Investors should read the following discussion and analysis in conjunction with our audited combined financial information as at and for the years ended 31 December 2009, 2010 and 2011, including notes thereto contained in the Accountants' Report, as set forth in Appendix I to this prospectus. The financial information have been prepared in accordance with HKFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those described under "Risk Factors" and elsewhere in this prospectus.

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 voltage and ultra high voltage power cables. We are also well positioned to grow business in various industries, such as mining, shipbuilding, wind power and railways.

In view of the potential growth for ultra high voltage cables, 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.

The table below sets out our turnover by products during the Track Record Period:

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

Set out below is our turnover by geographical locations 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	–
Middle East	309	0.0%	–	–	30	–
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%

The table below shows the gross profit of each category of products during the Track Record Period:

	Year ended 31 December					
	2009		2010		2011	
	(RMB in thousands, except percentages)					
Power cables	309,342	77.4%	373,175	70.3%	518,269	70.5%
Wires and cables for electrical equipment	73,407	18.4%	137,802	25.9%	163,963	22.3%
Bare wires	16,889	4.2%	20,157	3.8%	52,658	7.2%
Total	399,638	100.0%	531,134	100.0%	734,890	100.0%

Reorganisation and Basis of Presentation

We were incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 January 2011. Prior to the Global Offering, we underwent the Reorganisation pursuant to which our Company became the holding company of our Group. Please see the sub-paragraph headed "Reorganisation" under the paragraph headed "Further information about our Company and the subsidiaries of our Group" in Appendix V to this prospectus for details.

The financial information presents our combined results and financial position as if the current group structure had been in existence throughout the Track Record Period. All material intra-group transactions and balances have been eliminated on combination.

Factors Affecting Our Results of Operations and Financial Condition

Our results of operations have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed "Risk Factors" of this prospectus and as set out below:

Product mix

We produce a wide range of wires and cables and their gross profit margin varies depending on their different nature, technical specifications and competitive landscape of the market segment. During the Track Record Period, the gross profit margin for power cables was approximately 14.5%, 15.2% and 15.9%, whereas that for wires and cables for electrical equipment was approximately 13.2%, 14.6% and 14.9% and that for bare wires was approximately 5.6%, 7.2% and 9.3%.

Change of our product mix may affect our profitability and we are switching to develop higher margin products. In particular, we expect to continue the production of higher margin ultra high voltage products in 2012.

Customer Demand

The industries in which our customers operate include the power industry and other diverse industries (such as oil and gas, metals and mining, shipbuilding, transportation, construction and railways). We benefit from the growth of our diversified customer base. According to the "12th Five-year Plan" of the PRC, there will be significant growth in the investment in power infrastructure, upgrade of power grid and construction of railways, metros and high-speed railways between cities. We expect demand from these related industries to increase and will focus our sales, research, development and productions on related products.

Cost of raw materials

Raw materials for our production are primarily copper, aluminium, insulating materials and sheath materials (such as XLPE and PVC). Cost of raw materials is one of the most important components in our cost of goods sold. To mitigate the effect of raw material price fluctuations on our profitability, we usually purchase raw materials or lock up the price of our raw materials when we receive an order from our customers. We also have a price adjustment mechanism in some of our contracts so that the price fluctuation risk may be shared by our customers.

Competition

Notwithstanding our historical growth track record, we operate in a competitive environment, facing continuous competition from existing competitors as well as new entrants. We have maintained our competitive position in the PRC through our high quality products, our industry recognised brand and our efficient production management. Our strong research and development capabilities also allow us to expand into new product markets to improve our margins.

Taxation

Jiangnan Cable, our major operating subsidiary located in the PRC, is subject to enterprise income tax on our taxable income as reported in our statutory financial statements, adjusted in accordance with the relevant PRC tax laws and regulations.

Under the then applicable PRC tax laws, Jiangnan Cable, as a wholly foreign-owned enterprise, was entitled to enjoy a preferential taxation treatment, i.e. an exemption from the enterprise income tax for the first two years and a 50% reduction in the enterprise income tax for the following three years, commencing from the first profitable year, or the "tax holiday". However, under the New EIT Law, effective on 1 January 2008, a unified enterprise income tax rate of 25% is applicable to both domestic enterprise and foreign-invested enterprise since 1 January 2008, but enterprises that were entitled to such tax holiday before the effectiveness of the New EIT Law may continue to enjoy such tax preferential taxation treatment until the fixed term expires. Therefore, Jiangnan Cable was still entitled to enjoy a lower income tax rate of 12.5% in 2008.

In accordance with Article 28 of the New EIT Law, enterprises which are accredited as High Technology Enterprises are entitled to enjoy a reduced income tax rate of 15% for a period of three years. Jiangnan Cable was accredited as a High Technology Enterprise by the Science and Technology Department of Jiangsu Province (江蘇省科學技術廳), Finance Department of Jiangsu Province (江蘇省財政廳), Jiangsu State Administration of Taxation (江蘇省國家稅務局) and Jiangsu Local Taxation Bureau (江蘇省地方稅務局) in March 2009. As a result, Jiangnan Cable is entitled to a reduced income tax rate of 15% for three years commencing from 2009. Jiangnan Cable is in the process of applying for the renewal of the status for another three years commencing from 2012.

Critical Accounting Policies and Estimates

We have identified certain accounting policies that are significant to the preparation of our financial information. These significant accounting policies, which are important for an understanding of our results of operations and financial condition, are set forth in note 3 to section E of the Accountants' Report set out in Appendix I to this prospectus. Our combined financial information for the Track Record Period have been prepared in accordance with HKFRS. We base our estimates on our historical and industry experience and on various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Certain accounting estimates are particularly sensitive because of their significance to financial information and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments.

We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our combined financial information.

Revenue recognition

We recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to us and specific criteria have been met for each of our activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the relevant sales have been resolved. It is recorded net of discounts, value added tax and sales related taxes.

(a) Sales of goods

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts, value added tax and sales related taxes.

Revenue from the sale of goods is recognised when goods are delivered and title has passed. We usually issue an invoice one day after delivery.

(b) Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account their estimated residual value, using the straight line method. The principal useful lives and annual rates are as follows:

Buildings	4.8%
Plant and machinery	9%
Motor vehicles	18%
Furniture, fixtures and equipment	18%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, an internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Our inventories comprise raw materials, work in progress and finished goods. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure. The identification of impairment of inventories requires the use of judgment and estimate of net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Where the net realisable value is lower than cost, a material impairment loss may arise.

Impairment losses

At the end of each reporting period, we review the carrying amounts of our tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include our past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period granted, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of trade receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Results of Operations

Set out below is our combined statements of comprehensive income for the Track Record Period:

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

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Turnover

Power cables, wires and cables for electrical equipment and bare wires are the biggest contributors to our turnover during the Track Record Period. The largest portion of our turnover was generated from the sales of our power cables, which represent approximately 71.4%, 66.8% and 66.2%, respectively, of our total revenue during the Track Record Period.

The following table sets out the breakdown of our turnover from each category of products during the Track Record Period:

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

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

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

The increase in the average selling price for all three categories of our products in 2010 compared with that in 2009 was attributable to the general increase in our average cost of copper and aluminium in 2010. Our annual average purchase price of copper increased from RMB41,800 per tonne in 2009 to RMB59,300 per tonne in 2010, representing an increase of approximately 41.9%, while our annual average purchase price of aluminium increased from RMB12,400 per tonne in 2009 to RMB14,200 per tonne in 2010, representing an increase of approximately 14.5%.

The decrease in our average selling price for power cables in 2011, compared with that in 2010, was attributable to the increase in sales of 10kV or below aluminium-alloy power cables, the price level of which is in general lower than copper-based products. The average selling price of our copper-based products increased as a result of an increase in the average copper price. Our annual average purchase price of copper increased from RMB59,300 per tonne in 2010 to RMB68,400 per tonne in 2011, representing an increase of approximately 15.3%.

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

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

The sales volume for power cables remained stable in 2010 compared with that in 2009, while the sales volume for wire and cables for electrical equipment increased from 292,000 km in 2009 to 406,000 km in 2010, representing an increase of approximately 39.0% due to the increase in demand driven by China's continuous urbanisation and increasing investment in its rural power grids. The sales volume for bare wires remained relatively stable during the two years ended 31 December 2010.

