The following is the text of a report received from our Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte.
德勤

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10 April 2012

The Directors
Jiangnan Group Limited
Daiwa Capital Markets Hong Kong Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Jiangnan Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2011 (the "Track Record Period"), for the inclusion in the prospectus of the Company dated 10 April 2012 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 4 January 2011 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Through a group reorganisation, as more fully explained in the paragraph headed "Reorganisation" in Appendix V to the prospectus (the "Group Reorganisation"), the Company has since 25 February 2012 become the holding company of the Group.

Throughout the Track Record Period and at the date of this report, the Company has interest in the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group				Principal activity
			At 31 December			At the date of report	
			2009	2010	2011		
Extra Fame Group Limited ("Extra Fame")#	British Virgin Islands 15 September 2005	Share capital – US$10,438,413	100%	100%	100%	100%	Investment holding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group At 31 December 2009	2010	2011	At the date of report	Principal activity
Jiangnan Cable (HK) Limited ("Jiangnan Cable (HK)")## 江南電纜 (香港)有限公司	Hong Kong 15 December 2010	Share capital – HK$10	N/A	100%	100%	100%	Investment holding
SA Asia Cable (Proprietary) Limited ("SA Asia Cable") 南非亞洲電纜有限公司	South Africa 14 June 2005	Share capital – R1,000	100%	100%	100%	100%	Trading in wires and cables
無錫江南電纜有限公司### Wuxi Jiangnan Cable Co., Ltd. ("Jiangnan Cable")	The People's Republic of China (the "PRC") For a term of 50 years commencing 25 February 2004	Registered capital – US$50,000,000 Paid-in capital – US$30,000,000	100%	100%	100%	100%	Manufacture of and trading in wires and cables

\# Directly held by the Company.

\## Directly held by Extra Fame.

\### Directly held by Jiangnan Cable (HK) as a wholly foreign owned enterprise since 25 January 2011. Formerly was held by Extra Fame.

All of the above subsidiaries are limited liability companies and adopt 31 December as the financial year end date.

The statutory financial statements of the entities now comprising the Group were audited by the following certified public accountants registered in their respective jurisdictions. These statutory financial statements were prepared in accordance with the relevant accounting principles and financial regulations applicable to the entities in their respective jurisdictions.

Name of company	Financial year	Name of auditor
Jiangnan Cable	For each of the three years ended 31 December 2011	無錫宜信會計師事務所有限公司 (Wuxi Yixiu Certified Public Accountants Co., Ltd.)
Jiangnan Cable (HK)	For the period from 15 December 2010 (date of incorporation) to 31 December 2011	Deloitte Touche Tohmatsu, Hong Kong
SA Asia Cable	For each of the three years ended 31 December 2011	G.L. Palarer and Company Chartered Accountants (SA)

We have acted as auditor of the Company since its date of incorporation. No statutory audited financial statements have been prepared for the Company or Extra Fame as they were incorporated in a jurisdiction where there is no statutory audit requirement. We have reviewed all relevant transactions of the Company since the date of incorporation to 31 December 2011 and carried out such procedures as we considered necessary for inclusion of the financial information in the prospectus.

SA Asia Cable was held by several individuals since incorporation. On 16 July 2007, the then equity holders of SA Asia Cable entered into an equity trust agreement with Jiangnan Cable, pursuant to which the then equity holders of SA Asia Cable agreed and confirmed that the entire issued share capital of SA Asia Cable has always been held by them on trust and beneficially owned by Jiangnan Cable. Subsequently, on 25 August 2009, pursuant to an equity transfer agreement, the then equity holders of SA Asia Cable have formally transferred their entire equity interest in SA Asia Cable to Jiangnan Cable. As a result, SA Asia Cable has been accounted for as a subsidiary of Jiangnan Cable throughout the Track Record Period.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of Extra Fame for the Track Record Period prepared under Hong Kong Financial Reporting Standards ("HKFRSs") (together with the management accounts of the Company for the period from date of incorporation to 31 December 2011 are herein after referred to as the "Underlying Financial Statements"). We have carried out an audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period has been prepared from the Underlying Financial Statements, on the basis set out in note 1 to section E below, for the purpose of inclusion in the prospectus. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company and Extra Fame. The directors of the Company are responsible for the contents of the prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1 to section E below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2011 and of the Group as at 31 December 2009, 31 December 2010 and 31 December 2011 and of the combined profit and combined cash flows of the Group for the Track Record Period.

A. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Section E Notes	Year ended 31 December 2009 RMB'000	2010 RMB'000	2011 RMB'000
Turnover	7	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	8	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	9	(59,727)	(68,869)	(126,352)
Profit before taxation		196,262	283,149	388,599
Taxation	10	(32,706)	(51,330)	(71,154)
Profit for the year	11	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	14.2 cents	20.1 cents	26.5 cents

B. COMBINED STATEMENTS OF FINANCIAL POSITION

	Section E Notes	THE GROUP At 31 December 2009 RMB'000	THE GROUP At 31 December 2010 RMB'000	THE GROUP At 31 December 2011 RMB'000	THE COMPANY At 31 December 2011 RMB'000
Non-current assets					
Property, plant and equipment	15	240,340	344,985	346,727	–
Land use rights	16	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	17	590,718	777,745	1,185,879	–
Trade and other receivables	18	700,456	1,082,504	1,426,190	–
Land use rights	16	1,229	1,229	1,229	–
Pledged bank deposits	19	437,270	177,322	482,165	–
Bank balances and cash	19	433,651	622,382	677,897	–
		2,163,324	2,661,182	3,773,360	–
Current liabilities					
Trade and other payables	20	470,847	936,630	1,539,537	–
Bills payables under financing arrangement	21	473,380	160,000	–	–
Amounts due to directors	22	63,602	73,499	13,314	–
Amount due to a director of a subsidiary	23	1,120	1,120	–	–
Short-term bank borrowings	24	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	25	–	–	5,260	–
Long-term bank borrowings	24	–	80,000	–	–
Deferred taxation	26	5,933	11,630	20,245	–
		5,933	91,630	25,505	–
		574,620	875,733	1,182,011	–
Capital and reserves					
Share capital	27	82,771	82,771	85,665	–
Reserves		491,849	792,962	1,096,346	–
		574,620	875,733	1,182,011	–

C. COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000*	Share premium *RMB'000* *(Note a)*	Capital reserve *RMB'000* *(Note a)*	Non-distributable reserve *RMB'000* *(Note b)*	Statutory reserve *RMB'000* *(Note c)*	Translation reserve *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*
At 1 January 2009	82,771	–	–	77,351	24,526	(5,755)	226,700	405,593
Exchange differences arising from translation of a foreign operation	–	–	–	–	–	5,471	–	5,471
Profit for the year	–	–	–	–	–	–	163,556	163,556
Total comprehensive income for the year	–	–	–	–	–	5,471	163,556	169,027
Transfers	–	–	–	–	16,525	–	(16,525)	–
At 31 December 2009	82,771	–	–	77,351	41,051	(284)	373,731	574,620
Exchange differences arising from translation of a foreign operation	–	–	–	–	–	3,288	–	3,288
Profit for the year	–	–	–	–	–	–	231,819	231,819
Total comprehensive income for the year	–	–	–	–	–	3,288	231,819	235,107
Capital contribution	–	–	66,006	–	–	–	–	66,006
Transfers	–	–	–	–	22,803	–	(22,803)	–
At 31 December 2010	82,771	–	66,006	77,351	63,854	3,004	582,747	875,733
Exchange differences arising from translation of a foreign operation	–	–	–	–	–	(11,167)	–	(11,167)
Profit for the year	–	–	–	–	–	–	317,445	317,445
Total comprehensive income for the year	–	–	–	–	–	(11,167)	317,445	306,278
Issue of shares	2,894	63,112	(66,006)	–	–	–	–	–
Transfers	–	–	–	–	34,444	–	(34,444)	–
At 31 December 2011	85,665	63,112	–	77,351	98,298	(8,163)	865,748	1,182,011

