bill financing arrangements will not occur in the future:

(1) Clear policy statement to prohibit non-compliant bill financing

We have notified all of our employees and management involving in bill financing activities of us that bill financing without underlying transactions is forbidden and that no senior management in charge of bill financing may approve any bill financing without underlying transactions.

(2) Approval subject to cross-checking and verification of underlying trades

We have amended our approval procedures for bill financing. The Directors and the senior management members are required to review, cross-check and verify the underlying transactions before approving any bill financing transaction. For bill financing transactions, the manager of finance department is required to submit application and relevant documents to our financial controller and chief financial officer for review, cross-checking and verification. After review, cross-checking and verification, the application will then be submitted to our chief executive officer or general manager for approval, if the amount of the bill involved is less than RMB50.0 million. If the amount of the bill involved is RMB50.0 million or more, the application is required to be approved by both of our chief executive officer and general manager.

(3) Disciplinary actions for non-compliance

We have implemented a policy that employees and management breaching the above measures regarding non-compliant bill financing activities will be subject to various disciplinary actions including financial and legal responsibilities.

(4) Training

In addition to various internal training, on 25 November 2011, our Directors and senior management attended training provided by our Hong Kong legal advisers and PRC legal advisers on the PRC regulations about bill financing and the obligations of our Company and our Directors under the Listing Rules. We will continue to conduct regular internal training to our employees and management on our compliance policy and engage external professionals, including our Hong Kong legal advisers and PRC legal advisers, to conduct training on our ongoing compliance and obligations under the Listing Rules and all other Hong Kong and PRC regulations biannually to ensure awareness and compliance of the policies.

BUSINESS

(5) Regular internal review and reporting process

We have assigned our internal audit department to review and monitor our bill financing activities on a quarterly basis, conduct random checking and report its findings to our audit committee. Our internal audit department has a team of nine members, most of them majored in accounting, auditing or law disciplines. Among the nine members of our internal audit department, three of them have more than 25 years of experience in accounting and finance, two of them have more than eight years of experience in accounting, one of them has around 18 years of experience in law and the remaining three have more than five years of experience in engineering or sales. With over 25 years' experience in the industry, Mr. Yang Chunhua is the head of the department.

(6) External independent review

We will engage an independent professional adviser for a period of not less than 12 months from Listing to (i) conduct periodic review and assessment of our internal control measures; (ii) report to our Board and our audit committee on the results of the assessments; and (iii) propose additional measures for improvement (if any).

(7) Disclosure in annual report

We will disclose in our first annual report after Listing whether there are any non-compliant bill financing activities identified by our internal review and external independent review.

Our Directors believe that such measures will help us prevent non-compliant bill financing transactions in the future.

Our Directors (including the independent non-executive Directors) confirmed that each of Mr. Rui Fubin, Mr. Rui Yiping and Mr. Jiang Yongwei who approved the bill financing arrangements during the two years ended 31 December 2010 possesses the character, experience and integrity as required under Rules 3.08 and 3.09 of the Listing Rules.

Indemnity from Controlling Shareholders

Pursuant to the deed of indemnity dated 5 April 2012, the Controlling Shareholders have agreed to provide an indemnity to us in respect of, among other matters, all possible losses incurred by us in relation to the non-compliant bill financing transactions.

BUSINESS

COMPETITION

The wire and cable manufacturing industry in the PRC is highly competitive. Along with the strong domestic demand and high economic growth across China, the wire and cable manufacturing industry has developed dramatically over the last decade. It is expected that the competition in the wire and cable manufacturing industry in the PRC will continue to intensify.

There is a large number of small and medium-sized enterprises operating in the industry. According to IBISWorld, there are approximately 4,680 enterprises within the wire and cable manufacturing industry in China in 2011, many of which operate on a small scale and are privately-owned. The majority of these companies serve a small geographic region and are lack of substantial capital and advanced technologies. Our Directors consider the following to be our main competitors in view of their production capacity and market share:

- Far East Cable Co., Ltd. (遠東電纜有限公司);
- Wanda Group Company (萬達集團有限公司);
- Jiangsu Baosheng Group (江蘇寶勝集團); and
- Tianjin Suli Group (天津塑力集團).