The sales volume for power cables increased from 31,200 km in 2010 to 48,103 km in 2011 or an increase of approximately 54.2%, while the sales volume for wires and cables for electrical equipment remained relatively stable from 406,000 km in 2010 to 461,243 km in 2011. The sales volume for bare wires increased from 19,360 tonnes in 2010 to 39,140 tonnes in 2011, representing an increase of approximately 102.2%. The increase in demand for our wires and cables in 2011 was driven by the strong demand carried forward from 2010.

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

- **Power cables.** The increase in turnover from 2009 to 2010 was mainly due to the increase in the average selling price of our products while the sales volume remained stable. The increase in turnover from 2010 to 2011 was mainly due to the increase in the sales volume of power cables.

- **Wires and cables for electrical equipment.** The increase in turnover of wires and cables for electrical equipment from 2009 to 2011 was mainly due to the increase in sales volume as a result of rapid recovery of the PRC economy.

- **Bare wires.** The decrease in turnover of bare wires from 2009 to 2010 was mainly due to a decrease in sales volume. The increase in turnover of bare wires from 2010 to 2011 was mainly due to an increase in sales volume.

During the Track Record Period, we derived substantial revenue from sales of power cables and wires and cables for electrical equipment. However, the pricing of these products will continue to be affected by the cost of raw materials, in particular the price of copper. Generally, the gross profit margin for power cable is higher than that of wires and cables for electrical equipment. The increase in our revenue in these two categories of our products enabled us to yield increasingly higher margins during the Track Record Period.

Cost of goods sold

The following table sets forth the breakdown of our cost of goods sold by major items, as well as the percentage of our total cost of goods sold, during the Track Record Period:

	Year ended 31 December					
	2009		2010		2011	
	(RMB in thousands, except percentages)					
Raw materials						
Copper	1,807,127	69.6%	2,267,839	71.9%	2,860,169	68.2%
Aluminium	251,751	9.7%	252,211	8.0%	449,044	10.7%
Steel	33,216	1.3%	32,985	1.0%	61,937	1.4%
Others	399,022	15.4%	484,249	15.3%	653,407	15.6%
	2,491,116	96.0%	3,037,284	96.2%	4,024,557	95.9%
Direct labour costs	25,266	1.0%	30,211	1.0%	40,543	1.0%
Production cost	78,946	3.0%	87,737	2.8%	129,886	3.1%
Total cost of goods sold	2,595,328	100.0%	3,155,232	100.0%	4,194,986	100.0%

The following table sets forth our annual average purchase price of copper and aluminium during the Track Record Period:

	Year ended 31 December		
	2009	2010	2011
	(RMB in thousands per tonne)		
Copper	41.8	59.3	68.4
Aluminium	12.4	14.2	15.2

The following describes the major expense items:

- **Raw materials**. Cost of raw materials, which consist of copper, aluminium, insulating materials and sheath materials (such as XLPE and PVC), is one of the most important components in our cost of goods sold. Our ability to obtain an adequate supply of raw materials at favourable prices directly affects our cost of goods sold, especially in the event that we cannot pass on these unexpected costs to our customers. Prices for these raw materials are subject to market fluctuations, which makes costs volatile and difficult to predict. Cost of goods may increase and margins may subsequently decrease during unexpected price fluctuations of raw materials. The majority of our cost of raw materials is for copper and aluminium. During the Track Record Period, our annual average purchase price of copper increased from RMB41,800 per tonne in 2009 to RMB59,300 per tonne in 2010, while our annual average purchase price of aluminium increased from RMB12,400 per tonne in 2009 to RMB14,200 per tonne in 2010. Our annual average purchase price of copper increased from RMB59,300 per tonne in 2010 to RMB68,400 per tonne in 2011, while our annual average purchase price of aluminium increased from RMB14,200 per tonne in 2010 to RMB15,200 per tonne in 2011. Other raw materials mainly include insulating materials and sheath materials (such as XLPE and PVC), binders, filler, conductor and insulation screen.

- **Direct labour costs**. Labour costs mainly include wages and benefits for those directly engaged in production activities. Our direct labour costs remained stable at around 1% of our total cost of goods sold.

- **Production costs**. Production costs mainly consist of depreciation of equipment used in the production process, maintenance of production lines and equipment, moulding of parts and components and other miscellaneous production-related costs. Our production cost remained stable at around 3% of our total cost of goods sold.

Gross profit and gross profit margin

Set out below is the gross profit and gross profit margin of each category of products during the Track Record Period:

	Year ended 31 December								
	2009			2010			2011		
	Gross profit	Gross profit margin	% of total	Gross profit	Gross profit margin	% of total	Gross profit	Gross profit margin	% of total
	(RMB in thousands, except percentages)								
Power cables	309,342	14.5%	77.4%	373,175	15.2%	70.3%	518,269	15.9%	70.5%
Wires and cables for electrical equipment	73,407	13.2%	18.4%	137,802	14.6%	25.9%	163,963	14.9%	22.3%
Bare wires	16,889	5.6%	4.2%	20,157	7.2%	3.8%	52,658	9.3%	7.2%
Total	399,638	13.3%	100.0%	531,134	14.4%	100.0%	734,890	14.9%	100.0%

During the Track Record Period, our gross profit was RMB399.6 million, RMB531.1 million and RMB734.9 million, respectively. The increase in gross profit in 2010 compared with that in 2009 was attributable to the increase in the average selling price of all of our products. The increase in gross profit in 2011 compared with that in 2010 was mainly attributable to the increase in sales volume of all of our products.

During the Track Record Period, our gross profit margin was approximately 13.3% in 2009, 14.4% in 2010 and 14.9% in 2011. These increases of our gross profit margins were primarily due to the increase in our average mark-ups levels over cost for our products and the increase in sales of our higher-margin products.

Selling and distribution costs

Selling and distribution costs mainly represent salary and welfare expense for employees involved in selling and distribution activities, transportation costs for delivery of products to customers and other selling expenses, including marketing expenses, advertising and promotion expenses and other miscellaneous expenses.

The following table sets forth the breakdown of the selling and distribution costs during the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
	(RMB in thousands, except percentages)		
Transportation expenses	39,766	40,598	54,094
Marketing expenses	30,224	21,296	21,366
Staff costs	20,546	27,073	23,114
Advertising expenses	4,293	1,649	1,319
Others	2,829	2,320	3,528

Administrative expenses

Our administrative expenses primarily consist of salaries and benefits for administrative and management staff, social insurance and pension contributions, depreciation of non-production related fixed assets, amortisation of land use rights and bank handling fees. Salaries are expected to increase in the foreseeable future due to increasing overall labour costs in the PRC and projected growth in our administrative and management staff.

The following table sets forth the breakdown of administrative expenses during the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
	(RMB in thousands)		
Staff and welfare expenses	8,939	14,110	15,559
Depreciation and amortisation expenses	3,882	3,631	4,210
Bank charges and exchange loss	2,790	1,684	16,797
Other taxes	8,417	9,931	10,826
Travelling expenses	13,130	10,777	6,832
Office expenses	8,858	5,452	4,490
Entertainment expenses	3,638	5,349	9,333
Labour insurance	5,379	5,785	12,930
Others	12,102	13,406	14,981

Other taxes represent stamp duty, individual income tax, property tax and land use tax. Other administrative expenses mainly include labour union fees and expenses, legal and professional fee, rental expenses, repair and maintenance, motor vehicles consumption expenses, toll fees, products inspection fees, staff meal subsidies, management fees and patent fees.

Other expenses

Our expenses include research and development costs and IPO expenses.

Other gains and losses

Other gains and losses represent the allowance for (or reversal of) bad and doubtful debts and loss on disposal of property, plant and equipment during the Track Record Period.

Taxation

Taxation mainly represent the income tax charged on our PRC and South African subsidiaries and the deferred tax expenses. We were not subjected to taxes in Hong Kong, the Cayman Islands and the BVI during the Track Record Period.

South Africa corporate tax is calculated at 28% of the assessable profit during the Track Record Period.

Under the then applicable PRC tax laws, Jiangnan Cable, as a wholly foreign-owned enterprise, was entitled to enjoy a preferential taxation treatment, i.e. an exemption from the enterprise income tax for the first two years and a 50% reduction in the enterprise income tax for the following three years, commencing from the first profitable year, or the “tax holiday”.