Notes:

(a) Pursuant to an investment agreement ("Investment Agreement") dated 1 July 2010 entered into between Extra Fame, Furui Investments Limited ("Furui Investments") and Sinostar Holdings Limited ("Sinostar"), Furui Investments had agreed to subscribe for 2.31% of the issued share capital of Extra Fame at the total subscription price of US$5,500,000 (approximately RMB36,303,000) while Sinostar had agreed to subscribe for 1.89% of the issued share capital of Extra Fame at the total subscription price of US$4,500,000 (approximately RMB29,703,000). The subscription price was fully settled by Furui Investments and Sinostar in cash in November 2010. On 14 January 2011, 241,127 shares of US$1 each in the capital of Extra Fame (representing an approximately 2.31% of the enlarged issued share capital of Extra Fame) were issued to Furui Investments and 197,286 shares of US$1 each in the capital of Extra Fame (representing an approximately 1.89% of the enlarged issued share capital of Extra Fame) were issued to Sinostar pursuant to the Investment Agreement.

At 31 December 2010, consideration of US$10,000,000 (approximately RMB66,006,000) received by Extra Fame in November 2010 was classified as capital contribution from Furui Investments and Sinostar as the shares of Extra Fame were issued to them in January 2011.

(b) The non-distributable reserve represents capitalisation of retained profits of Jiangnan Cable for capital re-investment in Jiangnan Cable in 2007.

(c) As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the PRC subsidiary of the Group is required to maintain a statutory surplus fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the PRC subsidiary while the amounts and allocation basis are decided by its board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

D. COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Profit before taxation	196,262	283,149	388,599
Adjustments for:			
Interest income	(16,353)	(5,928)	(13,147)
Finance costs	59,727	68,869	126,352
Depreciation of property, plant and equipment	20,624	22,270	30,799
Loss on disposal of property, plant and equipment	–	694	21
Operating lease rentals in respect of land use rights	1,229	1,229	1,229
(Reversal of) allowance for bad and doubtful debts	(7,355)	16,348	11,478
Operating cash flows before movements in working capital	254,134	386,631	545,331
Decrease (increase) in inventories	223,266	(187,027)	(408,134)
Decrease (increase) in trade and other receivables	171,559	(417,667)	(360,048)
(Decrease) increase in trade and other payables	(581,691)	540,183	607,907
Cash generated from operations	67,268	322,120	385,056
PRC income tax paid	(28,255)	(29,966)	(54,097)
Income tax paid in other jurisdiction	(156)	(126)	(2,648)
Net cash generated from operating activities	38,857	292,028	328,311
Investing activities			
Interest received	14,468	4,682	6,841
Proceeds from disposal of property, plant and equipment	–	2,010	295
Purchase of property, plant and equipment	(35,603)	(69,280)	(20,535)
Deposits paid for acquisition of property, plant and equipment	(53,823)	(12,200)	(14,519)
Government grants received	–	–	5,260
Advances to independent third parties and suppliers	(111,876)	(29,522)	–
Repayment of advances to independent third parties and suppliers	205,143	51,347	2,509
Release of pledged bank deposits	1,199,228	784,045	768,518
Bank deposits pledged	(1,140,838)	(524,097)	(1,073,361)
Net cash generated from (used in) investing activities	76,699	206,985	(324,992)

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Financing activities			
Interest paid	(61,427)	(75,385)	(127,238)
New bank borrowings raised	1,318,700	1,347,200	1,625,425
Repayment of bank borrowings	(1,207,700)	(1,272,200)	(1,217,200)
Advances from independent third parties	81,470	600	–
Repayment of advances from independent third parties	(69,570)	(75,000)	(5,000)
Advances from related companies	68,000	–	–
Repayment of advances from related companies	(68,000)	–	–
(Repayment to) advances from directors	(332)	9,897	(60,185)
Repayment to a director of a subsidiary	–	–	(1,120)
Bills payable under financing arrangement raised	1,260,376	357,000	–
Repayment of bills payable under financing arrangement	(1,295,406)	(670,380)	(160,000)
Capital contribution from Furui Investments and Sinostar	–	66,006	–
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 equivalent at beginning of the year	286,465	433,651	622,382
Effect of foreign exchange rate changes	5,519	1,980	(2,486)
Cash and cash equivalent at end of the year, represented by bank balances and cash	433,651	622,382	677,897

E. NOTES TO THE FINANCIAL INFORMATION

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Jiangnan Cable was a wholly-owned subsidiary of Extra Fame on 1 January 2009, the beginning of the Track Record Period. Throughout the Track Record Period, the ultimate controlling shareholders of the companies now comprising the Group are Mr. Rui Fubin and Mr. Rui Yiping, the son of Mr. Rui Fubin.

In preparation for the listing of the Company's shares on the Stock Exchange, the Company underwent the Group Reorganisation which include the following major steps:

(a) On 15 December 2010, Extra Fame incorporated a wholly owned subsidiary named Jiangnan Cable (HK). Pursuant to a sale and purchase agreement dated 20 December 2010, Jiangnan Cable (HK) acquired the entire equity interest in Jiangnan Cable from Extra Fame at a consideration of US$30,000,000 and satisfied by issuing and allotting 9 shares of HK$1 each to Extra Fame on 25 January 2011.

(b) Pursuant to a share transfer agreement dated 25 February 2012, the Company acquired the entire equity interest in Extra Fame by issuing and allotting 9,999,999 shares of HK$0.01 each to the then shareholders of Extra Fame and crediting the one nil paid share of HK$0.01 held by Power Heritage Group Limited ("Power Heritage") as fully paid (Power Heritage is a company wholly-owned by Mr. Rui Fubin and Mr. Rui Yiping). Thereafter, the Company has become the holding company of the Group since 25 February 2012.

SA Asia Cable, which is engaged in the business of trading of wires and cables business in South Africa, was held by Mr. Rui Yiping, Mr. Dong Bocheng and Mr. Chu Hui as nominee shareholders of Jiangnan Cable (the "Nominee Shareholders") since incorporation. Mr. Dong Bocheng and Mr. Chu Hui are directors of SA Asia Cable. On 16 July 2007, the Nominee Shareholders entered into an equity trust agreement with Jiangnan Cable, pursuant to which the Nominee Shareholders agreed and confirmed that the entire issued share capital of SA Asia Cable has always been held by them on trust and beneficially owned by Jiangnan Cable. Subsequently, on 25 August 2009, pursuant to an equity transfer agreement, as more fully explained in the section headed "History and Development" of the prospectus, the Nominee Shareholders transferred their entire equity interest in SA Asia Cable to Jiangnan Cable for no consideration. As a result, SA Asia Cable has been accounted for as a subsidiary of Jiangnan Cable throughout the Track Record Period.