Our Directors believe that potential new entrants will face a number of barriers, including (i) difficulty in obtaining new wire and cable manufacturing licences and relevant qualifications; (ii) stringent product certifications which are prerequisites to enter into certain markets; (iii) substantial capital requirements; (iv) limited supply of experienced management and skilled technical staff in the industry; and (v) substantial investment and time required for building reputation and brand recognition in the industry.

None of our Directors or senior management and their associates have any interest, direct or indirect, in any of our above-mentioned competitors.

REGULATORY COMPLIANCE

Save for (i) the non-compliant bill financing with suppliers as disclosed in the subsection headed “Non-compliant bill financing with suppliers” in this section; (ii) non-compliance with the PRC employee housing fund contribution regulation as disclosed in the subsection headed “Relationship with staff” under the section headed “Directors, senior management and staff” of this prospectus; (iii) failure to obtain ownership certificates for 17 properties as disclosed in the subsection headed “Properties” in this section; and (iv) non-compliant advances to and from independent third parties as disclosed in the paragraph headed “Advances to and from Independent Third Parties” in the section headed “Financial Information” of this prospectus, our Directors and our PRC Legal Adviser confirmed that, during the Track Record Period and up to the Latest Practicable Date, we have complied with all PRC laws and regulations applicable to our operation and business in all relevant material respects and we have obtained all approvals, licences, permits and qualification certificates required under PRC laws and regulations in order to conduct our businesses, and as at the Latest Practicable Date, such approvals, licences, permits and qualification certificates have not been revoked, cancelled or expired.

BUSINESS

For our measures to prevent non-compliant bill financing, please refer to the paragraph headed 'Strengthening our internal control systems' in this section. With respect to our prior non-compliance with the employee housing fund contribution regulations, we have now designated personnel to be responsible for making timely payment of the contributions and, as advised by our PRC Legal Adviser, we have fully complied with the PRC housing fund requirements since January 2011. With respect to our non-compliance in relation to obtaining ownership certificates, we have implemented control procedures to allow designated personnel to monitor and ensure relevant certificates are obtained in future construction projects in accordance with the relevant laws and regulations. With respect to our non-compliant advances to and from Independent Third Parties, we have implemented procedures such that these advances would not be approved by our management. We have also trained and designated accounting personnel to be vigilant in order to prevent such non-compliance. We have ceased further advances to Independent Third Parties since December 2010 and all of the outstanding balances were settled in March 2011.

We are advised by our South African Legal Adviser that, based on the information and documentation made available to them in respect of SA Asia Cable, SA Asia Cable is in compliance with all relevant rules and regulations and has obtained all necessary permits, certificates and licences in respect of its operations in South Africa.

LEGAL PROCEEDINGS

We were involved in 11 legal proceedings incidental to the conduct of our business during the Track Record Period. We sued as the plaintiff in all these 11 litigations, despite subsequent appeals by some of the defendants. All of these legal proceedings arose out of non-payment of the whole or part of the consideration payable to us as agreed in the written contracts by our customers. None of these legal proceedings arose from quality issues of our products. Most of these customers are engaged in the construction and installation business.

The total contract value and the total amount in dispute in relation to the 11 legal proceedings is approximately RMB21.5 million and RMB9.5 million, respectively. As at the Latest Practicable Date, all such cases had been closed, including three cases judged in our favour and eight cases settled out of court. We have recovered approximately RMB7.6 million through the legal proceedings, accounting for approximately 80% of the amounts in disputes, of which approximately RMB1.9 million as doubtful debt has been provided in year 2011. The total litigation cost incurred was approximately RMB103,000, of which RMB43,000 was recovered from the defendants.

In order to avoid, mitigate or resolve similar litigations going forward, we have taken effective measures including: (i) further strengthening our customer credit review process and credit risk management; (ii) tightening collection of accounts receivables; and (iii) enhancing our contract management.

As at the Latest Practicable Date, we are not aware of any pending or threatened litigation, arbitration or administrative proceeding against us or any of our subsidiaries which could have a material adverse effect on our financial condition or results of operations.