However, under the New EIT Law, effective on 1 January 2008, a unified enterprise income tax rate of 25% is applicable to both domestic enterprise and foreign-invested enterprise since 1 January 2008, but enterprises that were entitled to the tax holiday before the effectiveness of the New EIT Law may continue to enjoy such tax preferential taxation treatment until the fixed term expires. Therefore, Jiangnan Cable was still entitled to enjoy a lower income tax rate of 12.5% in 2008. Meanwhile, in accordance with Article 28 of the New EIT Law, enterprises which are entitled High Technology Enterprises are entitled to enjoy a reduced income tax rate of 15% for a period of three years. Jiangnan Cable was accredited as a High Technology Enterprise by the Science and Technology Department of Jiangsu Province (江蘇省科學技術廳), Finance Department of Jiangsu Province (江蘇省財政廳), Jiangsu State Administration of Taxation (江蘇省國家稅務局) and Jiangsu Local Taxation Bureau (江蘇省地方稅務局) in March 2009. As a result, Jiangnan Cable is entitled to a reduced income tax rate of 15%, commencing from 2009 for three years ended 31 December 2011. As advised by our PRC Legal Adviser, such preferential tax treatments to Jiangnan Cable were granted by the appropriate competent authorities.

As a result of the above and the availability of preferential tax treatments under the New EIT Law, our effective tax rate for the Track Record Period was approximately 16.7%, 18.1% and 18.3%, respectively. As the preferential tax treatments ended at the end of 2011, Jiangnan Cable is in the process of applying for the renewal of the status for another three years commencing from 2012.

Other income

Other income mainly consists of certain non-operating income, such as subsidies provided by the PRC government and interest income.

Finance costs

We have historically met our liquidity requirements through a combination of cash flow from operations, internal resources, short-term and long-term bank borrowing and increases in our paid-in capital. Apart from internal resources, we also use external financing resources. During the Track Record Period, our financing costs, being interest on bank loans wholly repayable within five years and interest on bill financing arrangements, were RMB59.7 million, RMB68.9 million and RMB126.4 million, respectively. For information on the bill financing arrangements, please refer to the paragraph headed "Non-compliant bill financing with suppliers" under the section of "Business" of this prospectus. While our bank and other borrowings varied over the Track Record Period as a result of our expanded operations, the interest rates for these borrowings generally decreased. For the three years ended 31 December 2011, the fixed rate bank borrowings carried interest ranging from 4.05% to 8.27%, 4.78% to 5.58% and 2.50% to 7.57% per annum, respectively, while the variable rate bank borrowings carried interest ranging from PBOC rate to 110% of PBOC rate per annum as at 31 December 2009 and 2010 and PBOC rate to 120% of PBOC rate per annum as at 31 December 2011. Any fluctuations in interest rates and/or our level of bank borrowings may have an effect on our finance costs, which could in turn affect our results of operation.

Profit for the year

We have steadily improved our profitability during the Track Record Period. For the three years ended 31 December 2011, we recorded gross profit margin of approximately 13.3%, 14.4% and 14.9% and net profit margin of approximately 5.5%, 6.3% and 6.4%, respectively. The increase of our gross profit margin and net profit margin during the Track Record Period reflected (i) the improved gross profit margin of bare wires, as a result 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.

YEAR ON YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2011 compared to year ended 31 December 2010

Turnover

Our total turnover increased by RMB1,243.5 million, or approximately 33.7%, from RMB3,686.4 million for the year ended 31 December 2010 to RMB4,929.9 million for the year ended 31 December 2011. The increase in turnover was principally due to an increase in sales of our power cables in the PRC. Turnover from our sales of power cables increased by RMB801.8 million, or approximately 32.6%, from RMB2,462.9 million for the year ended 31 December 2010 to RMB3,264.7 million for the year ended 31 December 2011, contributing approximately 66.2% of our total turnover for the year ended 31 December 2011. This increase was due to the increase in the sales volume of our power cables from 31,200 km in 2010 to 48,103 km in 2011 as a result of increase in sales to certain industry leaders such as the State Grid Corporation Group.

Turnover from our sales of wires and cables for electrical equipment increased by RMB157.5 million, or approximately 16.7%, from RMB943.9 million for the year ended 31 December 2010 to RMB1,101.4 million for the year ended 31 December 2011, contributing approximately 22.3% of our total turnover for the year ended 31 December 2011. This increase was due to an increase in the average selling price from RMB2,324.9 per km in 2010 to RMB2,388.0 per km in 2011 due to selling of more higher-end products during the year ended 31 December 2011.

Turnover from our sales of bare wires increased by RMB284.1 million, or approximately 101.6%, from RMB279.6 million for the year ended 31 December 2010 to RMB563.7 million for the year ended 31 December 2011, contributing approximately 11.5% of our total turnover for the year ended 31 December 2011. The increase was due to the increase in sales orders in 2011 in this product category.

Cost of goods sold

Cost of goods sold increased by RMB1,039.8 million, or approximately 33.0%, from RMB3,155.2 million for the year ended 31 December 2010 to RMB4,195.0 million for the year ended 31 December 2011. The increase was in line with increases in turnover for the year. The average cost of goods sold per unit of power cables decreased by approximately 14.8%, from RMB66,979.1 per km for the year ended 31 December 2010 to RMB57,095.8 per km for the year ended 31 December 2011 as a result of increase in sales of 10kV or below aluminium-alloy power cables, the price level of which is in general lower than copper-based products.

Salaries and wages remain a small portion of cost of goods sold, accounting for around 1% for both December 2010 and 2011. Such costs increased by RMB10.3 million, or approximately 34.1%, from RMB30.2 million for the year ended 31 December 2010 to RMB40.5 million for the year ended 31 December 2011.

During the year ended 31 December 2010 and 2011, the annual average purchase price of copper, our major raw material, increased by approximately 15.3%, from RMB59,300 per tonne for the year ended 31 December 2010 to RMB68,400 per tonne for the year ended 31 December 2011.

Gross profit and gross profit margin

The gross profit increased by RMB203.8 million, or approximately 38.4%, from RMB531.1 million for the year ended 31 December 2010 to RMB734.9 million for the year ended 31 December 2011. Gross profit margin increased from approximately 14.4% for the year ended 31 December 2010 to approximately 14.9% for the year ended 31 December 2011. The increase in gross profit is in line with the increase in turnover.

Gross profit margin for power cables increased by approximately 0.7%, from approximately 15.2% for the year ended 31 December 2010 to approximately 15.9% for the year ended 31 December 2011 due to increase in sales of higher-margin products. Gross profit margin for wires and cables for electrical equipment also increased by approximately 0.3%, from approximately 14.6% for the year ended 31 December 2010 to approximately 14.9% for the year ended 31 December 2011 due to the sale of a different product mix with different profit margins. The gross profit margin for bare wires increased by approximately 2.1% from approximately 7.2% for the year ended 31 December 2010 to approximately 9.3% for the year ended 31 December 2011 due to an increase in overseas sales which has higher levels of mark-ups.

Selling and distribution costs

The selling and distribution costs increased by RMB10.5 million, or approximately 11.3%, from RMB92.9 million for the year ended 31 December 2010 to RMB103.4 million for the year ended 31 December 2011. The overall increase in selling and distribution costs was mainly due to an increase in transportation expenses from RMB40.6 million for the year ended 31 December 2010 to RMB54.1 million for the year ended 31 December 2011. Such increase is in line with our increase in turnover in 2011.

Administrative expenses

Administrative expenses increased by RMB25.9 million, or approximately 36.9%, from RMB70.1 million for the year ended 31 December 2010 to RMB96.0 million for the year ended 31 December 2011, mainly due to increases in labour insurance expenses and staff and welfare expenses from RMB5.8 million and RMB14.1 million, respectively, for the year ended 31 December 2010 to RMB12.9 million and RMB15.6 million, respectively, for the year ended 31 December 2011 due to contributions to the staff housing fund, an increase of medical insurance and an increase in headcount. Bank charges and exchange loss also increased from RMB1.7 million for the year ended 31 December 2010 to RMB16.8 million for the year ended 31 December 2011 mainly due to increase in fees charged by banks on bank borrowings.

Other expenses

Other expenses which include research and development expenses and professional fees relating to the IPO increased by RMB16.1 million, or approximately 217.6%, from RMB7.4 million for the year ended 31 December 2010 to RMB23.5 million for the year ended 31 December 2011. The increase was mainly due to the non-recurring professional fees relating to the IPO incurred in 2011.