The Group resulting from the Group Reorganisation, which involves interspersing Jiangnan Cable (HK) and the Company as detailed above, is regarded as a continuing entity. Accordingly, the combined statements of comprehensive income and cash flows for the Track Record Period include the results and cash flows of the companies now comprising the Group have been prepared, as if the current group structure upon the completion of the Group Reorganisation had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2009, 31 December 2010 and 31 December 2011 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed "Corporate Information" of the prospectus.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied the Hong Kong Accounting Standards ("HKASs"), HKFRSs, Amendments and Interpretations (hereinafter collectively referred to as the "new HKFRSs") which are effective for the accounting period beginning on 1 January 2011 throughout the Track Record Period.

At the date of this report, the following new and revised standards and amendments have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 19 (Revised 2011)	Employee Benefits[2]
HKAS 27 (Revised 2011)	Separate Financial Statements[2]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

The Group has not early adopted these new and revised standards or amendments in the preparation of the Financial Information.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope. HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the Group's consolidated financial statements.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the Financial Information of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis in accordance with the accounting policies set out below which conform with HKFRSs.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of combination

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Revenue recognition

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.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses if any.

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.

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 asset are ready for their intended use.

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.

Land use rights and leasehold building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the combined statements of financial position and is amortised over the lease term on a straight line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 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, 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.

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those 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.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are mainly classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's 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.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount 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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities, including trade and other payables, amounts due to directors and amount due to a director of a subsidiary, bills payables under financing arrangement and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company and the group entity are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit for the year as reported in the combined statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax of the Group is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise.

For the purposes of presenting the combined financial statements, the assets and liabilities of the Group's operations are translated from the functional currency of the respective companies into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of. For disposal of a group entity that is not a foreign operation, the exchange differences are released to accumulated profits.

Operating lease

Rentals payable under operating leases are charged to the profit or loss on a straight line basis over the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the combined statements of financial position and released to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and accumulated profits as disclosed in the Financial Information.

The management of the Group reviews the capital structure periodically. The Group considers the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation and impairment of property, plant and equipment

The Group's management determines the estimated useful lives, residual value and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold. Change in these estimations may have a material impact on the results of the Group. The Group tests whether property, plant and equipment have suffered any impairment in accordance with its accounting policy whenever there is any indication that the assets may have been impaired. The recoverable amounts of property, plant and equipment have been determined based on discounted cash flow method. The directors of the Company consider that the recoverable amount exceeded the carrying amount of the property, plant and equipment and therefore, no impairment was recognised during the Track Record Period. At as 31 December 2009, 31 December 2010 and 31 December 2011, the carrying amounts of property, plant and equipment are approximately RMB240,340,000, RMB344,985,000 and RMB346,727,000, respectively.

Impairment of inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales. Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. The management reviews the inventory aging listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the combined financial statements for any obsolete and slow moving items. Although the Group carried periodic review on the net realisable value of inventory, the actual realisable value of inventory is not known until the sale was concluded.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009, 31 December 2010 and 31 December 2011, the carrying amounts of trade receivables are approximately RMB628,242,000, RMB1,003,058,000 and RMB1,313,371,000, respectively (net of allowance for doubtful debts of RMB38,785,000, RMB55,133,000 and RMB66,611,000 as at 31 December 2009, 31 December 2010 and 31 December 2011, respectively).

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP At 31 December 2009 *RMB'000*	 2010 *RMB'000*	 2011 *RMB'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	1,535,746	1,867,054	2,574,031
Financial liabilities			
Amortised cost	1,783,015	1,925,867	2,670,195

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, bills payables under financing arrangement, amounts due to directors, amount due to a director of subsidiary and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (interest rate risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly the interest bearing pledged bank deposits, bank balances and bank borrowings at variable interest rate. Bank borrowings at fixed interest rates exposed the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates offered by the People's Bank of China ("PBOC") from its RMB denominated pledged bank deposits, bank balances and borrowings and the fluctuation of the interest rates offered by the South African Reserve Bank's Monetary Policy Committee (MPC) from its Rand denominated bank balances.

The sensitivity analysis below has been determined based on the exposure of interest rates for interest bearing pledged bank deposits, bank balances and variable rate bank borrowings at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole year.

If the interest rates on pledged bank deposits, bank balances and bank borrowings had been 25 basis points lower and all other variables were held constant, the potential effect on profit for the year is as follows:

	THE GROUP		
	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Decrease in profit for the year	1,856	1,326	1,007

There would be an equal and opposite impact on the profit for the year where there had been 25 basis points higher.

Currency risk

The Group has foreign currency sales and purchases during the Track Record Period which exposed the Group to foreign currency risk. During the years ended 31 December 2009, 2010 and 2011, approximately 2%, 3%, and 8% of the Group's sales, respectively, are denominated in currency other than the functional currency of the group entity which it relates.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting are as follows:

	THE GROUP					
	At 31 December					
	2009		**2010**		**2011**	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
United States Dollars	10,368	(2,910)	35,325	(1,906)	198,471	(90,078)
Hong Kong Dollars	–	–	3,387	–	3,423	(10,117)
Singapore Dollars	–	–	–	–	23,759	–
Euro	–	–	–	(1,848)	–	–

The Group is mainly exposed to currency risk of United States Dollars, Hong Kong Dollars, Singapore Dollars and Euro. The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against the relevant foreign currencies. The Group currently does not have any foreign currency hedging policy and will consider hedging its foreign currency exposure should the need arise. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. The sensitivity analysis includes bank balances, trade and other receivables, trade and other payables and amounts due to directors. If the RMB strengthens 5% against the relevant foreign currencies, the increase (decrease) in profit for the year is as follows:

	THE GROUP		
	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
United States Dollars	(373)	(1,671)	(5,420)
Hong Kong Dollars	–	(169)	335
Singapore Dollars	–	–	(1,188)
Euro	–	92	–

There would be an equal and opposite impact on the profit for the year if RMB weakens 5% against the relevant currencies.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statements of financial position. In order to minimise the credit risk, the management has standard operating procedures and guidelines to determine credit limits before contracts are signed and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk in relation to trade and bills receivables from top five customers amounting to RMB75,022,000, RMB55,759,000 and RMB166,400,000, representing approximately 12%, 5% and 12% of the total trade and bills receivables at 31 December 2009, 31 December 2010 and 31 December 2011, respectively. The largest trade and bills receivable from a customer by itself accounted for approximately 6%, 3% and 7% of the total trade and bills receivables at 31 December 2009, 31 December 2010 and 31 December 2011, respectively. The details of trade and bills receivables which are past due but not impaired at the end of each reporting period are disclosed in note 18. The Group also has concentration of credit risk in relation to advances to independent third parties and suppliers. The concentration of credit risk from advances to top five independent third parties amounts to RMB17,709,000, RMB2,509,000, representing approximately 84% and 100% of the total advances to independent third parties at 31 December 2009 and 31 December 2010, respectively. The largest advance to an independent third party by itself accounted for approximately 44% and 99% of the total advances to independent third parties at 31 December 2009 and 31 December 2010, respectively. The concentration of credit risk from advances to top three suppliers amounts to RMB3,300,000, representing approximately 100% of the total advances to suppliers at 31 December 2009. The largest advance to supplier by itself accounted for approximately 91% of the total advances to suppliers at 31 December 2009. In order to minimise the credit risk, the management has reviewed the recoverable amounts of trade and bills receivables and advances to independent third parties and suppliers regularly to ensure that follow-up action is taken timely and assigned a dedicated team to monitor the credit risk that takes into consideration the ageing status and estimate the likelihood of collection. In this regard, the directors of the Company consider that the Group's credit risk on trade and bills receivables and advances to independent third parties and suppliers is significantly reduced.

The Group's credit risk on bank balances and deposits or bills receivables is limited and there is no significant concentration of credit risk because all bank deposits or bills are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings and ensures the compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed payment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting period.

	Weighted average effective interest rate	Repayable on demand or less than 6 months	6 months to 1 year	Over 1 year but not more than 2 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2009						
Trade and other payables	–	326,313	–	–	326,313	326,313
Bills payables under financing arrangement	–	473,380	–	–	473,380	473,380
Amounts due to directors	–	63,602	–	–	63,602	63,602
Amount due to a director of a subsidiary	–	1,120	–	–	1,120	1,120
Bank borrowings						
– variable rate	5.88	91,652	41,131	–	132,783	128,600
– fixed rate	5.22	466,880	343,947	–	810,827	790,000
		1,422,947	385,078	–	1,808,025	1,783,015
At 31 December 2010						
Trade and other payables	–	697,648	–	–	697,648	697,648
Bills payables under financing arrangement	–	160,000	–	–	160,000	160,000
Amounts due to directors	–	73,499	–	–	73,499	73,499
Amount due to a director of a subsidiary	–	1,120	–	–	1,120	1,120
Bank borrowings						
– variable rate	5.21	86,258	176,224	–	262,482	253,600
– fixed rate	5.28	464,621	237,903	88,415	790,939	740,000
		1,483,146	414,127	88,415	1,985,688	1,925,867
At 31 December 2011						
Trade and other payables	–	1,255,056	–	–	1,255,056	1,255,056
Amounts due to directors	–	13,314	–	–	13,314	13,314
Bank borrowings						
– variable rate	6.76	389,478	388,678	–	778,156	752,825
– fixed rate	6.33	473,438	193,372	–	666,810	649,000
		2,131,286	582,050	–	2,713,336	2,670,195

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values at the end of each reporting period.

7. TURNOVER AND SEGMENT INFORMATION

The Group's chief operating decision maker has been identified as the board of directors of the Company who reviews the business of the following reportable operating segments by products:

- Power cables
- Wires and cables for electrical equipment
- Bare wires

The above segments have been identified on the basis of internal management reports prepared and regularly reviewed by the board of directors of the Company when making decisions about allocating resources and assessing performance of the Group.

Turnover represents the fair value of the consideration received and receivable for goods sold during the Track Record Period.

The segment results represent the gross profits earned by each segment (segment revenue less segment cost of goods sold), which represents the internally generated financial information regularly reviewed by the board of directors. However, other gains and losses, other income and expenses, selling and distribution costs, administrative expenses, finance costs and taxation are not allocated to each reportable segment. This is the measure reported to the board of directors for the purposes of resource allocation and assessment of segment performance.

The information of segment results are as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
– power cables	2,139,423	2,462,922	3,264,747
– wires and cables for electrical equipment	555,387	943,894	1,101,426
– bare wires	300,156	279,550	563,703
	2,994,966	3,686,366	4,929,876
Cost of goods sold			
– power cables	1,830,081	2,089,747	2,746,478
– wires and cables for electrical equipment	481,980	806,092	937,463
– bare wires	283,267	259,393	511,045
	2,595,328	3,155,232	4,194,986
Segment result			
– power cables	309,342	373,175	518,269
– wires and cables for electrical equipment	73,407	137,802	163,963
– bare wires	16,889	20,157	52,658
	399,638	531,134	734,890

The reportable segment results are reconciled to profit before taxation of the Group as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment results	399,638	531,134	734,890
Unallocated income and expenses			
– 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

As no discrete information in respect of segment assets, segment liabilities and other information is used for the assessment of performance and allocation of resources for different reportable operating segments. Thus, other than reportable segment revenue and segment results as disclosed above, no analysis of segment assets and segment liabilities is presented.

Other information

Turnover by geographical location of customers is presented as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Turnover			
– PRC (country of domicile)	2,927,157	3,585,049	4,498,535
– South Africa	57,518	96,449	375,362
– Singapore	–	–	23,759
– United States	1,619	–	20,472
– South America	1,319	3,473	8,636
– Australia	253	511	2,843
– Philippines	–	–	239
– Middle East	309	–	30
– Hong Kong	6,791	884	–
	2,994,966	3,686,366	4,929,876

The Group mainly operates in two principal geographical areas – the PRC (excluding Hong Kong) and South Africa. At 31 December 2009, 31 December 2010 and 31 December 2011, approximately 99.9%, 99.9% and 99.8%, respectively, of the Group's non-current assets were located in the PRC (the place of domicile).

Information about major customers

No customer contributing over 10% of the total sales of the Group during the Track Record Period.

8. OTHER INCOME

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	16,353	5,928	13,147
Government subsidies *(Note)*	2,329	2,486	1,197
Others	–	–	90
	18,682	8,414	14,434

Note: The amount represents the incentive subsidies provided by the PRC local authorities to the Group to encourage business development in the Yixing region and research and energy reduction activities conducted by the Group. There are no specific conditions attached to each of these grants, therefore the Group recognised the grants upon receipts during the Track Record Period.

9. FINANCE COSTS

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans wholly repayable within five years	49,744	70,586	127,238
Less: Amount capitalised	(1,700)	(6,516)	(886)
	48,044	64,070	126,352
Interest on bills financing arrangement *(Note 21)*	11,683	4,799	–
	59,727	68,869	126,352

Borrowing costs capitalised during the years ended 31 December 2009, 2010 and 2011, arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.8%, 5.2% and 6.5% per annum, respectively, for the Group's expenditure on qualifying assets.

10. TAXATION

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
The charge comprises:			
PRC income tax	28,000	44,465	61,955
South Africa corporate tax	575	1,168	584
Deferred taxation *(Note 26)*	4,131	5,697	8,615
Taxation charge for the year	32,706	51,330	71,154

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Taxation arising in South Africa is calculated at the rate prevailing in South Africa. South Africa corporate tax is calculated at 28% of the assessable profit during the Track Record Period.

Pursuant to the approval documents issued by the Yixing Provincial Commission of Science and Technology on 4 March 2009, Jiangnan Cable was endorsed as a High and New Technology Enterprise and was entitled to a reduced PRC income tax rate of 15% for the three years commencing 2009.

According to a joint circular of Ministry of Finance and the State Administration of Taxation, Cai Shui [2008] No. 1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profit generated thereafter, shall be subject to EIT at 10% and withheld by the PRC entity making the distribution, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Details Implementation Rules. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong (China-HK TA), a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiary. Deferred tax liability on the undistributed profits of Jiangnan Cable earned during the years ended 31 December 2009, 2010, 2011 have been accrued at the tax rate of 10% on the expected dividend stream of 25% on the undistributed profit of Jiangnan Cable which is determined by the directors of the Company.

No provision for Hong Kong Profits Tax has been provided in the Financial Information as the Group did not have assessable profit in Hong Kong during the Track Record Period.