Finance costs

Finance costs increased by RMB57.5 million, or approximately 83.5%, from RMB68.9 million for the year ended 31 December 2010 to RMB126.4 million for the year ended 31 December 2011 due to an increase in short-term bank borrowings and an increase in interest rates.

Taxation

Our tax expense increased by RMB19.9 million, or approximately 38.8%, from RMB51.3 million for the year ended 31 December 2010 to RMB71.2 million for the year ended 31 December 2011. This increase in tax expense was mainly due to an increase in taxable income. The effective tax rate remained stable at approximately 18.1% and approximately 18.3%, respectively, in 2010 and 2011.

Profit for the year

As a result of the foregoing, our profit increased by RMB85.6 million, or approximately 36.9%, from RMB231.8 million for the year ended 31 December 2010 to RMB317.4 million for the year ended 31 December 2011.

Year ended 31 December 2010 compared to year ended 31 December 2009

Turnover

Our total turnover increased by RMB691.4 million, or approximately 23.1%, from RMB2,995.0 million for the year ended 31 December 2009 to RMB3,686.4 million for the year ended 31 December 2010. The increase in turnover was principally due to an increase in sales of both our power cables and wires and cables for electrical equipment in the PRC.

Turnover from our sales of power cables increased by RMB323.5 million, or approximately 15.1%, from RMB2,139.4 million for the year ended 31 December 2009 to RMB2,462.9 million for the year ended 31 December 2010, contributing approximately 66.8% of our total turnover for the year ended 31 December 2010. This increase was due to an increase in the average selling price of our products from RMB66,857.0 per km in 2009 to RMB78,939.8 per km in 2010.

Turnover from our sales of wires and cables for electrical equipment increased by RMB388.5 million, or approximately 69.9%, from RMB555.4 million for the year ended 31 December 2009 to RMB943.9 million for the year ended 31 December 2010, contributing approximately 25.6% of our total turnover for the year ended 31 December 2010. This increase was due to an increase in the quantity sold from 292,000 km in 2009 to 406,000 km in 2010.

Turnover from our sales of bare wires decreased by RMB20.6 million, or approximately 6.9%, from RMB300.2 million for the year ended 31 December 2009 to RMB279.6 million for the year ended 31 December 2010, contributing approximately 7.6% of our total turnover for the year ended 31 December 2010.

Cost of goods sold

Cost of goods sold increased by RMB559.9 million, or approximately 21.6%, from RMB2,595.3 million for the year ended 31 December 2009 to RMB3,155.2 million for the year ended 31 December 2010. The increase was in line with increases in turnover for the year. The average cost of goods sold per unit of power cables increased by approximately 17.1%, from RMB57,190.0 per km for the year ended 31 December 2009 to RMB66,979.1 per km for the year ended 31 December 2010 as a result of the increase in the average copper price in 2010.

Salaries and wages remain a small portion of cost of goods sold, accounting for around 1% for both of the years ended 31 December 2009 and 2010. Such costs increased by RMB4.9 million, or approximately 19.4%, from RMB25.3 million for the year ended 31 December 2009 to RMB30.2 million for the year ended 31 December 2010.

During the years ended 31 December 2009 and 2010, the annual average purchase price of copper, our major materials, increased by approximately 41.9%, from RMB41,800 per tonne for the year ended 31 December 2009 to RMB59,300 per tonne for the year ended 31 December 2010.

Gross profit and gross profit margin

The gross profit increased by RMB131.5 million, or approximately 32.9%, from RMB399.6 million for the year ended 31 December 2009 to RMB531.1 million for the year ended 31 December 2010. Gross profit margin also increased from approximately 13.3% for the year ended 31 December 2009 to approximately 14.4% for the year ended 31 December 2010, representing an increase of 1.1%. The increase in gross profit and gross profit margin is reflected in the increase in the average selling price of our power cables.

Gross profit margin for power cables increased by approximately 0.7%, from approximately 14.5% for the year ended 31 December 2009 to approximately 15.2% for the year ended 31 December 2010 due to the increase in the average selling price of our products. Gross profit margin for wires and cables for electrical equipment increased by approximately 1.4%, from approximately 13.2% for the year ended 31 December 2009 to approximately 14.6% for the year ended 31 December 2010 due to increase in the average selling price of our products. The gross profit margin for bare wires also increased by approximately 1.6% from approximately 5.6% for the year ended 31 December 2009 to approximately 7.2% for the year ended 31 December 2010 due to increase in the average level of mark-up of our products.

Selling and distribution costs

The selling and distribution costs decreased by RMB4.8 million, or approximately 4.9%, from RMB97.7 million for the year ended 31 December 2009 to RMB92.9 million for the year ended 31 December 2010. The overall decrease in selling and distribution costs was mainly due to decrease in advertising and marketing expense from RMB4.3 million and RMB30.2 million, respectively, in 2009 to RMB1.6 million and RMB21.3 million, respectively, in 2010 and increase in staff costs from RMB20.5 million in 2009 to RMB27.1 million in 2010.

Administrative expenses

Administrative expenses increased by RMB3.0 million, or approximately 4.5%, from RMB67.1 million for the year ended 31 December 2009 to RMB70.1 million for the year ended 31 December 2010, mainly due to increase in staff and welfare expenses from RMB8.9 million in 2009 to RMB14.1 million in 2010.

Other expenses

Other expenses, mainly comprised of research and development costs, increased by RMB2.5 million, or approximately 51.0%, from RMB4.9 million for the year ended 31 December 2009 to RMB7.4 million for the year ended 31 December 2010, mainly due to an increase in staff expenses.

Other gains and losses

Other gains and losses decreased by RMB24.4 million from a gain of RMB7.4 million for the year ended 31 December 2009 to a loss of RMB17.0 million for the year ended 31 December 2010. This was primarily due to specific provisions on certain long-outstanding trade receivables which was caused by the time taken by the customer to carry out a thorough audit before settlement or to go through complicated payment procedures; certain customers' liquidity problem; and certain restructuring undertaken by some of our customers.

Finance costs

Finance costs increased by RMB9.2 million, or approximately 15.4%, from RMB59.7 million for the year ended 31 December 2009 to RMB68.9 million for the year ended 31 December 2010. The increase was mainly attributable to higher bank interest expenses from RMB48.0 million for the year ended 31 December 2009 to RMB64.1 million for the year ended 31 December 2010.

Taxation

Our tax expense increased by RMB18.6 million, or approximately 56.9%, from RMB32.7 million for the year ended 31 December 2009 to RMB51.3 million for the year ended 31 December 2010. This increase in tax expense was mainly due to an increase in profit before taxation. The effective tax rate increased from approximately 16.7% in 2009 to approximately 18.1% in 2010 as a result of the increase in profit attributable to our profit generated from operations in South Africa, where the income tax rate is higher at 28.0%.

Profit for the year

As a result of the foregoing discussion, our profit for the year increased by RMB68.2 million, or approximately 41.7%, from RMB163.6 million for the year ended 31 December 2009 to RMB231.8 million for the year ended 31 December 2010.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

We have historically met our working capital and other capital requirements principally from cash generated from the sales of our products. We have met the remainder of our requirements primarily through equity contributions from our shareholders and bank borrowings. Our short-term liquidity requirements include repayment of our debt and funding of our working capital requirements. Sources of short-term liquidity include cash balances and cash generated from our operations. Our long-term liquidity requirements include the funding of various investments in connection with our business expansion and repayment of long-term debt under our credit facilities. We expect to fund our future expenditures and development plans with cash generated from our operation and the net proceeds from the New Issue and borrowings from banks, if necessary.

We currently do not anticipate difficulties in obtaining debt financing on commercially acceptable terms for our expansion plans. However, our future capital expenditures and other cash requirements could be higher than we currently expect as a result of various factors, including changes in our expansion plans. Failure to obtain capital on commercially acceptable terms would increase our financing costs and may delay our capital expenditure plans. For instance, if the PRC government tightens credit or disruptions in global credit market widens credit spreads, our financing costs could increase and affect our capital expenditures and expansion plans.

We continuously assess our liquidity and capital structure to ensure that our financial resources are in line with and are able to support our operations and strategic goals. As at 31 December 2011, we had bank balances and cash of RMB677.9 million.