The taxation for the Track Record Period can be reconciled to profit before taxation per the combined statements of comprehensive income as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	196,262	283,149	388,599
Tax at the applicable tax rate *(Note)*	49,066	70,787	97,150
Tax effect of expenses not deductible for tax purpose	343	3,609	5,185
Tax effect of income not taxable for tax purpose	(1,109)	(18)	(450)
Tax effect of tax concession granted to Jiangnan Cable	(19,325)	(27,241)	(40,502)
Effect on different applicable tax rate of a subsidiary	25	125	63
Withholding tax on undistributed earnings	4,131	5,697	8,615
Others	(425)	(1,629)	1,093
Taxation charge for the year	32,706	51,330	71,154

Note: The applicable income tax rate represents PRC income tax rate at 25% for the years ended 31 December 2009, 2010 and 2011, as the Group's operations are substantially based in the PRC.

11. PROFIT FOR THE YEAR

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year has been arrived at after charging (crediting):			
Directors' remuneration *(Note 12)*	564	888	1,697
Other staff costs:			
Salaries and other benefits	54,958	72,293	98,331
Contribution to retirement benefit scheme	6,295	7,531	12,182
Total staff costs	61,817	80,712	112,210
Less: Staff costs included in research and development costs	(3,788)	(6,104)	(8,330)
	58,029	74,608	103,880
Depreciation of property, plant and equipment	20,624	22,270	30,799
Less: Depreciation included in research and development costs	(1,105)	(1,323)	(1,603)
	19,519	20,947	29,196
(Reversal of) allowance for bad and doubtful debts (included in other gains and losses)	(7,355)	16,348	11,478
Auditor's remuneration	80	80	80
Cost of inventories recognised as expenses	2,595,328	3,155,232	4,194,986
Loss on disposal of property, plant and equipment (included in other gains and losses)	–	694	21
Research and development costs (included in other expenses)	4,893	7,427	9,933
Expenses in relation to initial public offering of the Company's shares (included in other expenses)	–	–	13,562
Minimum lease payment under operating lease in respect of property	447	491	545
Operating lease rentals in respect of land use rights	1,229	1,229	1,229

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the directors of the Company for the Track Record Period are as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Directors' fees	–	–	–
Other emoluments to non-executive directors and independent non-executive directors	–	–	–
Other emoluments to executive directors			
– basic salaries and allowances	552	876	1,673
– bonus	–	–	–
– retirement benefits scheme contributions	12	12	24
	564	888	1,697

Details of emoluments paid by the Group to the directors of the Company are as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Rui Fubin			
– directors' fee	–	–	–
– basic salaries and allowances	144	240	539
– bonus	–	–	–
– retirement benefits scheme contributions	–	–	–
	144	240	539
Mr. Rui Yiping			
– directors' fee	–	–	–
– basic salaries and allowances	144	240	489
– bonus	–	–	–
– retirement benefits scheme contributions	4	4	8
	148	244	497
Mr. Jiang Yongwei			
– directors' fee	–	–	–
– basic salaries and allowances	120	180	280
– bonus	–	–	–
– retirement benefits scheme contributions	4	4	8
	124	184	288
Ms. Xia Yafang			
– directors' fee	–	–	–
– basic salaries and allowances	144	216	365
– bonus	–	–	–
– retirement benefits scheme contributions	4	4	8
	148	220	373

	Year ended 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Mr. He Zhisong*			
– directors' fee	–	–	–
– basic salaries and allowances	–	–	–
– retirement benefits scheme contributions	–	–	–
	–	–	–
Mr. Wu Changshun*			
– directors' fee	–	–	–
– basic salaries and allowances	–	–	–
– retirement benefits scheme contributions	–	–	–
	–	–	–
Mr. Yang Rongkai*			
– directors' fee	–	–	–
– basic salaries and allowances	–	–	–
– retirement benefits scheme contributions	–	–	–
	–	–	–
Mr. Poon Yick Pang Philip*			
– directors' fee	–	–	–
– basic salaries and allowances	–	–	–
– retirement benefits scheme contributions	–	–	–
	–	–	–
Total	564	888	1,697

* *being independent non-executive directors of the Company.*

The five highest paid individuals for each of the years ended 31 December 2009, 2010 and 2011 included four, four and three directors, respectively, details of whose emoluments are set out above. The emoluments of the remaining one, one and two individuals, respectively, for the Track Record Period were as follows:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Employees			
– basic salaries and allowances	140	180	1,006
– bonus	–	–	–
– retirement benefits scheme contributions	2	2	10
	142	182	1,016

The emoluments of each of the five highest paid individuals (including the directors) during the Track Record Period were within HK$1,000,000.

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the Track Record Period.

13. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. No dividend was distributed to then shareholders of Extra Fame during the Track Record Period and prior to the Group Reorganisation.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the following data:

	Year ended 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Earnings			
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	163,556	231,819	317,445
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,149,600,040	1,154,985,241	1,200,000,000

The weighted average number of ordinary shares for the purpose of basic earnings per share is determined based on the assumption that the Group Reorganisation and the capitalisation issue as disclosed in "Statutory and General Information" in Appendix V to the prospectus, as if, have been completed on 1 January 2009, and with taking into consideration of the subscription money received from Furui Investments and Sinostar pursuant to the Investment Agreement (see note 27) on 23 November 2010.

No dilutive earnings per share are presented as there were no potential dilutive shares during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2009	112,584	127,166	12,990	9,739	8,557	271,036
Additions	–	17,167	2,359	1,337	31,189	52,052
Transfer	13,057	–	–	–	(13,057)	–
At 31 December 2009	125,641	144,333	15,349	11,076	26,689	323,088
Additions	–	25,523	7,165	2,157	94,774	129,619
Disposals	(1,019)	–	(3,423)	–	–	(4,442)
Transfer	–	–	315	–	(315)	–
At 31 December 2010	124,622	169,856	19,406	13,233	121,148	448,265
Additions	–	13,704	909	3,820	14,424	32,857
Disposals	–	(708)	(175)	(355)	–	(1,238)
Transfer	39,743	77,115	–	2,187	(119,045)	–
At 31 December 2011	164,365	259,967	20,140	18,885	16,527	479,884
DEPRECIATION						
At 1 January 2009	17,982	32,899	6,158	5,085	–	62,124
Provided for the year	5,069	12,114	1,950	1,491	–	20,624
At 31 December 2009	23,051	45,013	8,108	6,576	–	82,748
Provided for the year	5,615	13,459	1,946	1,250	–	22,270
Eliminated on disposal	(268)	–	(1,470)	–	–	(1,738)
At 31 December 2010	28,398	58,472	8,584	7,826	–	103,280
Provided for the year	6,454	19,799	2,672	1,874	–	30,799
Eliminated on disposal	–	(456)	(157)	(309)	–	(922)
At 31 December 2011	34,852	77,815	11,099	9,391	–	133,157
CARRYING VALUES						
At 31 December 2009	102,590	99,320	7,241	4,500	26,689	240,340
At 31 December 2010	96,224	111,384	10,822	5,407	121,148	344,985
At 31 December 2011	129,513	182,152	9,041	9,494	16,527	346,727

The Group's buildings are erected on land held under medium-term land used rights in the PRC.

At 31 December 2009, 31 December 2010 and 31 December 2011, the Group pledged certain of its buildings with an aggregate carrying value of RMB64,586,000, RMB63,043,000 and RMB59,020,000, respectively, to certain banks to secure credit facilities granted to the Group.

At 31 December 2009, 31 December 2010 and 31 December 2011, the Group pledged certain of its machinery with an aggregate carrying value of RMB65,750,000, RMB73,262,000 and RMB59,680,000, respectively, to certain banks to secure credit facilities granted to the Group.

During the years ended 31 December 2009, 2010 and 2011, interest expense of RMB1,700,000, RMB6,516,000 and RMB886,000, respectively, have been capitalised.

The above items of property, plant and equipment, other than construction in progress, are depreciated after taking into account their estimated residual value, using straight line method, at the following rates per annum:

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

16. LAND USE RIGHTS

	THE GROUP At 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount			
At beginning of the year	54,899	53,670	52,441
Charge to profit or loss for the year	(1,229)	(1,229)	(1,229)
At the end of the year	53,670	52,441	51,212
Analysed for reporting purposes as:			
Current portion	1,229	1,229	1,229
Non-current portion	52,441	51,212	49,983
	53,670	52,441	51,212

The amounts represent payments of rentals for medium-term land use rights situated in the PRC for a period of 50 years.

At 31 December 2009, 31 December 2010 and 31 December 2011, the Group has pledged all the land use rights to certain banks to secure credit facilities granted to the Group.

17. INVENTORIES

	THE GROUP At 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
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
	590,718	777,745	1,185,879

At 31 December 2009, 31 December 2010 and 31 December 2011, the Group pledged certain of its inventories with an aggregate carrying value of RMB85,275,000, RMB75,900,000 and RMB165,900,000, respectively, to certain banks to secure credit facilities granted to the Group.

18. TRADE AND OTHER RECEIVABLES

	THE GROUP At 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables, net	628,242	1,003,058	1,313,371
Bills receivables	3,208	45,437	57,818
	631,450	1,048,495	1,371,189
Deposits paid to suppliers	25,636	6,279	1,902
Advances to independent third parties	21,034	2,509	–
Advances to suppliers	3,300	–	–
Staff advances	5,139	3,468	5,384
Prepayments	4,856	5,407	5,117
Tender deposits	6,673	14,532	38,534
Other receivables	2,368	1,814	4,064
	700,456	1,082,504	1,426,190

The Group normally allows a credit period ranging from 30 to 180 days to its trade customers.

The following is an aging analysis of the trade receivables, net of allowance for bad and doubtful debts, and bills receivable presented based on the invoice date at the end of each reporting period:

	THE GROUP At 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Age			
0 – 90 days	477,416	785,399	1,023,289
91 – 180 days	75,561	227,273	322,064
181 – 365 days	45,633	35,823	25,836
Over 1 year	32,840	–	–
	631,450	1,048,495	1,371,189

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB216,899,000, RMB391,045,000 and RMB482,560,000 at 31 December 2009, 31 December 2010 and 31 December 2011, respectively, which are past due at the end of each reporting period for which the Group has not provided for impairment loss. Based on the historical experiences of the Group, trade receivables past due but not impaired are generally recoverable. The Group does not hold any collateral over these balances. At 31 December 2011, the Group pledged certain of its bills receivables with an aggregate carrying value of RMB53,938,000 to certain banks to secure credit facilities granted to the Group. None of the Group's bills receivables were pledged at 31 December 2009 and 31 December 2010.

The following is an aging analysis of trade receivables which are past due but not impaired at the end of each reporting period:

	THE GROUP		
	At 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Age			
0 – 90 days	85,497	190,325	174,588
91 – 180 days	52,929	171,392	291,565
181 – 365 days	45,633	29,328	16,407
Over 1 year	32,840	–	–
	216,899	391,045	482,560

In determining the recoverability of the trade receivables, the Group monitors change in the credit quality of the trade receivables since the credit was granted and up to the end of each reporting period. The directors of the Company considered that the concentration of credit risk is limited due to customer base being large and unrelated.

The Group has provided fully for all receivables over three years because historical experience is such that receivables that are past due beyond three years are generally not recoverable.

No interest is charged on trade receivables. Allowance on trade receivables are made based on estimated irrecoverable amounts from sale of goods by reference to past default experience and objective evidence of impairment determined by the difference between the carrying amount and the present value of the estimated future cash flow discounted at the original effective interest rate.

Movement in the allowance for bad and doubtful debts:

	THE GROUP		
	At 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	46,140	38,785	55,133
(Reversal of allowance) allowance for the year	(7,355)	16,348	11,478
At end of the year	38,785	55,133	66,611

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB38,785,000, RMB55,133,000 and RMB66,611,000 at 31 December 2009, 31 December 2010 and 31 December 2011, respectively, which have been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

Deposits paid to suppliers represent the deposits paid for purchase of raw materials. The Group is required to pay trade deposits to certain suppliers for purchase of raw materials for the purpose of securing regular supply of raw materials and the amounts of trade deposits required vary on case by case basis.

During the Track Record Period, the Group made advances to independent third parties and suppliers not related to the Group. These advances are unsecured, non-interest bearing and are repayable within one year. These advances have been fully settled in March 2011. In the opinion of the directors of the Company, these advances activities will be discontinued after listing of the shares of the Company on the Stock Exchange (the "Listing").

Prepayments mainly comprise prepayments for electricity, advertising, utility deposits and other operating expenses. Tender deposits represent deposits paid for bidding of projects for supply of power cables by the Group and are refundable upon completion of the bidding process. Other receivables mainly represent interest receivables from bank deposits.

Included in trade and other receivables are the following amounts denominated in currencies other than the functional currency of the group entity that it relates:

	THE GROUP At 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
United States Dollars	3,880	27,872	193,280
Singapore Dollars	–	–	23,759

19. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at prevailing market rate ranging from 0.36% to 0.72%, 0.36% and 0.36% to 0.50% per annum at 31 December 2009, 31 December 2010 and 31 December 2011, respectively.

The pledged bank deposits carry interest at the prevailing market rate ranging from 1.98% to 3.78%, 1.98% to 2.50% and 2.50% to 3.30% per annum at 31 December 2009, 31 December 2010 and 31 December 2011, respectively.

At 31 December 2009, 31 December 2010 and 31 December 2011, the entire pledged bank deposits represents deposits pledged to banks to secure the short-term bank facilities drawn and the issuance of bills payables by the Group.

Included in bank balance and cash and pledged bank deposit are the following amounts denominated in currencies other than functional currency of the group entity which it relates:

	THE GROUP At 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
United States Dollars	6,488	7,453	5,191
Hong Kong Dollars	–	3,387	3,423

20. TRADE AND OTHER PAYABLES

	THE GROUP At 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– independent third parties	164,736	293,267	412,122
– related companies *(Note 31)*	27,127	–	–
Bills payables	53,000	396,250	835,000
	244,863	689,517	1,247,122
Payroll and welfare accruals	19,106	32,273	36,203
Receipt in advance from customers	83,592	163,665	198,394
Advances from independent third parties	79,400	5,000	–
Other tax payables	16,955	12,421	10,622
Other deposits	5,654	1,267	3,360
Other payables and accruals	21,277	32,487	43,836
	470,847	936,630	1,539,537

The Group normally receives credit terms of 30 days from its suppliers. The following is an aged analysis of trade and bills payables based on invoice date at the end of each reporting period:

	THE GROUP		
	At 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Age			
0 – 90 days	213,185	479,428	1,087,471
91 – 180 days	31,102	206,752	157,466
181 – 365 days	434	1,510	410
Over 1 year	142	1,827	1,775
	244,863	689,517	1,247,122

During each of the years ended 31 December 2009 and 2010, the Group received advances from independent third parties not related to the Group. These advances at 31 December 2009 and 31 December 2010 were unsecured, non-interesting bearing and are repayable within one year. These advances have been fully settled in January 2011. In the opinion of the directors of the Company, these advance activities will be discontinued after Listing.