Cash flow data

The following table summarises our cash flows for each of the years ended 31 December 2009, 2010 and 2011:

	Year ended 31 December		
	2009	**2010**	**2011**
	(RMB in thousands)		
Net cash generated from operating activities	38,857	292,028	328,311
Net cash generated from (used in) investing activities	76,699	206,985	(324,992)
Net cash generated from (used in) financing activities	26,111	(312,262)	54,682
Net increase in cash and cash equivalents	141,667	186,751	58,001
Cash and cash equivalents at the beginning of the year	286,465	433,651	622,382
Effect of foreign exchange rates changes	5,519	1,980	(2,486)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	433,651	622,382	677,897

Cash generated from operating activities

We derived cash inflow from operating activities principally from the receipt of payments for the sale of our products. Our cash outflow from operating activities is principally from purchases of raw materials and net cash outflow of working capital.

For the year ended 31 December 2011, we had net cash generated from operating activities of RMB328.3 million, which was primarily contributed by operating cash flows before movements in working capital of RMB545.3 million and an increase in trade and other payables of RMB607.9 million. These cash inflows were largely offset by the cash outflows of an increase in inventories of RMB408.1 million and an increase in trade and other receivables of RMB360.0 million. The increase in our trade and bills receivables was primarily due to our sales growth. The increase in inventories was primarily due to increased purchases of raw materials in order to meet our increase in sales orders.

For the year ended 31 December 2010, we had net cash generated from operating activities of RMB292.0 million, which was primarily contributed by operating cash flows before movements in working capital of RMB386.6 million and an increase in trade and other payables of RMB540.2 million. These cash inflows were largely offset by the cash outflows of an increase in inventories of RMB187.0 million and an increase in trade and other receivables of RMB417.7 million. The increase in our trade and bills receivables was primarily due to our sales growth. The increase in trade and bills payables was primarily due to the increase in purchase from suppliers, in particular, in the last quarter of the year. The increase in inventories was primarily due to increased purchases of raw materials in order to meet our increase in sales orders.

For the year ended 31 December 2009, we had net cash generated from operating activities of RMB38.9 million, which was primarily contributed by operating cash flows before movements in working capital of RMB254.1 million, a decrease in trade and other receivables of RMB171.6 million and a decrease in inventories of RMB223.3 million. These cash inflows were largely offset by the cash outflows of a decrease in trade and other payables of RMB581.7 million. The decrease in trade and other receivables was mainly due to a decrease in deposits paid to suppliers. The decrease in inventories was primarily due to our customers' request to delay the delivery of their orders during the global financial crisis in 2008. The decrease in trade and other payables was primarily due to a delay in settlement with our suppliers during the financial crisis in 2008.

Cash generated from (used in) investing activities

Our cash outflow for investing activities is principally for purchases of property, plant and equipment in order to cope with our planned increase in production capacity and advances to independent third parties and suppliers. Our cash inflow from investing activities is principally from repayment of advances to independent third parties and suppliers and release of deposits pledged to bank for bills financing arrangement.

For the year ended 31 December 2011, we had net cash used in investing activities of RMB325.0 million, which was primarily due to the net increase in pledged bank deposits of RMB304.8 million as a result of increase in our banking facilities.

For the year ended 31 December 2010, we had net cash generated from investing activities of RMB207.0 million, which was primarily due to the net decrease of deposits pledged to the bank for securing bank bills of RMB259.9 million. The cash inflow was partially offset by payment for purchases of property, plant and equipment of RMB69.3 million and advances to independent third parties and suppliers of RMB29.5 million, for the expansion of our production facilities.

For the year ended 31 December 2009, we had net cash generated from investing activities of RMB76.7 million, which was primarily due to repayment of advances to independent third parties and suppliers of RMB205.1 million and the net decrease of deposits pledged to bank of RMB58.4 million. These cash inflows were offset by purchases of property, plant and equipment of RMB35.6 million and advances to independent third parties and suppliers of RMB111.9 million.

Cash generated from (used in) financing activities

We derived our cash inflow from financing activities principally from bank borrowings, advances from independent third parties and bills payable under financing arrangement raised. Our cash outflow from financing activities relates primarily to our repayment of bank borrowings, repayment of advances from independent third parties and repayment of bills payable under financing arrangement raised.

For the year ended 31 December 2011, we had net cash generated from financing activities of RMB54.7 million, which was primarily due to increase in new bank borrowings for the purpose of working capital.

For the year ended 31 December 2010, we had net cash used in financing activities of RMB312.3 million, which was primarily contributed by the repayment of bank borrowings and bills payable under financing arrangement, which was offset by the increase in bank borrowings.

For the year ended 31 December 2009, we had net cash generated from financing activities of RMB26.1 million, which was primarily contributed by increase in external source financing such as bank borrowings in order to cope with our business expansion.

ANALYSIS OF COMBINED STATEMENTS OF FINANCIAL POSITION

The table below sets out our combined statements of financial position as at the dates presented, as derived from the Accountants' Report set forth in Appendix I to this prospectus:

	At 31 December		
	2009	**2010**	**2011**
	(RMB in thousands)		
Non-current assets			
Property, plant and equipment	240,340	344,985	346,727
Land use rights	52,441	51,212	49,983
Deposit paid for acquisition of property, plant and equipment	53,823	12,200	15,283
	346,604	408,397	411,993
Current assets			
Inventories	590,718	777,745	1,185,879
Trade and other receivables	700,456	1,082,504	1,426,190
Land use rights	1,229	1,229	1,229
Pledged bank deposits	437,270	177,322	482,165
Bank balances and cash	433,651	622,382	677,897
	2,163,324	2,661,182	3,773,360
Current liabilities			
Trade and other payables	470,847	936,630	1,539,537
Bills payables under financing arrangement	473,380	160,000	–
Amounts due to directors	63,602	73,499	13,314
Amount due to a director of a subsidiary	1,120	1,120	–
Short-term bank borrowings	918,600	913,600	1,401,825
Taxation payable	1,826	17,367	23,161
	1,929,375	2,102,216	2,977,837
Net current assets	233,949	558,966	795,523
Total assets less current liabilities	580,553	967,363	1,207,516
Non-current liabilities			
Government grants	–	–	5,260
Long-term bank borrowings	–	80,000	–
Deferred taxation	5,933	11,630	20,245
	5,933	91,630	25,505
	574,620	875,733	1,182,011

Net current assets

The following table sets forth our current assets and liabilities as of the date indicated:

	At 31 January 2012
	(RMB in thousands) (unaudited)
Current assets	
Inventories	1,307,440
Trade and other receivables	1,346,292
Land use rights	1,229
Pledged bank deposits	502,165
Bank balances and cash	418,610
	3,575,736
Current liabilities	
Trade and other payables	1,405,114
Amounts due to directors	13,379
Short-term bank borrowings	1,351,825
Taxation payable	7,263
	2,777,581
Net current assets	798,155

As at 31 January 2012, our unaudited net current assets amounted to RMB798.2 million. The components of our current assets as at 31 January 2012 consisted of inventories of RMB1,307.4 million, trade and other receivables of RMB1,346.3 million, land use rights of RMB1.2 million, pledged bank deposits of RMB502.2 million and bank balances and cash of RMB418.6 million. The components of our current liabilities as at 31 January 2012 consisted of trade and other payables of RMB1,405.1 million, amounts due to directors of RMB13.4 million, short-term bank borrowings of RMB1,351.8 million and tax payables of RMB7.3 million.

Analysis of selected combined statements of financial position items and financial ratios

Property, plant and equipment

Property, plant and equipment, mainly comprising buildings, machinery and equipment, office equipment and fixtures and motor vehicles, amounted to RMB240.3 million, RMB345.0 million and RMB346.7 million as at 31 December 2009, 2010 and 2011, respectively.

Inventories and inventory turnover days

During the Track Record Period, the value of our inventory amounted to RMB590.7 million, RMB777.7 million and RMB1,185.9 million, respectively.

The following table sets out the summary of the balance of our inventories as at the dates indicated:

	At 31 December		
	2009	**2010**	**2011**
	(RMB in thousands)		
Raw materials	35,812	63,898	15,046
Work in progress	262,276	372,952	713,040
Finished goods	292,630	340,895	457,793

Our inventory of raw materials increased from approximately RMB35.8 million as at 31 December 2009 to approximately RMB63.9 million as at 31 December 2010 in order to meet our production needs given the increase in sales. Our inventory of finished goods increased from approximately RMB292.6 million as at 31 December 2009 to approximately RMB340.9 million as at 31 December 2010 because of the increase in sales order in the third and fourth quarters of 2010.

Our raw materials decreased from RMB63.9 million as at 31 December 2010 to RMB15.0 million as at 31 December 2011 since we utilized more raw materials for production. Our work in progress increased from RMB373.0 million as at 31 December 2010 to RMB713.0 million as at 31 December 2011 and our finished goods increased from RMB340.9 million as at 31 December 2010 to RMB457.8 million as at 31 December 2011 due to the increase in production to cope with the increasing sales demand.

Set out below is the inventory turnover days (calculated as the average of the beginning and ending inventory balances for the period, divided by cost of goods sold for the period, multiplied by the number of days in the period) for the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
Inventory turnover days	99	79	85

Our inventory turnover days decreased from 99 days in 2009 to 79 days in 2010 as a result of the tremendous increase in sales orders during the fourth quarter of 2010 as compared to the same period in 2009. Our inventory turnover days increased from 79 days in 2010 to 85 days in 2011 mainly due to the increase in both work in progress and finished goods for upcoming sales.

Our inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

During the Track Record Period, inventories were one of the principal components of our current assets. Our management reviews the inventory level periodically to secure a sufficient level of raw materials for our production and to avoid overstocking. Our management carries out an inventory review and an aging analysis on a product-by-product basis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items, which are no longer suitable for use in production or trading. The evaluation takes into consideration a number of factors including historical and forecasted consumption of our raw materials and our sales contract of finished goods on hand. We recognised no impairment of inventory during the Track Record Period.

Up to 29 February 2012, the subsequent utilisation of our inventories as at 31 December 2011 was RMB500.3 million, or approximately 42.2% of the balance as at 31 December 2011.

Trade and other receivables and bills receivables turnover days

Trade and other receivables represent receivables from customers for sales of our products. We had trade and bills receivables of RMB631.5 million, RMB1,048.5 million and RMB1,371.2 million as at 31 December 2009, 2010 and 2011, respectively. The significant increase in trade and bills receivables as at 31 December 2010 when compared with that as at 31 December 2009 was primarily due to the increase in sales near the year end. The increase in trade and bills receivables balance as at 31 December 2011 when compared with that as at 31 December 2010 was due to an increase in sales near the year end.

The following table sets out the aging analysis of trade and bills receivables, based on the invoice date, and net of allowance, as at the dates indicated:

	At 31 December		
	2009	2010	2011
	(RMB in thousands)		
Age			
0 to 90 days	477,416	785,399	1,023,289
91 to 180 days	75,561	227,273	322,064
181 to 365 days	45,633	35,823	25,836
Over 1 year	32,840	–	–

The table below sets out our trade and bills receivables turnover days (calculated as the average of the beginning and ending balances for the period, divided by turnover for the period, multiplied by the number of days in the period) for the Track Record Period:

	Year ended 31 December		
	2009	2010	2011
Trade and bills receivables turnover days	80	83	90

The general credit terms granted to our customers range from 30 to 180 days. However, credit terms of over 180 days may be granted to customers on a case-by-case basis upon negotiation. Taking into account the prolonged business relationships with our customers, settlements may sometimes be made after expiry of their respective credit period. Our trade and bills receivables turnover days remained relatively stable for the three years ended 31 December 2011.

The amount of doubtful debts as at 31 December 2009, 2010 and 2011 was RMB38.8 million, RMB55.1 million and RMB66.6 million, respectively. The subsequent settlement of trade and bills receivables from 1 January 2012 up to 29 February 2012, being the latest available date the figures can be determined, was RMB443.5 million, representing approximately 32.3% of the balance as at 31 December 2011. As at 31 December 2011, the amount of trade receivables aged over 180 days was RMB25.8 million. The significant provision for impairment of doubtful debts during the Track Record Period was made because of the trade receivables which have been due for repayment for a long time. Given that we did not hold any collateral over these trade receivables, our Directors considered that it was appropriate to make allowance for these doubtful debts, though we have taken all necessary actions to collect those debts. Out of the doubtful debts in the amount of RMB66.6 million as at 31 December 2011, approximately RMB55.1 million was brought forward from 2010, whereas approximately RMB11.5 million was made in 2011 in line with the increase in credit risk as a result of our increase in sales in 2011.

Other receivables primarily consist of deposits paid to suppliers, advances to independent third parties, prepayments of expenses such as electricity, advertising, utility deposits and other operating expenses, tender deposits and other receivables such as interest receivables from bank deposits. The deposits paid to suppliers and advances to independent third parties are unsecured, non-interest bearing and repayable within one year.

During the Track Record Period, we placed deposits with our suppliers to secure the purchase of raw materials from such suppliers. In particular, during the financial crisis in 2008, most of our suppliers were extremely cautious in accepting orders as they were concerned on their settlement of trade receivables. We have been able to secure the purchase of raw materials by placing sufficient deposits with those suppliers. The deposit of 17% of the total contract sum was only paid for those orders which we would seek to secure on-time delivery. The above rate was determined by the rate of VAT which the supplier was obliged to pay when the invoice was issued. The level of outstanding balance at year end will depend on the timing of raw material received from our suppliers after the deposits were paid to them.

Advances to suppliers were made in the past for the purpose of strengthening the relationship between us and the suppliers. These advances to suppliers were subsequently reduced and ceased after we received credit from such suppliers.

We have effective credit control procedures to control and monitor existing and future overdue trade receivables. Our salespersons pro-actively approach customers before receivables become due to ensure on-time payment. Our salespersons are empowered to grant our customers an additional one-month grace period after the due date. For a grace period longer than one month, our salespersons must seek approval from the divisional sales head. For any receivable which is not repaid on or before the grace period, the respective salesperson must report to his divisional sales head, in which case a demand letter will be issued to the relevant customer by our internal legal department. Should the receivables remain overdue after one month from the date of the demand letter, we may pursue legal action against the relevant customers subject to the advice from our external legal adviser.

Trade and other payables and bills payable turnover days

The trade and bills payables primarily represent the amount of the payables to our suppliers for purchases of raw materials.

We had trade and bills payables of approximately RMB244.9 million, RMB689.5 million and RMB1,247.1 million as at 31 December 2009, 2010 and 2011, respectively. Trade payables increased from approximately RMB191.9 million as at 31 December 2009 to approximately RMB293.3 million as at 31 December 2010 mainly due to the increase in purchase as compared to 2009. Trade payables further increased to approximately RMB412.1 million as at 31 December 2011 as a result of increase in purchases. On the other hand, bills payables (non-trade related bills financing is not included) increased from approximately RMB53.0 million as at 31 December 2009 to approximately RMB396.3 million as at 31 December 2010 and to approximately RMB835.0 million as at 31 December 2011 mainly due to the migrating of non-trade related bills financing, which was shown as "bills payables under financing arrangement" under current liabilities in the combined statements of financial position, to trade related bills financing activities. The non-trade related bills financing decreased from RMB473.4 million as at 31 December 2009 to approximately RMB160.0 million as at 31 December 2010 and to nil balance as at 31 December 2011.

The table below sets out the aging analysis of trade and bills payables, based on the date of invoice, as at the dates indicated:

	At 31 December		
	2009	**2010**	**2011**
	(RMB in thousands)		
Age			
0 to 90 days	213,185	479,428	1,087,470
91 to 180 days	31,102	206,752	157,466
181 to 365 days	434	1,510	410
Over 1 year	142	1,827	1,775

The table below sets out the trade and bills payable turnover days (calculated as the average of the beginning and ending trade payables balances for the period, divided by cost of goods sold for the period, multiplied by the number of days in the period) for the Track Record Period:

	Year ended 31 December		
	2009	**2010**	**2011**
Trade and bills payables turnover days	51	54	84

Our trade and bills payables turnover days remained stable from 51 days in 2009 to 54 days in 2010. Our trade and bills payables turnover days increased to 84 days in 2011 as a result of the increase in purchase of goods being settled by bills, which enable us to enjoy a longer settlement period.

We use trade payables primarily in connection with purchases of raw materials. The average credit period normally granted by our suppliers is 30 days while most of our bills payables enjoy a credit period of 180 days. The trade and bills payables turnover days was generally in line with the credit terms granted by our suppliers during the Track Record Period.