Included in trade and other payables are the following amounts denominated in currencies other than the functional currency of the group entity that it relates:

	THE GROUP		
	At 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
United States Dollars	2,910	1,906	90,078
Euro	–	1,848	–

21. BILLS PAYABLES UNDER FINANCING ARRANGEMENT

	THE GROUP		
	At 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Bank bills	443,380	120,000	–
Commercial bills	30,000	40,000	–
	473,380	160,000	–

(a) Bank bills

During each of the years ended 31 December 2009 and 2010, Jiangnan Cable and certain of its suppliers, being independent parties not related to the Group (the "Suppliers"), entered into financing arrangements with certain PRC commercial banks. Under these arrangements, Jiangnan Cable instructed the relevant banks to issue bank bills to the Suppliers at certain face amounts with pledged bank deposits ranged from 29% to 100% of the face amount of bank bills. These bank bills were used by the Suppliers to present to other PRC commercial banks for discounting and then remitted the proceeds from bills discounting back to Jiangnan Cable. During each of the years ended 31 December 2009 and 2010, bank bills of total amount in aggregate of RMB1,200,376,000 and RMB277,000,000, respectively, were issued to the Suppliers under these financing arrangements. At 31 December 2009 and 31 December 2010, there were bank deposits of RMB348,410,000 and RMB30,000,000, respectively, that were pledged to these PRC commercial banks for these financing arrangements.

At 31 December 2009 and 31 December 2010, the above bank bills issued while remained outstanding carry interest ranging from 1.76% to 2.54% and 4.08% per annum, respectively. These related interest expenses of RMB10,644,000 and RMB3,815,000 were incurred and recognised as finance costs by Jiangnan Cable for each of the years ended 31 December 2009 and 2010, respectively. As the Group ceased to enter such bills financing activities since November 2010, no related finance costs were incurred during the period from 1 November 2010 to 31 December 2011.

Jiangnan Cable has ceased the above financing arrangement effective from February 2011 when all the related bank bills were settled.

(b) Commercial bills

Also, during each of the years end 31 December 2009 and 2010, Jiangnan Cable and the Suppliers have entered similar financing arrangement to (a) above with commercial bills issued by Jiangnan Cable. Under these financing arrangements, Jiangnan Cable issued commercial bills guaranteed by Jiangnan Cable to the Suppliers at certain face amounts (without the requirement of placing any pledge bank deposits). These commercial bills were used by the Suppliers to present to the PRC commercial banks for discounting and then remitted the proceeds from bills discounting back to Jiangnan Cable. During each of the years ended 31 December 2009 and 2010, commercial bills of total amount in aggregate of RMB60,000,000 and RMB80,000,000, respectively, were issued by Jiangnan Cable to the Suppliers under this financing arrangement.

At 31 December 2009 and 31 December 2010, the above commercial bills while remained outstanding carry interest at 3.93% and 4.96% per annum, respectively. These related interest expenses of RMB1,039,000 and RMB984,000 were incurred and recognised as finance costs by Jiangnan Cable for each of the years ended 31 December 2009 and 2010, respectively. As the Group ceased to enter such bills financing activities since November 2010, no related finance costs were incurred during the period from 1 November 2010 to 31 December 2011.

Jiangnan Cable has ceased the above financing arrangement effective from April 2011 when all the related commercial bills were settled.

22. AMOUNTS DUE TO DIRECTORS

	THE GROUP		
		At 31 December	
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Directors of the Company			
– Mr. Rui Fubin	47,150	54,337	12,866
– Mr. Rui Yiping	16,452	19,162	205
– Mr. Jiang Yongwei	–	–	97
– Ms. Xia Yafang	–	–	146
	63,602	73,499	13,314

The amounts represented advance from directors for the daily operation of the Group. The amounts were unsecured, non-interest bearing and repayable on demand. The amounts will be settled upon Listing.

Included in amounts due to directors are the following amounts denominated in currencies other than the functional currency of the group entity that it relates:

	THE GROUP		
		At 31 December	
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Hong Kong Dollars	–	–	10,117

23. AMOUNT DUE TO A DIRECTOR OF A SUBSIDIARY

The amount represented amount due to a director of SA Asia Cable, Mr. Dong Bocheng, which was unsecured, non-interest bearing and has no fixed repayment term. The amount was advanced for the daily operation of SA Asia Cable and was fully repaid in January 2011.

24. BANK BORROWINGS

	THE GROUP At 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
Secured	40,500	–	199,725
Secured and guaranteed by:			
– independent third parties	–	–	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
– directors, family members of directors, related companies and independent third parties	488,600	603,600	50,000
– directors, family members of directors and related companies	70,000	–	–
	918,600	993,600	1,401,825

	THE GROUP At 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
The bank borrowings are repayable as follows:			
Within one year	918,600	913,600	1,401,825
More than one year, but not exceeding two years	–	80,000	–
	918,600	993,600	1,401,825
Less: Amount due within one year shown under current liabilities	(918,600)	(913,600)	(1,401,825)
	–	80,000	–

	THE GROUP At 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
The bank borrowings comprise:			
Variable rate borrowings	128,600	253,600	752,825
Fixed rate borrowings	790,000	740,000	649,000
	918,600	993,600	1,401,825

At 31 December 2009, 31 December 2010 and 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.

At 31 December 2009 and 31 December 2010, the variable rate bank borrowings carried interest ranging from PBOC rate to 110% of PBOC rate per annum. At 31 December 2011, the variable rate bank borrowings carried interest ranging from PBOC rate to 120% of PBOC rate per annum.

All bank borrowings are denominated in Renminbi at 31 December 2009, 31 December 2010 and 31 December 2011.

Certain bank borrowings and bills payables by the Group are secured by certain of the Group's assets. The carrying values of these assets at the end of each reporting period were as follows:

	THE GROUP At 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
For bank borrowings:			
– property, plant and equipment	130,336	136,305	118,700
– land use rights	53,670	52,441	51,212
– inventories	85,275	75,900	165,900
– bills receivables	–	–	53,938
For bank borrowings and bills payables:			
– Pledged bank deposits	437,270	177,322	482,165
	706,551	441,968	871,915

25. GOVERNMENT GRANTS

	THE GROUP At 31 December		
	2009	**2010**	**2011**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	–	–	–
Addition during the year	–	–	5,260
At end of the year	–	–	5,260

In December 2011, the Group received government subsidies of RMB5,260,000 in relation to capital expenditure on property, plant and equipment made by the Group in 2010. The relevant conditions of the subsidies has been fulfilled before recognition and such subsidies were non-recurring in nature. The amount has been treated as deferred income and will transfer to income over the useful lives of the relevant assets.