Advances to and from Independent Third Parties

During 2009 and 2010, we made advances to Independent Third Parties in the amount of RMB21.0 million and RMB2.5 million, respectively, which were used for various business or other considerations, including construction of a school and water treatment infrastructure in Guanlin, where we are located, to support the local community and to provide temporary assistance to other companies or individuals for temporary business or personal use. We also received advances from other companies that were Independent Third Parties during 2009 and 2010 in the amount of RMB79.4 million and RMB5.0 million, respectively, for temporary use by Jiangnan Cable as additional working capital. We do not have business relationships with those Independent Third Parties who received advances from and/or made advances to us save for the advances between them and our Group. There was no consideration or benefit paid or received by us for such advances. The Directors confirm that there is no other arrangement in relation to such advances. We have ceased such advances since December 2010 and will not continue to fund or receive such advances after Listing.

Our Chairman knows these Independent Third Parties which include seven government or community agencies, 29 companies and 31 individuals. These advances between Jiangnan Cable and the other corporate enterprises were not in compliance with the PRC Laws. According to our PRC Legal Adviser, such non-compliance may be subject to administrative order imposed by the PBOC to stop such activities and penalties on the parties who made the advances up to five times of the interest income earned. As we did not charge any interest for the advances made to independent third parties, according to our PRC legal adviser, we do not expect to be subject to such penalties.

We have taken various rectifying measures and stopped further advances with independent third parties since December 2010 and all of the outstanding balances had been settled in March 2011.

CAPITAL EXPENDITURES

Set out below is the historical capital expenditure during the Track Record Period:

	Year ended 31 December		
	2009	2010	2011
	(RMB in thousands)		
Plant and machinery	17,167	25,523	13,704
Construction in progress	31,189	94,774	14,424

Our capital expenditures were used primarily to construct our manufacturing facilities and expand our manufacturing lines. The significant increase in our capital expenditures in 2010 was mainly due to the fact that we were building production facility for high and ultra high voltage cables of 220-500kV with an annual capacity of approximately 1,000 km.

CAPITAL COMMITMENT

	At 31 December		
	2009	2010	2011
	(RMB in thousands)		
Capital expenditure contracted for but not provided for in respect of acquisition of property, plant and equipment	25,512	9,178	7,983

Our capital expenditure contracted for but not provided in our financial information as at 31 December 2009, 2010 and 2011 was approximately RMB25.5 million, RMB9.2 million and RMB8.0 million, respectively. In view of the potential growth for ultra high voltage cables, we had contracted for the construction of an additional workshop for producing ultra high voltage cables and the construction of the production facilities for ultra high voltage cables had not been completed at the end of 2009, leaving an unexecuted contract sum carried forward. As a result, our capital commitment as at 31 December 2009 were higher than that of 2010 and 2011.

INDEBTEDNESS

Our interest bearing bank borrowings outstanding and other indebtedness as at the dates indicated are as follows:

	At 31 December			At 31 January
	2009	2010	2011	2012
	(RMB in thousands)			(unaudited)
Bank borrowings				
Secured	40,500	–	199,725	199,725
Secured and guaranteed by:				
– independent third parties	–	–	409,500	409,500
– directors, family members of directors and related companies	–	94,600	–	–
– directors, family members of directors and independent third parties	79,500	125,400	–	–
Unsecured and guaranteed by:				
– independent third parties	240,000	170,000	742,600	692,600
– directors and family members of directors and related companies	70,000	–	–	–
– directors, family members of directors and independent third parties	488,600	603,600	50,000	50,000
	918,600	993,600	1,401,825	1,351,825
Advances from independent third parties	79,400	5,000	–	–
Bills payables under financing arrangement	473,380	160,000	–	–
Amounts due to directors	63,602	73,499	13,314	13,379

Our Directors confirm that there has been no material adverse change in our indebtedness from 31 January 2012 to the date of this prospectus.

As at 31 December 2009, 2010 and 2011, our bank borrowings were secured by (i) charges over buildings and machinery and equipment and (ii) guarantees from third parties, related companies and our Directors and family members of our Directors. As at the Latest Practicable Date, the guarantees from related companies and our Directors and family members of our Directors had been released. The guarantees from the third parties were provided upon the request from our banks. These third parties were our suppliers, namely, Jinxiao Copper, Sanmu Group, Dongfeng Cable and Siwei Copper and they were willing to offer the guarantees at no cost for intangible commercial benefits, such as expanding sales in the wire and cable industry by maintaining a good relationship with us, which is one of the largest players in the wire and cable industry. Jinxiao Copper was the only supplier that was involved in both the non-compliant bill financing arrangements and the provision of guarantees for our bank borrowings during the Track Record Period. The outstanding bank borrowings guaranteed by these suppliers amounted to approximately RMB778.1 million, RMB899.0 million and RMB1,198.0 million, respectively, as at 31 December 2009, 2010 and 2011. Jinxiao Copper had provided guarantees for our borrowings in the aggregate amounts of 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 with guarantees as at the respective dates.

In the event that we are required to engage guarantee companies to guarantee our borrowings, an estimated fee of approximately 2% to 4% of the amount guaranteed per annum could be charged by the guarantee companies. Based on the above outstanding bank borrowings guaranteed by our suppliers, if we had to rely on the guarantee companies to provide guarantees for our borrowings for a full year, the estimated fee to be incurred would have ranged from RMB15.6 million to RMB31.1 million in 2009, from RMB18.0 million to RMB36.0 million in 2010 and from RMB24.0 million to RMB47.9 million in 2011.

As at 31 January 2012, our banking facilities, including bank borrowings, bills payables and other credit facilities amounted to approximately RMB2,598.0 million, among which RMB1,887.4 million was utilized and RMB710.6 million was unused. The utilized facilities included RMB1,351.8 million bank borrowings and RMB535.6 million bills payables and other credit facilities. Our bank borrowings were secured by certain of our property, plant and equipment, land use rights, inventory, bills, receivables and pledge bank deposits and/or guaranteed by independent third parties including our suppliers, Jinxiao Copper as to RMB563.5 million, Sanmu Group as to RMB285.0 million, Dongfeng Cable as to RMB153.6 million and Siwei Copper as to RMB150.0 million.

For the unused banking facilities of approximately RMB710.6 million as at 31 January 2012 that require third party guarantees as collateral, we would need to negotiate with the relevant banks for the exact terms of security and guarantees before drawdown of such banking facilities, and that the identities of the guarantors for such unused banking facilities will be determined when we plan to utilize the banking facilities and the guarantors and the relevant banks would then enter into the guarantee agreements at that time. We may not be able to utilize such banking facilities until such time and the current unused bank facilities are not available to utilize until such guarantees are provided.

Our Directors confirm that there has been no material change in our indebtedness since 31 January 2012.

Save as disclosed above or otherwise disclosed herein, and apart from intra-group liabilities, we did not have outstanding, at the closure of business on 31 January 2012, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

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.

Short-term bank loans and gearing ratio

The gearing ratios equal to the total of bills payable under financing arrangement and interest-bearing borrowings divided by total assets were approximately 55.5%, 37.6% and 33.5% during the Track Record Period.

We have not experienced any difficulty in obtain financing for our operations during the Track Record Period. Our short-term bank loans increased as at 31 December 2011 so as to finance our working capital needs as a results of increase in turnover in 2011 and increase in our general business scale.

Our pledged bank deposits decreased from RMB437.3 million as at 31 December 2009 to RMB177.3 million as at 31 December 2010 principally as a result of a decrease in our bills payables under various financing arrangements. Our pledged bank deposits increased from RMB177.3 million as at 31 December 2010 to RMB482.2 million as at 31 December 2011 principally as a results of an increase in bills payables.

Our Directors confirmed that there has not been any delay or default in repayment of bank and other borrowings and any breach of financial and other covenants under the bank and other borrowings during the Track Record Period and up to the Latest Practicable Date.

WORKING CAPITAL

Our Directors are of the opinion that, taking into account the financial resources available to us including internally generated funds, the available banking facilities and the estimated net proceeds from the New Issue, we have sufficient working capital for our present requirements and for the next 12 months from the date of this prospectus.

OPERATING LEASE COMMITMENTS

During the Track Record Period, we had commitments for the future minimum lease payables under non-cancellable operating leases in respect of rented premises which fall due as follows:

	At 31 December		
	2009	2010	2011
	(RMB in thousands)		
Within one year	193	247	443
In the second to fifth years inclusive	142	–	584

PROPERTY INTERESTS AND PROPERTY VALUATION

Details concerning our property interests are set out in Appendix III to this prospectus. The Independent Valuer has valued our property interests as at 31 January 2012 and is of the opinion that the value of our property interests as at such date was an aggregate amount of approximately RMB304.8 million (equivalent to approximately HK$374.7 million). A summary of values and valuation certificates issued by the Independent Valuer are included in Appendix III to this prospectus. The statement below shows the reconciliation of aggregate amounts of our property interests as reflected on the audited combined financial statements as at 31 December 2011 with the valuation of our property interests as at 31 January 2012 as set out in Appendix III to this prospectus.

	(RMB in thousands)
Net book value of property interests of our Group as at 31 December 2011	
– Buildings and land use rights	180,725
Movements for the one month ended 31 January 2011	
Less: Depreciation and amortisation during the period	(727)
Net book value as at 31 January 2012	179,998
Valuation surplus	124,802
Valuation as at 31 January 2012	304,800

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

We are exposed to risks relating to the credit, stability of commodity prices, fluctuations in foreign currencies and liquidity.

Credit risk

The carrying amounts of trade and other receivables, bills receivables and bank and cash balances including pledged bank deposits included in the combined statements of financial position represent our exposure to credit risk in relation to our financial assets.

Our credit risk is primarily attributable to our trade and other receivables. We have policies in place to ensure that sales are made to customers with an appropriate credit assessment. In addition, our Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. During the Track Record Period, the five largest trade and bills receivables represent approximately 12%, 5% and 12%, respectively, of the total trade and bills receivables.

Our Directors also consider the granting of loans or advances to third parties after careful consideration. In addition, our Directors review the recoverable amount of each individual outstanding debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

Our Directors believe that credit risk on bank balances and deposits or bills receivables is limited because of the counterparties are several state-owned banks with good reputation with high credit-ratings assigned by international credit-rating agencies.

Commodity risk

Since commodities such as copper and aluminium are one of the most important components of our cost of goods sold, our financial results and condition are subject to the fluctuations in the prices of commodities. While we may be able to partially offset these fluctuations with a flexible pricing policy and a production cost locking mechanism, we are exposed to the risks of the fluctuations in the costs of these materials in the event that we fail to pass on such costs to our customers. For example, we experienced fluctuations in the average copper prices during the Track Record Period. The average prices of copper increased from approximately RMB41,800 per tonne for the year ended 31 December 2009 to approximately RMB59,300 per tonne for the year ended 31 December 2010 and further increased to approximately RMB68,400 per tonne for the year ended 31 December 2011. We believe we have successfully passed on most of the risk to our customers and as a result, we have been able to maintain our gross profit margin during the Track Record Period.

Foreign currency risk

We have certain transactions that are denominated in foreign currencies, which make our results of operation susceptible to foreign currency risk. During the Track Record Period, sales denominated in currencies other than the functional currency of the group entity which it relates represented approximately 2%, 3% and 8% of our sales.

As a result of our increasing sales to overseas markets, we are mainly exposed to currency fluctuations in the US dollar, Euro and Hong Kong dollar. The following table sets out our sensitivity to a 5% increase or decrease in the value of the Renminbi against these foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, trade and other receivables, trade and other payables and bank balances and adjusts their translation at the respective year end during the Track Record Period for a 5% change in foreign currency rates. A negative number indicates a decrease in profit for the year where the Renminbi strengthens against the relevant currency.

	Year ended 31 December		
	2009	**2010**	**2011**
	(RMB in thousands)		
United States dollars	(373)	(1,671)	(5,420)
Hong Kong dollars	–	(169)	335
Singapore dollars	–	–	(1,188)
Euro	–	92	–

Currently, we do not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. We will monitor our foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Liquidity Risk

Our policy is to regularly monitor current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash to meet our liquidity requirements in the short and longer term. Please refer to note 6 to section E – Liquidity risk of the Accountants' Report set out in Appendix I to this prospectus for more information about our liquidity risk.

CONTINGENT LIABILITIES

We had no material contingent liabilities as at 31 December 2011. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other material off-balance sheet arrangements.

DIVIDEND POLICY

We may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as we may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law. Our Shareholders in general meeting may approve and make any declaration of dividends, which must not exceed the amount recommended by our Board. In addition, our Directors may from time to time pay such interim dividends as appear to them to be justified by our profits. No dividend may be declared or payable except out of our profits or reserves set aside from profits in our Directors' discretion. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for such purpose in accordance with the Companies Law and our Articles of Association. Any declaration of dividends may or may not reflect our prior declarations of dividends and any dividend recommendation will be at the absolute discretion of our Board.

Future dividend payments will also depend upon the availability of dividends received from our subsidiary in China. PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions, including HKFRS. Our subsidiary in China is a foreign-invested enterprise which is required to set aside part of its net profit as statutory reserves in accordance with the requirements of relevant PRC laws and the provisions of its articles of association. Such portion of our subsidiary's net profits is not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries and associated companies may enter into in the future.

Our Board has absolute discretion in determining whether to declare any dividend for any period and, if it decides to declare a dividend, the amount of dividend to declare. During the Track Record Period, we have not declared or paid any dividend. We currently intend to pay dividends, of not less than 25.0% of our profits available for distribution in respect of each of the years ending 31 December 2012 and 2013. Going forward, we will re-evaluate our dividend policy based on our financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in this prospectus, our Directors confirm that these transactions were conducted on arm's length basis and normal commercial terms and/or that such terms were no less favourable to us than terms available to independent third parties and were fair and reasonable and in the interest of the Shareholders as a whole.

For details of these related party transactions, please refer to the Accountants' Report as contained in Appendix I to this prospectus in addition to the other transactions detailed elsewhere in this prospectus.

DISTRIBUTABLE RESERVES

As at 31 December 2011, our Company had no distributable reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets has been prepared in accordance with Rule 4.29 of the Listing Rules and is for illustration purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as at 31 December 2011. It is prepared based on the combined net tangible assets as at 31 December 2011 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Audited combined net tangible assets attributable to owners of our Company as at 31 December 2011	**Add: Estimated net proceeds from the New Issue**	**Unaudited pro forma adjusted combined net tangible assets**	**Unaudited pro forma adjusted combined net tangible assets per Share**	
	RMB'000 *(Note a)*	RMB'000 *(Note b)*	RMB'000	RMB *(Note c)*	HK$
Based on an Offer Price of HK$1.42 per Offer Share	1,182,011	362,999	1,545,010	1.00	1.24
Based on an Offer Price of HK$2.05 per Offer Share	1,182,011	531,454	1,713,465	1.11	1.37

Notes:

(a) The audited combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2011 is extracted from the Accountants' Report set out in Appendix I to this prospectus.

(b) The estimated net proceeds from the New Issue are based on 338,600,000 Shares at the Offer Price of HK$1.42 (equivalent to RMB1.15) and HK$2.05 (equivalent to RMB1.66) per Share, after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the New Issue, the amount stated in Hong Kong dollars has been converted from Renminbi into Hong Kong dollars at the rate of HK$1 to RMB0.81.

(c) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in note b in the preceding paragraph and on the basis that 1,538,600,000 Shares were in issue assuming that the Global Offering has been completed on 31 December 2011 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(d) As of 31 January 2012, our Group's property interests were valued by Vigers Appraisal & Consulting Limited, an independent professional surveyor, and the relevant property valuation report is set out in Appendix III to this prospectus. The net valuation surplus, representing the excess of market value of the properties over their book value as at 31 January 2012, is approximately RMB124.8 million. Such revaluation surplus has not been incorporated in our Group's combined financial statements for the year ended 31 December 2011 and will not be incorporated in the future financial statements of our Group. The above adjustment does not take into account the above revaluation surplus. Had the properties been stated in such valuation, an additional amortisation and depreciation of approximately RMB3.6 million per annum would have been charged against the combined statement of comprehensive income per annum.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would have given rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

DIRECTORS CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 December 2011 and there is no event since 31 December 2011 which would materially affect the information shown in our Accountants' Report set out in Appendix I to this prospectus, in each case except otherwise disclosed therein.