26. DEFERRED TAXATION

The following is the deferred tax liability recognised by the Group and movements thereon during the Track Record Period:

THE GROUP	Tax on undistributed earnings *RMB'000*
At 1 January 2009	1,802
Charged to profit or loss for the year	4,131
At 31 December 2009	5,933
Charged to profit or loss for the year	5,697
At 31 December 2010	11,630
Charged to profit or loss for the year	8,615
At 31 December 2011	20,245

Under the New EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. Deferred tax liability on the undistributed profits earned during the years ended 31 December 2009, 2010 and 2011 have been accrued at the tax rate of 10% on the expected dividend stream of 25% on the undistributed profit of Jiangnan Cable which is determined by the directors of the Company.

27. SHARE CAPITAL AND CAPITAL RESERVE

The Company was incorporated and registered as an exempted company in the Cayman Islands on 4 January 2011 with an authorised capital of HK$100,000 divided into 10,000,000 ordinary shares of HK$0.01 each. Upon incorporation of the Company, one share of HK$0.01 each was issued at nil paid.

The share capital at 31 December 2009 and 31 December 2010 represented the then issued and fully paid share capital of Extra Fame. The share capital at 31 December 2011 represented the then issued and fully paid share capital of Extra Fame and the Company.

Pursuant to an Investment Agreement dated 1 July 2010 entered into between Extra Fame and two independent third parties – Furui Investments and Sinostar, Furui Investments had agreed to subscribe for 2.31% of the issued share capital of Extra Fame at the total subscription price of US$5,500,000 (approximately RMB36,303,000) while Sinostar had agreed to subscribe for 1.89% of the issued share capital of Extra Fame at the total subscription price of US$4,500,000 (approximately RMB29,703,000). The subscription price was fully settled by Furui Investments and Sinostar in cash in November 2010. On 14 January 2011, 241,127 shares of US$1 each in the capital of Extra Fame (representing an approximately 2.31% of the enlarged issued share capital of Extra Fame) were issued to Furui Investments and 197,286 shares of US$1 each in the capital of Extra Fame (representing an approximately 1.89% of the enlarged issued share capital of Extra Fame) were issued to Sinostar pursuant to the Investment Agreement.

At 31 December 2010, consideration of US$10,000,000 (approximately RMB66,006,000) received by Extra Fame in November 2010 was classified as capital contribution from Furui Investments and Sinostar as the shares of Extra Fame were issued to them in January 2011.

28. OPERATING LEASE COMMITMENTS

At the end of each reporting period, the Group's total future minimum lease payments under non-cancellable operating lease in respect of rented office premises which fall due as follows:

	THE GROUP At 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Within one year	193	247	443
In the second to fifth years inclusive	142	–	584
	335	247	1,027

The lease is negotiated for a lease term of 1 to 2 years at fixed monthly rental.

29. CAPITAL COMMITMENT

	THE GROUP At 31 December		
	2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure contracted for but not provided in the Financial Information in respect of acquisition of property, plant and equipment	25,512	9,178	7,983

30. RETIREMENT BENEFITS SCHEMES

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,000 per month for each employee.

31. RELATED PARTY TRANSACTIONS

Other than the transactions and balances with related parties disclosed in notes 20, 21, 22, 23 and 24, during the Track Record Period, the Group has the following significant transactions and balances with related parties:

		THE GROUP Year ended 31 December		
Name of related company	**Nature of transactions**	**2009**	**2010**	**2011**
		RMB'000	*RMB'000*	*RMB'000*
Jiangsu Zhongmei Cable Group Co., Ltd. ("Zhongmei Cable") (江蘇中煤電纜股份有限公司) – *note (i)*	Sales of goods	62	–	–
	Purchase of goods	1,858	–	–

In the opinion of the directors of the Company, the above transactions were conducted on usual course of the Group's business.

Name of related company	Nature of balance	THE GROUP At 31 December 2009	2010	2011
		RMB'000	*RMB'000*	*RMB'000*
Wuxi Jiangnan Wire and Cable Co., Ltd. ("Wuxi Jiangnan") (無錫市江南線纜有限公司) – *note (ii)*	Trade payables	27,127	–	–

At the end of each reporting period, the following related companies provided guarantees to the Group's short-term bank borrowings and bank and commercial bills issued by the Group of carrying amount of:

Name of related company	THE GROUP At 31 December 2009	2010	2011
	RMB'000	*RMB'000*	*RMB'000*
Zhongmei Cable – *note (i)*	140,000	–	–

Notes:

(i) The son-in-law of Mr. Rui Fubin, a director of the Company, is the legal representative and the director of, and directly controls 73.93% of the equity interest in, Zhongmei Cable. The principal activities of Zhongmei Cable is manufacture of and trading in wires and cables.

(ii) Mr. Rui Fubin and Mr. Rui Yiping, directors of the Company, were the directors of, and directly controlled 100% of the equity interest in, Wuxi Jiangnan. Wuxi Jiangnan was subsequently deregistered on 11 May 2010. Wuxi Jiangnan was engaged in the manufacture of and trading in cables and wires before the deregistration.

During the year ended 31 December 2009, Zhongmei Cable made aggregate advances of RMB68,000,000 to the Group for general operating purposes and these advances were fully repaid by the Group in the same year. These advances were unsecured, non-interest bearing and repayable on demand.

The directors of the Company have represented that the above transactions will be discontinued after the Listing.

The details of remuneration of key management personnel, represents the emoluments of directors of the Company paid during the Track Record Period are set out in note 12.

F. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's immediate and ultimate holding company is Power Heritage, a company which is incorporated in the British Virgin Islands.

G. DIRECTORS' REMUNERATION

Save as disclosed in the Financial Information, no other remuneration has been paid or payable by the Group to the directors of the Company in respect of the Track Record Period.

H. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to 31 December 2011:

(a) On 25 February 2012, by resolution of the then sole shareholder of the Company, Power Heritage, the authorised share capital of the Company was increased from HK$100,000 to HK$100,000,000 by the creation of an additional 9,990,000,000 shares of HK$0.01 each.

(b) On 25 February 2012, all the shareholders of Extra Fame, namely, Power Heritage, Furui Investments and Sinostar, entered into a share transfer agreement with the Company, pursuant to which the shareholders of Extra Fame transferred the entire issued share capital of Extra Fame to the Company. On 25 February 2012, as the consideration of the acquisition, the Company issued and allotted 9,579,999, 231,000 and 189,000 new shares of the Company to Power Heritage, Furui Investments and Sinostar, respectively, and credited as nil-paid and credited one nil paid share of the Company held by Power Heritage as fully paid. As a result, the Company was held as to 95.8% by Power Heritage, 2.31% by Furui Investments and 1.89% by Sinostar.

(c) On 25 February 2012, shareholders' written resolutions were passed to approve the matters set out in the paragraph headed "Resolutions in writing of all Shareholders passed on 25 February 2012" in Appendix V to the prospectus which includes, conditional upon the granting of the Listing by the Listing Committee of the Stock Exchange and the conditions in the Underwriting Agreements being fulfilled, 1,190,000,000 shares are to be issued and allotted to the Shareholders by way of capitalisation of the sum of HK$11,900,000 (approximately RMB9,639,000) standing to the credit of the share premium account of the Company, such shares ranking pari passu in all respect with the existing issued shares of the Company.

I. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to 31 December 2011.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong